



CORPORATE GOVERNANCE 2011

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**REPORT ON CORPORATE GOVERNANCE AND
ON THE COMPANY'S OWNERSHIP STRUCTURE
2011**

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This Report on Corporate Governance and on the Company's Ownership Structure (hereinafter the "Governance report") and the Bylaws are available on the Company website (www.edison.it - "Governance - Governance - Bylaws and Corporate Governance Reports").





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STRUCTURE OF THE SHARE CAPITAL

Composition

On February 13, 2012, Edison's share capital totaled 5.291,700,671.00 euros, divided into 5,181,108,251 common shares, par value 1 euro each, equal to 97.91% of the total share capital, and 110,592,420 savings shares, par value 1 euro each, equal to 2.09% of the total share capital.

No financial instruments that convey the right to acquire newly issued shares through subscription are outstanding.

No options awarded to Group employees that convey the right to purchase Edison shares at preset prices (Stock Option Plans) are outstanding and, consequently, no capital increases earmarked for such purpose were carried out.

Rights of the Classes of Shares

The common shares, which are registered shares, convey the right to vote at the Company's Ordinary and Extraordinary Shareholders' Meetings, in accordance with the applicable provisions of the law and the Bylaws, and provide their holders with any additional administrative and property rights attributed to voting shares pursuant to law.

The savings shares, which can be either bearer or registered shares at the holder's request, do not convey the right to vote at the Company's Ordinary and Extraordinary Shareholders' Meetings. Pursuant to the Bylaws, they convey the benefits and have the characteristics that are listed below in addition to those provided pursuant to law:

- A reduction in the share capital to absorb losses does not cause the par value of savings shares to decrease, except for the amount in excess of the aggregate par value of the other shares.
- The expenses incurred to protect the common interests of savings shareholders shall be defrayed through the use of a fund established by a resolution approved by a Special Shareholders' Meeting. The Company shall contribute a maximum of 10,000.00 euros per year to this fund.
- If the savings shares are delisted, they will retain all of the rights attributed to them under the Bylaws and may be converted into common shares according to the terms and conditions determined by a Shareholders' Meeting, which must be held within two months from the date of delisting.
- If the common shares are delisted, the savings shares may be converted upon a simple request by the shareholder, into common shares on a one-for-one basis in accordance with deadlines and conditions to be determined by the Board of Directors.
- The remainder of the earnings shown in the financial statements, after allocating 5% to the statutory reserve, which must be set aside until the reserve reaches one-fifth of the share capital, are distributed to the savings shares up to an amount that may not be greater than 5% of their par value. If in a given fiscal year the savings shares receive a dividend that is less than the abovementioned amount, the difference will be brought forward and added to the preferred dividend over the following four years.
- If no dividend is distributed to the savings shares for five consecutive years, these shares can be converted one for one into common shares, upon a simple request by the shareholder, during the period from January 1 to March 31 of the sixth year.
- Any remaining earnings that the Shareholders' Meeting decides to distribute are allocated to all of the shares such that the savings shares receive a total dividend that is greater than the dividend paid to the common shares by 3% of their par value.
- If reserves are distributed, the savings shares have the same rights as the other shares. However, if the Company has no earnings in a given year, the benefits listed above with regard to earning allocation may be provided by the Shareholders' Meeting through a resolution approving the distribution of reserves.

- Upon liquidation of the Company, the savings shareholders take precedence in the redemption of the share capital up to the full par value of their shares.
- Resolutions to issue new savings shares with the same features as the savings shares outstanding, whether by way of a capital increase or through the conversion of shares of another class, do not require the approval of the holders of savings shares convened in Special Meetings.

In the event of a share capital increase, holders of common and savings shares are entitled to receive a prorated number of rights to acquire newly issued shares of the same class or, lacking such shares or for any difference, shares of another class.

The Company's common shares and savings shares have both been traded on the online stock market operated by Borsa Italiana Spa (hereinafter **Borsa Italiana**) since December 2, 2002.

Powers to Carry out Capital Increases and Authorizations to Purchase Treasury Shares

The Board of Directors has not been granted the power to increase the Company's share capital, as allowed under Article 2443 of the Italian Civil Code, nor is it authorized to purchase treasury shares.

Restrictions to Transfers of Shares, Ownership Limitations and Acceptability Clauses

The Company Bylaws contain no restrictions of the right to transfer shares, no ownership limitations and no acceptability clauses.

SHAREHOLDER BASE

Shareholders with Significant Equity Interests

The table that follows, which is based on the data in the Shareholder Register and reflects communications received pursuant to law and other information available as of February 13, 2012, lists the parties who hold, directly or indirectly (including through third parties, nominees and subsidiaries), an interest greater than 2% of the voting stock (**Significant Equity Interests**):

Shareholder	Number of common shares held	Percentage of voting shares held	Percentage of share capital
- Transalpina di Energia Srl	3,175,053,827	61.281	60.001
- Electricité de France Sa	1,003,009,126	19.359	18.955
Indirectly:			
- MNTC Holding Srl	1,003,009,126	19.359	18.955
- Carlo Tassara Spa	519,415,677	10.025	9.816

A list of shareholders with significant equity interest is available on the Company website (www.edison.it - "Investor Relations" - share capital and shareholders") and on the Consob website (www.consob.it).

Special Controlling Rights

No securities that convey special controlling rights have been issued or are outstanding.

Mechanism for the Exercise of Voting Rights Within an Employee Stock Ownership Plan

There are no employee stock ownership plans.

Voting Right Restrictions

The Bylaws contain no provisions restricting the exercise of voting rights.

Agreements Deemed Significant Pursuant to Article 122 of Legislative Decree No. 58/1998

The Company is aware of the following Shareholders' Agreements, that qualify as significant pursuant to Article 122 of Legislative Decree No. 58/1998 (Uniform Financial Code):

- (i) A Framework Agreement executed on May 12, 2005 by Electricité de France Sa (hereinafter "EDF"), its WGRM Holding 4 Spa subsidiary (hereinafter "WGRM"), A2A Spa (formerly AEM Spa, hereinafter "A2A") and its Delmi Spa subsidiary (hereinafter "Delmi") for the purpose of acquiring joint control of Edison through a 50-50 joint venture of Delmi and WGRM, subsequently identified as Transalpina di Energia (hereinafter "TdE") (which is not a party to the Agreement).
- (ii) A Shareholders' Agreement executed concurrently by the same parties concerning the joint management and corporate governance of Edison and TdE, which was amended repeatedly, most recently on February 15, 2012.

Based on the communications provided by the contracting parties and the latest update of October 6, 2009, and following the conversion in December 2007 of all of the Edison warrants held by TdE, EDF and WGRM3 Holding 3 Spa (merged into MNTC Holding Srl in 2009), which were the subject of separate agreements, these Agreements (hereinafter "**Governance Agreements**"), taken together, apply to the following securities:

- 3,175,053,827 Edison shares held by TdE, equal to 61.28% of Edison's common share capital;
 - 1,003,009,126 Edison shares held indirectly by EDF through its MNTC Holding Srl subsidiary, equal to 19.36% of Edison's common share capital;
 - 100% of the share capital of TdE, amounting to 3,146,000,000.00 euros, which is wholly owned on a 50-50 basis by WGRM and Delmi.
- (iii) Investment and Shareholders' Agreement executed on July 7, 2005 by A2A (formerly AEM), Dolomiti Energia Spa (hereinafter "Dolomiti Energia"), Società Elettrica Altoatesina, SEL Spa (hereinafter "SEL"), Mediobanca Spa (hereinafter "Mediobanca"), Banca Popolare di Milano Scarl (hereinafter "Banca Popolare di Milano") and Fondazione Cassa di Risparmio di Torino (hereinafter "Fondazione Cassa di Risparmio di Torino"), and a subsequent agreement amending and supplementing the earlier stipulations, which was executed on July 18, 2005 by the abovementioned parties and Iren Spa (formerly Enia Spa, hereinafter "Iren"). These two agreements governed the following: the inclusion of Dolomiti Energia, Mediobanca, Banca Popolare di Milano, Fondazione Cassa di Risparmio di Torino and, subsequently, Enia Spa (now Iren) in Delmi's shareholder base; an increase of SEL interest in Delmi; capitalization and financing commitments by Delmi's shareholders; and the relationships between and interests of the signatories with respect to the organization and operations of Delmi and, limited to certain issues, of TdE and Edison. These Agreements were amended repeatedly, most recently, on February 28, 2012.

Based on the communications provided by the contracting parties and the latest update of February 26, 2011 and following the exercise of all of the Edison warrants held by TdE, which are covered by the Agreements at 50%, these Agreements cover the following securities:

- 100% of Delmi's share capital (amounting to 1,466,868,500 euros) and, indirectly:
 - the 50% interest in the equity capital of TdE held by Delmi;
 - Edison common shares held indirectly by Delmi through TdE, equal to 50% of the total number of Edison shares held by TdE, which was equal to 1,587,526,913.5 Edison common shares (equal to 30.64% of the total number of Edison common shares).
- (iv) Shareholders' Agreement executed on July 7, 2005 by Mediobanca, Banca Popolare di Milano and Fondazione Cassa di Risparmio di Torino (Delmi's financial shareholders) covering the mutual obligation to provide information and communication of voting decisions made by the parties to the Agreement ahead of meetings of Delmi's Management Committee and of meetings of the Boards of Directors and Shareholders' Meetings of Delmi, TdE and Edison. The Agreement also governs how votes will

be cast at the abovementioned meetings and the inclusion of new shareholders in Delmi's shareholder base. This Agreement was amended repeatedly, most recently, on December 14, 2011. Based on the communications provided by the contracting parties and the latest update of May 17, 2008, this Agreement covers 205,361,590 Delmi shares, equal to 14% of Delmi's share capital. Abstracts of the abovementioned Shareholders' Agreements were communicated to the public and are available at the Consob website (www.consob.it).

Change of Control Clauses

Information about significant agreements executed by Edison or its subsidiaries who are parties to the Agreements at December 31, 2011, as defined in Article 93 of Legislative Decree No. 58/1998, that could become enforceable or could be subject to change or cancellation in the event of a change in Edison's control is provided below.

Financing Facilities

A change of control, which shall be understood to have occurred if control is gained by parties other than those included in the groups that comprise Edison's current chain of control, could have a material impact in connection with the following:

- 1) The 1,500-million-euro syndicated facility provided to Edison by a pool of banks in April 2006 (see the notes to the separate and consolidated financial statements);
- 2) The loan agreement for a 250-million-euro facility provided to Edison by the European Investment Bank to finance the conversion of some gas fields owned by Edison Stocaggio Spa into underground gas storage facilities (see the notes to the separate and consolidated financial statements).

In both cases, if the bank pool or the European Investment Bank were to reasonably believe that a change of control, as defined above, had occurred or was about to occur, such event could justify a request for early repayment of the credit lines. However, in the case sub 1), under certain circumstance, the abovementioned right appears to be conditional on the requirement that a majority of the lender banks can reasonably prove that the new ownership structure would render Edison unable to perform its contractual obligations or, otherwise, impair the contract's validity or performance.

Commercial Agreements

If it resulted in a downgrading of Edison's credit rating, a change in the parties that exercise control over Edison could have a material impact on the following contracts:

- Annual natural gas transmission contract executed with Snam Rete Gas Spa on September 19, 2007: in order to maintain access to the transmission infrastructures, Edison would be required to provide a bank guarantee enforceable on sight for an amount equal to one-third of the maximum annual fee payable for transmission capacity;
- Regasification contract executed with Terminale GNL Adriatico Srl on May 2, 2005 for a term of 25 years counting from the date of the first LNG delivery to the terminal (November 2, 2009): in order to maintain access to the transmission infrastructure, Edison would be required to provide a bank guarantee enforceable on sight for an amount equal half the maximum annual fee payable.

Insofar as long-term natural gas supply contracts are concerned, two contracts to import natural gas signed with Sonatrach (an Algerian state company) on July 25, 2006 and November 15, 2006, respectively, are relevant with regard to change of control. The first contract went into effect in the second half of 2008, following the completion of the first phase of the expansion of the natural gas pipeline that links Algeria with Italy by way of Tunisia. The second contract is scheduled to go into effect once Galsi (a company owned by Sonatrach, Edison and minority shareholders) completes the construction of a pipeline linking Algeria with Sardinia and Tuscany, which is currently in the development phase. Both contracts contain stipulations whereby Sonatrach can cancel the contract without being required to pay compensation if there is a change in Edison's control.

Shareholders' Agreements

The shareholders' agreement signed on July 3, 2008 by Edison International Holding NV (100% Edison Spa), Hellenic Petroleum Sa and Hellenic Petroleum International Ag (100% Hellenic Petroleum), the subject of which is Elpedison BV (formerly Edison Nederland BV - a company owned 50% by Edison International Holding and 50% by the Helpe Group), to which two combined-cycle power plants in Greece (at that time, one under construction in Thisvi and one already being operated by T-Power) were conveyed in 2009 through the Greek subsidiary Elpedison Power (formerly T-Power), contains a clause whereby, should Edison cease to be the controlling shareholder of Edison International Holding NV, Hellenic Petroleum Sa shall have the right to exercise a call option for 50% of the equity interest at a price determined in accordance with criteria set forth in the shareholders' agreement.

The shareholders' agreement signed on June 11, 2008 by Edison International Holding NV (100% Edison) and DEPA Sa, a Greek company, the subject of which is IGI Poseidon Sa, a Greek company established to develop, build and operate a Greece-Italy gas pipeline that will run for 200 kilometers under the sea between the Greek coast and the coast of Apulia, pursuant to which (i) if Edison International Holding NV ceases to be controlled, directly or indirectly, by TdE Srl and (ii) the entity taking over control of Edison International Holding is owned or controlled by the government of a country that is not a member of the European Union, DEPA shall have the right to purchase, at a price determined based on criteria set forth in the shareholders' agreement, the number of shares needed to ensure that, following the purchase, Edison International Holding's ownership interest is reduced to not more than 20%.

Controlling Entity and Management and Coordination Authority

The Company is controlled by TdE, which, pursuant to the definition provided in Article 93 of Legislative Decree No. 58/1998, is not controlled by any individual or legal entity. For the sake of full disclosure, it should be noted that TdE is owned in equal shares by two partners: WGRM, a wholly owned subsidiary of EDF, and Delmi, a 51% subsidiary of A2A. Delmi's other shareholders are: Iren (15%), SEL (10%), Dolomiti Energia (10%), Mediobanca (6%), Fondazione Cassa di Risparmio di Torino (5%), and Banca Popolare di Milano (3%).

TdE, the Company's controlling shareholder, does not exercise management and coordination authority over Edison Spa. Specifically, TdE has been configured as an equity investment holding company without an independent organizational structure. Consequently, it does not exercise single management authority over Edison, owing also to the fact that the Governance Agreements, by establishing TdE as a joint venture, granted to the parties to the agreements symmetrical and equal powers with regard to the composition and operating procedures of the corporate governance and oversight bodies of TdE and Edison.

As required under Article 2497 *bis* of the Italian Civil Code, virtually all of the Company's direct and indirect Italian subsidiaries, except in certain special cases, have identified Edison Spa as the entity that exercises oversight or coordinating authority over their operations. The only exceptions are some companies in which other shareholders also hold an equity interest and some subsidiaries that are subject to permanent restrictions (such as companies in receivership or in bankruptcy).

OTHER INFORMATION

Severance Indemnities for Directors

The Company is not a party to any agreements with Directors, including the Chief Executive Officer, calling for the payment of indemnities in the event of resignation or termination of the appointment/assignment without cause or if the relationship is terminated due to a tender offer.

Provisions Applicable to the Activities of Shareholders' Meetings (*)

The process of convening and holding Shareholders' Meetings is governed by Title III (Shareholders' Meetings) of the Bylaws, a copy of which is available at the company website (www.edison.it - Governance - Bylaws) and has been annexed to this Report. Additional information is provided in the relevant section of this Report ("Shareholders' Meeting").

Provisions Applicable to the Composition and Activities of the Company's Governance Bodies (*)

The composition and activities of the Company's governance bodies are governed by Articles 14 (Board of Directors), 16 (Corporate Officers - Committees), 18 (Procedures for Convening and Holding Meetings of the Board of Directors and Approving Resolutions) and 22 (Board of Statutory Auditors) of the Bylaws, a copy of which is available at the company website (www.edison.it - Governance - Bylaws) and has been annexed to this Report. Additional information is provided in the relevant sections of this Report ("Board of Directors," "Establishment and Rules of Operation of the Committees of the Board of Directors" and "Board of Statutory Auditors").

Provisions Applicable to the Election and Replacement of Directors and Statutory Auditors (*)

The election and the replacement of Directors are governed by Article 14 (Board of Directors) of the Bylaws, a copy of which is available at the company website (www.edison.it - Governance - Bylaws) and has been annexed to this Report. Additional information is provided in the relevant sections of this Report ("Board of Directors" and "Election of Directors").

The election and replacement of Statutory Auditors are governed by Article 22 (Board of Statutory Auditors) of the Bylaws, a copy of which is available at the company website (www.edison.it - Governance - Bylaws) and has been annexed to this Report. Additional information is provided in the relevant sections of this Report ("Board of Statutory Auditors - Elections").

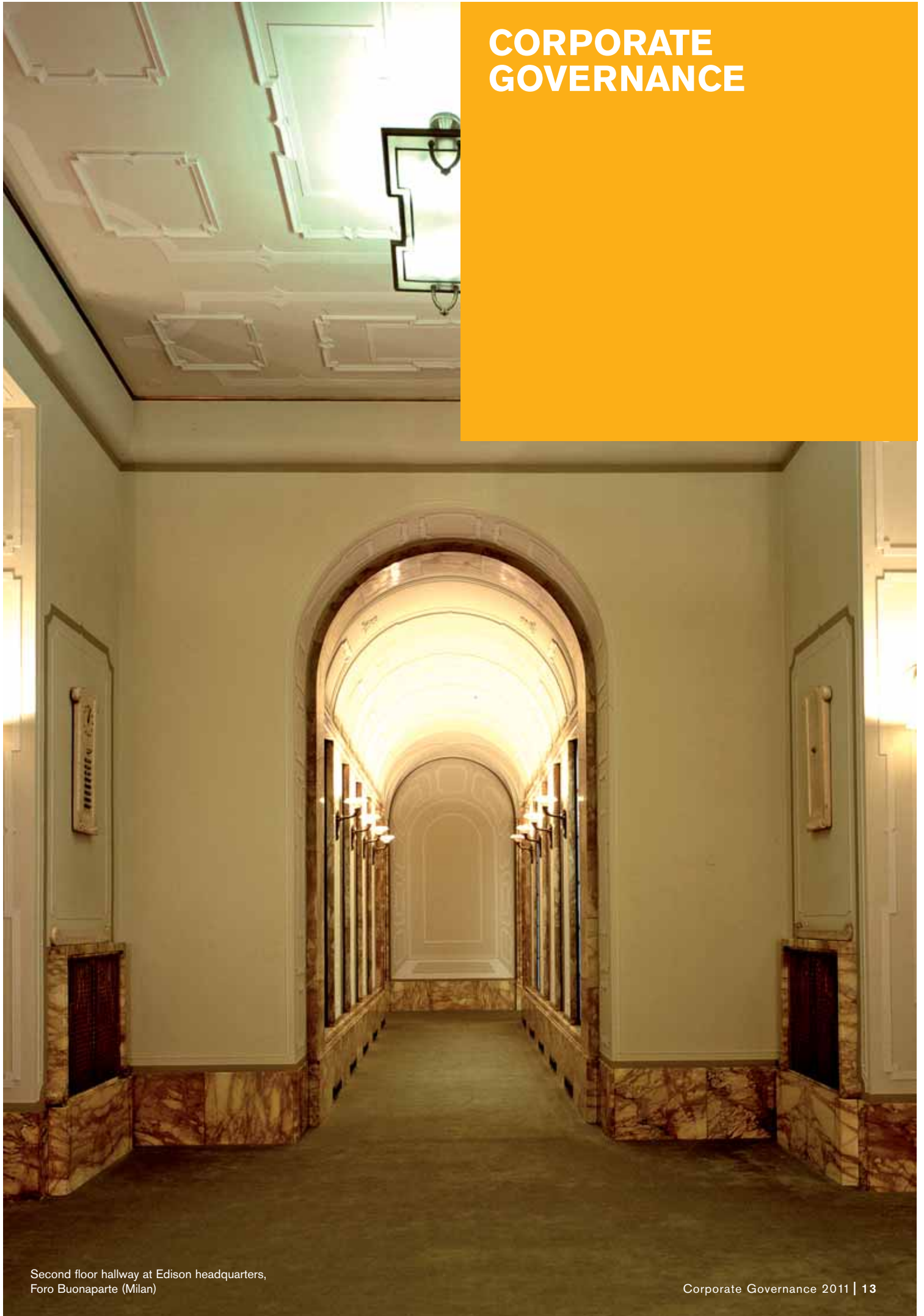
Provisions Applicable to Amendments to the Bylaws (*)

The Bylaws may be amended by a resolution adopted by an Extraordinary Shareholders' Meeting and, limited to amendments required to comply with statutory regulations, by the Board of Directors, as allowed pursuant to Article 17 of the Bylaws.

Pursuant to Article 11 of the Bylaws, a Shareholders' Meeting called to amend the Bylaws shall be deemed to have been duly convened on the first, second or third calling if more than half of the Company's common share capital is represented at the meeting, and resolutions must be adopted by a favorable vote of shareholders holding at least two-thirds of the share capital represented at the Meeting. Pursuant to Article 18 of the Bylaws, a meeting of the Board of Directors called for the same purpose shall be deemed to have been duly convened if at least 10 Directors are in attendance and resolutions must be adopted by a favorable vote of at least 10 Directors.

(*) On March 2, 2012, the Board of Directors agreed to submit to the Shareholders' Meeting of April 24/26, 2012 certain amendments concerning, inter alia, the election, composition and operating procedures of the Company's governance bodies and the Shareholders' Meeting. These amendments are conditional on and will go into effect upon EdF acquiring control of Edison.

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ADOPTION OF CORPORATE GOVERNANCE CODES

Upon the listing of its shares, which occurred in December 2002 subsequent to the absorption of its Montedison subsidiary (a publicly traded subsidiary), the Company adopted the rules of conduct of the Corporate Governance Code promoted by Borsa Italiana. Its system of corporate governance, which is the set of standards and behavior guidelines deployed to ensure the efficient and transparent functioning of its corporate governance and internal control systems (derived from those used by its Montedison subsidiary), was thus configured consistent with the recommendations of the abovementioned Code and was revised from time to time to reflect amendments to the Code. Currently, with the exceptions mentioned below, it is consistent with the rules set forth in the 2006 edition of the Code (the "**Code**"). The Code is available on Borsa Italiana's website (www.borsaitaliana.it).

Moreover, the main rules of corporate governance were set forth in the Governance Agreements (as defined above) implemented to reflect the controlling shareholder structure adopted by the Company on September 16, 2005, when TdE, a joint venture of EDF and Delmi (a 51% subsidiary A2A), became the Company's majority shareholder. To the maximum extent possible, these governance rules were incorporated into Edison's Bylaws. Consistently with the Governance Agreements, this was done to provide the utmost transparency and facilitate the understanding by the financial markets of the Company's rules of corporate governance by incorporating the rules directly in a legal document that, because of the specific disclosure requirements that govern it, is best suited to achieve the desired objective.

This section of the Report incorporates an illustration of the corporate governance structure reviewed by the Board of Directors on February 13, 2012. It also lists, as they apply, the relatively few recommendations of the Code that the Board of Directors chose not to implement and explains the reasons why. This section also provides the disclosures required by the laws and regulations that apply to corporate governance.

In 2012, the Company will carry out the required review to determine the actions or activities that may be needed to implement the December 2011 amended version of the Code.

GOVERNANCE STRUCTURE

Edison's Governance Bodies

Consistent with its status as a company under Italian law with shares traded on a stock exchange that, as mentioned above, follows the Code's recommendations, Edison has adopted a system of corporate governance, based on a conventional organizational model that comprises: the Shareholders' Meeting, the Board of Directors (which operates through the Directors who have executive authority and are empowered to represent the Company, and is supported by Committees established within the framework of the Board of Directors), the Board of Statutory Auditors and the Independent Auditors.

The **Shareholders' Meeting** is the means by which shareholders, through their vote on resolutions, express their will. Resolutions adopted pursuant to law and the Company's Bylaws are binding on all Shareholders, including absent or dissenting Shareholders. However, when permitted, dissenting Shareholders have the right to demand redemption of their shares. The Shareholders' Meeting is convened to adopt resolutions on issues that the law reserves for its jurisdiction in accordance with the laws and regulations that apply to companies listed on regulated markets.

The role of the **Board of Directors** is to define the strategic guidelines that must be followed by the Company and the Group under the Company's control and is responsible for governing its business operations. Accordingly, it enjoys the most ample powers to carry out all actions, including acts of disposition, that it may deem useful for the furtherance of the corporate purpose, the sole exception being those that the law expressly and exclusively reserves for the Shareholders' Meeting. The Board

of Directors delegated some of its management responsibilities to the Chief Executive Officer, in accordance with the conditions specified below, and established four Committees, all of which make recommendations and provide support to the Board. These Committees are: the Strategy Committee, the Audit Committee, the Compensation Committee and the Committee of Independent Directors.

The **Board of Statutory Auditors** monitors the Company's compliance with the applicable laws and its Bylaws and has a management control function, being specifically required to ensure that: the principles of sound management are being followed; the structure of Company's organization, its system of internal controls and its administrative-accounting system are adequate; the Code is being concretely implemented; the procedure adopted by the Company regarding related-party transactions is being complied with; and the Company provided its subsidiaries adequate instructions regarding the obligation to disclose insider information to the market. It is not responsible for performing an independent statutory audit of the financial statements, a task that, pursuant to law, must be entrusted to an independent auditing firm chosen among those listed in a special register. However, it is required to submit to the Shareholders' Meeting a detailed proposal concerning the selection of the Independent Auditors. The Board of Statutory Auditors is also required to perform the functions assigned under current laws to the **Internal Control and Auditing Committee**, created by Legislative Decree No. 39 of January 27, 2010 in implementation of a European Union directive concerning independent statutory audits of annual and consolidated financial statements. Accordingly, it is required to monitor the disclosure of financial information; the effectiveness of internal control, internal auditing and risk management systems; and the independent auditing of annual and consolidated financial statements and the independence of the independent statutory auditors.

The **Independent Auditors retained to perform independent statutory audits of the financial statements** are required by law to ascertain whether the accounting records are properly maintained and record faithfully the results from operations, and whether the separate financial statements and the consolidated financial statements comply with the rules governing their preparation and provide a fair and truthful presentation of the financial position, cash flows and operating result for the period, rendering an opinion on the financial statements and on the consistency of the Report on Operations with the information provided in the financial statements. A similar review of the semiannual financial report is performed by the Independent Auditors on a voluntary basis, pursuant to a recommendation by the Consob. In addition, the Independent Statutory Auditors are required, pursuant to law, to review certain disclosures of the Report on Corporate Governance.

The Independent Auditors perform additional reviews required by industry regulations and provide additional services that the Board of Directors may ask them to perform, provided they are not incompatible with their assignment regarding the independent statutory audit of the financial statements.

The governance structure also includes the Committees comprised of Department/Business Unit managers that the Chief Executive Officer established for support purposes, the system of internal controls, the Code of Ethics, the system of powers and proxies and the organizational structure.

Edison's **Code of Ethics** states that the Group's mission is to supply its customers with energy and high-quality services, working in partnership with its suppliers to develop and deploy more efficient technologies that are compatible with the environment and increase safety. Through these activities, Edison intends to: create value for its shareholders and ensure the long-term growth of the Company, contribute to the well-being and professional development of its employees and partners and transfer innovations to the community and contribute to its economic and social development, while complying fully with the Company's fundamental values of ethical and transparent behavior.

BOARD OF DIRECTORS

Role and Responsibilities

The Board of Directors is responsible for managing the Company directly or by delegating some of its attribution to other governance bodies. Under the Bylaws and pursuant to a resolution adopted by the Board of Directors on April 26, 2011, in order to strengthen the Board's management role, in addition to those attributions that are reserved for the Board pursuant to law and cannot be delegated to individual Directors, the Board of Directors has sole jurisdiction over the following particularly significant matters:

- Decisions concerning the Company's share capital;
- Decisions concerning the approval and revision of Edison's draft statutory and consolidated financial statements, business plan and budget;
- Opening and closing Edison secondary headquarters;
- Designation of the Directors authorized to represent Edison;
- Reduction of the Company's share capital when shareholders request redemption of their shares;
- Amending Edison's Bylaws to comply with statutory requirements;
- Mergers and demergers involving wholly owned and 90% owned subsidiaries;
- Bond issues;
- Purchases or acts of disposition of property, other investments, contracts or transactions involving an amount that exceeds 30 million euros per transaction or series of related transactions, except for the execution of contracts to sell or buy natural gas (provided they have a duration of 12 months or less or, if longer, involve an amount smaller than 30 million euros per transaction or series of related transactions), electric power, other raw materials and securities representing green certificates or rights to release CO₂ emissions, with respect to which there is no limit as to the amounts for which power may be delegated;
- Conveyances or other acts of disposition of equity investments that will result in the Company's losing control of a subsidiary;
- Other purchases, conveyances or other acts of disposition of companies or business operations and investments and interests in other companies, businesses or institutions involving an amount that exceeds 30 million euros per transaction or series of related transactions or a total annual aggregate amount of up to 200 million euros;
- Decisions concerning the exercise of voting rights at Shareholders' Meetings of subsidiaries, except for votes involving companies or issues identified from time to time by the Board of Directors;
- Execution of joint venture and partnership contracts;
- Granting and releasing encumbrances, pledges, collateral, sureties and other guarantees and similar rights on intangible and tangible assets, also for the benefit of third parties, involving an amount in excess of 30 million euros per transaction or series of related transactions or a total annual aggregate amount of up to 200 million euros;
- Granting, receiving or repaying ahead of schedule financing facilities, assumption of debt and other financial transactions of any type (other than the investment of liquidity in financial instruments traded in the money market and derivatives executed to hedge foreign exchange, interest rate and commodity price risks) involving an amount in excess of 200 million euros per transaction or series of related transactions;
- Decisions concerning court proceedings involving an amount that exceeds 30 million euros;
- Appointing and dismissing Edison's Chief Financial Officer.

The authority of the Board of Directors over the approval of the abovementioned issues extends to Edison's subsidiaries as well, except for the following: statutory and consolidated financial statements, budgets, business plans, secondary headquarters, authorization to Directors to represent their company, amendments to Bylaws to comply with statutory requirements and appointing and dismissing Edison's Chief Financial Officer.

In addition, at a meeting held on April 26, 2011, the Board of Directors reaffirmed the decision to reserve for its exclusive jurisdiction all significant related-party transactions, which it specified will include (as explained in greater detail in the section of this Report entitled "Interests of Directors and Related-party Transactions"), in addition to transactions with TdE (the Company's controlling shareholder), TdE's shareholder and any other parties that qualify as related parties, as defined in the IAS principles, transactions with TdE's shareholders, the shareholders of TdE's shareholders and Group companies owned by these parties, all of which have been classified as "Significant Parties" and, in all cases, as required by the related-party procedure approved by the Board of Directors in December 2010, pursuant to the relevant Consob regulation, Highly Material Transactions with A2A, EDF, Iren, Dolomiti and Sel and their respective subsidiaries. More information about this issue is provided in the section of this Report entitled "Interests of Directors and Related-party Transactions."

In 2003 and 2004, the Board of Directors approved, within the framework of a program for the issuance of medium-term debt securities (Euro Medium Term Notes), the issuance of bonds totaling 1,200 million euros in face value, 500 million euros of which were repaid in July 2011. In 2009, the Board of Directors approved the implementation of a new bond issue program of up to 2 billion euros, raised to 3 billion euros in 2010. In 2009, based on this program, it approved the placement of bond issues totaling 1,200 million euros, all of which were placed with qualified investors in 2009 and 2010, and, in 2010, it approved additional bond issues for up to 1 billion euros, including 600 million euros placed thus far with qualified investors. The characteristics and maturities of outstanding bond issues are listed in the Notes to the separate and consolidated financial statements. These bonds are listed on the Luxembourg Securities Exchange.

The Board of Directors also has jurisdiction over the delegation of authority to Directors who perform executive functions and the determination of the compensation payable to Directors who perform special assignments or serve on Committees. It is also responsible for assessing the Company's overall operating performance and the effectiveness of its organization and administrative and accounting system, with special emphasis on the system of internal controls, a task delegated by the Board to the Chief Executive Officer, as explained in the section of this Report entitled "System of Internal Controls."

Information about the actions and assessments of the Board of Directors with regard to these issues is provided in the comments listed in the corresponding sections of this Report.

As required by the Code, it has been for a long time an established practice of the Board of Directors to review on a regular basis the Company's operating performance and compare actual and planned results. As a rule, this comparison is made when financial statements for a reporting period are approved.

Composition

The Bylaws require that the Company be managed by a 12-member Board of Directors. However, if one or more slates are filed by minority shareholders and voted by the Shareholders' Meeting pursuant to Article 147-*ter* of Legislative Decree No. 58/1998, the number of Directors may be increased to 13 to allow the election of a Director by minority shareholders. In order to qualify for election to the Board of Directors, candidates must meet the requirements for service of the relevant laws and regulations. No additional qualification requirements set forth in governance codes, including the statutory requirement that at least two Directors qualify as independent, are mentioned in the Bylaws.

Directors are elected for a maximum term of three years and may be reelected.

The current Board of Directors, which was elected by slate voting by the Shareholders' Meeting on April 26, 2011, has thirteen members.

At December 31, 2011 the following Directors are currently in office:

Giuliano Zuccoli (Chairman) ⁽¹⁾	Elected by the Shareholders' Meeting of April 26, 2011 for one year
Bruno Lescoeur (Chief Executive Officer) ⁽²⁾	
Mario Cocchi ⁽³⁾	
Gregorio Gitti ⁽³⁾	
Gian Maria Gros-Pietro ⁽³⁾	
Jean-Louis Mathias ⁽⁴⁾	
Tomas Piquemal ⁽³⁾	
Henri Proglio ⁽³⁾	
Renato Ravanelli ⁽³⁾	
Paolo Rossetti ⁽³⁾	
Klaus Stocker	Coopted by the Board of Directors on December 21, 2011 to replace Adrien Jami, who resigned.
Andrea Viero ⁽³⁾	
Steven Wolfram	

(1) In office also at the beginning of 2011 and left his post on February 10, 2012.
 (2) In office since January 14, 2001, when he was coopted by the Board to replace Marc Boudier, who resigned.
 (3) In office also at the beginning of 2011.
 (4) In office since January 14, 2001, when he was coopted by the Board to replace Gerald Wolf, who resigned.

The following Directors also served on the Board in 2011:

Adrian Jami	Elected by the Shareholders' Meeting of April 26, 2011, but resigned effective December 21, 2011.
Umberto Quadrino (Chief Executive Officer)	In office until the Shareholders' Meeting of April 26, 2011.
Marco Merler	
Marc Boudier	Resigned effective January 14, 2011.
Gerald Wolf	

All Directors elected by the Shareholders' Meeting of April 26, 2011, with the exception of Mario Cocchi, were elected from the slate filed by TdE, the majority shareholder. Mr. Cocchi, was elected from the only minority slate, which was filed by Carlo Tassara Spa.

On March 2, 2012, the Board of Directors elected the Director Renato Ravanelli to the post of Chairman of the Board of Directors and coopted Mauro Miglio to serve as Director in replacement of Chairman Giuliano Zuccoli, whose term of office ended on February 10, 2012. The term of office of the entire Board of Directors will end with the Shareholders' Meeting convened to approve the 2011 financial statements.

The Governance Agreements that went into effect in September 2005 have not changed in setting at 12 the number of Edison Directors, including 10 representing TdE (of which five designated by EDF and WGRM and five designated by Delmi) and two independent Directors designated one each by EDF/WGRM and Delmi. Choosing not to adopt the Code's recommendations, the Board of Directors refrained from expressing an opinion on the maximum number of posts that may be held, compatibly with the effective performance of the duties of an Edison Director, since it believes that such a determination is primarily a consideration that the shareholders should make when electing Directors and, secondarily, a decision incumbent on each Director when accepting an appointment.

The Annexes to this Report on Corporate Governance include a table that lists the posts that Company Directors in office at December 31, 2011 held at publicly traded companies, at financial, banking and insurance companies and at companies of significant size, and their curricula.

Meetings and Rules of Operation

Meetings of the Board of Directors may be convened by the Chairman or the Chief Executive Officer by means of a written communication, which must be sent at least five days in advance, or at least two days in urgent cases.

Meetings of the Board of Directors may also be convened by the Board of Statutory Auditors or by individual Statutory Auditors, with notice given to the Chairman of the Board of Directors.

Meetings of the Board of Directors may be held via teleconferencing or videoconferencing, provided all participants can be identified and are able to follow the proceedings, participate in real time in the discussion of the items on the Agenda and receive, transmit and review documents.

A meeting of the Board of Directors is validly convened when at least ten Directors are in attendance and approves resolutions by a favorable vote of at least ten Directors. However, if any Directors abstain from voting, resolutions may be approved by unanimous consent, even if less than ten Directors are in attendance.

As a rule, Directors and Statutory Auditors must be provided with notices of meetings and documents explaining the items on the Agenda on a timely basis, except in urgent cases and in instances when there is a particular need for confidentiality. In such cases, however, there must be an exhaustive discussion of the items on the Agenda.

Even though the professional expertise of the members of the current Board of Directors has made them fully capable of understanding the obligations and responsibilities inherent in the office they hold, the Directors receive regular updates about changes in the regulatory framework and their obligations.

In 2011, the Board of Directors met 14 times, with each meeting lasting an average of about two hours. The average attendance of Directors at Board meetings was 93.41%. A breakdown is provided below:

Directors	Number of Board meetings attended in 2011	Percentage
<i>In office at December 31, 2011</i>		
Giuliano Zuccoli	14 of 14	100
Bruno Lescoeur	14 of 14	100
Mario Cocchi	14 of 14	100
Gregorio Gitti	13 of 14	92.86
Gian Maria Gros-Pietro	14 of 14	100
Jean-Louis Mathias	14 of 14	100
Thomas Piquemal	14 of 14	100
Henri Proglio	8 of 14	57.14
Renato Ravanelli	14 of 14	100
Paolo Rossetti	14 of 14	100
Klaus Stocker	10 of 10	100
Andrea Viero	12 of 14	85.71
Steven Wolfram	2 of 2	100
<i>Left post in 2011</i>		
Umberto Quadrino	4 of 4	100
Marc Boudier	0	0
Marco Merler	4 of 4	100
Gerard Wolf	0	0
Adrien Jami	5 of 8	62.50

The attendance of meetings of the Board of Directors by Statutory Auditors in 2011 is shown in a table provided in the section of this Report entitled "Board of Statutory Auditors - Rules of Operation."

With regard to non-compete obligations, we wish to point out that the Shareholders' Meeting (which under the Bylaws has the authority to activate such obligations when electing Directors, should it deem it necessary) did not avail itself of this right and that, in the course of the year, the Board of Directors did not uncover any issues worthy of the attention of the Shareholders' Meeting.

A calendar of meetings of the Board of Directors scheduled for the following year to review annual and interim results is communicated annually to Borsa Italiana, usually in December, and posted on the Company website (www.edison.it - Investor Relations - Financial Calendar). As usual, the 2012 calendar was published in December 2011 and the Company, consistent with the practice followed in recent years, convened a meeting of the Board of Directors in early February to approve the financial statements. Five more meetings have been scheduled for 2012, in addition to the two meetings already held.

Self-assessment by the Board of Directors and Its Committees

In 2011, the Board of Directors conducted a self-assessment process, focusing on the size, composition and performance of the Board itself and on those of its Committees.

As was done earlier for earlier self-assessments, the process was entrusted to the independent Directors, working with the support of the Board's Secretary and the organization under his control. Again this year, a questionnaire was prepared and distributed to the individual Directors, addressing the following issues: size and composition of the Board, handling of Board meetings, performance and efficiency of the Board and its Committees, and assessment of the governance system. The results were presented to the Board of Directors on February 13, 2012.

As was the case in the past, the answers to the questionnaire provided a positive overall assessment of the performance of the Board and its Committees and of the Company's governance. Specifically, the analysis of the data confirmed the results reported in the past two years with regard to: adequate competency and quality of the Directors; constructive discussions among Board members, leading to and facilitating the adoption of necessary decisions; accuracy of documents prepared for Board meetings and of minutes of meetings and adequate explanations of reasons for resolutions; efficient activity by Board Committees; adequate and timely flow of information between the Chief Executive Officer and the Board of Directors; adequate Company governance structure. Compared with the assessments of the previous two years, improvements were found with regard to the role of independent and minority Directors; how the meetings of the Board of Directors are organized; the quality of the preparatory work and research carried out by the Committees to facilitate the adoption of resolutions by the Board of Directors; and the adequacy of the process to assess the system of internal controls and the compensation policy for the Board of Directors. The "Information Guide for Directors" was particularly appreciated and useful. This document, which was prepared by the Company and provided to the Directors upon their election by the Shareholders' Meeting of April 26, 2011, summarizes the main statutory and regulatory provisions and the internal rules of conduct applicable to the Board of Directors and the Board Committees. The Guide also includes for easy consultation the main reference corporate documents (Company Bylaws, rules for the delegation of powers to executive Directors, Committee operating procedures, etc.).

The Board was also informed of the improvement actions taken in response to the suggestions made the previous year. However, it did not identify any new corrective actions that should be implemented in the coming year in addition to those started in 2011, due to the changes that could occur in the Company's stock ownership structure and, consequently, in its governance.



Details of Edison headquarters
at Foro Buonaparte in Milan

EXECUTIVE DIRECTORS

Pursuant to the Bylaws and unless preempted by the Shareholders' Meeting, the Board of Directors has the right to select its Chairman. It can also delegate its powers to one of its members and appoint an Executive Committee and other committees with specific functions, defining their tasks, powers and rules of operation.

Moreover, the Governance Agreements require that Delmi nominate the candidate to the post of Chairman and EDF nominate the candidate to the post of Chief Executive Officer. Pursuant to the Bylaws, the Chairman must be chosen among the candidates identified with odd numbers on the slate filed by the shareholder who owns an absolute majority of the common shares and the Chief Executive Officer among the candidates identified with even numbers on the same slate. The abovementioned Agreements, as incorporated into the Bylaws, define the powers of these two officers, setting forth a clear separation between the functions of the Chairman and those of the Chief Executive Officer.

Under the Bylaws, the Chairman and the Chief Executive Officer represent the Company vis-à-vis third parties and in judicial proceedings. Under the Bylaws, as mentioned earlier, both also have the power to call meetings of the Board of Directors and set the agenda for each meeting. The Chairman, or the person designated to replace the Chairman when he is absent or otherwise unavailable, chairs meetings and coordinates the Board's activities.

The Shareholders' Meeting of April 26, 2011 reelected to the post of Chairman of the Board of Directors Giuliano Zuccoli, who served in the same capacity during the previous term of office of the Board of Directors. Mr. Zuccoli's ended his service on the Board on February 10, 2012 and was replaced as Chairman by Renato Ravanelli, pursuant to a resolution adopted by the Board of Directors on March 2, 2012.

In accordance with the recommendations of the Code and consistent with past practice, the Chairman was not provided with operational authority, as he was given jurisdiction over institutional, guidance and control issues.

On April 26, 2011, the Board of Directors named Bruno Lescoeur Chief Executive Officer. Umberto Quadrino served in that capacity from May 19, 2005.



The Chief Executive Officer was given the most ample powers to manage the Company. Consequently, acting without the support of an additional signatory, he can carry out any actions that are consistent with the corporate purpose, subject to statutory limitations and excluding those transactions that, as indicated above, the Bylaws and resolutions adopted by the Board of Directors have placed under the Board's sole jurisdiction.

At its February 19, 2007 meeting, the Board of Directors delegated to the Chief Executive Officer the task of overseeing the functionality of the system of internal controls, asking him also to identify the main corporate risks and ascertain that the system is adequate, effective and efficient, as explained in greater detail in the System of Internal Controls section of this Report.

Therefore, based on the foregoing considerations, only the Company's Chief Executive Officer, qualifies as an Executive Director according to the Code.

Pursuant to law and the Code, the Bylaws require that the officers to whom power has been delegated report to the Board of Directors and the Board of Statutory Auditors on at least a quarterly basis to explain the work performed in the exercise of their powers. In addition, the Chief Executive Officer has been following for some time the specific practice of including in the Agenda of each meeting of the Board of Directors, irrespective of the time that elapsed from the previous meeting, a report by the CEO on the Company's operations and on major transactions executed by the Company and its subsidiaries that did not require the prior approval of the Board of Directors.

INDEPENDENT DIRECTORS

The current Board of Directors includes three Directors who meet statutory independence requirements and qualify as independent in accordance with the guidelines provided by the Code. They are: Mario Cocchi, Gregorio Gitti e Gian Maria Gros-Pietro.

The Board of Directors chose not to designate a lead independent Director, since it did not believe that the Code's requirements for such a designation exist at this time.

In accordance with the procedure adopted by the Board of Directors to verify the independence of Directors, Directors must declare their eligibility to qualify as independent Directors when slates of candidates for

election are filed and when they are nominated, and their credentials are verified by the Board of Directors at the first meeting held after their nomination. An independent Director must also undertake to inform promptly the Board of Directors of any situation that could undermine his or her ability to meet the independence requirement. Upon approving the Report on Corporate Governance and on the Company's Ownership Structure, the Board of Directors renews the request for credentials from the independent Directors, asking them to confirm that they meet the requirements of the applicable law and the Code. The Board of Directors and the Board of Statutory Auditors, respectively, verify the truthfulness of the affidavits and ascertain whether the abovementioned requirements and procedure are being properly applied. Since 2006, with regard to this review, specific attention is being paid to the new definition of independent Director provided by the Code and, since 2008, to the definition introduced by Legislative Decree No. 58/1998. In 2011, a review was initially performed at the Board meeting of March 14, 2011 and, following the election of the new Board of Directors, was repeated at the meeting of May 9, 2011. The Board of Statutory Auditors reports the findings of its review in its Report to the Shareholders' Meeting.

Eight meetings reserved exclusively for independent Directors were held in 2011 to: select an independent expert retained to verify the assumptions made for impairment test purposes; define and coordinate the preparations for the self-assessment by the Board of Directors; and performs special tasks assigned to the independent Directors, specifically with regard to in-depth analyses of the Company's financial position.

Information about the meeting of the Committee of Independent Directors established by the Board of Directors to evaluate related-party transactions is provided in the section of this Report entitled "Interests of Directors and Related-Party Transactions."

ELECTION OF DIRECTORS

In view of the current structure of the Company's shareholder base and considering the corporate governance rules adopted as a result, there appears to be no need for a Nominating Committee.

In order to allow minority shareholders to elect a Director, the amendments to the Bylaws approved in June 2007 introduced the requirement that Directors be elected on the basis of slates of candidates. Only shareholders who, alone or in combination with other shareholders, represent in the aggregate a percentage of the common share capital equal at least to 1%, based on the Company's stock market capitalization, are entitled to file a slate of candidates, provided, when the slate is being filed by minority shareholders, that the filers are not linked directly or indirectly with the controlling shareholder, its direct or indirect shareholders or other companies in the various groups to which each company belongs.

In addition, the Bylaws, in the latest version, as amended by the Board of Directors, effective November 1, 2010, to comply with the imperative provisions of Legislative Decree No. 27 of January 27, 2010 implementing the E.U. directive that governs shareholders' rights (hereinafter Legislative Decree N. 27/2010), require that nominations be filed at the Company's registered office at least 25 days before a Shareholders' Meeting. The nominations must be accompanied by the following documents: information disclosing the identity of the parties filing slates of candidates; if applicable, an affidavit stating that the filers are not linked to the controlling shareholder, its shareholders and group companies belonging to said shareholders; professional curricula of each candidate, listing any management and control posts held at any other companies and indicating whether a candidate qualifies as an independent Director pursuant to the applicable laws; affidavits by which the candidates attest that there are no issues that would make them incompatible or unelectable or would cause them to be removed from office, that they meet the requirements for election as Directors pursuant to current law and the Bylaws and that they accept the nomination. Pursuant to current regulations, the final deadline for submitting a certification, issued by an intermediary, attesting the total equity interest percentage held by the shareholders filing the slate is currently at least twenty-one days before the date when the

Shareholders' Meeting is convened on the first calling. In any case, pursuant to the Bylaws, individuals who do not meet the requirements of the applicable law and the Bylaws or would be unelectable or would be subject to removal from office pursuant to the relevant laws and regulations may not be elected.

Consequently, at the Shareholders' Meeting of April 26, 2011, which, among other items on its Agenda, was convened to elect a new Board of Directors, the nominations of the candidates and the curricula vitae of the candidates were filed at the Company's registered office by TdE, the Company's controlling shareholder, which at that time owned 61.281% of the voting shares, and by Carlo Tassara Spa, a shareholder who, at the time it filed its slate, owned 10.025% of the voting shares, twenty-five days before the date of the Shareholders' Meeting, together with the documents required pursuant to the Bylaws. No other shareholders filed slates of candidates. At the same time, the curriculum vitae of each Director and the abovementioned documents were posted on the Company website (www.edison.it - "Investor Relations - Documents and Prospectuses - 2011 Archive") twenty-one days before the date of the Shareholders' Meeting. By the same deadline, the main documents required for filing slates of candidates pursuant to the Bylaws and the applicable regulations were combined in a document that was made available to the public by posting it on the Company website (www.edison.it - "Investor Relations - Documents and Prospectuses - 2011 Archive").

More detailed information about the procedures for filling vacancies on the Board of Directors is provided in Article 14 of the Bylaws, a copy of which has been annexed to this Report on Corporate Governance.

COMPENSATION OF DIRECTORS

The compensation of the Board of Directors is determined by the Shareholders' Meeting, while the compensation of the Chairman, the Chief Executive Officer and the Directors who serve on Board Committees is determined by the Board of Directors, upon a proposal by the Compensation Committee and based on the input of the Board of Statutory Auditors.

More detailed information is provided in the special report on compensation approved by the Board of Directors on March 2, 2012 (the "Compensation Report") in accordance with the provisions of the Code and applicable regulations.

ESTABLISHMENT AND RULES OF OPERATION OF THE COMMITTEES OF THE BOARD OF DIRECTORS

In December 2002, upon the listing of its shares on the Online Stock Market and consistent with the Code's recommendations, the Company established within the framework of its Board of Directors an Audit Committee and a Compensation Committee. A Strategy Committee followed in May 2003. The Governance Agreements call for the continued use of these Committees, specifying that each Committee must have four members, two appointed by EDF/WGRM and two appointed by Delmi. On January 1, 2011, these committees were joined by a Committee of Independent Directors, established pursuant to the Consob regulation governing related-party transactions.

The Code's requirement that the independent Directors constitute a majority of members of the Audit Committee and the Compensation Committee was complied with only with respect to the latter. This decision is consistent with the provisions of the Governance Agreements that apply to the designation of members of the Committees of the Board of Directors.

A broad outline of the powers attributed to each Committee (except for the Committee of Independent Directors) is defined in the Governance Agreements. They were later specified and formally established by the Board of Directors, most recently at meetings held on April 26, 2011 and May 13, 2011, making the powers of the Compensation Committee consistent with the new rules introduced by Article 7 of the Code.

Each Committee has its internal operating rules, which were submitted to the Board of Directors for approval, can hold meetings through audio/videoconferencing and relies on the support of the appropriate corporate department. A Secretary of the Committee must draw up minutes of each Committee meeting. Each Committee must provide regular reports to the Board of Directors on the work performed.

STRATEGY COMMITTEE

The Board of Directors assigned to the Strategy Committee the task of developing, assessing and submitting to the Board of Directors strategic options for Edison and its Group companies. When appropriate, the Committee may rely on the support of external consultants paid by the Company.

The Strategy Committee in office at December 31, 2011 was comprised of four non-independent Directors, three of whom do not have executive authority. They were: Giuliano Zuccoli (Chairman), Bruno Lescoeur (appointed to the Committee on January 14, 2011), Jean Louis Mathias (appointed to the Committee on April 26, 2011) and Renato Ravanelli.

Marc Boudier and Umberto Quadrino were members of this Committee until January 14, 2011 and April 26, 2011, respectively.

On March 2, 2012, Renato Ravanelli was named Committee Chairman and Mauro Miglio, a non-independent and non-executive Director, was appointed to the Committee to replace Giuliano Zuccoli.

Meetings of the Strategy Committee are duly convened when a majority of its members are present, provided that the absent Director consented to the meeting being held, and adopts resolution with an absolute majority of the votes.

The Committee may invite employees and experts to attend its meetings in a merely consultative function. As a rule, the Company's Chief Financial Officer and Chief Operating Officer attend Committee meetings. The Chairman of the Strategy Committee and the Chief Executive Officer may each invite another Director to attend meetings in a consulting capacity. The Committee formulates recommendations about issues that should be included in the agenda of meetings of the Board of Directors. In any case, it meets on a regular basis, preferably a few days in advance of meetings of the Board of Directors for which it is required to provide preparatory work in its areas of expertise. The Strategy Committee communicates to the Board of the Directors the resolutions it adopted, which may take the form of a proposal, at the first Board meeting held after each Committee meeting.

The Chief Financial Officer provides the Committee with support in organizing its meetings. The Strategy Committee met three times in 2011, focusing on: the progress made in renegotiating long-term contracts with take-or-pay clauses; reviewing and preparing the Budget and Business Plan; the strategy concerning the Company's domestic market and its international development and related activities; and financial strategies.

The average attendance of Directors at Committee meetings was 100%. A breakdown is provided in the table below.

Committee members	Number of Committee meetings attended in 2011	Percentage
<i>In office at December 31, 2011</i>		
Giuliano Zuccoli	3 of 3	100
Bruno Lescoeur	3 of 3	100
Jean Louis Mathias	3 of 3	100
Renato Ravanelli	3 of 3	100
<i>Left post in 2011</i>		
Marc Boudier	-	-
Umberto Quadrino	-	-

COMPENSATION COMMITTEE

The current Board of Directors, based also on recommendations provided by the Committee itself and consistent with the Code's guidelines, assigned to the Compensation Committee the following tasks:

- a) Submit recommendations and/or proposals to the Board of Directors concerning:
 - the general policy about the compensation of the Chairman of the Board of Directors, the Chief Executive Officer and other Directors who perform special functions within the Company (including Directors who serve on Board Committees) and assess periodically its effectiveness, overall consistency and correct implementation, also vis-à-vis the market;
 - consistent with the abovementioned general policy, submitting recommendations about the compensation of the Chairman of the Board of Directors, the Chief Executive Officer and other Directors who perform special functions and the definition of performance targets related to the short-term and medium/long-term variable component, for those Directors who are awarded such a component;
 - monitoring the implementation of the resolutions adopted by the Board of Directors regarding the compensation of the abovementioned parties, verifying that the performance targets have in fact been achieved and, consequently, submit to the Board of Directors proposals for determining the amount of the variable component based on the results achieved;
 - providing opinions and recommendations with regard to any stock option plans or other long-term incentive (LTI) plans.
- b) Review proposals by the Chief Executive Officer concerning the compensation of the Chief Financial Officer and the Chief Operating Officer and render an opinion about such proposals.
- c) Evaluate the guidelines and criteria concerning management's compensation and render the corresponding opinion.

With regard to the compensation of Directors who perform special functions, if the Committee composition criteria can be met (i.e., if the majority of the Committee members are independent Directors), the Committee may act in the capacity as, and render the opinion required of, the Committee of Independent Directors referred to in the Procedure Governing related-party Transactions approved by the Board of Directors. Please note that the current Compensation Committee meets the abovementioned criteria and, consequently, it rendered opinion in such capacity in 2011.

The Compensation Committee is comprised of four non-executive Directors, including three independent Directors. Its members, in 2011 and currently, include: Gregorio Gitti (Chairman and independent), Marc Boudier until January 14 and Jean-Louis Mathias subsequently, Mario Cocchi (independent) and Gian Maria Gros-Pietro (independent). Considering the professional competencies and the experience of the Committee members, the Code's recommendation about adequate financial knowledge and expertise is met.

Committee meetings are duly convened when a majority of its members are present, provided that the absent Director consented to the meeting being held, and adopts resolution with an absolute majority of the votes.

From time to time, the Chairman of the Committee, may invite employees and independent experts to attend meetings in a consulting capacity. As a rule, the Chairman of the Board of Statutory Auditors is invited to attend Committee meetings.

The Chairman and the Chief Executive Officer have the right to attend Committee meetings exclusively to become cognizant of its deliberations, it being understood that they may never be present when issued concerning their compensation are discussed by the Committee.

The Committee Chairman provides the Chairman of the Board of Directors and the Chief Executive Officer with recommendations about items that should be included in the Agenda of Board meetings. At the first Board meeting held after each Committee meeting, the Committee Chairman communicates to the Board of the Directors the resolutions adopted by the Committee, which may take the form of a proposal, with regard to issues within its jurisdiction.

Even though the Board of Directors did not approve a specific budget, the Committee is provided on an ongoing basis with the financial resources it needs to perform the tasks assigned to it.

The secretary to the Board of Directors and the manager of the Human Resources Department provide the Committee with support in organizing its meetings.

In 2011, the Compensation Committee met seven times. On those occasions:

- It verified the achievement of the targets tied to the variable portion of the compensation for 2010 and, specifically, the Long-Term Incentive (LTI) payable to the eligible executives, including the Chief Executive Officer, and proposed the targets upon which the variable portion of the compensation for the Chief Executive Officer and other members of top management would be based in 2011.
- Acting in its capacity as the Committee of Independent Directors and taking into account the provisions of the new Article 7 of the Code, it rendered its opinion concerning the compensation of Directors who perform special functions;
- It defined a new LTI plan for management and the applicable regulations, which were approved by the Board of Directors in 2011, with the first cycle starting in 2011;
- It reviewed the guidelines for the Group's management compensation policy for 2011 and render its opinion to the Board of Directors, based on an analysis on the current trend of the market and taking into account the resulting competitive position of the company and the current general economic scenario.

The Committee held two meetings since the beginning of 2012 during which it reviewed the compensation policy guidelines, as described in a special Compensation Report, prepared for submission to the Shareholders' Meeting, and verified the level of achievement of the target chosen as benchmarks for the variable component of the compensation payable to the Chief Executive Officer and other members of top management in 2011. It also reviewed an initial proposal for the 2012 targets.

The Committee submitted its recommendations to the Board of Directors for review and approval, insofar as issues under the Board's jurisdiction are concerned, and shared with the Chief Executive Officer any considerations concerning issues under his jurisdiction.

In 2011, the average attendance of Directors at Committee meetings was 100%. A breakdown is provided in the table below.

Committee members	Number of Committee meetings attended in 2011	Percentage
<i>In office at December 31, 2011</i>		
Gregorio Gitti	7 of 7	100
Mario Cocchi	7 of 7	100
Gian Maria Gros-Pietro	7 of 7	100
Jean-Louis Mathias	7 of 7	100
<i>Left post in 2011</i>		
Marc Boudier	-	-

AUDIT COMMITTEE

The current Board of Directors, taking into account recommendations received from the Committee itself, assigned to this Committee responsibility for providing consulting support and making recommendations in connection with the following tasks:

- a) Together with the Corporate Accounting Documents Officer and the Independent Auditors, assess the correct use of the accounting principles and their consistency with those used in the consolidated financial statements and review the accounting treatment of the principal corporate transactions, particularly with regard to their effect on financial reporting;
- b) Help the Board of Directors in assessing the effectiveness of the system of internal controls and the risk management process, relying for this purpose on the support of the Internal Control Officer, a function performed by the Manager of the Internal Control Systems Department;
- c) Review the work plan submitted by the Internal Control Officer and the reports provided periodically by the Internal Control Officer with regard to the items listed in the preceding paragraph;
- d) Upon request by the Board of Directors or the Director responsible for overseeing the functionality of the system of internal controls, provide opinions concerning specific aspects of the system of internal controls and the risk management system;
- e) Evaluate the work plans for independent audits and review the findings of audit reports and the suggestions contained in the management letter;
- f) Carry out all other tasks assigned to it by the Board of Directors;
- g) Report to the Board of Directors at least semiannually, when the Annual Report and the Semiannual Report are approved, on the work it has performed and on the effectiveness of the Company's system of internal controls.

Currently, the Audit Committee is comprised of four non-executive Directors, including one independent Director. In 2011, its members were: Thomas Piquemal (Chairman), Gian Maria Gros-Pietro (independent), Marco Merler, until April 26, 2011, when he was replaced by Klaus Stocker, and Andrea Viero.

Its current membership is consistent with the guidelines of the Code, which recommends that at least one of its members should be experienced in accounting and financial issues (Thomas Piquemal).

Committee meetings are duly convened when a majority of its members (i.e., at least three Directors) are present. Resolutions are adopted with an absolute majority of the votes.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor that he designates, the Chief Financial Officer and the Chief Operating Officer (the latter in a consulting capacity) are invited to attend meetings of the Audit Committee on a regular basis. From time to time, the Chairman of the Committee may also invite employees and independent experts, including a representative of the Independent Auditors, to attend meetings in a consulting capacity.

Even though the Board of Directors did not approve a specific budget, the Committee is provided on an ongoing basis with the financial resources it needs to perform the tasks assigned to it.

The Internal Control Systems Department provides the Committee with support in organizing its meetings. The manager of the Internal Control Systems Department serves as the Committee's secretary.

The Committee is required to meet at least four times a year.

At the first Board meeting held after each Committee meeting, the Committee Chairman communicates to the Board of the Directors the resolutions adopted by the Committee, which may take the form of a proposal, with regard to issues within its jurisdiction.

The Committee met six times in 2011 and once since the beginning of 2012. On those occasions it reviewed the following:

- The 2010 and 2011 annual consolidated financial statements, the 2011 semiannual financial report, the interim reports on operations for the first and third quarter of 2011, as well as the Independent Auditors' findings on the annual financial statements and semiannual report;
- The 2012 forecast data, limited to financial issues, prior to their submission to the Board of Directors;
- The risk limits and the map of the main risks (Enterprise Risk Management process);
- The progress made in implementing the 2011 Audit Plan, the audit findings and the 2012 Audit Plan.

This Committee reported twice to the Board of Directors about the work it performed and the adequacy and functionality of the system of internal controls.

The average attendance of Directors at Committee meetings was 100%. A breakdown is provided in the table below.

Committee members	Number of Committee meetings attended in 2011	Percentage
<i>In office at December 31, 2011</i>		
Thomas Piquemal	6 of 6	100
Gian Maria Gros-Pietro	6 of 6	100
Klaus Stocker	4 of 4	100
Andrea Viero	6 of 6	100
<i>Left post in 2011</i>		
Marco Merler	2 of 2	100

COMMITTEE OF INDEPENDENT DIRECTORS

This Committee performs the tasks reserved for its jurisdiction by the Consob regulation that governs related-party transactions and the relevant procedure adopted by the Company in December 2010 (Internal Related-party Procedure). Specifically, the Committee is required to provide in advance a factual opinion about the Company's interest in executing material related-party transactions, classified by the Consob, based on the amount involved and their purpose, as Highly Material or Less Material (as specified in detail in the section of this Report entitled "Interests of Directors and Related-party Transactions"), and whether the transaction's terms and conditions are beneficial and substantively fair. In the case of Highly Material Transactions, the Committee involvement is required starting at the transaction's negotiation phase and a comprehensive and a timely flow of information must be provided to the Committee, which may request additional information.

Pursuant to the Internal Related-party Procedure, the Committee of Independent Directors must be comprised of three non-executive and independent Directors. In addition, none of these Directors may qualify as a related party with regard to an individual related-party transaction about which the Committee is being asked to render an opinion.

The Committee was established by a resolution of the Board of Directors on December 3, 2010 and became operational on January 1, 2011. Its members are the following independent Directors: Mario Cocchi, Gregorio Gitti, and Gian Maria Gros-Pietro.

If a Director is a related party or is otherwise connected with the counterparty in a manner that could impair his independence from the counterparty with regard to the transaction at hand, the affected Director shall disclose this situation to the other members of the Committee and the Alternative, Equivalent Oversight Entities, as specified in the Internal Related-party Procedure (see the section entitled "Interests of Directors and Related-party Transactions"), shall be activated.

Moreover, any member of the Committee of Independent Directors who may have an interest, directly or on behalf of a third party, in a transaction with a related party must disclose this interest to the other Committee members, detailing the nature, timing, origin and scope of said interest.

A meeting of the Committee of Independent Directors shall be deemed to have been validly convened when a majority of its members is in attendance, provided that the absent member expressed his consent to the meeting being held. The Committee approves resolutions by a majority vote of its members, the abstaining members not being counted, or with the unanimous vote of its members, when a two-member Alternative, Equivalent Oversight Entity is activated. If a member abstains or if the two member of which the Alternative, Equivalent Oversight Entity is comprised cast opposing votes, an independent expert will be asked to render an opinion.

The Committee of Independent Directors may request the support of one or more independent consultants of its choosing, retained at the Company's expense. In the case of Less Material Transactions, expenses may not exceed 350,000 euros. There is no limit for Highly Material Transactions but cost may not be demonstrably unreasonable.

Independent consultants retained to support the Committee may be invited to attend Committee meetings. The Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and other Company executives or employees may also be invited merely for information purposes.

The Committee may delegate to its Chairman or another Committee member the task of becoming involved in the information gathering and negotiation phases of Highly Material Transactions. With regard to these transactions, the delegated Committee members have the right to request additional information and make recommendations to the Company's governance bodies or to the parties in charge of the negotiations and the information gathering process.

The Committee must be provided with an adequate flow of information regarding the characteristics of the transactions with regard to which it is being asked to render an opinion before its implementation and is required to promptly submit its opinion to the Board of Directors or to the party with decision-making authority. The methods and timing of the abovementioned information flows are governed by the provisions of the Internal Related-party Procedure. More specifically, in the case of Highly Material Transactions, the Committee involvement is required starting at the transaction's negotiation and discovery phases, during which a comprehensive and a timely flow of information must be provided to the Committee.

In the performance of its work, the Committee is supported by the Corporate Affairs function, which has established a dedicated support unit.

The Committee of Independent Directors met four times in 2011. On those occasions it selected advisors for support in its determinations and reviewed related-party transactions.

The Committee met once since the beginning of 2012 and, subsequently, after assessing the status of Director Cocchi with regard to specific related-party transactions for which the mandatory opinion

required by the relevant Consob regulation was necessary, it activated the Alternative Oversight Entity, comprised of two of the three independent Directors (i.e., Gian Maria Gros-Pietro and Gregorio Gitti).

The average attendance of Directors at Committee meetings was 100%. A breakdown is provided in the table below.

Committee members	Number of Committee meetings attended in 2011	Percentage
<i>In office at December 31, 2011</i>		
Mario Cocchi	4 of 4	100
Gregorio Gitti	4 of 4	100
Gian Maria Gros-Pietro	4 of 4	100

SYSTEM OF INTERNAL CONTROLS

Edison's System of Internal Controls is a structured and organic set of rules, procedures and organizational structures designed to prevent or minimize the impact of unexpected results and allow the achievement of the Company's strategic and operating objectives (i.e., consistency of its activities with its objectives, effectiveness and efficiency in conducting its operations and protecting corporate assets), compliance with applicable laws and regulations, and accurate and transparent internal and market communications (reporting). This system permeates every aspect of the Company's operations and involves different parties who perform specific functions and discharge specific responsibilities.

The Board of Directors, working with the support of the Audit Committee, defines the guidelines of the System of Internal Controls; regularly reviews the main risks faced by the Company, as defined by the Chief Executive Officer; and assesses the adequacy, efficacy and effectiveness of the system of internal controls at least once a year.

As part of the responsibility entrusted to him by the Board of Directors, which involves overseeing the functionality of the System of Internal Controls, the Chief Executive Officer maps key corporate risks and implements the guidelines of the System of Internal Controls.

The Internal Control Systems Department is responsible for performing internal audits, with the goal of assisting the Board of Directors, the Audit Committee and the Company's management in discharging their responsibilities with regard to the System of Internal Controls and risk management. In February 2004, acting upon a proposal by the Chief Executive Officer, the Board of Directors appointed the manager of the Internal Control Systems Department (Gian Michele Mirabelli) to serve as Internal Control Officer. In this capacity, he is responsible for assessing the adequacy and effectiveness of the overall system of internal controls. Organizationally, the Internal Control Systems Department reports directly to Edison's Chairman and does not perform any operational functions. At least once every six months, it reports to the Chairman, the Chief Executive Officer, the Audit Committee and the Board of Statutory Auditors. The compensation of the Department's manager is determined in a manner consistent with the Group's management compensation policies, in accordance with general guidelines reviewed by the Compensation Committee.

The Department operates on the basis of a Mandate approved by the Board of Directors. The work plan is defined using risk-based methods and is approved by the Audit Committee. Management follows a detailed process in planning the chosen audits engagements and identifies the necessary resources, based on information derived from the following sources: Group's strategic plan and budget; Risk Assessment - Enterprise Risk Management (ERM); 262 and 231 compliance; recommendations by management; self-assessment activities; assessments by the Internal Control

Systems Department and previous audits; and Independent Auditors. The audit plan is then submitted to the Audit Committee and the Chairman for approval. The Plan is updated at least once every six months. Activities include monitoring the actual implementation of the recommendations that resulted from audit engagements (follow-up). In his capacity as Internal Control Officer, the manager of the Internal Control Systems Department, owing in part to the fact that he attends the meetings of the Audit Committee and of the Oversight Board, of which he is the Secretary, receives and assesses any additional information and assists the Audit Committee in assessing the system of internal controls. In 2011, the Department's Work Plan was completed as expected.

In 2009, the internal auditing activities were the subject of an external Quality Assessment Review (QAR). The review found that these activities were "generally consistent with professional standards and best practices."

Edison's Risk Officer reports to the Chief Financial Officer and is responsible for coordinating the risk management process. The Risk Officer also provides management with support in defining the overall risk strategy and policies and in analyzing, identifying, evaluating and managing risk and defining and managing the corresponding control and reporting system.

Acting within the framework defined by the guidelines provided by the Board of Directors and the instructions provided to implement those guidelines, the managers in charge of each Business Unit or department are responsible for designing and managing the System of Internal Controls for the operations under their jurisdiction and for monitoring that the system is operating effectively. All employees, each within the scope of his or her responsibilities, must contribute to ensuring that the System of Internal Controls is operating effectively.

Structural Elements of the Control Environment

- **Code of Ethics** - In September 2003, Edison approved a Code of Ethics that is consistent with best international practices. The Code, which defines the principles and values that are the foundation of corporate ethics and the corresponding rules of conduct and implementation procedures, has become an integral part of the Organizational, Management and Control Model that has been implemented to shield the Company from administrative liability pursuant to Legislative Decree No. 231/2001. The Code has also been adopted by the Group's subsidiaries. A copy of the Code is provided to all Company employees and associates. The Code of Ethics is binding with regard to the conduct of all Group associates (Directors, employees and anyone who acts in the Company's name by virtue of special proxies or powers of attorney), i.e., anyone who, for any reason and irrespective of the nature of the contractual relationship, contributes to the achievement of the Company's purposes and objectives. The Group established a special procedure to report potential violations of the Code of Ethics and Model 231. The Code of Ethics was revised as part of a project to update the Model adopted pursuant to Legislative Decree No. 231/2001. The new Code has been in effect since December 2008.
- **Organizational Structure** - The Group's overall organizational structure is defined by a set of Organizational Memoranda issued by the Chief Executive Officer consistent with the corporate governance model. These Memoranda identify the managers who are responsible for the various departments and Business Units. In turn, the managers who are responsible for the various departments and Business Units develop similar Organizational Memoranda, which, once they are published following a review by the Chief Executive Officer, define the Group's organization at the operational level. Any employee can access the Organizational Memoranda on the Company intranet. The Board of Directors is informed on a regular basis about major organizational changes.
- **Delegation of Power and Authority** - Executive powers are conveyed to managers through general or special powers of attorney that convey powers commensurate with their management responsibilities. The Model adopted pursuant to Legislative Decree No. 231/2001 includes guidelines that govern the awarding of powers of attorney.

- **Human Resources** - In the area of human resources, Edison has adopted an official procedure to recruit and hire employees and to plan and manage employee training and uses a structured, multi-year system to plan for human resource needs. A process to evaluate the performance and professional potential of executives, professionals and newly hired employees with college degrees and formal compensation policies that are based on an ongoing comparison with best practices and on market conditions are also in use. In the case of executives and middle managers with significant business responsibilities, a portion of their compensation is variable and is commensurate with the achievement of objectives that are set each year in accordance with a structured performance management system. This system includes a long-term incentive program for management based on medium/long-term objectives. Edison has been providing training about internal controls for a number of years. The objectives and content of these training program are described in a separate section of the Report on Operations.
- **Sustainability** - Sustainable development is a central element of Edison's business model. The creation of value is predicated on the ability to concurrently pursue economic objectives and a steady reduction of environmental impacts, thereby meeting the expectations of all stakeholders. For Edison, social responsibility is not limited to individual donations or sponsorships; rather, it affects how a company handles its daily activities and chooses its strategies. In 2011, the process of integrating social responsibility into the Company's business model led to concrete actions, consistent with the guidelines provided in the Sustainable Development Policy published in 2009. This process sought to make it possible to concurrently pursue economic objectives and a steady reduction of environmental and social impacts.

Tools to Ensure the Achievement of Operational Objectives

- **Strategic Planning, Management Control and Reporting** - Edison has adopted a structured planning, control, management and reporting system that it uses at regular intervals to define the Company's strategies and objectives and develop its Budget and Business Plan. Strategic risks and risks related to objectives are included in the ERM risk map. To support the work of the Board of Directors in this area, Edison has established a Strategy Committee within the framework of the Board of Directors.
- **Financial Risk Management** - With the specific objective of managing the financial risks to which it is exposed (mainly commodity, exchange rates and foreign exchange rate risks), the Group has adopted a governance structure that includes the following: (i) approval of the overall risk ceiling for the Group by the Board of Directors of Edison; (ii) creation of a Risk Committee that comprises Edison's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Risk Officer, and the Chief Executive Officers of the Edison Trading and Edison Energia subsidiaries and is responsible for reviewing, at least once a month, the levels of assumed risks, comparing them with the ceilings approved by the Board of Directors, and approving the hedging strategies that may be appropriate if the approved ceiling has been exceeded; (iii) separation of the organization responsible for measuring and controlling risk exposure and defining risk-hedging strategies, which is located at Edison under the supervision of its Chief Financial Officer, for financial market transactions, at Edison Trading for commodity transactions and at Finance departments for foreign currency transactions. In 2006, consistent with best industry practices, Edison's Audit Committee approved an Energy Risk Policy that defines the objectives and guidelines of the Group's risk management policy.
- **Enterprise Risk Management (ERM)** - Edison developed an integrated risk management model in accordance with the international Enterprise Risk Management (ERM) principles. The main purpose of ERM is to adopt a systematic approach to mapping a company's priority risks, preemptively assess their potential negative effects and take appropriate actions to mitigate them. With this in mind, Edison adopted a Corporate Risk Model and a risk mapping and risk scoring methodology that assigns a relevance index to each risk based on an assessment of its overall impact, probability of occurrence and level of control. With the coordination of the Risk Office, the managers of the business units and Company departments map and assess risks within their scope of activity through a risk self-assessment process and provide an initial indication of the mitigating actions associated with those risks. The

results of this process are then consolidated at the central level in a mapping system in which risks are prioritized based on the resulting scores and aggregated to facilitate the coordination of mitigations plans with the aim of managing risks on an integrated basis.

The Corporate Risk Model, developed in accordance with best industry and international practices places within an integrated framework the types of risks that characterize the businesses that the Group operates, making a distinction between risks related to the external environment and internal process and strategic risks.

The Enterprise Risk Management process is closely linked with the strategic planning process with the aim of associating the Group's overall risk profile with the projected profitability resulting from the plan/budget document. The results produced by ERM and Risk Self-assessment are communicated at scheduled intervals at meetings of the Audit Committee and the Board Directors and are used by the Internal Control Systems Department as a source of information for the preparation of specific risk-based audit plans.

A coordinator and specific mitigating actions, codified within classes of predefined activities, are assigned to each of the mapped priority risks. Regular updates are performed during the year to monitor the implementation of the identified mitigating actions and assess their potential impact.

A dedicated IT technology tool that helps improve the efficiency of the ERM process and makes it easier to interface with the planning process was developed and introduced in 2011. A fully operational ERM portal was made available for the start of the 2011 Risk Self-assessment process. The main risks and uncertainties affecting the Group's Parent Company and its subsidiaries are discussed in a separate chapter of the Report on Operations and in the notes to the consolidated financial statements.

- **System of Corporate Operating Procedures** - In order to ensure that corporate directives are properly implemented and the risks entailed by the achievement of corporate objectives are minimized, Edison has adopted a set of procedures that regulate internal processes, governing both activities that are carried out internally by each organizational entity and transactions with other entities.
- **Information Systems** - Virtually all corporate processes used by Edison and its subsidiaries are supported by information systems developed with last-generation technologies and packages capable of supporting both business activities and accounting and financial processes. The use of these systems is governed by internal procedures that guarantee safety, privacy and correct use. Moreover:
 - Availability (i.e., the possibility of accessing data when needed) is guaranteed by a highly redundant hardware and software architecture to minimize the possibility of single point failure.
 - Privacy (i.e., the availability of data and information only to authorized users) is assured by a segregation of duties planned in advance and implemented in the systems by means of user profiles.
 - Safety is guaranteed by a hardware and software infrastructure designed specifically with this requirement in mind, which is maintained on an ongoing basis and tested periodically.

Applications are highly integrated in order to minimize any instance of multiple data entries and automate process flows. A portion of the services is provided under outsourcing contracts with top suppliers who are IT industry leaders. These contracts cover all of the tools (periodic reporting, organization of the service, SLA, penalties) to facilitate management and control by Edison.

Tools to Ensure the Achievement of Compliance Objectives

- **Organizational Model Pursuant to Legislative Decree No. 231/2001** - In July 2004, Edison adopted the Organizational Model required pursuant to Legislative Decree No. 231/2001. The Model is designed to prevent the perpetration of the unlawful acts referred to in the abovementioned Decree and, consequently, shield the Company from administrative liability. The Model, which was adopted following a detailed analysis of the Company's operations to identify activities with a risk potential, includes a series of general principles, rules of conduct, control tools, administrative procedures, training and information programs, and disciplinary systems that are designed to prevent, as much as possible, the occurrence of the abovementioned crimes. The Model includes a general section that explains the Model's function and principles, as well as the content

of Legislative Decree No. 231/2001 and other main reference statutes, and a section that represents the Model's own core and reviews the Model's content: from its adoption to the identification of at-risk activities, the definition of protocols, the characteristics and modus operandi of the Oversight Board, the information flows, the training and information activities, the penalty system and Model updates. The Model is completed by its annexes, which are an integral part of the Model itself: 1) Code of Ethics, 2) Protocol to monitor the risk profiles identified in each unit, and 3) Expense Regulations and Guidelines for the management and award of powers of attorney.

The Board of Directors appointed an Oversight Board (OB), which is responsible for ensuring that the Model is functioning effectively and is kept up to date, and is required to report to the Board of Directors and the Board of Statutory Auditors at least once every six months. The Oversight Board is supported by the Internal Control Systems Department, which established a dedicated support unit, the General Counsel Department and the Personnel and Organization Department. In 2005, the main subsidiaries adopted models based on the guidelines issued by the Group's Parent Company.

The Oversight Boards of Edison and its subsidiaries receive information flows on a regular basis (every six months) from the individuals responsible for the Model's implementation ("Unit Officers"). The Model was updated in 2008 and the new Model was approved by the Board of Directors with a resolution dated December 5, 2008. The Model had to be updated to address the impact of new crimes introduced in the "231 System" (market abuse, money laundering, computer crimes, etc.) and in response to changes in Edison's business activities. In 2009, the Board of Directors approved a protocol for the management of occupational safety risks. The Model updating project for the main Group subsidiaries is currently in the completion phase. In addition, the Model is being updated both for Edison Spa and its subsidiaries to reflect the addition of new crimes introduced in the "231 System" in 2009 and environmental crimes. The update is being handled by the same interdepartmental work group that developed the Model in 2004 and uses the support of top external consultants.

The Board of Directors appointed Edison's current OB on April 26, 2011 confirming the OB's existing members, who include: an outside professional (Umberto Tracanella), who serves as Chairman, and two independent Directors (Gregorio Gitti and Gian Maria Gros-Pietro). On July 25, 2011, the Board of Directors, acting upon a recommendation by the Compensation Committee allocated to the members of the OB the same compensation amounts as in the previous three years and confirmed the decision

Esterle hydroelectric power plant on the Adda River.



of awarding to the Chairman, who is not a Director, a higher compensation than the other two members. On the other hand, it reduced the attendance fee by 10%. The OB met four times in 2011 and once in 2012. At those meetings, it reviewed the findings of audit engagements and the information flows it received from the Unit Officers, and received information on the progress made by Edison and the subsidiaries in updating the Model. The OB reported every six months to the Board of Directors on the Model's adequacy and effectiveness, submitting a specific report.

- **Accounting Control Model pursuant to Law 262/2005 concerning financial disclosures** - In 2006, following the enactment of Law No. 262/2005 on the protection of investments, Edison launched a project to upgrade, when appropriate, the accounting procedures it uses to prepare financial disclosures and define the governance rules for the accounting control model it developed, as well as the rules to manage on an ongoing basis regular audits and certifications of the adequacy and effective operation of the model it developed and assign responsibilities within its organization. Additional information is provided in the section of this Report entitled "Internal Control System and the Corporate Accounting Documents Officer."
- **Safety, Environmental Protection and Quality** - Edison has adopted a system of procedures and organizational structures specifically designed to manage data security issues (including those related to compliance with privacy statutes), the protection of the environment, the safety of its facilities and employees, and the quality of the services it provides.
- **Compliance with Other Laws and Regulations** - The task of monitoring changes in and compliance with laws and regulations has been assigned to the General Counsel Department (for general legal and corporate issues) and to the Institutional and Regulatory Affairs Office (for issues related to industry regulations).
- **Antitrust Code** - To supplement the compliance requirements of Code of Ethics, the Company adopted an Antitrust Code that sets forth rules of conduct that must be followed to comply with antitrust laws.

Tools to Ensure the Achievement of Reporting Objectives

- **Accounting Reports and Annual Financial Statements** - The preparation of accounting reports and annual statutory and consolidated financial statements is governed by the Manual of the Group's Accounting Principles and by additional administrative and accounting procedures, which were updated and upgraded as part of a project to comply with the requirements of Law No. 262/2005,



as explained in the corresponding section of this Report. The Company also adopted a fast closing procedure to move forward the financial statement approval dates.

- **Insider Information** - In 2006, the procedures that govern the internal handling and external communication of insider information were updated to make them compliant with the new regulations set forth in the EU Directive on market abuse. An overview of the new procedures, which are an integral part of the Organizational Model adopted pursuant to Legislative Decree No. 231/2001, is provided in the section entitled "Handling of Information Concerning the Company." In 2010, this procedure was revised, as explained in the section entitled "Handling of Information Concerning the Company."
- **Internal Communications** - Edison has adopted an internal communications system that facilitates and encourages the exchange of information within the Company and the Group and involves the use of a comprehensive system of management and coordination committees.

Tools to Monitor Internal Controls

The effectiveness of the control tools outlined above is monitored directly by corporate managers, each in the area under his or her jurisdiction, and, independently, by Edison's Internal Control Systems Department, which carries out risk-based auditing and assessment activities. The findings of each audit are submitted to the Chairman, the Chief Executive Officer and the Company's managers and are presented on a regular basis to the Audit Committee and the Board of Statutory Auditors.

Risk Management and Internal Control System Regarding the Financial Disclosure Process and the Corporate Accounting Documents Officer

The internal accounting control system of the Edison Group is a set of corporate rules and procedures adopted by the different operational units to allow, through an effective process of identification of the main risks entailed by the preparation and dissemination of financial disclosures, the achievement of the Company's objective of providing truthful and fair information.

Specifically, the purpose of the internal accounting control system is to provide reasonable certainty that the accounting information (both statutory and consolidated) published by the Company provides its users with a truthful and fair presentation of the Company's operating results, thereby permitting the issuance of the attestations and declarations required pursuant to law indicating that the Company's filings and communications that are disclosed to the market, including interim accounting disclosures, are consistent with the data in the corresponding supporting documents, accounting records and other accounting documents, that the Company's administrative and accounting procedures are adequate and were applied effectively during the period covered by the accounting documents (Annual Report and Semiannual Report), and that the abovementioned accounting documents were prepared in accordance with the applicable international accounting principles.

As explained in previous Corporate Governance Reports, because Edison is an Italian company with shares traded on an Italian regulated market, it is required to appoint a Corporate Accounting Documents Officer, who, pursuant to law, has specific attributions, responsibilities and certification and declaration obligations. Consequently, in July 2007, the Board of Directors appointed a Corporate Accounting Documents Officer, who is responsible for developing adequate administrative and accounting procedures for the preparation of the accounting information that the Company discloses to the financial markets and for ensuring that the abovementioned procedures are effectively complied with, and provided this Officer with the authority and resources required to perform these tasks. Since inception, the Board of Directors has asked the Chief Financial Officer to serve in this capacity as well. In 2011, both posts were filled by Marco Andreasi until September 30 and by Massimiliano Masi after that. The Chief Executive Officer, being duly authorized by the Board of Directors, provided each one of them with all necessary operating authority.

Moreover, in light of the responsibilities assumed by the Board of Directors, both directly and through the Chief Executive Officer and the Corporate Accounting Documents Officer, with regard to the

monitoring of the internal accounting control system, at a meeting held on July 27, 2007, the Board of Directors approved an "Accounting Control Model Pursuant to Law No. 262/2005" (the 262 Model), and authorized the Chief Executive Officer, acting through the Corporate Accounting Documents Officer, to implement the abovementioned Model.

The 262 Model defines the guidelines that must be applied within the Edison Group to satisfy the obligations set forth in Article 154-*bis* of Legislative Decree No. 58/1998 with regard to the preparation of corporate accounting documents and comply with the resulting certification requirements.

The 262 Model applies to accounting information, which includes all of the documents and information disclosed to the market that contain actual accounting data concerning the balance sheet, income statement and financial position of Edison and the companies included in the scope of consolidation.

Specifically, the 262 Model, through the related Accounting Model Regulations, accomplishes the following:

- It defines the roles and responsibilities of the Organizational Units involved for various reasons. Specifically, the Administration Department is responsible for deploying and implementing, through the Internal Control Officer, the activities needed to guarantee the effectiveness of the system of internal controls;
- It sets forth the operating methods that should be used to carry out the activities to comply with the abovementioned statutory requirements;
- It provides support to the Corporate Accounting Documents Officer and the Chief Executive Officer in the issuance of the attestations and declarations required pursuant to law by requiring that the managers of the Company's Operating Units that are responsible for implementing the 262 Model use the internal communication process to provide an internal attestation that the accounting control system established pursuant to Law No. 262/2005 is functioning effectively, insofar as the accounting processes and flows under their management jurisdiction are concerned, that the information flows are complete and reliable, and that the key controls listed in the relevant matrices are applied effectively;
- It assigns responsibility for conducting testing related to the 262 Model to the Internal Auditing Department.

To effectively implement the programs described above, the Company identified specific managers of Group Departments, Business Units and Corporate Functions that report directly to senior management to serve as "Operating Unit Officers Responsible for Implementing the Accounting Control Model Pursuant to Law No. 262/2005," and specific operational officials who serve as "focal points."

The internal accounting control system rests on the following characterizing elements:

- A corpus of corporate procedures governing the preparation and disclosure of financial information including, but not limited to, the Group Accounting Manual, the Fast Closing Procedure, operational financial statement instructions, reporting procedures and accounting calendars.
- A process carried out under the supervision of the Corporate Accounting Documents Officer and in concert with the Chief Executive Officer to identify the main risks related to accounting information and the key controls to monitor the identified risks (administrative/accounting risk assessment), which helped identify, for each relevant area/accounting information, the accounting processes/flows that are deemed to be critical and the activities required to control and monitor these accounting processes/flows, and develop special control matrices that describe for each process (or administrative/accounting flow) that has been identified as being critical and/or sensitive for 262 Model purposes the standard control activities (key controls) and the relevant operating unit officers responsible for implementing the 262 Model. The corporate processes, the corresponding matrices and control dashboards and the list of operating unit officers responsible for implementing the various controls are reviewed periodically and updated if necessary. Specifically, the risk assessment activity is performed on a quarterly basis, the 262 operating units update the matrices of the administrative/accounting controls at least every three months, the Accounting Department is responsible for reviewing and updating on a regular basis the corpus of Group administrative/accounting procedures, and the organizational units ensure that the other operating rules that are relevant for the correct implementation of the 262 Model are updated/amended.

- A process involving activities to assess periodically the adequacy and actual implementation of the identified key controls. This assessment, which is performed every six months in connection with the preparation of the annual report and the semiannual report, is structured on two levels: self-assessment by the organizational units, carried out by each organizational unit officer with regard to the processes/flows under his jurisdiction; independent assessment performed by the Internal Control Systems Department through audit engagements in areas of interest defined by the Internal Control Officer. The purpose of the audit plan is to select a set of control processes that should be tested to cover the main processes over a three year period. The findings of completed audits are communicated to the Corporate Accounting Documents Officer.
- A process of documentation and internal communication, carried out by managers of departments/business units/corporate functions and by the Chief Executive Officers and the managers of the Planning, Accounting and Control Departments of the companies that do not fall within purview of Edison's oversight and control, showing the effectiveness of the controls and the results of the assessments performed. Specifically, the persons mentioned above are required to prepare periodically an internal declaration, which they send to the Corporate Accounting Documents Officer. The wording of the declaration differs, depending on whether it refers to the separate financial statements of Edison, the consolidated financial statements, the semiannual financial report or the interim reports on operations.
- A certification process for recipients outside the Group based on the reports and declarations provided by the Corporate Accounting Documents Officer, pursuant to Article 154-*bis* of Legislative Decree No. 58/1998, as part of the general process entailed by the preparation of the annual report, the semiannual report or the interim reports on operations, taking also into account the controls performed pursuant to the accounting control model, the findings of which are shared with the Chief Executive Officer, who submits the report or declaration to the Board of Directors, together with the related accounting document, for approval. With regard to certifications of other financial and accounting disclosures of a consultative nature, the Corporate Accounting Documents Officer, once he has received from the 262 operating unit officers a confirmation that the required controls are being applied, performs through the Accounting Department a check of any income statement, balance sheet or financial position data contained in the document and, once the Chief Executive Officer authorizes the disclosure of the information to the market, issues a certification of consistency of the data in the document with those in the Company accounting records and entries. The Corporate Accounting Documents Officer reports periodically to the Audit Committee, the Board of Statutory Auditors and the Oversight Board with regard to the methods used to carry out the assessment of the system of internal controls and the findings of the assessments performed to support the issuance of certifications and declarations.

A project aimed at redesigning the infrastructure of the 262 Accounting Control Model and planning its reinforcement was implemented in 2011.

More specifically, the at-risk areas were reassessed in light of changes in the Group's organization and the industrial context, with the objective of increasing the level of protection, particularly for the more sensitive and significant areas.

Overall Assessment of the Effectiveness of the System of Internal Controls

Based on the information and the evidence collected with the support of the investigative work performed by the Audit Committee and the contribution provided by management and the Internal Control Officer, the Board of Directors believes that, overall, the existing System of Internal Controls allows with reasonable certainty an adequate management of the mapped risks and, at the same time, contributes to improving the management of the Company as a whole.

This assessment, insofar as it refers to the System of Internal Controls in its entirety, reflects the limitations inherent in such a system. Specifically, even a system of internal controls that is well designed and operates properly can ensure an adequate management of the mapped risks only with "reasonable certainty."

INTERESTS OF DIRECTORS AND RELATED-PARTY TRANSACTIONS

The Internal Related-party Procedure adopted by the Board of Directors pursuant to the provisions of the regulations governing Related-party transactions approved by the Consob in March 2010 went into effect on January 1, 2011. This Procedure was published on the Company website (www.edison.it - "Governance - Related Parties")

The Internal Related-party Procedure governs, in accordance with the requirements of the Consob regulation, the decision-making process and the disclosure rules for Related-party transactions.

Consistent with the requirements of the Consob regulation, the Board of Directors has sole jurisdiction over the approval of related-party transactions executed by Edison directly or through its subsidiaries that qualify as Highly Material Transactions.

In the Internal Related-party Procedure, the parameters recommended by the Consob are applied to qualify Highly Material Transactions. Transactions classified as Highly Material include transactions for amounts that exceed a threshold equal to 5% (i) of the Company's consolidated shareholders' equity (i.e., transactions valued at more than about 400 million euros) or (ii) of total consolidated assets (i.e., transactions involving an asset or a liability valued at more than about 800 million euros). Transactions that, while they exceed the abovementioned thresholds, are of a regular nature, in that they are executed on standard market terms (Regular Transactions) or carried out with subsidiaries or affiliated companies in which no material interests are involved (Intercompany Transactions) do not qualify as Highly Material Transactions.

On the other hand, according to the Internal Related-party Procedure, which takes into account the governance rules that the Company has been following for some time, the parties that qualify as Related Parties for Procedure implementation purposes are:

- (i) in addition to the parties identified as such by the Consob based on the version of IAS 24 in effect since March 2010;
- (ii) the following companies: A2A, Dolomiti Energia, EDF, Iren, Sel and their subsidiaries, pursuant to Article 2359 of the Italian Civil Code.

The Board of Directors may deliberate with regard to the implementation of a Highly Material Transaction only based on a prior favorable factual opinion by the Committee of Independent Directors. Information about the composition of this Committee and the subject of the opinion is provided in the "Executive Directors" and "Committee of Independent Directors" section of this Report. The abovementioned opinion is binding and a negative opinion prevents the transaction from being executed because the option allowed by the Consob regulation of submitting the matter to the Shareholders Meeting, after amending the Bylaws, was not incorporated into the Internal Related-party Procedure.

According to the Procedure, when a Highly Material Transaction involves one of the subject matters over which the Shareholders' Meeting has decision-making jurisdiction, the Board of Directors has exclusive jurisdiction over the drafting of the motion that will be submitted to the Shareholders' Meeting.

In addition, pursuant to the rules of the Internal Related-party Procedure, when transactions involving an amount lower than the threshold applied to qualify Highly Material Transactions and which do not qualify as Regular or Intercompany Transactions (Less Material Transactions) are submitted to the Board of Directors (or other party belonging to the Company with decision-making authority), the Board of Directors or the other abovementioned party may deliberate only with the prior mandatory (but not binding) opinion of the Committee of Independent Directors. In other words, a Less Material Transaction can be implemented even in the event of a negative opinion but, in such cases, an

information memorandum that explains the transaction and includes as an annex the Committee's opinion must be published within the deadline required by the Consob regulation.

When, based on the process defined in the Internal Related-party Procedure, one or more members of the Committee qualify as a related party or are otherwise related to the counterparty in a way that could impair their independence from the counterparty with regard to the transaction at hand, the opinion is rendered by an Alternative, Equivalent Oversight Entity, activated in this order:

- (i) The remaining Independent Directors who are members of the Committee of Independent Directors, provided that at least two of them are Independent Director who are not related parties;
- (ii) The independent directors who are neither related parties nor members of the Committee of Independent Directors, provided that at least two, but not more than three, are available;
- (iii) An Independent Expert appointed by the Chairman of the Board of Directors, acting in concert with the Chief Executive Officer. If they cannot agree, the Independent Expert will be appointed by the Board of Statutory Auditors by majority vote.

In this regard, please keep in mind that, pursuant to the Consob regulation, when an Independent Expert must be used instead of Directors to establish an Alternative Oversight Entity, the opinion it renders, while mandatory, is not binding.

In order to allow the Board of Directors to adopt its decisions, the Procedure specifies the timing and scope of the flows of information that must be supplied to the Directors with regard to the characteristics of a Transaction, particularly in the case of Highly Material and Less Material Transactions.

The content of the minutes of meetings setting forth resolutions by the Board of Directors (i) concerning the approval of a Highly Material or Less Material Transaction must include an adequate explanation of the Company's interest in executing the transaction and why the transaction's terms and conditions were beneficial and substantively fair and, (ii) in the case of a Regular Transaction or an Intercompany Transaction (if still submitted to the Board of Directors for approval), must include evidence that the transaction qualifies as a Regular Transaction and of the absence of significant related-party interests.

Lastly, the Procedure requires that the Directors and Statutory Auditors be provided, on a quarterly basis as a minimum, with information about the implementation of related-party transactions and that, as it has been an established Company practice, the annual report and the interim reports on operations include a special section for related-party transactions.

Another document worth mentioning with regard to related-party transactions is a resolution approved at a meeting held on April 26, 2011, by which the Board of Directors reaffirmed the resolution it adopted in 2005 reserving for its sole jurisdiction all decisions concerning:

- a) contracts to sell or buy natural gas, electric power, other raw materials and securities representing green certificates or CO₂ emissions rights involving an amount greater than 30 million euros per transaction or series of related transactions, or
- b) any other contract, instrument or transaction of any amount or type (including those covered by the powers granted to the Chief Executive Officer) that involve, directly or indirectly Significant Parties, which are: (i) TdE; (ii) shareholders of TdE; (iii) shareholders of shareholders of TdE; (iv) one or more related parties (as defined by the IAS); (v) other companies or entities that control, are controlled by or are under the joint control of the abovementioned parties; and (vi) other companies or entities in which the abovementioned parties hold an equity interest. All of the above does not apply to Edison subsidiaries and standard financial transactions with credit institutions who are Delmi shareholders.

This reservation of jurisdiction remains in effect, event after the adoption of the Internal Related-party Procedure, with regard to the other transactions and the other Significant Parties, as identified above, that are not mentioned in the procedure of December 2010.

It is also worth mentioning that the Protocol to Manage Related Party Transactions, which is an integral part of the Organizational Model adopted pursuant to Legislative Decree 231/200 and, since 2008, incorporates the previous procedure concerning related-party transactions, was revised to make it consistent with the new rules adopted by the Company in this area

The abovementioned Protocol sets forth rules of conduct, still in effect, that govern the position of Directors who may have an interest, albeit potential or indirect, in a transaction with a related party submitted to the Board of Directors. Specifically, when a transaction requires the prior approval of the Board of Directors, the Director affected by the transaction is required to inform the Board of Directors about his interest in the transaction, explaining the nature, terms, origin and scope of said interest. If a transaction does not require the prior approval of the Board of Directors and falls within the scope of the power awarded to the Director affected by it, including when the transaction is being executed by means of a special power of attorney issued by the same Director, the Director in question is required to refrain from executing the transaction and cause his representatives to do the same, choosing instead to submit the transaction to the Board of Directors for prior approval. In all cases, the applicable resolution of the Board of Directors must contain an adequate explanation of the reasons for the transaction and of the benefits that the transaction would have for the Company.

Due to the composition of the Board of Directors and the fact that the Directors who are not independent belong to companies that are part of Edison's chain of control and operate, for the most part, in the same businesses as the Company, the Board of Directors has established a practice whereby, when a meeting is called to order, it reviews the posts held by Directors in their respective companies and the criteria by which they were appointed to those posts.

Transactions with Related Parties (including Significant Parties) executed in 2011 are reviewed in the "Other Information" section of the separate and consolidated financial statements.

HANDLING OF INFORMATION CONCERNING THE COMPANY

The Company has been using for some time a procedure for the internal management and external communication of documents and information concerning Edison, with special emphasis on insider information. This procedure, which is an integral part of Model 231, was revised in 2006 by the Board of Directors, acting upon a proposal by the Oversight Board and based on the findings of a preliminary review by the Audit Committee, in order to make it more responsive to changes in statutory requirements introduced by the inclusion into the Italian legal system of EU regulations on market abuse. It was further amended in 2010 to address certain operating needs that arose in the course of its implementation.

One of the functions of this procedure was to specify the functions, responsibilities and operating procedures that apply to the management of insider information (including both insider information "in process" and those for which a market communication obligation already exists), taking into account how insider information should be verified and data should be entered in the Insider Register; the treatment, internal circulation and communication to outsiders (when certain conditions are met) of insider information; and the communication of insider information to the market in accordance with the deadlines and methods set forth in current regulations.

All members of the corporate governance bodies, employees and associates of Edison and its subsidiaries who have access to insider information are required to comply with the abovementioned procedure.

All of the abovementioned parties are required to comply with the following obligations:

- They shall safeguard the confidentiality of documents and information obtained in the course of their work and, more specifically, make sure that the sharing of documents containing insider information,

whether internally or with third parties, is handled with all necessary attention and care.

- They shall never communicate to anyone, unless required to do so for work reasons, insider information of which they may become aware in the course of their work.
- They shall require that the owners of a project and/or a significant asset (normally the manager in charge of a department or office) and third parties to whom insider information is disclosed in connection with an assignment sign a confidentiality agreement, which, among other covenants, may require them to maintain an Insider Register, if applicable.
- They shall promptly inform the applicable Company Compliance Office of any act, action or omission that may constitute a violation of this Procedure.

Insofar as roles and responsibilities are concerned, Senior Management has Group-wide responsibility for distributing to the market press releases that contain insider information and for activating the procedure used to embargo the disclosure of insider information to the market, when applicable.

Heads of departments, offices, business units or subsidiaries are responsible for identifying the existence of insider information and implementing all security measures required to ensure that insider information is treated confidentially and segregated, limiting its circulation only to those parties who need access to it to perform their job or assignment.

In addition, senior managers and other management personnel (each for the information over which he or she has jurisdiction) must inform employees and outsiders who possess insider information concerning the Group of the nature of the information they possess and must ensure that all outsiders who receive insider information are required pursuant to law, Company Bylaws or contract to respect the confidentiality of the documents and information they are receiving, verifying, when applicable, the existence of secrecy/confidentiality clauses or commitments.

Prior to being placed into circulation, paper and electronic documents that contain insider information must be labeled "Confidential" and must be appropriately safeguarded. The electronic transmission of these documents must be protected with access keys. In all cases, the senior managers and other management personnel with whom the "Confidential" documents originated must keep track of the parties (employees and outsiders) to whom the documents were provided.

Specific provisions of the procedure deal with the method for entering data in and updating the register of parties who have access to insider information. Specifically, parties may be entered in the register on a permanent or on an occasional basis and Edison's senior managers and other management personnel are responsible for identifying the parties whose names should be communicated to the office charged with keeping the register for entry therein on a permanent or occasional basis. The procedure also deals with the method for informing the parties entered in the register, updating their information and deleting their names.

Entry in the register on a permanent basis is used for those parties who, because of their function, the position they hold or the specific responsibilities entrusted to them, have access to insider information on a regular and continuing basis. Entry on an occasional basis is used for those parties who, because of their involvement in certain nonrecurring projects or activities and/or their temporary performance of certain functions/responsibilities, or because of a specific assignment, have access for a limited period of time to potential insider information.

The data of all Directors and Statutory Auditors are entered in the abovementioned register on a permanent basis at the time of their election and they are informed about their duties and responsibilities.

Upon being elected, Directors and Statutory Auditors are informed of any changes that occurred in the regulatory framework regarding internal dealing issues and the communication obligations that

they are required to comply with through the Company. No transactions requiring disclosure to the market and the relevant authorities were executed by Directors or Statutory Auditors in 2011. The filing models concerning transaction executed in previous years, may be consulted at the Company website (www.edison.it "Governance - Internal Dealing").

Without prejudice to the obligation to comply with the provisions governing market abuse, in 2007, the Board of Directors introduced, for specific periods of the year, the additional obligation of refraining from executing transactions that involve financial instruments issued by the Company. The periods in question have been defined as time periods that begin 30 days before the date of a meeting of the Board of Directors convened to review regularly reported financial statements and end five days after the publication of the corresponding press release. The 2011 blackout periods are as follows:

- from January 14 to February 18
- from March 28 to May 2
- from June 24 to July 29
- from September 26 to October 31.

BOARD OF STATUTORY AUDITORS

Elections

Pursuant to the Company's Bylaws, as amended by the Shareholders' Meeting on June 26, 2007 and the Board of Directors on July 23, 2010, Statutory Auditors must be elected by means of slates of candidates, in order to allow minority shareholders to elect one Statutory Auditor, who will serve as Chairman of the Board of Statutory Auditors. Only shareholders who, alone or in combination with other shareholders, represent in the aggregate a percentage of the shares conveying the right to vote at Ordinary Shareholders' Meetings equal as a minimum to the percentage required for filing slates of candidates for the post of Directors, which, based on the Company's market capitalization, is equal to 1% of the common share capital, are entitled to file a slate of candidates, provided the filers are minority shareholders not linked directly or indirectly with the controlling shareholder, its direct or indirect shareholders or other companies in the various groups to which each company belongs.

Pursuant to the Bylaws, nomination proposals must be filed at the Company's registered office at least 25 days before the date of the Shareholders' Meeting. The proposals must be accompanied by the following documents: information disclosing the identity of the parties filing slates of candidates; if applicable, an affidavit stating that the filers are not linked with the controlling shareholder, its shareholders and group companies belonging to said shareholders; professional curricula of each candidate, listing any management and control posts held at any other companies; affidavits by which the candidates attest that there are no issues that would make them incompatible or unelectable or would cause them to be removed from office, that they meet the requirements for election as Statutory Auditors pursuant to current law and the Bylaws and that they accept the nomination. Moreover, pursuant to the regulations set forth in a Decree issued by the Ministry of Justice on March 30, 2000, the professional requirements of Statutory Auditors are also listed in the Company Bylaws. In no case may individuals who fail to meet the requirements of independence, integrity and professionalism established in the pertinent laws or the Bylaws or who already serve on the maximum number of management and control bodies allowed pursuant to the applicable laws be elected to the Board of Statutory Auditors. If no slate is filed at least 25 days before the date of the Shareholders' Meeting or if only one slate is been filed or if multiple slates are filed by shareholders who are linked with each other, the deadline for filing slates is extended by three days and the percentage required to file them is halved to 0.5% of the common share capital.

In both cases, the final deadline for submitting a certification by an intermediary attesting the total equity interest percentage held by the shareholders filing the slate is currently set by

current laws to at least twenty-one days before the date of the Shareholders' Meeting convened on the first calling.

The curricula of the Statutory Auditors currently in office, together with the additional documents mentioned above, were filed within the deadline required under current laws, i.e., twenty-five days before the Shareholders' Meeting, and posted at the same time on the Company website (www.edison.it - Investor Relations - Documents and Prospectuses - 2011 Archive). The main documents required pursuant to the Bylaws and the applicable regulations for the purpose of filing slates of candidates have also been collected in a publication made available and posted on the Company website (www.edison.it - Investor Relations - Documents and Prospectuses - 2011 Archive) twenty-one days before the Shareholders' Meeting.

Statutory Auditors are elected for a term of three years and may be reelected. Information about replacement procedures is provided in Article 22 of the Bylaws, a copy of which has been annexed to this Report.

Composition and Qualifications

Pursuant to the Company's Bylaws, the Board of Statutory Auditors must be comprised of three Statutory Auditors and three Alternates.

The current members of the Board of Statutory Auditors, all elected at the Shareholders' Meeting of April 26, 2011, are: Alfredo Fossati (Chairman), drawn from the slate filed by the minority shareholder Carlo Tassara Spa, and Angelomaria Palma and Leonello Schinasi, drawn from the slate filed by TdE, the majority shareholder. The individuals mentioned above also served as Statutory Auditors, in the same capacities, during the previous three years and until the date of the abovementioned Shareholders' Meeting.

All Statutory Auditors currently in office are listed in the Register of Independent Auditors and meet the requirements of current laws, the Bylaws, the independence requirements applicable to Statutory Auditors pursuant to law and the Code's independence requirements for Directors. The Board of Statutory Auditors verified that these requirements were still being met on the occasion of the meeting during which it reviewed the Company's corporate governance system.

The term of office of the current Board of Statutory Auditors will expire with the Shareholders' Meeting convened to approve the 2013 annual financial statements.

According to the provisions of the Governance Agreements that apply to Edison's Board of Statutory Auditors, EDF/WGRM and Delmi have each the right to designate one Statutory Auditor and one Alternate. The third Statutory Auditor and Alternate must be taken from a slate filed by Edison minority shareholders, provided that such a slate has been filed. In addition, EDF/WGRM and Delmi must decide jointly which of the two Statutory Auditors they designated will serve as Chairman of the Board of Statutory Auditors and must also select jointly Edison's independent Auditors.

With regard to this issue, the Shareholders' Meeting of June 26, 2007 amended the Bylaws to make them consistent with the law that requires that the Chairman of the Board of Statutory Auditors be filled with one of the Statutory Auditors elected from a minority slate. With this change, the election of the entire Board of Statutory Auditors and its Chairman was carried out in accordance with the amended Bylaws.

The Annexes to this Report include a table that lists the posts that the Statutory Auditors in office at December 31, 2011 held at other companies and their curricula.

Compensation

The compensation of the Statutory Auditors is determined by the Shareholders' Meeting that elects them.

The compensation of the Board of Statutory Auditors currently in office was determined by the Shareholders' Meeting of April 26, 2011, which confirmed the amounts previously awarded, i.e., an annual compensation of 60,000 euros for the Chairman and 40,000 euros for each Statutory Auditor.

Additional information about the compensation earned by the Statutory Auditors in 2011 is provided in Compensation Report.

Rules of Operation

The Board of Statutory Auditors is required to meet at least once every 90 days. Meetings of the Board of Statutory Auditors may be held via teleconferencing or videoconferencing, provided all participants can be identified and are able to follow the proceedings, participate in real time in the discussion of the items on the Agenda and receive, transmit and review documents.

In 2011, the Board of Statutory Auditors met 13 times. The average attendance of the Statutory Auditors at these meetings was 100%. A breakdown is provided below:

Statutory Auditors	Number of Board of Statutory Auditors meetings attended in 2011	Percentage
Alfredo Fossati	13 of 13	100
Angelomaria Palma	13 of 13	100
Leonello Schinasi	13 of 13	100

In addition, the Statutory Auditors attended meetings of the Board of Directors held in 2011. As shown in the table below, their average attendance percentage was 95.24%.

Statutory Auditors	Number of Board of Directors meetings attended in 2011	Percentage
Alfredo Fossati	13 of 14	92,86
Angelomaria Palma	13 of 14	92,86
Leonello Schinasi	14 of 14	100

In 2011, a Statutory Auditor, usually the Chairman of the Board of Statutory Auditors, attended the meetings of the Compensation Committee and the Oversight Board. Lastly, the exchange of information between the Board of Statutory Auditors and the Audit Committee takes place through the regular attendance to Committee meetings by a Statutory Auditor and a representative of the Independent Auditors is invited on a regular basis to attend meetings of the Board of Statutory Auditors to report on the findings of the audits they performed. In addition, usually once a year, the Company's Board of Statutory Auditors meets with the Boards of Statutory Auditors of the subsidiaries to exchange information about the Company's activities. In 2011, the Board of Statutory Auditors provided opinions on the additional assignments that the Board of Directors awarded to the Independent Auditors and to other entities belonging to the same network, verifying that the abovementioned assignments and those awarded by the subsidiaries were within the statutory limitations of exercisable activities and ascertained the auditors' independence.

The Board of Statutory Auditors adopted the Code's recommendation requiring that its members disclose any direct or third-party interest they may have in specific transactions submitted to the Board of Directors for approval. No situations that would have required the members of the Board of Statutory Auditors to provide such a disclosure occurred in 2011.

In discharging its duties, the Board of Statutory Auditors relies on the support of a dedicated Company unit that reports to the office of the Secretary to the Board of Directors.

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board of Directors strives to provide promptly the Company's shareholders with all relevant information and documents. In pursuit of this goal, the Company restructured its website, first in 2006 and again in 2010, changing its overall structure and creating a section devoted to corporate governance issues, which contains the Reports on Corporate Governance and other information, and a page entitled Investor Relations. Both sections are easily accessible from the home page.

Edison, acting directly or through representatives, engages in an ongoing dialog with the financial markets with the specific goal of complying with the laws and rules governing the dissemination of insider information and the procedures that apply to the circulation of confidential information. The Group's behavior and procedures are designed to avoid disparity of treatment in the disclosure of information and ensure effective compliance with the principle requiring that all investors and potential investors be provided with the same information, so that they may make sound investment decisions.

More specifically, on the occasion of the release of annual, semiannual or quarterly data, the Company organizes conference calls with institutional investors and financial analysts and encourages the participation of industry press representatives. In addition, the Company promptly informs its shareholders and potential shareholders of any action or decision that could have a material impact on their investment. It also makes available on its website (www.edison.it - Investor Relations and Governance) press releases, paid notices published by the Company in the press with regard to rights inherent in the securities it has issued, and documents concerning Shareholders' and Bondholders' Meetings or otherwise provided to the public, so as to ensure that its shareholders are informed about the issues on which they will be asked to cast their vote. The Company also encourages journalists and qualified professionals to attend its Shareholders' Meetings.

Edison established an office responsible for handling relations with shareholders and assigned responsibility for managing relations with institutional investors to the manager of the Investor Relations Department.

SHAREHOLDERS' MEETING

Notice of Shareholders' Meeting

Pursuant to Article 9 of the Bylaws, Shareholders' Meetings are convened by means of a notice published within the statutory deadline on the Company's website and with the other methods specified in regulations issued by the Consob. The deadline for publishing a notice of an ordinary meetings (Shareholders' Meeting convened to approve the financial statements) is 30 days before the date of the meeting. A more extended deadline (40 days) applies to Shareholders' Meeting convened to elect the Board of Directors and the Board of Statutory auditors, while shorter deadlines of twenty-one and fifteen days apply, respectively, to (i) Shareholders' Meetings convened to approve share capital transactions, when losses exceed one-third, or liquidation, and (ii) in the event of a tender offer, to authorize the Board of Directors to carry out transactions that could be in conflicts with the tender offer.

Under the current system, which, by the way, is provisional, the Notice of Shareholders' Meeting must be sent to the Consob and to Borsa Italiana through the NIS system and published in a newspaper with national circulation. The Bylaws leave to the discretion of the Board of Directors the choice of newspaper between *Il Sole 24 Ore* and *Corriere della Sera*. The Company has always published its notices in *Il Sole 24 Ore*.

The Notice of Shareholders Meeting must list the day, time and place of the Meeting (including the day of a second or third calling, if required), the items in the Agenda and must contain, also by way of a reference to the Company website, a description of the procedures that must be followed to attend and vote at the Meeting, as well as: information regarding the deadlines and methods to exercise the right to submit questions prior to the Meeting and amend the Agenda, vote by mail and file a proxy

electronically; the identity of the party designated by the Company as a proxy agent; an indication of the date when the parties eligible to attend and vote at the Meeting must have ownership of the shares; information about the Company's share capital and how to access a copy of the motions for resolutions and the explanatory reports of the Board of Directors. Specific information must be provided with regard to certain subjects, such as the election of the Board of Directors and Board of Statutory Auditors. Usually, the Company makes available to the public copies in Italian and English of the documents relevant to the Shareholders' Meeting by depositing them at the Company's head office, sending them to Borsa Italiana through the NIS system and publishing them on its website via a link on its homepage (www.edison.it).

Rules of Operation and Attributions

An Ordinary Shareholders' Meeting, gathered on the first or second calling, is duly convened and may adopt resolutions with the favorable vote more than half of the common share capital represented at the Meeting and at least half of the total common share capital, with the following exceptions: (i) a Shareholders' Meeting gathered on the second calling to approve the Annual Report and elect corporate officers or remove them from office is duly convened irrespective of the percentage of capital represented and may adopt resolutions (except for the election of Directors and Statutory Auditors by slate voting) with the favorable vote of more than half of the share capital represented at the Meeting; and (ii) a Shareholders' Meeting convened to elect the Board of Directors and the Board of Statutory Auditors on the basis of slates of candidates, which adopts resolutions with specific majorities (Article 11 of the Bylaws, a copy of which has been annexed to this Report).

An Extraordinary Shareholders' Meeting, gathered on the first, second or third calling, is duly convened when more than half of the common share capital is represented at the Meeting and may adopt resolutions with the favorable vote of at least two-thirds of the share capital represented at the Meeting (Article 11 of the Bylaws, a copy of which has been annexed to this Report).

Pursuant to law, the Special Meeting of Holders of Shavings Shares adopts resolutions concerning the election or removal from office of the Common Representative and any liability actions towards him, the approval of resolutions by the Company's Shareholders' Meeting that undermine the rights of savings shareholders, the establishment of a fund for expenses needed to protect their common interests, the settlement of disputes with the Company and any other subject of common interest.

Right to Attend Shareholders' Meetings

Pursuant to Article 10 of the Bylaws, as most recently amended in 2010 by the Board of Directors to make them consistent with the requirements of Legislative Decree No. 27/2010, only parties who, based on evidence provided by an intermediary, were the holders of the right to vote at the close of business on the seventh stock market trading day prior to the date of the Shareholders' Meeting convened on the first calling will be allowed to attend and vote at the Shareholders' Meeting. The shares will be freely transferable at all times, but credit and debit entries posted to the accounting records after the abovementioned seven-day deadline will be irrelevant for the purpose of determining the eligibility to exercise the right to vote at the Shareholders' Meeting.

A party's eligibility is certified by means of a communication issued by an intermediary certifying that, on the abovementioned date, the shares were deposited in the party's account in dematerialized form with the centralized clearing system. Pursuant to the applicable laws, the Company must receive the abovementioned communication before the Shareholders' Meeting is called to order on the first calling. Any party eligible to attend and vote at the Shareholders' Meeting has the right to be represented in accordance with the applicable laws. As required by the relevant rules, the Company Bylaws allow electronic filing of a proxy, carried out by sending the proxy form to the certified e-mail address provided in the Notice of Shareholders' Meeting. In addition, the Company shall designate for each Shareholders' Meeting a party to whom shareholders may grant their proxies.

Holding Shareholders' Meetings

The Company did not adopt Shareholders' Meeting regulations because it believes that the power attributed by the Bylaws to the chairman of the Meeting (who is responsible for managing the Meeting), which include determining the Meeting's Agenda and the voting method, are sufficient to maintain an orderly performance of Shareholders' Meetings, thereby avoiding the risks and inconveniences that could result, should a Shareholders' Meeting fail to comply with Meeting regulations.

In 2011, the Ordinary Shareholders' Meeting was held on April 26, 2011. The items on the Meeting's Agenda included: approval of the 2010 statutory financial statements, election of the Board of Directors for one year, election of the Board of Statutory Auditors, award of the assignment to perform the statutory independent audit of the financial statements and determination of the corresponding fees. All Directors who could provide a useful contribution to the discussion because of the duties they perform within the Board of Directors or its Committees were present at this Shareholders' Meeting. On that occasion, the Chairman and the Chief Executive Officer, responding when necessary to specific questions by shareholders and in accordance with the rights of the shareholders to participate in the discussion and receive the desired information, reported on the work performed and on future plans.

In 2011, the Special Meeting of Holders of Saving Shares was held on April 26, 2011. The items on the Meeting's Agenda included: approval of the report on the management of the fund for expenses needed to protect their common interests, the election of the Common Representative for one year and determination of his/her compensation.

The Board of Directors did not deem it necessary to promote initiatives that would encourage greater attendance at the Shareholders' Meetings, since the percentage of the share capital that is being represented at those Meetings is already quite high.

No significant changes in Edison's market capitalization or its shareholder base occurred in 2011.

Additional Shareholder Rights and Methods of Exercise

The Company Bylaws do not convey to the shareholders any rights beyond those provided to them pursuant to law nor do they establish methods of exercise that are different from those set forth in the applicable laws and regulations.

As explained earlier in this Report, the Bylaws were amended in 2007, making them consistent with new statutory requirements and with the guidelines provided by Consob with regard to the minimum ownership thresholds required of minority shareholders who wish to file slates of candidates to positions on the Company's governance bodies and, in 2010, responding to the new statutory requirements introduced by Legislative Decree No. 27/2010, the Board of Directors again amended the Bylaws introducing the changes needed to make them consistent with statutory requirements concerning the eligibility to attend Shareholders' Meetings and file slates of candidates for election to the governance bodies. However, the Company did not believe that it would have been advisable to ask the Shareholders' Meeting to make the other optional changes listed in the abovementioned Decree concerning the exercise of shareholders' rights and the protection of minority shareholders, which are already covered by existing laws. Any further amendments will be considered once the case law has become established.

INDEPENDENT STATUTORY AUDITORS

Attributions

The awarding of the audit assignment (now independent statutory audit), which includes auditing the statutory and consolidated financial statements and performing the related regular reviews of the accounting records, to a company listed in the special register established for this purpose, is a prerogative of the Shareholders' Meeting, which also determines the corresponding compensation, upon a detailed recommendation by the Board of Statutory Auditors.

The award of the assignment to the current Independent Auditors, Deloitte & Touche Spa (Deloitte) was approved by the Shareholders' Meeting of April 26, 2011. Deloitte replaced PricewaterhouseCoopers Spa (PWC), which held this assignment for the previous nine years (maximum period allowed pursuant to law). As allowed under current laws, Deloitte's assignment will last for nine years, i.e., from 2011 to 2019.

The Italian subsidiaries, with very few exceptions, have also awarded the independent statutory audit assignment to Independent Auditors chosen from those listed in the special register established for that purpose, as required by Legislative Decree No. 58/1998. Usually, the Independent Auditors thus selected are the same as those retained by Edison, so as to allow the Independent Auditors of the Group's Parent Company to assume direct responsibility for the audits of its subsidiaries. While complying with the restriction that the audit assignment may not be awarded to the same Independent Auditors for more than nine years, when permissible, the expiration of the assignments awarded to PWC by the Italian subsidiaries was aligned with that of the Edison assignment. Consequently, the approval of the 2010 financial statements marked the end of the assignments awarded to PWC, the previous independent auditor, by most of the Group's Italian subsidiaries, which also awarded/amended their previous assignments, awarding them to Deloitte & Touche for the maximum duration allowed pursuant to law.

The only exception with regard to the length of the assignment is the Edison Trading SpA subsidiary, which already appointed Deloitte & Touche in 2010 and, consequently renewed the award to the same company for an additional eight years, i.e., until 2018.

As for the Termica Cologno Srl subsidiary, in 2010, it renewed the assignment to PWC for three years, as allowed by the provisions of the Civil Code previously in force. Consequently, in 2011, it became necessary to mutually agree to terminate the existing independent auditing assignment, so that it may be awarded to Deloitte & Touche, the independent auditors of Edison Spa, the Group's Parent Company, for a period of nine years, starting in 2011.

In addition to the Italian subsidiaries, major foreign subsidiaries have also retained Independent Auditors as required under the Group's general audit plan. In principle, the purpose of this plan is to ensure that the financial statements of all Group companies, and not just those that meet the Consob's "materiality" requirements, undergo an independent statutory audit by Independent Auditors. With some exceptions, companies that are either dormant or in liquidation are exempt from this requirement. In the remaining cases, in which only a Board of Statutory Auditors has been appointed, the Board of Statutory Auditors was also asked to perform an independent statutory audit, pursuant to law.

Consistent with a firmly established Group policy, Edison and its principal subsidiaries have also asked their Independent Auditors to audit their semiannual financial statements and, in the case of companies that operate in the electric power and natural gas industries, the separate financial statements that are prepared annually for the Electric Power and Hydrocarbons operations and to perform special audits needed to comply with contractual requirements or required by the Electric Power and Gas Authority. These audits assignments have been revised to comply with relevant regulations issued recently by the Electric Power and Gas Authority.

Edison's Independent Auditors, Deloitte & Touche and its international network, working in accordance with assignments they received directly, audited about 95.35% of total consolidated assets (2011) and about 97.81% of total consolidated revenue. Other independent auditors were awarded auditing assignments by some Italian and foreign Group companies.

Because Deloitte & Touche took over from the previous independent auditors (PWC) as of the date of the Shareholders' Meeting that approved the 2010 financial statements, the periodic review of the accounting records for the first half of 2011 was performed by PWC with regard both to Edison and its Italian subsidiaries (except for Edison Trading).

In 2011, Edison's Board of Directors adopted the guidelines for the award and management of assignments to independent auditors by Group companies.

Fees

Edison's Shareholders' Meeting that granted the independent statutory audit assignment also approved the corresponding fees.

In 2011, the total consideration for the provision of independent statutory auditing services and services other than auditing amounted to 830,926 euros for the Group's parent Company and 1,752,584 euros for the Group.

Schedule of auditing costs Edison Spa	Deloitte Auditors		Other Auditors		Total	
	Hours	Fee	Hours	Fee	Hours	Fee
Audit of the statutory financial statements	8,370	385,000			8,370	385,000
Audit of the consolidated financial statements	1,100	52,000			1,100	52,000
Limited audit of the semiannual report	1,990	91,000			1,990	91,000
Regular reviews of the accounting records	450	30,000	155	12,926	605	42,926
Coordination with other auditors	100	6,000			100	6,000
Audit of separate annual financial statements	340	16,000			340	16,000
Additional review and verification activities	1,315	95,000	990	143,000	2,305	238,000
Total Edison Spa	13,665	675,000	1,145	155,926	14,810	830,926
Italian subsidiaries and joint ventures	13,848	676,698	1,220	79,560	15,068	756,258
Foreign subsidiaries and joint ventures	861	78,950	492	86,450	1,353	165,400
Total Edison Group	28,374	1,430,648	2,857	321,936	31,231	1,752,584

Starting in 2008, Edison's auditing costs include the review performed to ascertain that the Report on Operations is consistent with the financial statements, as required by Legislative Decree No. 32/2007, enacted to implement EU Directive No. 51/2003 (content of the Report on Operations and wording of the Independent Auditors' Report), as well as the tests performed to comply with the requirements of Article 9 of Legislative Decree No. 471/1997. Starting in 2009, the auditing costs include a review of the Corporate Governance Report, as required by current regulations.

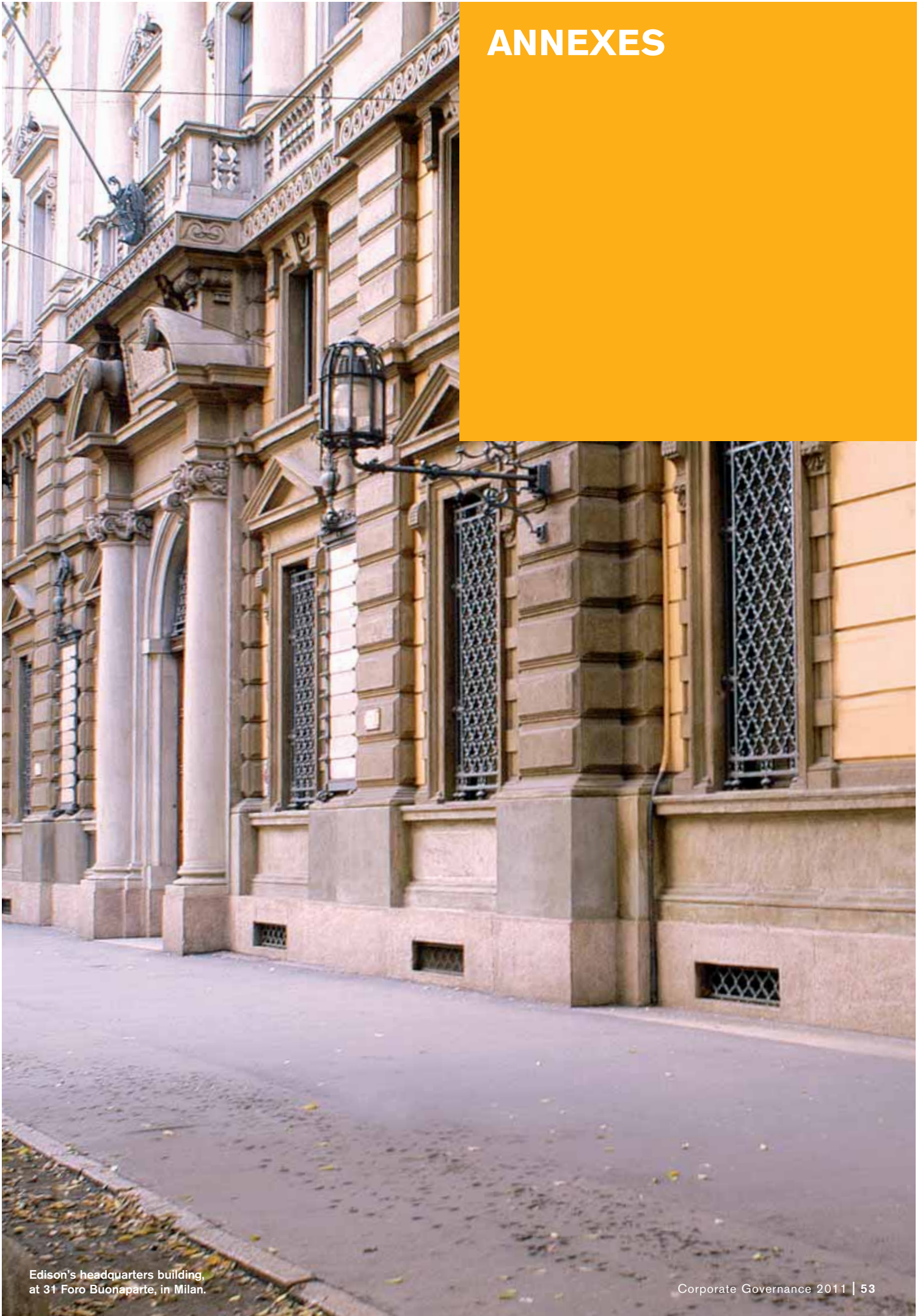
In 2011:

- additional review assignments performed by PWC and its network required 990 hours, at a cost of 143,000 euro, and concerned mainly certifications issued to satisfy existing contractual obligations;
- additional review assignments performed by Deloitte & Touche and its network required 1,315 hours, at a cost of 95,000 euro, and concerned a review of Edison's Sustainability Report and attestation of the rates applied to rebill costs to partners in joint ventures.

Other entities from the Deloitte network, in order to implement and complete existing contracts, provided consulting services in connection with projects for the development of non-accounting IT systems, as well as non-evolutionary maintenance for a total amount of 468,850 euros, including 335,100 for Edison Spa and 133,750 for Edison Trading Spa. These services were provided partly before the date of the award of the auditing assignment for Edison Spa and partly after that date. Completion of these services is currently under way, with their end expected in 2012.

In addition, taxation services for a total amount of 49,556 euros were provided to Edison International Spa concerning certain tax issues related to the possible reorganization of the company's economic activities and the provision of taxation support to expatriate staff.

ANNEXES



Edison's headquarters building,
at 31 Foro Buonaparte, in Milan.

ANNEXES

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OVERVIEW OF THE COMPARISON BETWEEN EDISON'S GOVERNANCE SYSTEM AND THE CODE'S RECOMMENDATIONS (2006 EDITION)

	YES	NO	Brief description of the reasons for any deviations from the recommendations of the Code (2006 edition)
Role of the Board of Directors			
Does the Board of Directors have sole jurisdiction over the review and approval of Strategic, Industrial and Financial Plans for the Company and the Group and over the Company's system of governance and the Group's structure?	X		
Does the Board of Directors assess the adequacy of the issuer's organization and general administrative and accounting system, with special emphasis on the internal control and risk management system?	X		
Does the Board of Directors determine the compensation of the Chief Executive Officer, based on a proposal by the Compensation Committee and on the recommendations of the Board of Statutory Auditors?	X		
Does the Board of Directors review the Company's overall operating performance, based on specific information provided by management and comparing on a regular basis actual results against expected results?	X		
Does the Board of Directors have sole jurisdiction over the review and prior approval of significant transactions by the Company and its subsidiaries with third parties and related parties or over transactions in which one or more Directors have an interest either directly or on behalf of third parties?	X		The Board of Directors has sole jurisdiction also over material transactions with Significant Parties, which include: (i) TdE; (ii) shareholders of TdE; (iii) shareholders of shareholders of TdE; (iv) one or more related parties (as defined by the IASs); (v) other companies or entities that control, are controlled by or are under the joint control of the abovementioned parties; and (vi) other companies or entities in which the abovementioned parties hold an equity interest. All of the above does not apply to Edison subsidiaries and standard financial transactions with credit institutions who are Delmi shareholders.
Has the Board of Directors performed an annual assessment to determine whether its composition, size and method of operation, and those of its Committees, are adequate?	X		
Composition of the Board of Directors			
Is the composition of the Board of Directors consistent with the Code's principles with regard to the election of Directors with and without executive authority?	X		
Has managerial authority been delegated to one or more Directors?	X		
Has managerial authority been delegated to the Chairman of the Board of Directors?		X	
Do the parties to whom managerial authority has been delegated report on a regular basis to the Board of Directors and the Board of Statutory Auditors about the work they performed?	X		
Does the Board of Directors include any other Directors with executive authority?		X	
Did the Board of Directors designate an independent Director to serve as Lead Independent Director?		X	The Board of Directors chose not to designate a Lead Independent Director, since it did not believe that the Code's requirements for such a designation exist at this time.
Has the Board of Directors established general criteria about the maximum number of posts that may be held, compatibly with the effective performance of the duties of a Company Director?		X	Choosing not to adopt the Code's recommendations, the Board of Directors refrained from expressing an opinion on the maximum number of posts that may be held, compatibly with the effective performance of the duties of a Company Director, since it believes that such a determination is primarily a consideration that the shareholders should make when electing Directors and, secondarily, a decision incumbent on each Director when accepting an appointment.
In addressing organizational issues, did the Shareholders' Meeting provide a blanket and preventive waiver of the non-compete obligation referred to in Article 2390 of the Italian Civil Code?	X		In the area of non-compete obligations, the Shareholders' Meeting (which under the Bylaws has the authority to activate such obligations when electing Directors, should it deem it necessary) did not avail itself of this right and, in the course of the year, the Board of Directors did not uncover any issues worthy of the attention of the Shareholders' Meeting.

Report on Corporate Governance and the Company's Ownership Structure

	YES	NO	Brief description of the reasons for any deviations from the recommendations of the Code (2006 edition)
Independent Directors			
Are independent Directors adequately represented on the Board of Directors?	X		
Has the Board of Directors followed the Code's recommendations with regard to assessing the independence of Directors?	X		
Does the Board of Directors disclose the results of its assessment by means of an official press release communicated to the market following its election and, later, in the Report on Corporate Governance?	X		
Has the Board of Statutory Auditors verified that the vetting procedures adopted by the Board of Directors to assess every year the independence of its members are being properly applied and reported its findings to the market?	X		
Were meetings reserved exclusively for independent Directors held during the year?	X		
Handling of Company Information			
Did the Board of Directors, acting upon a proposal by the Directors assigned to this task, adopt a procedure for the internal management and external communication of documents and information concerning the issuer, particularly with regard to insider information?	X		
Establishment and Rules of Operations of the Committees of the Board Of Directors			
Has the Board of Directors established one or more internal Committees responsible for making proposals and providing consulting support?	X		Within the framework of the Board of Directors, the Company established: a Strategy Committee; as provided by the Code, an Audit Committee and a Compensation Committee; and a Committee of Independent Directors.
Are the rules that govern the composition of the Committees required by the Code (Audit Committee and Compensation Committee), the tasks assigned to them and the manner in which their meetings are held consistent with the Code's recommendations?	X		The Code's requirement that the independent Directors constitute a majority of members of Committees of the Board of Directors was complied only with respect to the Compensation Committee. This decision is consistent with the provisions of the Governance Agreements that apply to the designation of members of the Committees of the Board of Directors. A broad outline of the powers attributed to the Audit Committee and the Compensation Committee is defined in the Governance Agreements. They were later specified and formally established by the Board of Directors most recently at meetings held on April 26, 2011 and May 13, 2011, making the powers of the Compensation Committee consistent with the new rules introduced by Article 7 of the Code.
Election of Directors			
Has the Board of Directors considered the possibility of establishing a Nominating Committee?		X	In view of the current structure of the Company's shareholder base and considering the corporate governance rules adopted as a result, there appears to be no need for a Nominating Committee.
Were the nominations to the Board of Directors filed at least twenty-five days in advance and were they accompanied by exhaustive information, including information about the candidate's independence, if applicable?	X		
Compensation of Directors			
Has the Board of Directors considered the possibility of establishing a Compensation Committee?	X		
Are all committee members non-executive Directors, the majority of whom are independent Directors?	X		
Does at least one Committee member possess a level of experience in the areas of finance or compensation policies that the Board of Directors deems adequate at the time of his/her appointment?	X		
Does the Committee submit to the Board proposals concerning the compensation of the Chief Executive Officer and of Directors who perform special functions and review on a regular basis the criteria used to determine the compensation of executives with strategic responsibilities, monitoring their implementation and making general recommendations to the Board of Directors in this area?	X		

	YES	NO	Brief description of the reasons for any deviations from the recommendations of the Code (2006 edition)
Is the compensation of executive Directors tied in part to the Company's operating performance and the achievement of objectives predetermined by the Board of Directors?	X		
System of Internal Controls			
Has the Board of Directors considered the possibility of establishing an Audit Committee?	X		
Are all committee members non-executive Directors, the majority of whom are independent Directors?		X	The Audit Committee is comprised of four non-executive Directors, including one independent Director.
Does at least one Committee member have a level of experience in accounting and finance that the Board of Directors deemed to be adequate at the time of appointment?	X		
Does the Board of Directors define the guidelines of the System of Internal Controls and assess its adequacy, efficacy and effectiveness, and has the Board assigned to an executive Director the task of overseeing the system's functionality?	X		
Does the Committee provide support to the Board of Directors, evaluate the correct use of the accounting principles, review the work program and the reports of the Internal Control Officer, evaluate the bids submitted by Independent Auditors and the effectiveness of their audits, and report to the Board of Directors (at least semiannually) on the work it has performed and on the effectiveness of the Company's system of internal controls?	X		
Does the Chairman of the Board of Statutory Auditors or another Statutory Auditor that he designates attend meetings of the Audit Committee?	X		
Does the executive Director responsible for overseeing the functionality of the System of Internal Controls map key corporate risks and implement the guidelines defined by the Board of Directors?	X		
Has the Board of Directors appointed an Internal Control Officer, based on a recommendation by the executive Director responsible for overseeing the functionality of the System of Internal Controls?	X		
Did the Board of Directors determine the compensation of the Internal Control Officer?	X		The compensation of the Internal Control Officer is determined in a manner consistent with the Group's management compensation policies, in accordance with general guidelines reviewed by the Compensation Committee.
Is the Internal Control Officer who assesses the adequacy of the System of Internal Controls free of any management responsibility with regard to any operational departments and is he independent from any operational department, does he have access to all of the information needed for his job and does he report to the Audit Committee and the Board of Statutory Auditors?	X		
Has the issuer established an internal auditing organization and is the Internal Control Officer in charge of this organization?	X		
Has the issuer adopted an organizational model consistent with the requirements of Legislative Decree No. 231/2001?	X		
Interests of Directors and Transactions with Related Parties			
Has the Board of Directors adopted effective operating procedures to facilitate the identification and appropriate handling of transactions in which a Director has a direct or third-party interest?	X		
Has the Board of Directors defined appropriate procedures to review and approve Transactions with Related Parties?	X		In December 2010, the Board of Directors adopted a new procedure to govern related-party transactions, as required by the relevant Consob regulation. The parties that qualify as Related Parties for Procedure implementation purposes are: i) the related parties identified as such by the Consob based on the version of IAS 24 in effect since March 2010; ii) A2A, Dolomiti Energia, EDF, Iren, Sel and their subsidiaries, pursuant to Article 2359 of the Italian Civil Code.

Report on Corporate Governance and the Company's Ownership Structure

	YES	NO	Brief description of the reasons for any deviations from the recommendations of the Code (2006 edition)
When determining the methods used to approve and execute Transactions with Related Parties, has the Board of Directors defined specific transactions or provided guidelines to identify the transactions that require its approval, based on the input of the Audit Committee and/or the support of independent experts?	X		In the new procedure adopted in December 2010, the prior opinion of the Audit Committee has been replaced, for Highly Material or Less Material Transactions, with a prior opinion rendered by the Committee of Independent Directors or the Alternative, Equivalent Oversight Entity.
Board of Statutory Auditors			
Does the issuer require that a Statutory Auditor who has a direct or third-party interest in a transaction involving the issuer provides promptly the other Statutory Auditors and the Chairman of the Board of Directors with detailed information about the nature, terms, origin and scope of the abovementioned interest?	X		The Board of Statutory Auditors adopted the Code's recommendation requiring that its members disclose any direct or third-party interest they may have in specific transactions submitted to the Board of Directors for approval. No situations that would have required the members of the Board of Statutory Auditors to provide such a disclosure occurred in 2010.
Does the Board of Statutory Auditors monitor the independence of the Independent Auditors, ensuring that they comply with statutory requirements with regard to the nature and scope of services other than auditing that the Independent Auditors and other entities belonging to the same network may provide to the issuer and its subsidiaries?	X		
In performing its activity, does the Board of Statutory Auditors cooperate with the internal auditing function and the Audit Committee?	X		
Has the Board of Statutory Auditors adopted the Code's recommendations regarding the assessment of the independence of its members?	X		
Were the nominations to the Board of Statutory Auditors filed at least twenty-five days in advances and were they accompanied by exhaustive information?	X		
Relations with Shareholders			
Has the issuer created an easily identifiable and accessible section of its website where its shareholders can access relevant information, so that they may make informed decisions about the exercise of their rights?	X		
Did the Board of Directors designate a representative responsible for managing shareholder relations and did it establish a corporate organization to perform this function?	X		
Has the Company adopted Regulations for the Conduct of Shareholders' Meetings?		X	The Company has not adopted specific regulation for the conduct of its Shareholders' Meetings because it believes that the powers granted to the Chairman of the Meeting under the Bylaws, which include moderating discussions and determining voting order and procedures, are sufficient to ensure that the Meeting progresses in an orderly fashion and that these general powers avoid the risks and inconveniences that could arise should the Meeting fail to comply with the provisions of specific regulations.
Has the Board of Directors provided the Shareholders' Meeting with a report on the work they performed and plan for the future, giving shareholders adequate disclosures about relevant facts, so that they may make informed decisions about the items on the Meeting's Agenda?	X		
Have significant changes in the market capitalization of the issuers' shares occurred during the year?		X	
Have significant changes in the issuers' shareholder base occurred during the year?		X	
If the answer is in the affirmative, has the Board of Directors considered possibility of recommending that the Shareholders' Meeting amend the provisions of the Bylaw that concern the percentages required to exercise the rights conveyed by the shares and the prerogatives established for the purpose of protecting the rights of minority shareholders?		X	The Bylaws were amended in 2007 to make them consistent with new statutory requirements and with the guidelines provided by Consob with regard to the minimum ownership thresholds required of minority shareholders who wish to file slates of candidates to positions on the Company's governance bodies. On July 23, 2010 (effective as of November 1, 2010), in response to changes in the statutory requirements introduced by Legislative Decree No. 27/2010, the Board of Directors amended the Bylaws introducing the changes needed to make them consistent with statutory requirements concerning the eligibility to attend Shareholders' Meetings and file slates of candidates for election to the governance bodies. However, the Company did not believe that it would have been productive to ask the Shareholders' Meeting to make the other optional changes listed in the abovementioned Decree concerning the exercise of shareholders' rights and the protection of minority shareholders, which are already covered by existing laws.

BOARD OF DIRECTORS

OVERVIEW OF THE STRUCTURE OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES

Board of Directors										Audit Committee		Compensation Committee		Strategy Committee		Committee of independent Directors	
Post held	Member	Elected from a slate	Executive	non-Executive	Independent	***	No. of other posts held *	% attendance at Shareholders' Meet.	**	***	**	***	**	***	**	***	
<i>Directors in office at December 31-2011 (a)</i>																	
Chairman	Giuliano Zuccoli	(b)		X		100	7	100					X	100			
Chief Executive Officer	Bruno Lescoeur	(b) (d)	X			100	6	100					X	100			
Director	Mario Cocchi	(c)		X	X (h)	100	8	100			X	100			X	100	
Director	Gregorio Gitti	(b)		X	X (h)	92.86	11	100			X	100			X	100	
Director	Gian Maria Gros-Pietro	(b)		X	X (h)	100	4	100	X	100	X	100			X	100	
Director	Jean-Louis Mathias	(b) (e)		X		100	5	100			X	100	X	100			
Director	Thomas Piquemal	(b)		X		100	8	0	X	100							
Director	Henri Proglgio	(b)		X		57.14	12	0									
Director	Renato Ravanelli	(b)		X		100	11	100					X	100			
Director	Paolo Rossetti	(b)		X		100	14	100									
Director	Klaus Stocker	(b)		X		100	7	(j)	X	100							
Director	Andrea Viero	(b)				85.71	5	0	X	100							
Director	Steven Wolfram	(f)		X		100	3	(k)									
<i>Directors who resigned their office in 2011</i>																	
Chief Executive Officer	Umberto Quadrino	(g)	X			100		100					X	(l)			
Director	Marc Boudier	-		X		(i)		(i)			X	(i)	X	(i)			
Director	Marco Merler	(g)		X		100		100	X	100							
Director	Gerard Wolf	-		X		(i)		(i)									
Director	Adrien Jami	(a) (b)		X		62.5		(j)									

Number of meetings held in 2011

Board of Directors: 14 Audit Committee: 6 Compensation Committee: 7 Strategy Committee: 3 Committee of Independent Directors: 4

Quorum required to file minority slates for the election of one Director:

1% of the shares that convey the right to vote at the Ordinary Shareholders' Meeting.

* This column shows the number of other companies with shares traded in regulated markets in Italy or abroad, as well as financial, banking or insurance companies or companies of significant size of which the party in question is a Director or Statutory Auditor. In the table that follows, these positions are listed in detail.

** An "X" marked in this column indicates that the listed Director is a member of the applicable Committee.

*** This column shows the attendance percentages of Directors at meetings of the Board of Directors and Committees, respectively.

(a) Elected by the Shareholders' Meeting of April 26, 2011 for one year period ending with the approval of the 2011 annual financial statements.

(b) Elected from a slate filed by Transalpina di Energia Srl, the majority shareholder.

(c) Elected from a minority slate filed by Carlo Tassara Spa.

(d) Coopted by the Board of Directors on January 14, 2011 and elected by the Shareholders' Meeting on April 26 2011, to replace Marc Boudier. Name submitted by Transalpina di Energia Srl, the majority shareholder.

(e) Coopted by the Board of Directors on January 14, 2011 and elected by the Shareholders' Meeting on April 26 2011, to replace Gerard Wolf. Name submitted by Transalpina di Energia Srl, the majority shareholder.

(f) Coopted by the Board of Directors on December 21, 2011, to replace Adrien Jami, who resigned, and in office until the next Shareholders' Meeting. Name submitted by Transalpina di Energia Srl, the majority shareholder.

(g) Directors in office until the Shareholders' Meeting on April 26 2011. Name submitted, above, by Transalpina di Energia Srl, the majority shareholder.

(h) Director who meets the independence requirements of Article 148, Section 3, of the Uniform Financial Code and Principle No. 3 of the Code.

(i) Percentage not applicable because he was coopted before the date of the meetings held in 2011 by the Board of Directors and/or Committees of which he was a member and the only Shareholders' Meeting held in 2011 (April 26, 2011).

(j) Percentage not applicable because no additional Shareholders' Meetings were held in 2011 subsequent to his appointment.

(k) Percentage not applicable because he was coopted after the only Shareholders' Meetings held in 2011.

(l) Percentage not applicable because no Committee meetings were held while he was in office.

POSTS HELD BY DIRECTORS AT DECEMBER 31, 2011

Director	Posts held at other companies	TdE Group companies	Cos. in TdE sharehold. group
Giuliano Zuccoli	Chairman of the Managing Board of A2A Spa (*)		X
	Deputy Chairman of Banca Piccolo Credito Valtellinese Scpa (*)		
	Director of Delmi Spa		X
	Chairman of Ecodeco Srl		X
	Director of EPCG - Elektroprivreda Crne Gore AD Niksic (*)		X
	Chairman of Partenope Ambiente Spa		X
	Chief Executive Officer of Transalpina di Energia Srl	X	
Bruno Lescoeur	Member of the Supervisory Board of Dunkerque LNG Sas		X
	Deputy Chief Operating Officer of EDF International Sas		X
	Chairman of EDF Péninsule Ibérique Sas		X
	Director of Fenice Spa		X
	Director of EDF Trading Limited		X
	Director of Transalpina di Energia Srl	X	
Mario Cocchi	Member of the Managing Board of A2A Spa (*)		X
	Chief Executive Officer of Borno Energia Pulita Spa		
	Chief Executive Officer of Carlo Tassara Spa		
	Director of Carlo Tassara International Spa		
	Director of Finanziaria di Valle Canonica Spa		
	Director of HOPA Spa		
	Chief Executive Officer of Metalcam Spa		
	Director of Network Capital Partners Srl		
Gregorio Gitti	Director of Bassilichi Spa		
	Director of Flos Spa		
	Director of Librerie Feltrinelli Srl		
	Chairman of Lombarda 24 - 7 Finance Srl		
	Chairman of Lombarda Lease Finance 3 Srl		
	Chairman of Lombarda Lease Finance 4 Srl		
	Chairman of Metalcam Spa		
	Director of Sabaf Spa (*)		
	Director of Saceccav Spa		
	Chairman of UBI Finance 2 Srl		
	Chairman of UBI Finance 3 Srl		
Gian Maria Gros-Pietro	Director of Banca Piccolo Credito Valtellinese Scpa (*)		
	Director of Caltagirone Spa (*)		
	Director of Fiat Spa (*)		
	Director of Italy 1 Investment Sa (*)		
Jean-Louis Mathias	Member of the Supervisory Board of Dalkia		X
	Member of the Executive Committee of EDF (*)		X
	Director of EDF Energies Nouvelles Sa		X
	Chairman of Electricité de Strasbourg Sa		X
	Director of Transalpina di Energia Srl	X	
Thomas Piquemal	Director of Dalkia International Sa		X
	Member of the Executive Committee of EDF (*)		X
	Director of EDF Energy Holdings Ltd		X
	Director of EDF International Sa		X
	Deputy Chairman of the Supervisory Board of ERDF		X
	Member of the Supervisory Board of RTE EDF Transport Sa		X
	Director of Fimalac		X
	Director of Transalpina di Energia Srl	X	

POSTS HELD BY DIRECTORS AT DECEMBER 31, 2011 (continued)

Director	Posts held at other companies	TdE Group companies	Cos. in TdE sharehold. group
Henri Proglio	Director of CNP Assurances Sa (*)		
	Director of Dassault Aviation Sa (*)		
	Chairman and Chief Executive Officer of EDF Sa (*)		X
	Chairman of EDF Energy Holdings Ltd		X
	Director of EDF Energies Nouvelles Sa		X
	Director of EDF International Sa		X
	Director of FCC Fomento de Construciones y Contratas Sa (*)		
	Director of Natixis Sa (*)		
	Chairman of Transalpina di Energia Srl	X	
	Member of the Supervisory Board of Veolia Eau Sa		
	Director of Veolia Environnement Sa (*)		
Director of Veolia Propreté Sa			
Renato Ravanelli	General Manager and Member of the Managing Board of A2A Spa (*)		X
	Chairman of A2A Energia Spa		X
	Chairman of A2A Trading Srl		X
	Director of Delmi Spa		X
	Director of Dolomiti Energia Spa		X
	Director of Edipower Spa	X	X
	Director of EPCG - Elektroprivreda Crne Gore AD Nikši (*)		X
	Director of Hydros Srl	X	X
	Director of Metroweb Spa		X
	Director of Premium Gas Spa		X
Director of Transalpina di Energia Srl	X		
Paolo Rossetti	General Manager and Member of the Managing Board of A2A Spa (*)		X
	Chairman of A2A Calore e Servizi Srl		X
	Sole Director of A2A Servizi alla Distribuzione Spa		X
	Sole Director of A2A Ciclo Idrico Spa		X
	Chairman of A2A Reti Elettriche Spa		X
	Chairman of A2A Reti Gas Spa		X
	Director of Abruzzo Energia		X
	Director of AMSA Spa		X
	Director of Aprica Spa		X
	Director of Delmi Spa		X
	Director of Ecodeco Srl		X
	Chief Executive Officer of Partenope Ambiente Spa		X
Chairman of Retragas Srl		X	
Director of Transalpina di Energia Srl	X		
Klaus Stocker	Director of Delmi Spa		X
	Chairman of Hydros Srl	X	X
	Chairman of SelEdison Spa	X	X
	Chairman of Sel Gmbh Srl		X
	Deputy Chairman of Selgas Net Spa		X
	Director of Seltrade Spa		X
	Director of Transalpina di Energia Srl	X	
Andrea Viero	Director and Chief Operating Officer of IREN Spa (*)		X
	Chief Executive Officer and Chief Operating Officer of IREN Emilia Spa		X
	Chief Executive Officer of IREN Ambiente Spa		X
	Director of Sinergie Italiane Srl		X
	Director of Transalpina di Energia Srl	X	
Steven Wolfram	Director of Energy Nuclear Group		X
	Director of Transalpina di Energia Srl	X	
	Chairman of Unistar Nuclear Energy		X

(*) Company with shares traded in regulated markets.

CURRICULA OF THE DIRECTORS IN OFFICE AT DECEMBER 31, 2011

Giuliano Zuccoli (term of office ended on February 10, 2012)

Giuliano Zuccoli was born in Morbegno (province of Sondrio) on April 12, 1943. He graduated with a Degree in Electronic Engineering from the Milan Polytechnic in 1968. He is a member of the Board of Engineers of the Province of Sondrio.

Professional Background

- He began his professional career at the Falck Group, a steel producer, assuming ever greater responsibilities until, in 1990, he was named General Manager of Falck Nastri.
- In 1985, he was appointed General Manager of "Società Nordelettrica Spa Sondel," a company listed on the Milan Stock Exchange, where he was later appointed Chief Executive Officer.
- In December 1996, he was elected to the Board of Directors of Milan's AEM Spa. In September 1997, he was appointed Chief Executive Officer of AEM Spa and was named Chairman of the Board of Directors in May 1999.
- From March 2002 to July 2006, he served as Chairman of Edipower Spa.
- In July 2000, he was named Chairman of Federelettrica. In October 2003, he was reelected Chairman of Federelettrica (renamed Federenergia in January 2004) and, from June 2005 to May 2008, served as Chairman of Federutility.
- From April 2003 to April 2010 he served on the Board of Directors of Società Aar e Ticino Sa di Elettricità (ATEL), renamed ALPIQ in 2008.
- In May 2009, he was elected Chairman of Assoelettrica, National Association of Electricity Enterprises.

Bruno Lescoeur

Born in Paris, France, on November 19, 1953. He holds degrees in Engineering from Polytechnique College, in Economics from ENSAE (National College for Statistics and Administration) and in Political Sciences from Institut d'Etudes Politiques in Paris. He is married, with three children, and is a Knight of the National Order of Merit. He currently serves as EDF's Senior Executive Vice President.

Professional Background

- He joined EDF's General Economic Studies Department in 1978.
- In August 1991, he was named Manager at EDF GDF Services Var and, in 1993, Finance Manager of EDF with responsibility for cash management, financing and mergers-acquisitions.
- In 1998, he was appointed Chairman and CEO of the London Electricity Group, now EDF Energy.
- From the beginning of 2002 until the end of 2004, he served as Manager of Production and Engineering.
- In December 2004, he was named Deputy General Manager of EDF and member of the Executive Committee, with responsibility for international operations.
- In 2008, in his capacity as manager responsible for the development of EDF Group's gas operations, he negotiated a cooperation agreement with Gazprom that enabled EDF to join the Southstream gas pipeline project.
- In April 2010, he was named Senior Executive Vice-President and member of the Group's newly established Management Committee.

Mario Cocchi

Born in Niardo (BS) on July 18, 1953, a town of which he is still a resident today, he earned a bookkeeping diploma from the Technical Commercial Institute in Darfo B.T. (BS) in 1973.

Professional Background

- In 1973, he joined the Tassara Group, where he handled increasingly challenging assignments, rising to the post of Chief Operating Officer, which he held from September 2, 1997 to September 20, 2007, later becoming the Chief Executive Officer of Carlo Tassara Spa, the Group's Parent Company.
- He also serves as Chairman or Chief Executive Officer of various subsidiaries and affiliates of Carlo Tassara Spa.
- He was a Director and served on the Strategy Committee of Edison Spa from October 2002 until November 2005.
- On March 11, 2008, he was appointed to the Managing Board of A2A Spa and was re-elected to this post in June 2009.

- In 2009, he was elected to the Board of Directors of Hopa Spa.
- In 2005, he was awarded the Star of Merit for Labor.
- In 2007, he was honored as Entrepreneur of the Year by the Entrepreneurs' Association of Vallecamonica, Sebino, Valcavallina and Val di Scalve.
- Married with two children, he is actively involved in social issues, having served as Mayor of Niardo (BS) from 1993 to 2004.

Gregorio Gitti

Born in Brescia on June 21, 1964. Law Degree from the University of Pavia with a graduation grade of 110/110 with honors during the 1987/1988 academic year.

Academic and Professional Background

- Tenured professor of Private Law at the Law School of the University of Milan since September 10, 2003.
- Member of the management team of *Rivista di Diritto Privato* since 1995.
- Member of the editorial board of *Rivista di Diritto Civile* since 2002.
- Member of the management team of *Osservatorio del diritto privato e commerciale* since 2012.
- Author of numerous publications (articles, publications and commentaries to court decisions), mainly in the areas of obligation law, contract law and banking and financial market laws, and of two books entitled "Contratti Regolamentari e Normativi," Padua, Cedam, 1994, and "L'Oggetto della Transazione," Milan, Giuffr , 1999. Editor of the books "L'Autonomia Privata e le Autorit  Indipendenti. La Metamorfosi del contratto," Bologna, Il Mulino, 2006, "Il Terzo Contratto," Bologna, Il Mulino, 2008 and "Conciliazione Collettiva," Milan, Giuffr .
- Founding partner of Studio Legale Pavesi-Gitti-Verzoni, established in Milan on December 27, 2002, which specializes in providing support, in court proceedings and in extrajudicial settings, in the areas of civil law, commercial law, corporate law and financial and banking market law.

Gian Maria Gros-Pietro

Born in Turin on February 4, 1942. Full Professor of Business Economics at the Department of Business and Management of Luiss - Guido Carli University, Rome. He is the Director of Grif - Research Group on Industry and Finance, and has published numerous works on economic and industrial subjects.

Academic and professional experiences

- He held various courses in the area of Applied Economics, at the University of Turin (1965-2004) before passing to Luiss.
- From 1974 to 1995 he led the Research Institute on Business and Development, the main economic unit of the National Research Council, supporting different Government bodies on economic and industrial policies.
- Appointed in the Privatization Committee (Comitato Draghi) in 1994, in 1997 he was designated as CEO of Iri, with the mandate of privatizing its main subsidiaries. At the end of 1999 he was designated as Chairman of Eni, with the task of accompanying the gas sector liberalization and the growth of the company in E&P. From 2002 to 2010 he chaired Atlantia, the main private infrastructural operator in Italy.
- He served as director in many industrial, banking and services companies.
- He served as a member of the National Council for the Economy and Labor, a constitutional body, during 10 years.

Main present positions

- He serves as independent director in the listed companies Caltagirone, Credito Valtellinese, Fiat, Italy 1 Council of Investment Spac.
- He is Chairman of Vimec Spa and Deputy Chairman of Adige Spa.
- He is the President of Agens, the Association of railways and services companies.
- He is a member of the board of the Censis Foundation.
- He chairs the Scientific the Cotec Foundation, whose Honorary President is the Head of the State, and of which he was a founder and the first President, and where now he serves as a director.
- He chairs the Scientific Council of Nomisma.
- He is a member of the Scientific Committees of the reviews "L'Industria" and "Mercato, Concorrenza e Regole", and is a member of the Commission of the Dematt  Award.

Jean-Louis Mathias

Born in Clichy, France, on August 21, 1947. He earned degrees from Polytechnique College, ENSAE (National College for Statistics and Administration) and Centre de Perfectionnement aux Affaires (Centre for Advanced Business Studies). He also holds a Sociology Degree. He currently serves as EDF's Group Senior Executive Vice President, Activities in France.

Professional Background

- From 1973 to 1993, he served in different capacities at the Distribution Department of EDF and Gaz de France.
- From 1996 to 1998, he was Personnel and Social Relations Manager of EDF and Gaz de France.
- From 1998 to 2002, he was Sales Manager and, later, Manager of the Trading Department of Gaz de France.
- From 2002 to 2004, he was Adjunct General Manager of the Gaz de France Group.
- From September 2004 to 2009, he served as EDF's Chief Operating Officer.
- In December 2009, he was named Executive Vice President for the coordination of activities in France and Human Resources of the EDF Group.
- In December 2010, he was appointed Executive Vice President for the coordination of activities in France, the Renewable Energy area, Information Systems and Natural Gas.

Thomas Piquemal

Born in Lavelanet, France, on May 13, 1969. Degree from ESSEC (Graduate School of Economic and Commercial Sciences). He currently serves as EDF's Group Senior Executive Vice President, Finance.

Professional Background

- In 1991, he began his professional career at the Arthur Andersen auditing firm.
- In 1995, he joined the M&A Department of the Lazard Frères bank, where he worked on Veolia's major financial and strategic transactions including, in particular, the restructuring of the share capital and the EDF/Dalkia merger.
- In 2008, working in London, he was assigned responsibility for the strategic partnership between Lazard and the Apollo U.S. investment fund.
- In January 2009, he was named Deputy General Manager in charge of Finance of Veolia Environnement and joined the Group's Executive Committee. In this capacity, he focused on reducing debt levels, specifically through a divestment program. In addition, he worked with Caisse des Dépôts to merge their respective subsidiaries Transdev and Veolia Transport and create a world leader in the area of public transportation and sustainable mobility.
- In 2008, together with the three-time boxing world champion Christophe Tiozzo, he founded the "Christophe Tiozzo Academy," whose mission is to foster the social and professional development of young people from "at risk" neighborhoods.

Henri Proglio

Born in Antibes, France, on June 29, 1949. MBA (Master of Business Administration) in 1971.

Professional Background

- In 1973, he joined Compagnie Générale des Eaux.
- In 1990, he was named President and General Manager of CGEA - Compagnie Générale d'Entreprises Automobiles, which includes the Group's janitorial services and transportation activities.
- In 1991, he was appointed Manager of Compagnie Générale des Eaux, joining the Executive Committee in 1996 and becoming Adjunct General Manager in 1997.
- In 1999, he was named President of CGEA, Director and Executive General manager of Vivendi Water, President of Compagnie Générale des Eaux and Chief Executive Officer of Vivendi.
- In 2000, he was elected Chairman of the Executive Committee of Vivendi Environnement: Vivendi Water, Onyx, Connex, Dalkia.
- In 2003, he was appointed President and General Manager of Veolia Environnement.
- In November 2009, he was named Chairman of the Board of Directors of Veolia Environnement and President and General Manager of EDF.
- He is currently a Director of CNP Assurances, Natixis, Dassault Aviation and Veolia Environnement.
- In 2006, he was appointed Officer of the Légion d'Honneur and, in 2009, Commander of the National Order of Merit.

Renato Ravanelli

Born in Milan on April 14, 1965. Degree in Economics Business Administration from Università Cattolica of Milan.

Professional Background

- After a period of time spent at universities' departments, where his research projects focused mainly on the utilities industry, he worked for four years in the economic research departments of financial institutions, first as a macro-economist and later as an industrial sectors analyst.
- In 1996, he joined AEM as manager of the Studies Department. Subsequently, he was appointed Manager of Strategic Group Planning and was later named Chief Financial Officer. At the AEM Group, he also served as General Manager and Chief Executive Officer of AEM Trading Srl.
- In 2005, he was named Group Chief Financial Officer of Edison Spa and served in this capacity until July 2007, when he was appointed General Manager of the AEM Group.
- Since 2008, he has been serving as General Manager, Corporate and Market Area, of the A2A Group.
- He has been elected to the Boards of Directors of several companies operating in the energy sector in Italy and abroad.
- He is an independent Director of the InfraMed Infrastructural Fund.

Paolo Rossetti

Born in Brescia on June 25, 1951. Degree in Mechanical Engineering from Milan's Politecnico University. Licensed to practice as a professional engineer in 1976.

Professional Background

- From 1976 to 1981: Ocean Spa Group: Production Quality Manager (1976-1977); Product Manager for the European and U.S. markets (1977-1980); Deputy Director for product design and relations with major customers (1980-1981); member of the ANIE international certification commission and of similar commissions for Europe (BSI, VDE, AFNOR and Kema) and the United States (UL).
- From 1981 to 2007: ASM Spa, now A2A: Manager of the Organizational Development and Training Department (1981-1984); Project Manager of the Sintesi Spa project (1984-1987); Head of Personnel Recruitment, Training and Development (1987-1992); Head of Management Control, Economic Analysis, Organization and Quality (1993-1995); Manager of the Personnel Department (1996-1999); Director of the Corporate Function (2000-2007) and, since 2002, Deputy General Manager.
- Since December 1, 2009 is Member of FederUtility's Managing Board and Chairman of FederUtility's Network Energy Commission.

Klaus Stocker

Born in Aldino (BZ) on April 24, 1949. Resides at Aldino (BZ). Education: elementary school, intermediate school and classical studies high school.

Professional Background

- 1967 - 1968: Worked at SAD - Società Automobilistica Dolomiti, Bolzano.
- 1969 - 1975: Worked at the Provincial Labor and Full Employment Office of the Autonomous Province of Bolzano.
- 1976 to present: Self-employed with own data processing company in the areas of labor consultancy and payroll processing services.
- 1985 - 1990: Deputy Mayor of Aldino (BZ).
- 1992 to present: President of the Hunters' Association of the Province of Bolzano.

Governance Posts Held

- 1989-1999: Member of the Board of Directors of Credito Fondiario Trentino Alto Adige, a bank based in Trent.
- 2000 - 2003: Member of the Board of Directors of RTC - Rail Traction Company Spa, Rome.
- 2003 - 2010: Chairman of the Board of Directors of Teleriscaldamento Chiusa, Chiusa.
- 2004 - 2008: Sole Director of Ecotherm Srl - Bolzano.
- 1999 - 2002: Member of the Board of Directors of SEL Spa - Bolzano.
- 2002 - November 2011: Chairman of the Board of Directors of SEL Spa - Bolzano.
- 2005 - September 2011: Member of the Board of Directors and Chief Executive Officer of Energas Sudgas Srl - Ora (BZ).

Andrea Viero

Born in Marostica (VI) on April 7, 1964. Degree in Business Economics from the L. Bocconi University, in Milan and holds a Diploma from the Italian Academy of Business Economics.

Academic and Professional Background

- Since July 2010, General Manager of Iren Spa.
- Since July 2010, Chief Executive Officer of Iren Ambiente Spa.
- Since July 2010, Chief Executive Officer of Iren Emilia Spa.
- Since November 2008, Director of Edison Spa.
- Since November 2008, Director of Transalpina di Energia Srl.
- Since November 2008, Member of the Managing Board of Delmi Spa.
- Since July 2008, Chief Executive Officer of Sinergie Italiane Srl.
- Since May 2008, Chief Executive Officer of Enia Spa and, in this capacity, managed the merger of Enia Spa and Iride Spa.
- From 1996 to 2008 he served as General Manager or Central Manager in various entities of the public administration. More specifically:
 - General Manager of the Autonomous Region of Friuli Venezia Giulia (from January 2004).
 - General Manager of the City of Gorizia (from October 2002);
 - Central Manager of the City of Milan (from September 2001);
 - General Manager of the City of Trieste (from September 1996).
- Since 1989, he has been a professor at the Business Management School of the L. Bocconi University, in Milan.
- From 1989 to 1996, he was a contract professor of Public Administration Economics at the L. Bocconi University, in Milan.
- He has contributed to numerous research projects and served as coordinator in organizational and management rationalization projects, the most recent of which included: the reorganization of the Italian National Highway Administration (formerly ANAS); restructuring of the organization and of the accounting systems required by Decree law No. 77, integrated with the management control system, for numerous municipal administrations.
- As an expert in Project Finance, he collaborated in the definition of the Emster Project for the Brandenburg Land.
- He handled numerous assignments outside Italy, including serving as an assistant to the Director of the Organization Sector of the Senatus für Inneres of the West Berlin Land and the Transportation Sector (BVG - Berliner Verkehrsgesellschaft) from June to October 1989, and as a teacher at New York University from September 1992 to September 1993.

Steven Wolfram

- Born in Dallas, Texas, on April 28, 1949.
- Degree from Harvard in 1971 and Harvard Law School in 1974.
- Member of the New York Bar.
- Serves as EDF's General Counsel-Development, in which role he is responsible for the management and negotiation of the EDF Group's major acquisitions and divestments and other strategic operations from a legal perspective.

Professional Background

- Prior to joining EDF in his present capacity, in September 2010, was engaged in the private practice of law in Paris.
- Is a member of the Board of Directors of Constellation Energy Nuclear Group. EDF's joint-venture with Constellation Energy in the ownership and operation of five nuclear reactors in the United States.
- As a US citizen, he also serves as Chairman of the Board of Directors of Unistar Nuclear Energy, EDF's applicant for an NCR license to build a new reactor in the United States.

CURRICULA OF THE DIRECTORS IN OFFICE SINCE MARCH 2, 2012

Mauro Miglio

- Born in Milan on October 19, 1961.
- Degree in Economics Business Administration from Milan "Luigi Bocconi" University.
- MBA (Master of Business Administration) from INSEAD in Fontainebleau.

Professional Background

- In the last ten years he has served in important groups of the energy sector, in particular Edison and A2A, holding management positions in Business Development and M&A areas. Formerly he held management positions in other industrial groups, such as Montedison and Fiat.
- He serves in the Board of Directors of several A2A group companies.
- He is currently A2A group M&A Director.

BOARD OF STATUTORY AUDITORS

OVERVIEW OF THE STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Post held	Member	Elected from a slate	Independent as per Code	% of attendance at meetings of the Board of Statutory Auditors	% of attendance at meetings of the Board of Directors	% attendance at Shareholders' Meeting	No. of other posts held (*)
<i>Statutory Auditors in office at December 31, 2011 (a)</i>							
Chairman	Alfredo Fossati	(b)	X	100	92.86	100	25
Statutory Auditor	Angelomaria Palma	(c)	X	100	92.86	100	9
Statutory Auditor	Leonello Schinasi	(c)	X	100	100	100	10

Number of meetings held in 2011: 13

Quorum required to file minority slates for the election of one Statutory Auditor:

1% of the shares conveying the right to vote at the Ordinary Shareholders' Meeting.

(*) This column shows the number of other companies of which the party in question is a Director or Statutory Auditor. In the table that follows, these positions are listed in detail.

(a) Elected by the Shareholders' Meeting of April 26, 2011 for a three year period ending with the Shareholders' Meeting convened to approve the 2013 annual financial statements.

(b) Elected from a minority slate filed by Carlo Tassara Spa.

(c) Elected from a slate filed by Transalpina di Energia Srl, the majority shareholder.

POSTS HELD BY THE STATUTORY AUDITORS AT DECEMBER 31, 2011

Statutory Auditor	Posts held at other companies	TdE Group compa-nies	Cos. in TdE sharehold. Group
Alfredo Fossati	Chairman Board Statutory Auditors Ajanta Holding Srl		
	Chairman Board Statutory Auditors Benelli Armi Spa		
	Statutory Auditor Energetic Source Spa		
	Chairman Board Statutory Auditors Flyenergia Spa		
	Statutory Auditor Hewlett Packard Italiana Srl		
	Chairman Board Statutory Auditors Hewlett Packard Customer Delivery Services Italia Srl		
	Chairman Board Statutory Auditors HP Enterprise Service Italia Srl		
	Sole Director of Immobiliare Giardino 8 Srl		
	Director of Lavoro 2 Spa		
	Director of Lavoro 3 Spa		
	Chairman Board Statutory Auditors Linara Srl		
	Statutory Auditor Marazzi Group Spa		
	Chairman Board Statutory Auditors Mediterranean		
	Cement Company Spa (in liquidation)		
	Director of Metalcam Spa		
	Sole Director of Mirage Srl		
	Sole Director of Milival Srl		
	Statutory Auditor Mittel Spa (*)		
	Chairman Board Statutory Auditors Mittel Corporate Finance Spa		
	Chairman Board Statutory Auditors Permira Associati Spa		
	Chairman Board Statutory Auditors Poinx Srl		
	Chairman Board Statutory Auditors Sintesi Holding Srl		
	Chairman Board Statutory Auditors Valentino Fashion Group Spa		
	Chairman Board Statutory Auditors Valentino Spa		
Chairman Board Statutory Auditors VFG Distribuzione Spa			
Chairman Board Statutory Auditors VFG Italia Srl			
Angelomaria Palma	Deputy Chairman of Banca Piccolo Credito Valtellinese Scpa (*)		
	Director of Celleografia Gerosa Spa		
	Chairman Board Statutory Auditors Comense Beni Stabili Spa		
	Liquidator of C.L.A.C. Centro Legno Arredo Cantù (in liquidation)		
	Director of Lechler Spa		
	Chairman Board Statutory Auditors Seco Tools Spa		
	Director of Sviluppo Como Spa		
	Sole Director of Tritone Srl		
Chairman of Rodari Spa			
Leonello Schinasi	Chairman Board Statutory Auditors A. Raymond Italiana Srl		
	Chairman Board Statutory Auditors Aran World Srl		
	Statutory Auditor Bticino Spa		
	Chairman Board Statutory Auditors Fontex		
	Chairman Board Statutory Auditors Micron Technology Italia Srl		
	Chairman Board Statutory Auditors Micron Semiconductor Italia Srl		
	Chairman Board Statutory Auditors MNTC Holding Srl		X
	Chairman Board Statutory Auditors Tyco Electronics Amp Italia Products Spa		
	Statutory Auditor Transalpina di Energia Srl	X	
	Chairman Board Statutory Auditors WGRM Holding 4 Spa		X

(*) Company with shares traded in regulated markets.

CURRICULA OF STATUTORY AUDITORS IN OFFICE AT DECEMBER 31, 2011

Alfredo Fossati

Born in Monza (Milano) on August 2, 1958. University education: Degree in Economics and Business Administration earned in 1984 from Milan's Bocconi University.

Academic and Professional Background

- Admission to professional licensing boards: Certified Public Accountant admitted to the Milan Board of Certified Public Accountants in 1990.
- Independent Auditor: Listed in the Register of Independent Auditors pursuant to Ministerial Decree dated April 12, 1995, published in Issue No. 31-bis, page 317, of the *Official Gazette of the Italian Republic* on April 12, 1995.
- Since June 1, 2003, Partner of Studio Legale e Tributario Fantozzi & Associati, based at the Milan office.
- From 1997 to may 2003, Studio di Consulenza Legale e Tributaria - Andersen Legal - Milan and Treviso.
- From 1990 to 1997, Studio di Consulenza Legale e Tributaria - Milan.
- Beginning on September 1, 1990, partner of Studio di Consulenza Legale e Tributaria in Milan (formerly Studio di Consulenza Fiscale e Societaria), an association of attorneys at law and certified public accountants that was a member of the Andersen Worldwide network with offices in Milan, Rome, Turin, Treviso, Genoa and Bologna. Earlier, he was an employee of this company.
- Teaching activities: Lecturer at conventions and seminars organized by a number of different organizations (Board of Certified Public Accountants, IPSOA, CEGOS, Unindustria Treviso, Lugano Center of Bank Studies, etc.).
- Published works: Contribution of articles and monographs to specialized taxation and corporate affairs publications.

Governance Posts Held

- Special skills: Professional activities of particular significance were those that he performed in connection with such extraordinary transactions as acquisitions, mergers, demergers, etc., providing consulting support in the areas of taxation and corporate affairs and, more in general, within the framework of reorganizations of large and medium-size groups. In addition, he provided taxation and corporate affairs support in connection with various acquisitions of Italian and foreign companies by multinational companies and private equity funds.
- He holds governance posts in several companies. He served as Statutory Auditor of Italenergia Bis Spa from 2002 to 2005 and of AEM Spa from 2001 to 2007.

Angelomaria Palma

Born in Como on October 6, 1940, he is married, has three children and holds a Degree in Economics and Business Administration from Milan's Cattolica University.

Academic and Professional Background

- Professor already tenured of Business Economics at the School of Banking, Financial and Insurance Sciences of Milan's Cattolica University.
- Certified Public Accountant and Independent Auditor.
- Founder of Studio Associato Palma, a professional corporation with offices in Como and Milan.
- Member of the Italian Academy of Business Economics.
- Author of numerous publications on corporate issues and of three books on, respectively, statutory financial statements, financial equilibrium in business management and oversight function of the Board of Statutory Auditors in the banking industry.
- Lecturer at numerous national conventions.
- Member of the Scientific Committee of the magazine *Il controllo nelle società e negli enti*.
- He serves on the Boards of Directors and Boards of Statutory Auditors of privately held and publicly traded companies.
- He is actively engaged in charitable activities, serving in various positions with non-profit associations.
- He is a Commander of the Order of St. Sylvester Pope.
- He served as: Director of the Como Board of Certified Public Accountants from 1994 to 2000; Member of the National Commission for the Definition of Accounting Principles from 1980 to 2002; President of the Assessment Unit of Como Chamber of Commerce from 1996 to 2006.

Leonello Schinasi

Leonello Schinasi was born in Cairo, Egypt, on June 5, 1950. He is married and earned a Degree in Economics and Business Administration from the Bocconi, in Milan, in 1976. Graduation grade: 110 out of 110. Dissertation title: Tax Avoidance and Evasion. Dissertation advisor: Prof. Victor Uckmar.

Academic and Professional Background

- Certified Public Accountant since 1979. Licensed to exercise this profession by virtue of having passed the required exam at Urbino University.
- Technical consultant of the Court of Turin since 1993
- Independent Auditor since 1995.
- 1977 Pirola Pennuto Zei & Associati. Tax and legal consulting firm based in Milan.
- 1988 Founding Partner responsible for the Turin office.
- He developed a significant and consolidated expertise in providing consulting support to publicly traded and privately held companies and to national and multinational groups.
- He sits on the Boards of Statutory Auditors of several companies.
- He served as independent appraiser in connection with conveyances in kind and as consultant in the development and implementation of such extraordinary transactions as mergers, demergers, divestitures, domestic and transnational conveyances and listings of companies on regulated markets.
- In addition, he acquired important knowhow concerning groups that operate in high technology areas and telecommunications, both domestically and internationally.
- He frequently served as a tutor at professional development courses and conventions on taxation and corporate issues in Italy and, thanks to his knowledge of foreign languages, in international settings.
- Languages spoken: French (mother tongue), English, Italian, Arabic.

BYLAWS

BYLAWS

TITLE I

Name - Registered Office - Purpose - Duration

Article 1 - Name

1. The Company shall be called "EDISON Spa" The name can be written in upper or lower case, with no restrictions as to graphic representation.

Article 2 - Registered Office

1. The Company shall have its registered office at 31 Foro Buonaparte, in Milan

Article 3 - Purpose

1. The Company, on its own or through affiliated companies or subsidiaries, shall engage, directly or indirectly, in the following areas of business:
 - a) electric power, including research, production, importation, exportation, distribution, sale and transmission;
 - b) hydrocarbons in a liquid or gaseous state, including research, exploration, extraction, production, importation, exportation, storage, processing, distribution and sale;
 - c) water, including collection in basins, piping, distribution, disposal through sewer systems and treatment, as well as protection, monitoring and enhancement of bodies of water;
 - d) telecommunications, including construction of wireline and mobile telecommunication systems and networks and supply of related services;
 - e) network services and public utilities;
 - f) maintenance and support services for companies operating in the businesses listed under Letters a), b), c), d), and e) above.
2. The Company may engage directly, or on behalf of its affiliated companies or subsidiaries, in any activity that may be related or beneficial to its businesses or those of its affiliated companies or subsidiaries.
3. The Company may also engage in any commercial, industrial, real estate, financial or securities-related (but may not deal with consumers in these latter two areas) transactions that may be useful or otherwise conducive to the attainment of the corporate purpose, including receiving and granting loans and providing (not as a business endeavor) endorsements, sureties, mortgages and any other guarantees or collateral on behalf of third parties.
4. The Company may also continue to manage existing equity investments in companies that operate in industries not listed in Section 1 above, with the intention of selling them to maximize the value of its investments.
5. The Company may not engage in any financial activities involving consumers nor in any activities that are restricted pursuant to law.

Article 4 - Duration

1. The Company's duration is until December 31, 2100 and may be extended, provided statutory formalities are complied with.

TITLE II

Share capital - Shares - Bonds and Borrowings - Redemption of Shares

Article 5 - Share Capital

1. The Company's share capital amounts to 5,291,700,671.00 euros, divided into 5,291,700,671 common and savings shares, each with a par value of 1 (one) euro.

2. The shares are registered shares, if so required by law. Otherwise, provided they have been fully paid in, they can either be registered or bearer shares, at the discretion of each shareholder.
3. The provisions regarding representation, exercise of ownership rights and circulation of equity investments that govern securities traded in regulated markets apply to the Company's shares as well.
4. Future capital increases may be carried out by issuing shares with varying rights and in exchange for varying cash contributions, within the limits of the law.
5. In accordance with resolutions adopted by the Board of Directors pursuant to powers it received from the Shareholders' Meeting, the share capital may be increased, in one or more installments:
 - a) by a maximum amount of 4,200,000.00 euros (the unused portion currently stands at 491,814.00 euros) by issuing a maximum of 4,200,000 common shares (the unused portion currently stands at 491,814 shares), par value 1 (one) euro each, regular ranking for dividends, reserved for the exercise of the first tranche of stock options awarded to Company executives and executives of its Italian and foreign affiliated companies and subsidiaries, which are exercisable at a price of 1.36 (one point thirty-six) euros per share through December 31, 2010.
6. Whenever a capital increase is carried out, holders of the various classes of shares are entitled to receive a prorated number of options to buy shares of the same class and, if none or not enough are available, of a different class (or classes).
7. Resolutions to issue savings shares with the same features as the savings shares outstanding, whether by way of a capital increase or the conversion of shares of another class, do not require the approval of the holders of the various classes of shares convened in Special Meetings.

Article 6 - Savings Shares and Joint Representative

1. The savings shares enjoy the benefits and have the features set forth in these Bylaws.
2. A reduction in the share capital to absorb losses does not cause the par value of savings shares to decrease, except for the amount in excess of the aggregate par value of the other shares.
3. A copy of all communications and notices published by the Company in connection with transactions that could have an impact on the stock market price of the savings shares must be sent to the Joint Representative.
4. The expenses incurred to protect the common interests of savings shareholders shall be defrayed through the use of a fund established by a resolution approved by a Special Shareholders' Meeting. The Company shall contribute a maximum of 10,000.00 (ten thousands point zero zero) euros per year to this fund.
5. If the savings shares are delisted, they will retain all of the rights attributed to them under these Bylaws and may be converted into common shares according to the terms and conditions determined by a Shareholders' Meeting, which must be held within 2 (two) months from the date of delisting.
6. If the common shares are delisted, the savings shares will become convertible, upon a simple request by the shareholder, into common shares on a one-for-one basis in accordance with deadlines and conditions to be determined by the Board of Directors.

Article 7 - Bonds and Borrowings

1. The Company may issue bonds of any type, provided it complies with the applicable statutory requirements.
2. The Extraordinary Shareholders' Meeting has jurisdiction over the issuance of bonds that may be converted into warrants or that have attached warrants to subscribe newly issued shares, but may delegate its authority as allowed under Articles 2420 *ter* and 2443 of the Italian Civil Code. In all other cases, the Board of Directors has jurisdiction over the issuance of bonds, without the need of a power of attorney.
3. The provisions of Article 5, Section 3, apply to bonds as well.
4. The Company, while not allowed to make public solicitations and provided it complies with all relevant laws, may receive financing and loans, including mortgage loans, from lenders that may include shareholders, affiliated companies, subsidiaries and controlling companies.

Article 8 - Redemption of Shares

1. The right to demand redemption of one's shares may be exercised only within the limitations and in accordance with mandatory provisions of the law. In any case, such right is not available with regard to:
 - a) extensions of the Company's duration, or
 - b) the introduction, modification or elimination of restrictions on the circulation of the Company's shares.

TITLE III Shareholders' Meeting

Article 9 - Notice of Shareholders' Meeting

1. Without prejudice to the rights of other parties to convene Shareholders' Meetings pursuant to specific provisions of the law, Ordinary and Extraordinary Shareholders' Meetings are convened by the Board of Directors.
2. Shareholders' Meetings are convened by means of a notice published, within the deadlines required pursuant to law, on the Company website and in any other manner required by the relevant Consob regulations, as well as, when necessary or so decided by the Board of Directors, in one of the following two newspapers: *Il Sole 24 Ore* or *Corriere della Sera*.
3. The Shareholders' Meeting may take place anywhere in Italy, including outside the municipality where the Company's registered office is located.
4. The Notice of Shareholders' Meeting may provide the date of the Meeting's second calling and, if an Extraordinary Shareholders' Meeting is being convened, that of a third calling, if a voting stock quorum is not reached on the first or second calling. If such information is not provided, the Shareholders' Meeting must be convened on the second and/or third calling within 30 (thirty) days from the first or second calling, respectively, and the advance period for the publication of the Notice may be shortened to 10 (ten) days. No further calling is allowed beyond the second calling for Ordinary Shareholders' Meetings and the third calling for Extraordinary Shareholders' Meetings.
5. The right to amend the Meeting's Agenda by shareholders representing the statutory minimum percentage of the share capital is governed by the relevant laws.

Article 10 - Attendance and Representation at Shareholders' Meetings

1. Only parties who, based on evidence provided by an intermediary, can show that they held voting rights at the close of the accounting day on the seventh market trading day prior to the date of the Shareholders' Meeting's first calling will be allowed to attend the Shareholders' Meeting and exercise their voting rights. Evidence of the right to attend the Meeting must be provided by means of a communication issued by an intermediary, in accordance with its books of accounts, on behalf of the holder of the voting rights attesting that, by the abovementioned deadline, the shareholder's shares had been deposited in dematerialized form with the centralized clearing system. Pursuant to law, the issuer must receive the abovementioned communication before the Shareholders' Meeting is called to order on the first calling.
2. The right to be represented at the Shareholders' Meeting is governed by the applicable statutes.
3. Notice of the proxy to attend the Shareholders' Meeting may also be given by sending the proxy form to the certified e-mail address provided in the Notice of Shareholders' Meeting.

Article 11 - Convening a Shareholders' Meeting and Requirements for Adopting Valid Resolutions

1. At Ordinary Shareholders' Meetings held on the first or second calling, resolutions may be adopted by the favorable votes representing more than half of the share capital represented at the Meeting and for at least half of the Company's common shares, with the following exceptions: (i) at an Ordinary Shareholders' Meeting held on the second calling to approve the Annual Report or to elect or dismiss corporate officers and which was duly convened irrespective of the percentage of the Company's share

capital held, resolutions may be adopted with the favorable vote of shareholders accounting for more than half of the Company's share capital represented at the Meeting; (ii) the election of Directors must be conducted according to the provisions of Article 14 of these Bylaws and (iii) the election of Statutory Auditors must be conducted according to the provisions of Article 22 of these Bylaws.

2. An Extraordinary Shareholders' Meeting shall be deemed to have been duly convened on the first, second or third calling if it is attended by more than half of the Company's common shares, and resolutions may be adopted by a favorable vote of shareholders holding at least two-thirds of the share capital represented at the Meeting.
3. All statutory provisions that require larger quorums shall continue to apply.

Article 12 - Chairing and Holding Shareholders' Meetings

1. Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, should he or she be absent or otherwise unavailable, by a person elected by an absolute majority of the share capital represented at the Shareholders' Meeting.
2. The Chairman of the Meeting, who may appoint officers to help him with his duties, is responsible for ascertaining whether the Meeting has been properly convened; for verifying the identity of the attendees and their right to attend the Meeting; for managing the progress of the Meeting, which includes determining the order and the manner in which voting takes place (secret ballots are not allowed); and for verifying voting results.
3. The Chairman is assisted by a Secretary, who is nominated by the Chairman and elected by an absolute majority of the share capital represented at the Shareholders' Meeting, or by a Notary, whenever the law so requires or the Chairman deems it appropriate.
4. The resolutions adopted by the Shareholders' Meeting must be set forth in Minutes signed by the Chairman and the Secretary or Notary.

Article 13 - Special Shareholders' Meetings

1. Special Shareholders' Meetings are governed by the provisions of the laws that apply to special meetings of holders of savings shares and, insofar as they are compatible, the provisions of the Bylaws applicable to Shareholders' Meetings, Extraordinary Shareholders' Meetings in particular.
2. The 2 (two)-day deadline referred to in Article 10, Section 1, does not apply to Bondholders' Meetings.

TITLE IV Governance

Article 14 - Board of Directors

1. The Company is governed by a Board of Directors comprising 12 (twelve) Directors, or 13 (thirteen) when one or more minority slates are filed and included in the balloting pursuant to Article 147-ter of Legislative Decree No. 58/1998, as amended, in accordance with the procedure outlined below, without prejudice to the provisions of Section 21 below. Directors remain in office for a term of 3 (three) fiscal years, unless a shorter term of office is set by the Shareholders' Meeting that appoints them. The term of office of the Directors expires on the date of the Shareholders' Meeting convened to approve the financial statements for the final year of the Directors' term of office. Directors may be reelected. Upon the expiration of their term of office, Directors cease to be in office when a new Board of Directors is empanelled.
2. Directors are required to comply with the requirements set forth in the applicable laws and regulations. At least 2 (two) Directors (or any other number that may be required pursuant to the applicable laws) must meet the independence requirements set forth in the relevant laws and regulations.
3. Directors are not bound by the non-compete obligation referred to in Article 2390 of the Italian Civil Code, unless the Shareholders' Meeting resolves otherwise.
4. Except for the cases outlined in Sections 16 and following of this Article, the Board of Directors is elected on the basis of slates of candidates, who are listed in consecutive order. Each slate may not

contain more than 12 (twelve) candidates. At least 2 (two) of the candidates (or any other number that may be required pursuant to the applicable laws) must meet the independence requirements set forth in the relevant laws and regulations.

5. Only shareholders who, alone or in combination with other shareholders, represent in the aggregate, on the day they are filing the slate with the Company, a percentage of the shares conveying the right to vote at Ordinary Shareholders' Meetings equal to the maximum percentage required for this purpose pursuant to the provisions of the applicable laws and regulations are entitled to file a slate of candidates.
6. Individual shareholders or shareholders who are deemed to be linked together, directly or indirectly, pursuant to the regulations issued by the Consob to implement Article 148, Section Two, of Legislative Decree No. 58/1998, as amended, as it applies to issues concerning the Board of Statutory Auditors, may file and vote for only one slate, either directly or through a representative or nominee and each candidate may stand for election only on one slate, on penalty of losing the right to be elected. If this provision is not complied with, only expressions of support and votes cast for the slate filed by or voted by the higher number of parties entitled to file and vote for a single slate that received the highest percentage of expressions of support or votes, in both cases in terms of share capital, shall be taken into account and any expressions of support or votes cast for other slates shall not be taken into account. In all cases, the parties listed below may not file, contribute to filing or vote for a slate other than the slate filed by or voted by the shareholder who owns a controlling interest in the Company (in accordance with the definition of control set forth in Article 2359 of the Italian Civil Code). These parties are: (a) parties who own an interest equal to at least half the share capital of the shareholder who owns a controlling interest in the Company; (b) shareholders of the parties referred to in Letter (a) above; and (c) other companies or entities that control, are controlled by or are under the joint control of the parties referred to in Letters (a) and (b) above and their shareholders (in accordance with the abovementioned definition of control).
7. Anyone who does not meet the requirements of the applicable laws or this article or who are unelectable or are required to relinquish their office pursuant to the relevant laws or regulations may not be listed on a slate and, if elected, shall be removed from office.
8. Slates, signed by the filing shareholder or shareholders (who may appoint one of them as their proxy), must be filed at the Company's registered office at least 25 (twenty-five) calendar days before the first calling date of the Shareholders' Meeting convened to elect the Board of Directors and disclosure thereof shall be provided in the Notice of the Shareholders' Meeting. In order to provide evidence of the ownership of the voting rights corresponding to the number of shares needed to file slates of candidates, shareholders are required to produce, within the deadline required pursuant to the laws currently in effect and set forth in the Notice of Shareholders' Meeting, certifications issued by authorized intermediaries, in accordance with the applicable laws, attesting the registration of the shares in their names on the date the slate is being filed with the Company.
9. The following documents must be filed, together with the filing of each slate, at the Company's registered office within the abovementioned deadline: (i) information about the identity of the shareholders who are filing a slate and the total equity interest they hold; (ii) an affidavit from shareholders who do not own, individually or jointly, a controlling interest in or a relative majority of the Company's capital attesting that they are not parties to any relationship that would link them with the former, pursuant to law and Section 6 above; (iii) *curricula vitae* providing detailed information about the personal and professional background of each candidate, listing any management and control posts held at any other companies and indicating whether a candidate qualifies as an independent Director pursuant to the applicable laws; and (iv) statements by which the candidates accept the nomination and attest, under their own responsibility, that there are no issues that would make them incompatible or unelectable or would cause them to be removed from office and that they meet the requirements for election as Directors pursuant to law and these Bylaws.
10. Slates or individual nominations filed without complying with all of the provisions listed above shall be treated as if they had never been filed.
11. The vote cast by each authorized party shall be deemed to have been cast for the entire slate and,

consequently, for all of the candidates listed therein, in the order in which they appear, no changes, additions or exclusions being allowed.

12. The election of Directors shall be carried out as follows:
 - a) The first 12 (twelve) Directors, taken in the consecutive order in which they are listed on the slate, shall be drawn from the slate that received an absolute majority of the votes (i.e., the favorable votes representing more than 50% of the share capital represented at the Shareholders' Meeting), without prejudice to the provisions of Section 14 below.
 - b) 1 (one) Director shall be drawn from the slate that, among all of the slates other than the slate referred to in Letter (a) above, received the highest number of votes and was filed or voted by authorized parties who are not linked in any way, directly or indirectly, with the authorized parties who filed or voted for the slate that ranked first in terms of votes received, selecting the candidate who is listed first consecutively among the slate's candidates.
13. If the first two or more slates receive an equal number of votes, the Shareholders' Meeting shall proceed with a runoff ballot, voting only for the abovementioned slates, it being understood that the slate receiving the majority of the votes may be elected only if it receives the absolute majority of the votes cast (i.e., the favorable votes representing more than 50% of the share capital represented at the Shareholders' Meeting), without prejudice to the provisions of Section 14 below. The same runoff ballot rule shall apply if the same number of votes is cast for the slates referred to in Letter (b) of Section 12 above. However, in this case, all of the parties authorized to vote who are attending the Shareholders' Meeting shall participate in a new runoff vote held for these slates and the remaining Director shall be drawn from the slate that receives a relative majority of the votes (excluding abstaining shareholders from the count), selecting the candidate who is listed first consecutively among the slate's candidates.
14. It shall be understood that on the first calling of a Shareholders' Meeting (including instances of runoff ballots) the elections of the majority slate will require the favorable vote of shareholders representing at least 50% of the Company's share capital. If on the first calling of a Shareholders' Meeting the slate referred to in Letter a) of Section 12 above fails to garner the favorable vote of shareholders representing at least 50% of the Company's share capital, no Director, including the Director that should be taken from the minority slate, shall be elected upon the first calling of a Shareholders' Meeting.
15. If only one slate is filed, the Shareholders' Meeting shall vote this slate and if the slate receives an absolute majority of the votes cast (i.e., the favorable votes representing more than 50% of the share capital represented at the Shareholders' Meeting) and, on the first calling of a Shareholders' Meeting, the favorable vote of shareholders representing at least 50% of the Company's common shares, all of the 12 (twelve) candidates listed on that slate shall be elected.
16. If no slate is filed pursuant to Article 147-ter of Legislative Decree No. 58/1998, as amended, the provisions of the Italian Civil Code shall apply and the Shareholders' Meeting shall pass resolutions by an absolute majority of the votes cast (i.e., the favorable votes representing more than 50% of the share capital represented at the Shareholders' Meeting), it being understood that on the first calling of a Shareholders' Meeting, the favorable vote of shareholders representing at least 50% of the Company's common shares will be required, and the Board of Directors shall comprise the 12 (twelve) Directors elected by the Shareholders' Meeting.
17. The foregoing provisions shall not apply to the election of Directors held on occasions other than the replacement of the entire Board of Directors.
18. If one or more Directors should cease to be in office for any reason, they shall be replaced in the manner described below.
19. If the Director who needs to be replaced was drawn from the slate referred to in Letter (a) of Section 12 above and provided a majority of the Directors consists of Directors elected by the Shareholders' Meeting, the Board of Directors shall coopt the replacement Director, as allowed by Article 2386 of the Italian Civil Code, taking him/her from the same slate as the Director who is being replaced. If for any reason there are no available or electable candidates and if the Directors who needs to be replaced had been drawn from the slate referred to in Letter (a) of Section 12 above, the Board

of Directors shall coopt the replacement or replacements, as allowed by Article 2386 of the Italian Civil Code, without any restrictions on their selection.

20. If, pursuant to law, the Shareholders' Meeting should be required to elect Directors to fill vacancies on the Board of Directors, the following procedures shall be followed:
21. If the Director who needs to be replaced was drawn from the slate referred to in Letter (b) of Section 12 above, only (unelected) candidates listed on the abovementioned slate may be nominated for election and the candidate who receives the highest number of votes shall be elected. If no names are available for nomination in accordance with the preceding provisions, the right to field candidates for election as replacement for the Director who ceased to be in office, who has been drawn from the slate referred to in Letter (b) of Section 12 above, shall rest exclusively with the shareholders who, alone or jointly with other shareholders, represent in the aggregate as a minimum the percentage of the shares referred to in Section 5 and are not (i) the shareholders who originally filed or voted for the slate that received the highest number of votes; (ii) shareholders who, alone or jointly with others, own a controlling interest in or a relative majority of the Company's share capital; and (iii) shareholders who are linked in any way, directly or indirectly, with (including for the purposes of the first and/or third sentence of Section 6 above) one or more of the shareholders referred to in Items (i) and (ii) above. The replacement Director shall be chosen exclusively from among the candidates nominated by minority shareholders, in accordance with the preceding provisions, and the candidate that receives the highest number of favorable votes shall be elected. If the provisions set forth above in this section are not applied, no Director shall be elected to replace the resigning Director who had been drawn from the slate referred to in Letter (b) of Section 12 above and the number of Directors serving on the Board of Directors shall be reduced to 12 (twelve).
22. If the Directors who need to be replaced were drawn from the slate that obtained the highest number of votes or had been elected by the Shareholders' Meeting following the filing of a single slate or absent the filing of a slate, the provisions of the Italian Civil Code shall be applied and the Shareholders' Meeting shall pass resolutions by an absolute majority of the votes (therefore, with the favorable votes representing more than 50% of the share capital represented at the Shareholders' Meeting), it being understood that on the first calling of a Shareholders' Meeting, the favorable vote of shareholders representing at least 50% of the Company's common shares will be required.
23. In accordance with Sections 21 and 22 above, only candidates who have made available or updated by the date of the Shareholders' Meeting the documents and certifications referred to in Section 9 above may be nominated.
24. The term of office of Directors elected as replacements by the Shareholders' Meeting expires concurrently with the term of office of Directors who were in office when the replacements were elected.
25. Whenever a majority of the members of the Board of Directors elected by the Shareholders' Meeting leaves office for any reason, the entire Board of Directors will be deemed to have resigned and a Shareholders' Meeting must be convened on an urgent basis by the Directors still in office to elect a new Board of Directors.

Article 15 - Compensation of the Board of Directors

1. The compensation of the Board of Directors and of the Executive Committee, if one has been established, is determined by the Shareholder's Meeting and does not change until the Shareholders' Meeting approves a new resolution.
2. The Board of Directors decides how the amount of compensation is to be allocated among its members and the members of the Executive Committee, if one has been established.
3. The compensation of Directors who perform special functions is determined by the Board of Directors, with the input of the Board of Statutory Auditors.
4. Directors are entitled to be reimbursed for expenses incurred in discharging the duties of their office.

Article 16 - Corporate Officers – Committees

1. The Chairman is elected by the Shareholders' Meeting, and if not by the Board of Directors. The Chairman is chosen from among the Directors listed with an odd number on the slate filed by the shareholder who

owns an absolute majority of the common shares, when such a list is filed by the abovementioned shareholder on the occasion of a Shareholders' Meeting convened to elect a Board of Directors.

2. The Board of Directors may delegate its powers (except for those that the law or these Bylaws place within its jurisdiction) to one of its members to whom it entrusts special assignments, setting limits on the exercise of such powers. The Board of Directors may also entrust one or more of its members with assignments relating to specific transactions. The Chief Executive Officer is chosen from among the Directors listed with an even number on the slate filed by the shareholder who owns an absolute majority of the common shares, when such a list is filed by the abovementioned shareholder on the occasion of a Shareholders' Meeting convened to elect a Board of Directors.
3. The Board of Directors, acting upon a nomination by the Chief Executive Officer, appoints a Secretary to the Board of Directors, who need not be a Director.
4. The Board of Directors may also establish: (i) an Executive Committee to which it may delegate its attributions, except for those that the law or these Bylaws place within its jurisdiction; (ii) the Committees required by the codes of conduct published by institutions that operate regulated securities markets; and (iii) the Strategic Committees and other Committees with special functions. The Board of Directors determines the size of these Committees and the rules under which they operate.
5. The Chairman of the Board of Directors is automatically a member of the Executive Committee, if one is established, and serves as its Chairman.
6. Insofar as they are applicable, the rules provided in these Bylaws for the Board of Directors apply also to the Executive Committee.

Article 17 - Powers of the Board of Directors

1. The Board of Directors shall have all of the powers needed to govern the Company. Accordingly, it may carry out all acts of disposition that it may deem useful for the furtherance of the Company's purpose, except for those that the law reserves exclusively for the Shareholders' Meeting.
2. Without prejudice to the powers attributed to the Shareholders' Meeting and the matters that the law places exclusively under the jurisdiction of the Board of Directors, the Board of Directors shall have sole jurisdiction over decisions concerning the matters listed below and may not delegate such decision-making authority to the Chief Executive Officer, other Directors or Committees of the Board of Directors (including the Executive Committee, if one has been established), it being understood that the items and matters listed below refer both to Edison directly and to Edison's subsidiaries (as defined in accordance with the precept of control set forth in Article 2359 of the Italian Civil Code) and that, consequently, decisions about items and matters affecting said subsidiaries will require a resolution by Edison's Board of Directors, except for those covered in items b) (statutory and consolidated financial statements, business plans and budgets), d) (secondary offices), e) (designation of Directors who may act as legal representatives), g) (amendments to the Bylaws in response to changes in regulatory provisions) and r) (Chief Financial Officer), which refer only to Edison. A list of the abovementioned items and matters is as follows:
 - a) Decisions concerning the Company's share capital, such as (the following list being provided merely by way of example) share capital increases or reductions, mergers, demergers and transformations;
 - b) Decisions concerning the approval of or changes to the draft statutory and consolidated financial statements, the business plan and the consolidated business plan, and the budget and Edison's consolidated budget;
 - c) Purchases or acts of disposition of assets or other investments, contracts or transactions involving an amount greater than 30 (thirty) million euros (or the equivalent in another currency) per transaction or series of linked transactions, except for the execution of contracts to sell or buy natural gas, electric power, other raw materials or securities representing Green Certificates or CO₂ emission rights, which are not subject to any amount restriction in terms of the powers that may be delegated and without prejudice to different provisions set forth in other items of this Section 2 of Article 17;

- d) Establishment or closure of secondary offices by Edison;
- e) Designation of Directors who may act as Edison's legal representatives;
- f) Share capital reductions, when an authorized party elects to redeem his or her shares;
- g) Amendments to the Bylaws in response to changes in regulatory provisions;
- h) Mergers and demergers, in the instances referred to in Article 2505, Article 2505-*bis* and Article 2506-*ter* of the Italian Civil Code;
- i) Issuance of bonds;
- l) Transfers or other acts of disposition (total or partial, in any form or under any title, including but not limited to the establishment or granting of pledges, guarantees, liens, beneficial ownership or other third-party rights) involving equity investments, which could result in the loss of control (as defined in Article 2359, Section One, Items 1 or 2, of the Italian Civil Code) of a subsidiary, or any other transaction that could result in the loss of control of a subsidiary;
- m) Other purchases, acquisitions under any title or in any form (e.g., through a capital increase or the establishment of a new company), transfers or other acts of disposition (total or partial, in any form or under any title, including but not limited to the establishment or granting of pledges, guarantees, liens, beneficial interest or other third-party rights) involving equity investments or participations in other companies, businesses or institutions in an amount greater than 30 (thirty) million euros (or the equivalent in another currency) per transaction or series of linked transactions that are not covered by the provisions of Item j) of this Section 2 of Article 17;
- n) Decisions concerning the exercise of voting rights at Shareholders' Meetings of subsidiaries (as defined in Article 2359, Section One, Items 1 or 2, of the Italian Civil Code) or any other investee company (including the filing of slates of candidates to the posts of Director or Statutory Auditor at the Shareholders' Meetings of the abovementioned companies), except for votes cast at Shareholders' Meetings of companies that the Board of Directors may identify from time to time or votes on certain issues that the Board of Directors may identify from time to time concerning specific companies identified by the Board of Directors;
- o) Purchases, acquisitions under any title or in any form, disposals, rentals, establishment or granting of pledges, liens, guarantees, beneficial interest, other third-party rights or other acts of disposition, under any title or in any form, involving businesses or business operations in an amount greater than 30 (thirty) million euros (or the equivalent in another currency) per transaction or series of linked transactions;
- p) Execution of joint venture or partnership agreements, except for those involving exploration for and exploitation of deposits of oil, natural gas or other raw materials;
- q) Granting or canceling liens, pledges, collateral, sureties or other guarantees or similar rights affecting tangible and intangible assets (as distinct from the liens, pledges, sureties and other guarantees referred to in other items of this Section 2 of Article 17) in an amount greater than 30 (thirty) million euros (or the equivalent in another currency) per transaction or series of linked transactions;
- r) Granting or receiving loans or repaying same ahead of schedule, assuming indebtedness, or other financial transactions of any type (except for routine liquidity management transactions carried out by means of instruments traded in the money market and derivatives contracts executed to hedge foreign exchange, interest rate and commodities risks) in an amount greater than 200 (two hundred) million euros (or the equivalent in another currency) per transaction or series of linked transactions;
- s) Decisions concerning legal actions involving amounts greater than 30 (thirty) million euros (or the equivalent in another currency);
- t) Appointing or dismissing Edison's Chief Financial Officer.

Article 18 - Procedures for Convening and Holding Meetings of the Board of Directors and Approving Resolutions

1. The Board of Directors meets at the Company's registered office, or at a different location in Italy, the European Union, Switzerland, the United States of America or any other country in which the

Company has operations, at the request of the Chairman of the Board of Directors or the Chief Executive Officer, whenever necessary or appropriate.

2. Meetings of the Board of Directors may also be called by the Board of Statutory Auditors, or by any of its members, provided the Chairman of the Board of Directors is informed in advance.
3. Meetings of the Board of Directors must be convened by means of a written communication, which must be sent by fax, telegram or e-mail at least 5 (five) days in advance (in urgent cases at least 2 (two) days before the meeting) to the domicile or address provided by each serving Director or Statutory Auditor.
4. The Notice of the meeting must indicate the day, time and place of the meeting and the meeting's Agenda. Within the limits of confidentiality requirements, the Chairman of the Board of Directors ensures that the Notice contains adequate information about the items on the Agenda.
5. However, the Board of Directors can adopt valid resolutions even if a meeting has not been formally convened, provided all serving Directors and Statutory Auditors are present, or at least 10 (ten) of the serving Directors and a majority of the serving Statutory Auditors are present, and the Agenda of the meeting has been communicated in advance to the absent Directors and Statutory Auditors in writing and they have agreed to allow these items to be discussed.
6. Meetings of the Board of Directors may be held via teleconferencing or videoconferencing, provided all participants can be identified and are able to follow the proceedings, participate in real time in the discussion of the items on the Agenda and receive, transmit and review documents. If these requirements are met, the meeting of the Board of Directors is deemed to have been held at the place where both the Chairman and the Secretary are located.
7. Meetings of the Board of Directors are chaired by the Chairman of the Board of Directors or, if he or she is absent or incapacitated, by another Director designated by the Chairman of the Board of Directors. If no deputy is available, the meeting is chaired by a Director appointed by the Board of Directors.
8. A meeting of the Board of Directors is validly convened when at least 10 (ten) Directors are in attendance.
9. The Board of Directors approves resolutions by a favorable vote of at least 10 (ten) Directors. However, if one or more Directors decide voluntarily (and not when so required by applicable laws or regulations) to abstain from voting on a motion, a resolution may be adopted with the favorable vote of less than 10 (ten) Directors, provided all Directors present at the meeting who did not abstain vote in favor.
10. Resolutions must be recorded in the Minutes of the meeting, which must be signed by the Chairman and the Secretary, who is appointed in accordance with the provisions of Article 16, Section 3, above.

Article 19 - Publication of Regular Reports

1. Without prejudice to the provisions of Article 16, the Board of Directors and the Board of Statutory Auditors, either directly or through the Directors to whom special powers have been delegated, are informed on a timely basis about the operating performance and outlook of the Company and its subsidiaries, and about operating, financial and asset transactions of a material amount, with special emphasis on transactions in which Directors have an interest, either directly or through third parties, or which may be influenced by a person with management and coordination authority. This information is made public on the occasion of Board meetings at least once every three months. When circumstances make it appropriate, information may be provided to the Board of Statutory Auditors by means of a written communication addressed to its Chairman, without prejudice to the obligation to provide a report at the next meeting.

Article 20 - Representatives of the Company

1. The Chairman of the Board of Directors and the Chief Executive Officer are the Company's legal representative vis-à-vis third parties and in court proceedings, with the authority to grant powers of attorney, appoint representatives and retain legal counsel.
2. Directors to whom powers have not been delegated on a permanent basis can sign documents on behalf of the Company and represent the Company vis-à-vis third parties in connection with the implementation

of resolutions adopted by the Board of Directors, when specifically authorized to do so.

3. The right to represent the Company in individual transactions or classes of transactions may be entrusted to Company employees or outsiders by the persons who have been empowered to act as the Company's legal representatives.

Article 21 - Corporate Accounting Documents Officer

1. Pursuant to law, the Board of Directors, after receiving the mandatory input of the Board of Statutory Auditors, shall appoint a Corporate Accounting Documents Officer, selecting an executive with proven, multi-year experience in the areas of accounting, finance and/or control working at companies with shares traded on regulated markets. The Board of Directors shall also have the right to dismiss the Corporate Accounting Documents Officer.

TITLE V Board of Statutory Auditors - Independent Auditors

Article 22 - Board of Statutory Auditors

1. The Board of Statutory Auditors shall comprise 3 (three) Statutory Auditors and 3 (three) Alternates elected in accordance with the procedures described below, which is designed to ensure that minority shareholders are able to elect one Statutory Auditor and one Alternate.
2. Except for the cases outlined in Sections 16 and following of this Article, Statutory Auditors are elected through voting on slates of candidates. Candidates must be assigned a number and listed on the slates in consecutive order. These slates shall consist of two sections: one for candidates for the post of Statutory Auditor and another for candidates for the post of Alternate. The slates may not contain a number of candidates greater than the number of posts to be filled and shall contain one or more candidates to the posts of Statutory Auditor and Alternate.
3. Only shareholders who, alone or together with other shareholders, hold, on the day they are filing the slate with the Company, a number of shares equal in the aggregate to at least the percentage of the Company's shares that convey the right to vote at an Ordinary Shareholders' Meeting required to file slates of candidates for election to the post of Director shall have a right to file a slate, it being understood that the abovementioned percentage may be reduced pursuant to laws, regulations and the provisions of Section 8 below.
4. Individual shareholders or shareholders who are deemed to be linked together, directly or indirectly, pursuant to the regulations issued by the Consob to implement Article 148, Section Two, of Legislative Decree No. 58/1998, as amended, may file and vote for only one slate, either directly or through a representative or nominee, and each candidate may stand for election only on one slate, on penalty of losing the right to be elected. If this provision is not complied with, only expressions of support and votes cast for the slate filed by or voted by the higher number of parties entitled to file and vote for a single slate that received the highest percentage of expressions of support or votes, in both cases in terms of share capital, shall be taken into account and any expressions of support or votes cast for other slates shall not be taken into account. In all cases, the parties listed below may not file, contribute to filing or vote for a slate other than the slate filed by or voted by the shareholder who owns a controlling interest in the Company (in accordance with the definition of control set forth in Article 2359 of the Italian Civil Code. These parties are: (a) parties who own an interest equal to at least half the share capital of the shareholder who owns a controlling interest in the Company; (b) shareholders of the parties referred to in Letter (a) above; and (c) other companies or entities that control, are controlled by or are under the joint control of the parties referred to in Letters (a) and (b) above and their shareholders (in accordance with the abovementioned definition of control).
5. Individuals who already hold the maximum allowable number of posts in a management and control body, as determined in accordance with the applicable regulations, or who fail to meet the requirements of independence, professionalism and integrity required by the applicable statutes and by this Article, and who would otherwise be unfit for election or be required to resign under the applicable laws

and regulations, may not be listed on a slate and, if elected, must forfeit their office. Statutory Auditors may be reelected at the end of their term of office.

6. Without prejudice to those instances in which a different deadline may be applicable pursuant to laws or regulations, the slates, signed by the filing shareholder or shareholders (who may appoint one of them as their proxy), must be filed at the Company's registered office at least **25** (twenty-five) calendar days before the first calling date of the Shareholders' Meeting convened to elect the Board of Statutory Auditors and disclosure thereof shall be provided in the Notice of the Shareholders' Meeting. In order to provide evidence of the ownership of the voting rights corresponding to the number of shares needed to file slates of candidates, shareholders are required to produce, within the deadline required pursuant to the laws currently in effect and set forth in the Notice of Shareholders' Meeting, certifications issued by authorized intermediaries, in accordance with the applicable laws, attesting the registration of the shares in their names on the date the slate is being filed with the Company.
7. The following documents must be filed, together with the filing of each slate, at the Company's registered office within the abovementioned deadline: (i) information about the identity of the shareholders who are filing a slate and the total equity interest they hold; (ii) an affidavit from shareholders who do not own, individually or jointly, a controlling interest in or a relative majority of the Company's capital attesting that they are not parties to any relationship that would link them with the former, pursuant to law and Section 4 above; (iii) *curricula vitae* providing detailed information about the personal and professional background of each candidate, listing any management and control posts held at any other companies; and (iv) statements by which the candidates accept the nomination and attest, under their own responsibility, that there are no issues that would make them incompatible or unelectable or would cause them to be removed from office and that, as required by Section 5 above, they meet the requirements for election as Directors pursuant to law and these Bylaws.
8. If no slate has been filed by the deadline referred to in Section 6 above, or if just one slate or slate presented by shareholders who are linked with each other, as described in the first and/or third sentence of Section 4 above, the deadline for filing the slates set forth in Section 6 above shall be extended by 5 (five) days and the percentage referred to in Section 3 above shall be reduced by half.
9. The candidates listed on the slates must meet the following professional requirements:
 - At least 1 (one) of the candidates for the post of Statutory Auditor and at least 1 (one) of the candidates for the post of Alternate Auditor must be listed in the Register of Certified Public Accountants and must have exercised a statutory auditing function for at least 3 (three) years;
 - The remaining candidates, if they do not meet the requirements listed in the previous section, must have at least three years' uninterrupted experience as:
 - managers of accounting or finance and control departments of publicly traded companies;
 - professionals or teachers at the university level in the fields of law, economics, finance or energy-related technologies and science;
 - managers of public agencies or public administrations in the energy field.
10. Slates or individual nominations filed without complying with all of the provisions listed above shall be treated as if they had never been filed.
11. The vote cast by each authorized party shall be deemed to have been cast for the entire slate and, consequently, for all of the candidates listed therein, in the order in which they appear, no changes, additions or exclusions being allowed.
12. The election of Statutory Auditors will be carried out in the following manner:
 - a) 2 (two) Statutory Auditors and 2 (two) Alternates will be taken from the slate that received an absolute majority of the votes cast (i.e., the favorable votes representing more than 50% of the share capital represented at the Shareholders' Meeting), in the order in which they are listed on the corresponding sections of the slate;
 - b) The third Statutory Auditor and Alternate shall be drawn, in the order in which they are listed on the corresponding sections of the slate, from the slate that, among all of the slates other than the slate referred to in Letter (a) above, received the highest number of votes and was filed or voted by shareholders who are not linked in any way, directly or indirectly, with the shareholders

who filed or voted for the slate that ranked first in terms of votes received.

13. If the first two or more slates receive an equal number of votes, the Shareholders' Meeting shall proceed with a runoff ballot, voting only for the abovementioned slates, it being understood that the slate receiving the majority of the votes may be elected only if it receives the absolute majority of the votes cast (i.e., the favorable votes representing more than 50% of the share capital represented at the Shareholders' Meeting). The same runoff ballot rule shall apply if the same number of votes is cast for the slates referred to in Letter (b) of Section 12 above. However, in this case, all of the parties authorized to vote who are attending the Shareholders' Meeting shall participate in a new runoff vote held for these slates and one Statutory Auditor and one Alternate shall be drawn from the slate that receives a relative majority of the votes (excluding abstaining shareholders from the count).
14. The Statutory Auditor who is listed on the slate referred to in Letter (b) of Section 12 above shall be elected Chairman of the Board of Statutory Auditors.
15. Any Statutory Auditor who no longer meets the requirements of the applicable laws and these Bylaws shall be removed from his or her office.
16. The foregoing provisions shall not apply to the election of Statutory Auditors held on occasions other than the replacement of the entire Board of Statutory Auditors.
17. If a Statutory Auditor elected from the slate referred to in Letter (b) of Section 12 above should forfeit his/her office for any reason, the vacancy (including the post of Chairman of the Board of Statutory Auditors) shall be filled, until the next Shareholders' Meeting, by the Alternate elected from the same slate as the Statutory Auditor who is being replaced or, should no Alternate be available, by unelected candidates to the post of Statutory Auditor (or, as a secondary choice, Alternate) listed in the abovementioned slate in the consecutive order in which they are listed on the slate or, as a secondary choice, the candidates listed in the minority slate that received the second highest number of votes, in the consecutive order in which they are listed. The Shareholders' Meeting shall fill vacancies on the Board of Statutory Auditors and, should a Statutory Auditor elected from the slate referred to in Letter (b) of Section 12 above forfeit his/her office for any reason, the candidates put forth for the posts of Statutory Auditor or Alternate, in the consecutive numerical order in which they are listed on the slate, shall be, respectively, the candidates to the posts of Statutory Auditor or Alternate listed in the corresponding sections of the slate referred to in Letter (b) of Section 12 above or, should no such candidate be available, the candidates listed in the minority slate that received the second highest number of votes, in the consecutive order in which they are listed. The candidate who receives the highest number of favorable votes shall be elected. If no candidates are available to stand for election in the manner described above, the shareholders who alone or together with others represent in the aggregate a percentage of the share capital equal to at least the percentage referred to in Section 3 above - provided they are not (i) shareholders who originally filed or voted for the slate that received the highest number of votes; (ii) shareholders who own, individually or jointly, a controlling interest in or a relative majority of the Company's share capital; and (iii) shareholders who are linked in any way, directly or indirectly or for the purposes of the first and/or third sentence of Section 4 above, with one or more of the shareholders referred to in Items (i) and (ii) above - shall have the exclusive right to nominate candidates to replace the lapsed Statutory Auditor who was taken from the slate referred to in Letter (b) of Section 12 above. The replacement Statutory Auditor may be drawn exclusively from the candidates submitted by minority shareholders, in the manner described above, and the candidate who receives the highest number of votes will be elected. The newly elected minority Statutory Auditor shall serve as Chairman of the Board of Statutory Auditors. If the foregoing provisions of this Section cannot be applied, those of the Italian Civil Code will be followed and the Shareholders' Meeting shall approve resolutions with an absolute majority of the votes (i.e., with the favorable votes representing more than 50% of the share capital represented at the Shareholders' Meeting). Only candidates who have made available or updated by the date of the Shareholders' Meeting the documents and certifications referred to in Section 7 above may be nominated.
18. If a majority Statutory Auditor should forfeit his/her office for any reason, he/she shall be replaced,

until the next Shareholders' Meeting, by the first Alternate in the same slate. In such cases, the provisions of the Italian Civil Code will be followed and the Shareholders' Meeting shall approve resolutions with an absolute majority of the votes (i.e., with the favorable votes representing more than 50% of the share capital represented at the Shareholders' Meeting). Only candidates who have made available or updated by the date of the Shareholders' Meeting the documents and certifications referred to in Section 7 above may be nominated.

19. If only one slate has been filed or if no slate has been filed, the provisions of the Italian Civil Code will be followed and the Shareholders' Meeting shall approve resolutions with an absolute majority of the votes (i.e., with the favorable votes representing more than 50% of the share capital represented at the Shareholders' Meeting). The provisions of the last paragraph of Section 17 shall also apply. In such cases, if, pursuant to law, the Shareholders' Meeting is required to elect Statutory Auditors and/or Alternates and the Chairman of the Board of Statutory Auditors to fill vacancies on the Board of Statutory Auditors, the provisions of the Italian Civil Code will be followed and the Shareholders' Meeting shall approve resolutions with an absolute majority of the votes (i.e., with the favorable votes representing more than 50% of the share capital represented at the Shareholders' Meeting). The provisions of the last paragraph of Section 17 shall also apply.
20. The Board of Statutory Auditors is required to meet at least once every 90 (ninety) days.
21. Meetings of the Board of Statutory Auditors may be held via teleconferencing or videoconferencing, provided all participants can be identified and are able to follow the proceedings, participate in real time in the discussion of the items on the Agenda and receive, transmit and review documents. If these requirements are met, the meeting of the Board of Statutory Auditors is deemed to have been held at the place where both the chairman of the meeting and the person drawing up the minutes are located.

Article 23 - Auditing

1. The auditing function is performed by independent auditors who meet statutory requirements and are members of the applicable official board and have been retained and operate pursuant to law.

TITLE VI Financial Statements - Earnings

Article 24 - Fiscal year

1. The Company's fiscal year ends each year on December 31.
2. The Ordinary Shareholders' Meeting that approves the annual financial statements must be convened not later than 120 (one hundred twenty) days from the end of the fiscal year.

Article 25 - Appropriation of Earnings

1. The remainder of the earnings shown in the financial statements, after allocating 5% (five percent) to the statutory reserve, which must be set aside until the reserve reaches one-fifth of the share capital, are distributed to the savings shares up to an amount that may not be greater than 5% (five percent) of their par value.
2. If in a given fiscal year the savings shares receive a dividend that is less than 5% (five per cent) of their par value, the difference will be brought forward and added to the preferred dividend over the following 4 (four) fiscal years.
3. If no dividend is distributed to the savings shares for 5 (five) consecutive years, these shares become convertible one for one into common shares, upon a simple request by the shareholder, during the period from January 1 to March 31 of the sixth year.
4. Any remaining earnings that the Shareholders' Meeting decides to distribute are allocated to all of the shares such that the savings shares receive a total dividend that is greater than the dividend paid to the common shares by 3% (three percent) of their par value.
5. If reserves are distributed, the savings shares have the same rights as the other shares. However, if the company has no earnings in a given year, the benefits granted to the savings shares by Sections

1 and 4 of this Article may be provided by the Shareholders' Meeting through a resolution approving the distribution of reserves.

Article 26 - Interim Dividends

1. The Board of Directors may approve the distribution of interim dividends, provided the rights of the holders of savings shares are protected, in the manner and according to the procedures set forth in the applicable statutes.

**TITLE VII
Liquidation**

Article 27 - Dissolution and Liquidation

1. In addition to cases of statutory liquidation, the Company may be dissolved by a resolution approved by the Shareholders' Meeting.
2. If the Company is dissolved at any time or for any reason, the Shareholders' Meeting decides the method of liquidation, appoints one or more liquidators and specifies their powers and compensation.
3. Upon liquidation of the Company, the savings shareholders take precedence in the redemption of the share capital up to the full par value of their shares.

**TITLE VIII
General Provisions**

Article 28 - Legal Framework

1. All matters not covered by these Bylaws shall be governed by the provisions of the applicable laws.

Article 29 - Domicile of Shareholders

1. For all issues concerning transactions with the Company, the domicile of the shareholders is the one listed in the stock record.

Milan, February 13, 2012

The Board of Directors
by Bruno Lescoeur
Chief Executive Office

COMPENSATION REPORT 2011

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This Compensation Report (hereinafter the "Compensation Report" or the "Report") is available on the Company website (www.edison.it – "**Governance** - Corporate Governance Reports and Compensation Report").

1. INTRODUCTION

1.1 Foreword

The current Board of Directors was elected by the Shareholders' Meeting on April 26, 2011 for a term of office of just one year, i.e., until the Shareholders' Meeting approves the 2011 financial statements. On that date, the term of office of the Board of Directors and its Committees will end and the Shareholders' Meeting will be required to determine their compensation.

It is worth mentioning that, on December 26, 2011, the shareholders of Transalpina di Energia Srl (the controlling company) reached an agreement in principle that, in the early months of 2012, lead to the definition of a series of contracts governing various contractual issues covered by the agreement. The execution and implementation of those contracts, which is expected to occur in the first half of 2012, will produce important changes in the Company's control structure that will be reflected in its governance structure.

Consequently, in view of a scenario characterized by significant change, starting at the beginning of 2012, the Board of Directors agreed that it would be best to refrain from putting forth in this Report recommendations to modify the current compensation policy until this announced change is fully implemented.

However, if, due inter alia to changes in the stock ownership structure, conditions should develop requiring the implementation of major changes in the compensation policy compared with the approach followed thus far and described in this Report, the Company will provide adequate and timely disclosures to the market and the public in the course of the year.

1.2 Regulatory Framework

This Report was developed pursuant to and in implementation of the provisions of Article 123-*ter* of the Italian Uniform Financial Code and was prepared in accordance with the guidelines provided in Article 84-*quarter*, as implemented by the Consob with Resolution No. 18049 of December 23, 2011, which amended the Issuers' Regulations published by the Consob for the purpose of implementing Legislative Decree No. 58 of February 24, 1998.

In addition, this Report adopts as its general reference guidelines concerning compensation policies the principles set forth in Article 7 of the Corporate Governance Code for listed companies promoted by Borsa Italiana, which the Company agreed to adopt, as well as those stated in Article 6 of the December 2011 version of the Code.

1.3 Purpose and Content

This Annual Compensation Report provides disclosures aimed at enhancing the knowledge and awareness of shareholders, investors and the market in general and the Consob with regard to:

- the Company's general policy concerning the compensation of Directors and executives with strategic responsibilities, describing the governance and procedures applied to define, implement and control such policy;
- a detailed and analytical disclosure of the items and amounts that make up the compensation of Directors and executives with strategic responsibilities, listing fixed and variable cash components, any compensation based on financial instruments, non-cash benefits, any equity interests held in the Company or its subsidiaries, as well as any other indemnity or type of compensation stipulated in the event of early termination or scheduled termination without renewal of the appointment to the post held.

1.4 Preparation and Structure

This Compensation Report, prepared by the Company, was approved by the Board of Directors (further to an opinion rendered by the Audit Committee and the input of the Board of Statutory Auditors); Section One of this Report will be submitted for a vote to the Shareholders' Meeting convened to approve the financial statement for the 2011 reporting year.

This Report is included in the Report on Corporate Governance published together with the Financial Report and the Report on Operations for the 2011 reporting year; it will be made available to the market at least 21 days before the abovementioned Shareholders' Meeting and may be consulted on the Governance page of the company website: www.edison.it.

This Report is structured in accordance with the guidelines provided in the abovementioned Article 84-*quater* and conforms to Annex 3A, Form 7-*bis* and Form 7-*ter*, as cited in said Article.

2. SECTION ONE

2.1 Governance and Compliance

The Board of Directors currently in office was elected by the Shareholders' Meeting of April 26, 2011 for a term of office that ends with the approval of the financial statements for the 2011 reporting year. The abovementioned **Shareholders' Meeting** set the Board's total gross annual compensation at 585,000 euros, plus an attendance fee of 1,800 euros for each meeting of the Board of Directors or its internal Committees attended by a Director.

The **Board of Directors** then discussed resolutions concerning:

- the allocation of the total annual compensation of 585,000 euros, which was divided by awarding to each of the 13 Board members a share of a gross annual compensation, amounting to 45,000 euros;
- the compensation of Directors who perform special functions (Chairman and Chief Executive Officer);
- the compensation of Directors appointed to the Board's internal Committees (Audit Committee, Compensation Committee, Strategy Committee, Committee of Independent Directors) and the Oversight Board.

The abovementioned resolutions were adopted by the Board of Directors, further to a proposal and opinion by the **Compensation Committee** - provided also in the capacity as the Committee of Independent Directors, pursuant to the internal procedure approved by the Board of Directors in accordance with the rules governing Related-party Transactions set forth in the corresponding Consob Regulations - and with the input of the **Board of Statutory Auditors**.

In view of the specific governance structure adopted by the Company with regard to the responsibilities and jurisdictional authority attributed to the Company's governance bodies (Board of Directors and Board Committees) and the proxy system for the delegation of authority to executive Directors, no executives with strategic responsibilities, as defined in IAS 24, were identified.

2.2 Compensation Policy: Purpose and General Principles

The fundamental purpose of the Company's general compensation policy is to attract and retain the best resources to foster the Company's growth in its market sector, acknowledge the responsibilities assigned to them, motivate them to act for the purpose of achieving objectives that are consistent with the expectations of stakeholders, both over the medium and long term and in compliance with the official risk management policy, and reward them for the results they achieve.

When defining a compensation policy, the following factors are usually taken into account:

- the main features of the compensation policy applied during the previous or current year;
- the overall macroeconomic scenario and current trends, specifically with regard to the labor market;
- trends in the compensation area with regard to large companies that operate in the domestic and European market, with special emphasis on the Italian energy sector;
- the Company's current financial situation, its short-term objectives and the challenges posed by the medium/long-term strategies defined in the Company's approved strategic plan.

For the purpose of analyzing market trends and benchmarking vis-à-vis the market the competitive standing of the Company's policies and the compensation of its managers, the Company relies on the findings of external surveys carried out by qualified consulting companies that operate at the international level.

In addition to the abovementioned findings, specifically with regard to compensation policies for Directors, the Compensation Committee considers and decides on each occasion whether it should secure, at the Company's expense, the support of qualified external consulting companies different from those normally used by the Company's management.

In the 2011 reporting year, the Committee did not avail itself of this option.

2.3 Structure and Composition of the Compensation

Taking into account the general objectives stated above and the competitive position in the reference market, the compensation policy was developed in accordance with the following principles:

- **For Directors who are asked to perform specific functions (Chairman and Chief Executive Officer)**, the cash compensation is usually structured as follows: a fixed gross annual component and, exclusively for Directors to whom management authority and operational control are being delegated (the Chief Executive Officer), a variable gross annual component.
- **The fixed gross annual compensation** must be commensurate with the level of responsibility entailed by the function performed and large enough to ensure that the economic package will be sufficiently competitive, even if no variable annual component is disbursed. With regard to the current term of office for the 2011 reporting year, taking into account the principles and general criteria presented in Section 2.2 above, the Board of Directors, upon a recommendation by the Compensation Committee, resolved to lower the fixed component, compared with the previous year, reducing it by 5% for the Chairman and 7.5% for the Chief Executive Officer.
- **The variable gross annual compensation of the Chief Executive Officer** is predetermined based on a target value (100%) and a maximum economic value (125% of the target value) and is predicated on the achievement of predetermined and measurable objectives assigned by the Board of Directors, based on a recommendation by the Compensation Committee. With regard to the current term of office for the 2011 reporting year, the Board of Directors, based on a proposal by the Compensation Committee, resolved to reduce by 35% compared with the previous year the maximum amount of the bonus that potentially could be earned.

The variable component accounts for about 40% of the total compensation package defined for the Chief Executive Officer.

In 2011, the following items were identified as reference objectives used to determine the variable compensation: EBITDA (50% weight), net financial position (30% weight) and three operating performance objectives (combined weight 20%) consisting of unavailability of the Company's production facilities, growth of the customer portfolio and injury incidence rate. The objectives thus defined are measured on a linear scale based on three levels: a minimum assigned result level, below which the specific objective is not deemed to have been achieved and no economic effect is produced, a target level and a maximum level. The abovementioned general objectives also represent common annual objectives for the Company's management as a whole, in addition to specific area and/or personal objectives.

- Because of the peculiar situation created by the limited length of the term of office of the current Board of Directors (elected for a term of office of one year only, ending with the approval of the 2011 annual financial statements), it would have been inappropriate to introduce medium/long-term incentivizing mechanisms for the Chief Executive Officer. On the other hand, the Board of Directors, based on a proposal by the Compensation Committee, determined that it would be appropriate, in continuity with past practice, to introduce **a medium/long-term variable cash compensation (LTI) for some managers** and approved special regulations governing this program.

The purpose of the current LTI Program is to attract and retain resources who will contribute to the Company's growth, focus their objectives and conduct on medium/long-term objectives that are relevant to all stakeholders, and contribute to enhancing the overall competitiveness vis-à-vis the market of the economic package offered to the beneficiaries.

The LTI Program is based on rolling three-year cycles and the maximum earnable amount is predetermined. The first three-year cycle, for the 2011-2016 period, which applies to about 60 beneficiaries, is correlated to a Net Result objective for each year in the cycle and to a medium-term strategic growth objective linked to the Company's new Strategic Plan.

- As a rule, the compensation defined for the Chief Executive Officer and for all company employees is deemed to include all compensation that may result from any assignments performed on behalf and in the interest of the Company, its subsidiaries and/or other investee companies, and at

associations, organizations and foundations.

- **The compensation of non-executive Directors**, which must be commensurate with the required level of commitment, taking also into account any service on Board Committees, is comprised of a predetermined fixed annual amount for service on the Board of Directors and a fixed attendance fee earned when actually attending meetings of the Board of Directors. For the members of the different Committees, the Board continued the practice of the previous three years, awarding the same compensation to the individual members of each Committee, but awarding different amounts to different Committees, based on the required level of commitment. No type of variable compensation tied to Company results is provided in any form.
- **No special benefits** are being provided to the current Chief Executive Officer, taking into account in his case the peculiar situation created by the limited length of his term of office and his contractual relationship with the shareholder who, based on the shareholders' agreement currently in effect, nominated him for the post of Chief Executive Officer. Because of the abovementioned contractual relationship, all compensations defined currently by the Board of Directors for service in the capacity as Chief Executive Officer are paid to the company that employs the Chief Executive Officer.

A special civil liability insurance coverage is provided by the Company to members of the Board of Directors and Board of Statutory Auditors.

- There are **no** agreements between the Company and the Directors, including the current and previous Chief Executive Officer, providing special **indemnities in the event of resignation or termination of the mandate/assignment** for any reason and/or cause, or if the mandate/assignment is not renewed upon its scheduled expiration.

2.4 Operating Procedures

The corporate governance bodies involved in managing the compensation of Directors are:

- The **Shareholders' Meeting**, which defines the total annual compensation of the Board of Directors relative to the duration of each term of office and, consistent with Article 123-ter of the Uniform Financial Code, must cast a vote with regard to the first section of the Compensation Report prepared by the Board of Directors and submitted to the Shareholders' Meeting in connection with the approval of the annual financial statements.
- The **Board of Directors**, which determines how the compensation awarded by the Shareholders' Meeting should be allocated among its members and the compensation for Directors who serve on the Committees established by the Board of Directors. The Board also determines the structure and amount of the compensation of any type for Directors who perform special functions (Chairman and Chief Executive Officer), the reference objectives with which the variable annual component of the Chief Executive Officer is correlated, both upon definition and verification, as well as any other medium/long-term incentive plans, including those benefitting the Company's management. In performing this task, the Board of Directors is supported by the Compensation Committee, which submits recommendations regarding compensation issues, and adopts its resolution after hearing the input of the Board of Statutory Auditors.

The Board of Directors delegates to the **Chief Executive Officer**, through the coordination and control of the Company Departments that report to him, the implementation at the operational level of the resolutions adopted concerning compensation and monitors their correct implementation, relying on the support of the Compensation Committee.

Lastly, the Board of Directors prepares the Annual Compensation Report.

- The **Compensation Committee**, which was established by the Board of Directors. The Board also defined its functions (see the 2011 Activity Report, cited here by reference) and approved its Operating Rules (annexed to this Report). In the performance of its functions, the Committee relies on the operational support of the Personnel and Organization Department and, when appropriate, the support of qualified external consulting companies different from those normally used by the

Company's management.

When a majority of the members of the Compensation Committee are independent Directors, as is the case for the Committee currently in office, the Committee may also function in the capacity as the **Committee of Independent Directors**, in accordance with the regulations governing related-party transactions, in connection with decisions concerning the compensation of Directors who perform special functions (including those who serve on Board Committees), with regard to which it provides in advance the Board of Directors with an opinion, which is mandatory but, depending on the amount involved, could be non-binding.

- The **Board of Statutory Auditors**, which performs the functions assigned to it pursuant to Article 2389, Section 3, of the Italian Civil Code. In order to effectively perform these functions, its Chairman or another Statutory Auditor attends the meetings of the Compensation Committee as an invited member.
- The **Company's management**, which supports the activities of the Compensation Committee with general secretarial service (provided by the Corporate Affairs Department, which performs the same function with respect to the Board of Directors) and supplies the information and data needed to analyze the issues under discussion (provided by the Personnel and Organization Department, a member of which may attend Committee meeting upon request and invitation by the Committee).

3. SECTION TWO

3.1 Schedule of the Compensation of Directors and Statutory Auditors

The schedule that follows lists in detail the compensation that Directors and Statutory Auditors, including those whose term of office ended during the year, earned in 2011 for any reason and in any form, attributable to the Company and its subsidiaries and affiliated companies at December 31, 2011.

Reference period: January 1, 2011 to December 31, 2011

(in thousands of euros)

Beneficiary		Descrip. of post and term office		End of term of office (*)	Fixed compensation	Compensation for serving on Committees
First and last name	Post held	Period during which the post was held				
<i>Directors in office at December 31, 2011 (a)</i>						
Giuliano Zuccoli	Chairman (e)	01.01.11	12.31.11	12.31.2011	680	35
Bruno Lescoeur (b)	Chief Executive Officer (e)	01.14.11	12.31.11	12.31.2011	750	34
Mario Cocchi	Director (f) (g) (h)	01.01.11	12.31.11	12.31.2011	70	35
Gregorio Gitti	Directore (f) (h) (i)	01.01.11	12.31.11	12.31.2011	69	82 (m)
Gian Maria Gros-Pietro	Director (f) (g) (h) (i)	01.01.11	12.31.11	12.31.2011	70	118 (m)
Jean-Luis Mathias (c)	Director (e) (f)	01.14.11	12.31.11	12.31.2011	68	53
Thomas Piquemal	Director (g)	01.01.11	12.31.11	12.31.2011	70	36
Henry Proglgio	Director	01.01.11	12.31.11	12.31.2011	60	0
Renato Ravanelli	Director (e)	01.01.11	12.31.11	12.31.2011	70	35
Paolo Rossetti	Director	01.01.11	12.31.11	12.31.2011	70	0
Klaus Stocker	Director (g)	04.26.11	12.31.11	12.31.2011	49	24
Andrea Viero	Director (g)	01.01.11	12.31.11	12.31.2011	67	36
Steven Wolfram (d)	Director	12.21.11	12.31.11	04.24.2012	5	0
<i>Directors who resigned their office in 2011</i>						
Umberto Quadrino	Chief Executive Officer (e)	01.01.11	04.26.11	04.26.2011	364	10
Marc Boudier	Director (e) (f)	01.01.11	01.14.11	01.14.2011	2	1
Marco Merler	Director	01.01.11	04.26.11	04.26.2011	21	12
Gerard Wolf	Director	01.01.11	01.14.11	01.14.2011	2	0
Adrien Jami	Director (a)	04.26.11	12.21.11	12.21.2011	39	0
Total compensation of Directors					2,526	511
<i>Statutory Auditors in office at December 31, 2011 (a)</i>						
Alfredo Fossati	Chairman Board Stat. Audit.	01.01.11	12.31.11	12.31.2011	60	0
Angelo Palma	Statutory Auditor	01.01.11	12.31.11	12.31.2011	40	0
Leonello Schinasi	Statutory Auditor	01.01.11	12.31.11	12.31.2011	40	0
Total compensation of Statutory Auditors					140	0
Total compensation					2,666	511

(*) The term of office ends when the shareholders' Meeting approves the financial statements for the year ended on the date shown.

(**) Non-cash benefits refer to insurance policies taken out by the Company on behalf of the beneficiary and to the conventional value of the car used by the beneficiary.

(***) Other compensation includes annual honoraria received for posts held at subsidiaries and affiliates at December 31, 2011. In 2011, such compensation was paid only by affiliates, no amounts being paid by subsidiaries.

(a) Elected by the shareholders' Meeting of April 26, 2011.

(b) Coopted by the Board of Directors on January 14, 2011 to replace Marc Boudier, who resigned, and appointed CEO by the Board of Directors on April 26, 2011.

(c) Coopted by the Board of Directors on January 14, 2011 to replace Gerard Wolf, who resigned.

(d) Coopted by the Board of Directors on December 21, 2011 to replace Adrien Jami, who resigned.

(e) Member of the Strategy Committee.

(f) Member of the Compensation Committee.

(g) Member of the Audit Committee.

(h) Member of the Committee of Independent Directors.

(i) Member of the Oversight Board.

(l) Variable compensation for 2011 for the Chief Executive Officer currently in office.

(m) Includes honoraria and attendance fees for participating in meetings of the Oversight Board amounting to 47,000 euros.

(n) Compensation paid directly to the employer company and not to the beneficiary.

(o) Compensation paid directly to the beneficiary.

(p) Compensation of 120,000 euros paid directly to the beneficiary and annual compensation of 13,000 euros paid to the employer company.

(q) Compensation of 33,000 euros paid directly to the beneficiary and annual compensation of 3,000 euros paid to the employer company.

(r) Designation to posts at affiliated companies made by parties other than Edison.

(s) Variable compensation for the period from January 1, 2011 to April 26, 2011, which is the date when his term of office ended.

Compensation								
Variable non-equity compensation		Non-cash benefits (**)	Other compensation (***)	Total	Fair Value of equity compensation	End-of-service or employment termination indemnity		
Bonuses and other incentives	Profit sharing							
0	0	0	0	715 (o)	0	0		
421 (l)	0	0	97	1,302 (n)	0	0		
0	0	0	0	105 (o)	0	0		
0	0	0	0	151 (o)	0	0		
0	0	0	0	188 (o)	0	0		
0	0	0	0	121 (n)	0	0		
0	0	0	0	106 (n)	0	0		
0	0	0	0	60 (n)	0	0		
0	0	0	28 (r)	133 (p)	0	0		
0	0	0	0	70 (o)	0	0		
0	0	0	58 (r)	131 (o)	0	0		
0	0	0	0	103 (n)	0	0		
0	0	0	0	5 (n)	0	0		
320 (s)	0	10	6	710 (o)	0	0		
0	0	0	0	3 (n)	0	0		
0	0	0	3 (r)	36 (q)	0	0		
0	0	0	0	7 (n)	0	0		
0	0	0	0	39 (n)	0	0		
741	0	10	192	3,980	0	0		
0	0	0	0	60 (o)	0	0		
0	0	0	0	40 (o)	0	0		
0	0	0	0	40 (o)	0	0		
0	0	0	0	140	0	0		
741	0	10	192	4,120	0	0		

Compensation Report

The schedule that follows shows a breakdown of the items “Fixed compensation” and “Compensation for serving on Committees” in the previous schedule.

Reference period: January 1, 2011 to December 31, 2011

(in thousands of euros)

Beneficiary		Description of post and term of office			Fixed compensation	Detail of Fixed compensation			Compensation for serving on Committees
First and last name	Post held	Period during which the post was held		End of term of office (*)		Compensat. approved by the Sharehold. Meeting (1)	Attendance fees for Committee meetings (1)	Fixed compensat. la carica for post held (2)	
<i>Directors in office at December 31, 2011 (a)</i>									
Giuliano Zuccoli	Chairman (e)	01.01.11	12.31.11	12.31.2011	680	45	25	610	35
Bruno Lescoeur (b)	Chief Executive Officer (e)	01.14.11	12.31.11	12.31.2011	750	43	25	682	34
Mario Cocchi	Director (f) (g) (h)	01.01.11	12.31.11	12.31.2011	70	45	25	-	35
Gregorio Gitti	Director (f) (h) (i)	01.01.11	12.31.11	12.31.2011	69	45	24	-	82
Gian Maria Gros-Pietro	Director (f) (g) (h) (i)	01.01.11	12.31.11	12.31.2011	70	45	25	-	118
Jean-Luis Mathias (c)	Director (e) (f)	01.14.11	12.31.11	12.31.2011	68	43	25	-	53
Thomas Piquemal	Director (g)	01.01.11	12.31.11	12.31.2011	70	45	25	-	36
Henry Proglgio	Director	01.01.11	12.31.11	12.31.2011	60	45	15	-	-
Renato Ravanelli	Director (e)	01.01.11	12.31.11	12.31.2011	70	45	25	-	35
Paolo Rossetti	Director	01.01.11	12.31.11	12.31.2011	70	45	25	-	-
Klaus Stocker	Director (g)	04.26.11	12.31.11	12.31.2011	49	31	18	-	24
Andrea Viero	Director (g)	01.01.11	12.31.11	12.31.2011	67	45	22	-	36
Steven Wolfram (d)	Director	12.21.11	12.31.11	04.24.2012	5	1	4	-	-
<i>Directors who resigned their office in 2011</i>									
Umberto Quadrino	Chief Executive Officer (e)	01.01.11	04.26.11	04.26.2011	364	14	7	343	10
Marc Boudier	Director (e) (f)	01.01.11	01.14.11	01.14.2011	2	2	-	-	1
Marco Merler	Director	01.01.11	04.26.11	04.26.2011	21	14	7	-	12
Gerard Wolf	Director	01.01.11	01.14.11	01.14.2011	2	2	-	-	-
Adrien Jami	Director (a)	04.26.11	12.21.11	12.21.2011	39	30	9	-	-
Total compensation of Directors					2,526	585	306	1,635	511
<i>Statutory Auditors in office at December 31, 2011 (a)</i>									
Alfredo Fossati	Chairman Board Stat. Audit	01.01.11	12.31.11	12.31.2011	60	60	-	-	-
Angelo Palma	Statutory Auditor	01.01.11	12.31.11	12.31.2011	40	40	-	-	-
Leonello Schinasi	Statutory Auditor	01.01.11	12.31.11	12.31.2011	40	40	-	-	-
Total compensation of Statutory Auditors					140	140	0	0	0
Total compensation					2,666	725	306	1,635	511

(*) The term of office ends when the shareholders' Meeting approves the financial statements for the year ended on the date shown.

(a) Elected by the shareholders' Meeting of April 26, 2011.

(b) Coopted by the Board of Directors on January 14, 2011 to replace Marc Boudier, who resigned, and appointed CEO by the Board of Directors on April 26, 2011.

(c) Coopted by the Board of Directors on January 14, 2011 to replace Gerard Wolf, who resigned.

(d) Coopted by the Board of Directors on December 21, 2011 to replace Adrien Jami, who resigned.

(e) Member of the Strategy Committee.

(f) Member of the Compensation Committee.

(g) Member of the Audit Committee.

(h) Member of the Committee of Independent Directors.

(i) Member of the Oversight Board.

(1) Compensation approved by the Shareholders' Meeting of March 23, 2010 and, subsequently, by the Shareholders' Meeting of April 26, 2011.

(2) Compensation approved by the Board of Directors on October 30, 2009, effective as of March 23, 2010, and, subsequently, by the Board of Directors on July 25, 2011.

(3) Compensation approved by the Board of Directors on July 25, 2008 and, subsequently, by the Board of Directors on July 25, 2011.

(4) Attendance fee only, as approved by the Board of Directors on July 25, 2011.

Detail of Compensation for serving on Committees

Honoraria for participating in meetings of the Strategy Committee ⁽³⁾	Attendance fees for meetings of the Strategy Committee ⁽¹⁾	Honoraria for participating in meetings of the Compensation Committee ⁽³⁾	Attendance fees for meetings of the Compensation Committee ⁽¹⁾	Honoraria for participating in meetings of the Audit Committee ⁽³⁾	Attendance fees for meetings of the Audit Committee ⁽¹⁾	Attendance fees for meetings of the Committee of Independent Directors ⁽⁴⁾	Honoraria for participating in meetings of the Oversight Board ⁽³⁾	Attendance fees for meetings of the Oversight Board ⁽³⁾
30	5	-	-	-	-	-	-	-
29	5	-	-	-	-	-	-	-
-	-	15	13	-	-	7	-	-
-	-	15	13	-	-	7	40	7
-	-	15	13	25	11	7	40	7
20	5	15	13	-	-	-	-	-
-	-	-	-	25	11	-	-	-
-	-	-	-	-	-	-	-	-
30	5	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	17	7	-	-	-
-	-	-	-	25	11	-	-	-
-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	-	-
-	-	-	-	8	4	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
120	20	60	52	100	44	21	80	14
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
0	0	0	0	0	0	0	0	0
120	20	60	52	100	44	21	80	14

3.2 Schedule of equity interests held by Directors and Statutory Auditors

The schedule that follows lists the equity interests that Directors and Statutory Auditors, including those whose term of office ended during the year, their spouses, if not legally separated, and minor children held, directly or through companies they control, nominees or other parties, during the period from December 31, 2010 to December 31, 2011, in Edison and its subsidiaries at December 31, 2011, based on data obtained from the Shareholders' Register, communications received and other available information.

Reference Period: December 31, 2010 to December 31, 2011

First and last name	Post held	Investee company	Number of shares held at the end of the previous year (12.31.10)	Number of shares bought	Number of shares sold	Number of shares held at the end of the current year (12.31.11)
<i>Directors in office at December 31, 2011</i>						
Giuliano Zuccoli	Chairman	Edison Spa - Common shares	46,000	-	-	46,000
Bruno Lescoeur	Chief Executive Officer		-	-	-	-
Mario Cocchi	Director	Edison Spa - Common shares	1,330,000	-	-	1,330,000
Gregorio Gitti	Director		-	-	-	-
Gian Maria Gros-Pietro	Director	Edison Spa - Common shares	30,000	-	-	30,000
Jean-Luis Mathias	Director		-	-	-	-
Thomas Piquemal	Director		-	-	-	-
Henry Proglino	Director		-	-	-	-
Renato Ravanelli	Director		-	-	-	-
Paolo Rossetti	Director		-	-	-	-
Klaus Stocker	Director		-	-	-	-
Andrea Viero	Director		-	-	-	-
Steven Wolfram	Director		-	-	-	-
<i>Directors who resigned their office in 2011</i>						
Umberto Quadrino	Chief Executive Officer	Edison Spa - Common shares	850,000	-	-	850,000
Marc Boudier	Director		-	-	-	-
Marco Merler	Director		-	-	-	-
Gerard Wolf	Director		-	-	-	-
Adrien Jami	Director		-	-	-	-
<i>Statutory Auditors in office at December 31, 2011</i>						
Alfredo Fossati	Chairman Board Statutory Auditor	-	-	-	-	-
Angelo Palma	Statutory Auditor	Edison Spa - Common shares	6,100	-	-	6,100
Leonello Schinasi	Statutory Auditor		-	-	-	-

ANNEX**Operating Rules of the Compensation Committee****Article 1 (Officers)**

1. The Committee shall appoint its Chairman, unless one has already been appointed by the Board of Directors.
2. The Committee shall designate, permanently or on each occasion, a Secretary, who need not be a Committee member.

Article 2 (Calling of Meetings)

1. Committee meetings may be called outside the registered office, in Italy or abroad, by its Chairman, a person designated by the Chairman or, if one has been appointed, its Secretary, with written notice sent by telegram, fax or e-mail at least five days or, in urgent cases, at least two days before the date of the meeting.
2. The participants in the meeting can intervene remotely using systems of telephone/audio visual connection, which must ensure that all the participants can be identified at all times while they are connected, each of them being able to express verbally his/her opinion, examine, receive or transmit all documents, and review and resolve simultaneously with the other participants. In such a case, the meeting of the Committee shall be deemed to have been held at the place listed in the notice of the meeting. Article 3, Section 5, shall also apply.
3. The Committee shall be deemed to have been validly convened even absent the issuance of a formal notice, if all of its members are present.
4. The meeting's Agenda shall be set by the Chairman of the Committee, taking into account suggestions received from other members.
5. The notice of the meeting shall specify whether the parties listed in Article 3, Section 4, will be attending the meeting. In such a case, a copy of the notice of the meeting shall be sent to the parties invited each time.
6. A copy of the notice of the meeting shall be sent to the Chairman of the Board of Directors and the Chief Executive Officer.

Article 3 (Meetings)

1. Meetings shall be chaired by the Chairman or, if absent, by another member designated by the Committee.
2. The Committee shall be validly convened if all of the members or an absolute majority of them, i.e., at least three of members, are present, and the absent member consented to the meeting being held.
3. The Committee shall adopt resolutions by absolute majority of its members, i.e., at least three members.
4. Company employees and experts may be invited by the Committee from time to time to attend Committee meetings in a mere consultative capacity and, therefore, without the right to participate in the Committee's resolutions. The Chairman of the Board of Statutory Auditors or another Statutory Auditor may be invited to attend Committee meetings from time to time.
5. Resolutions shall be recorded in minutes signed by the Chairman and the Secretary, after being approved by all present Committee members.
6. The Chairman of the Board of Directors and the Chief Executive Officer are entitled to attend Committee meetings in a mere consultative capacity and, therefore, without the right to participate in the Committee's resolutions, it being understood that they may not be present when issues concerning their compensation are being discussed.

Article 4 (Tasks Assigned to the Committee)

1. Consistent with the guidelines of Borsa Italiana's Corporate Governance Code, the role of the Compensation Committee is to provide the Board of Directors with research and recommendations concerning the compensation of executive Directors and senior executives.
2. More specifically, the following functions have been assigned to the Compensation Committee:
 - i. Submit recommendations to the Board of Directors concerning the Company's general policy about the compensation of the Chairman of the Board of Directors, the Chief Executive Officer and other Directors who perform special functions within the Company (including Directors who serve on Board Committees) and periodically assess its adequacy, overall consistency and correct implementation, also vis-à-vis the market.
 - ii. Consistent with the general policy referred to in Letter (I) above, submit recommendations to the Board of Directors about the compensation of the Chairman of the Board of Directors, the Chief Executive Officer and other Directors who perform special functions and the definition of performance targets correlated with the short-term and medium/long-term variable component, for those Directors to whom this component applies. In the performance of this task, if committee composition requirements can be met, the Compensation Committee may act in the capacity as, and render the opinions required of, the Committee of Independent Directors referred to in the Procedure Governing Related-party Transactions approved by the Board of Directors on December 3, 2010.
 - iii. Monitor the implementation of the resolutions adopted regarding the compensation of the parties referred to in Letter (ii) above, as identified by the Board of Directors, specifically verifying that performance targets were in fact achieved and, consequently, submitting to the Board of Directors recommendations for determining the amount of the variable component based on the results achieved.
 - iv. Provide opinions and recommendations with regard to any stock option or stock award plans or other long-term incentive (LTI) plans;
 - v. Review proposals by the Chief Executive Officer concerning the compensation of the Chief Financial Officer and the Chief Operating Officer and the reference targets with which the variable annual compensation is correlated, providing the Chief Executive Officer with an opinion about such proposals.
 - vi. Evaluate the guidelines and criteria concerning management's compensation and render the corresponding opinion.

Article 5 (Recommendations and Information for the Board of Directors and the Shareholders' Meeting)

1. The Committee Chairman shall provide the Chairman of the Board of Directors and/or the Chief Executive Officer with recommendations about any items that should be included in the Agenda of meetings of the Board of Directors.
2. The Chairman of the Committee shall inform the Board of Directors, usually at the first meeting held after the adoption of specific resolutions, about assessments and opinions obtained concerning issues under its jurisdiction. The abovementioned information may be provided in the form of a recommendation to the Board of Directors.
3. The Committee shall inform the Shareholders' Meeting about the modalities by which it performs its functions.

4. MOTION

Dear Shareholders:

Starting with the current year, the Shareholders' Meeting is required to vote on "Section One" of the Compensation Report, which deals with your company's compensation policies for Directors and the procedures used to adopt and implement those policies.

The Compensation Report was prepared in accordance with the provisions of current laws and regulations and consistent with the Corporate Governance Code for listed companies, which your company adopted.

If you concur with the content of the abovementioned Report, we recommend that you vote to approve "Section One" of the Compensation Report by adopting the following resolution:

"The Shareholders' Meeting,

- being cognizant of the Compensation Report prepared by the Board of Directors, in accordance with the provisions of Article 123-*ter* of Legislative Decree No. 58/98, as amended, and the guidelines provided in Article 84-*quarter*, added by the Consob to the Issuers' Regulations with Resolution No. 18049 of December 23, 2011;
- having specifically reviewed "Section One" of the Compensation Report, which deals with the company's compensation policies for Directors and the procedures used to adopt and implement those policies;
- taking into account the Corporate Governance Code for listed companies, which the company adopted;

resolves

to approve "Section One" of the Compensation Report.

Milan, March 2, 2012

The Board of Directors
by Renato Ravanelli
Chairman

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