

# 2015

## CORPORATE GOVERNANCE



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**REPORT ON CORPORATE GOVERNANCE AND  
ON THE COMPANY'S OWNERSHIP STRUCTURE  
2015**

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# INTRODUCTION

## FOREWORD

Edison, a leading player among Italian energy companies, engages, directly and through subsidiaries, joint ventures and affiliated companies, in the production and sales of electric power, in hydrocarbon exploration and procurement, and in the distribution of both items, including energy efficiency services, in Italy and abroad. The Group is active in Europe, Africa and the Middle East.

As explained in previous Reports on Corporate Governance, Edison, even though only its savings shares are listed on the online securities market ("**MTA**"), continues to be subject to the legal requirements applicable to "*companies with shares traded on a regulated market*" and, consequently, retains the status of a "*listed issuer*" pursuant to national laws.

In this regard, please note that Borsa Italiana Spa ("**Borsa Italiana**"), by Resolution No. 7544 of August 7, 2012, delisted the Edison common shares from the MTA, effective September 10, 2012, due to the outcome of the Mandatory Offer and the fulfillment of the Purchase Obligation, as mentioned below.

Nevertheless, the Company elected to continue following the Corporate Governance Code promoted by Borsa Italiana, in the manner described below.

It is worth mentioning that the Mandatory Offer was promoted by Translapi di Energia Srl ("**TdE**"), following the acquisition of control of Edison, as of May 24, 2012, by Electricité de France Sa ("**EDF**"), upon its subsidiary WGRM Holding 4 Spa ("**WGRM**") acquiring from Delmi Srl ("**Delmi**"), a 51% subsidiary of A2A Spa, a 50% interest in the share capital of TdE, thus becoming its sole shareholder. Moreover, TdE already held a controlling interest in Edison, owning 61.3% of its common share capital. Following this transaction, TdE, in compliance with the resulting obligation, which it incurred jointly with WGRM and MNTC Holding Srl ("**MNTC**"), also a wholly owned subsidiary of EDF and then owner of a 19.4% interest in Edison's common share capital, launched a tender offer, pursuant to Article 102 and Article 106, Section 1, of Legislative Decree No. 58/1998 ("**TUF**"), for the Edison common shares not held by companies of the EDF Group (the "**Mandatory Offer**") and subsequently purchased, pursuant to Article 108, Section 1, of the TUF, the remaining Edison common shares tendered in response to the Offer by shareholders other than the companies of the EDF Group (the "**Purchase Obligation**"). At the end of the abovementioned process, EDF was thus the holder, through TdE and MNTC, of a 99.5% interest in Edison's common share capital.

Subsequent to the delisting of the common shares, in accordance with the provisions of Article 6 of Edison's Bylaws, the Company proceeded, during the period from November 2, 2012 to November 30, 2012, with the voluntary conversion of the savings shares into common shares, based on a ratio of 1 common share for each savings share held (the "**Voluntary Conversion**"), which ended with the conversion of 437,573 shares out of a total 110,592,420 savings shares originally outstanding. At the end of the Voluntary Conversion period, the savings shares continued to be listed on the MTA, as stated above.

In 2013, as mentioned in previous Reports on Corporate Governance, following a series of corporate transactions that involved MNTC, TdE and WGRM, all Edison shares owned by the EDF Group were concentrated at WGRM, first through the demerger of MNTC for the benefit of WGRM and later through the absorption of TdE by WGRM, effective as of January 1, 2014, with WGRM changing its name to that of the absorbed company and relocating its registered office from Turin to Milan (hereinafter **TdE Spa**).

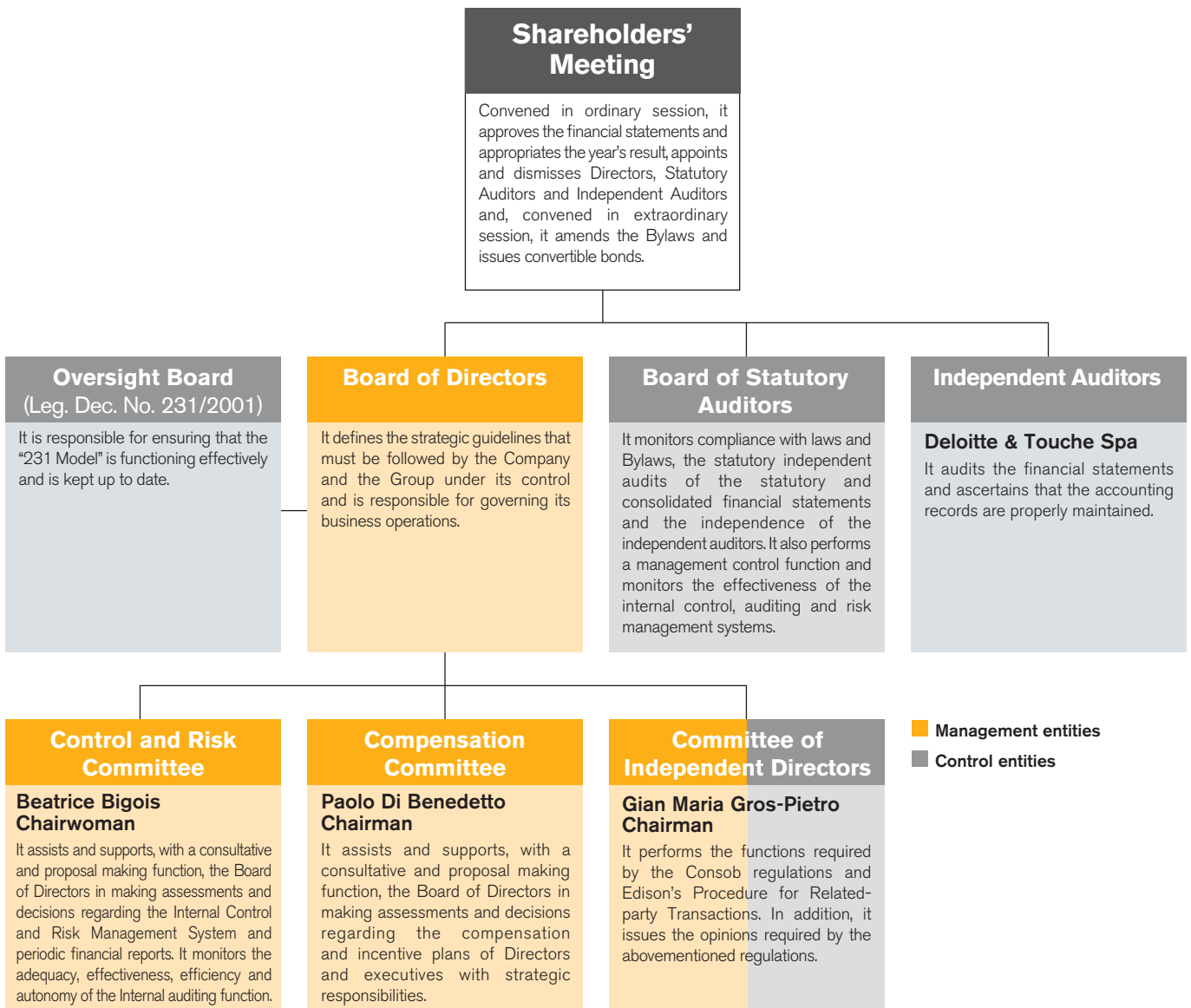
As also stated in previous Reports on Corporate Governance, effective as of April 4, 2013 (date when the resolutions adopted by the Extraordinary Shareholders' Meeting of March 22, 2013 were recorded in the Company Register), certain articles of the Bylaws were amended to take into account the different rules applicable to the common shares and the savings shares, and the respective holders, and as result of the different conditions under which the shares of these two categories can be traded following the delisting of the common shares and the continued listing of the savings shares.

Moreover, it is important to keep in mind, that Edison debt securities totaling 600 million euros, issued within the framework of Euro Medium Term Note Programs approved by the Board of Directors, are currently outstanding. The features and maturities of the outstanding bond issue and the issues redeemed in 2015 are summarized in the notes to the separate financial statements and the consolidated financial statements. These bonds are listed on the Luxembourg Exchange and, consequently, until these bonds reach maturity, Edison is thus subject to the provisions applicable to issuers of such securities.

## GOVERNANCE STRUCTURE

Consistent with its status as a company under Italian law with savings shares traded on the MTA and bonds traded on the Luxembourg Exchange, Edison has adopted a system of corporate governance, based on a conventional organizational model that comprises: the Shareholders' Meeting, a Board of Directors (which also operates through the Chief Executive Officer and the Directors who are empowered to represent the Company and is supported by Committees established with the framework of the Board of Directors), a Board of Statutory Auditors, the Independent Auditors and the 231 Oversight Board.

The chart below provides an overview of Edison's governance model.



In addition to those listed above, governance entities include the Special Meeting of Savings Shareholders and the Meetings of Bondholders.

The governance structure is integrated and activated through the Company's management structure, the main components of which include the following:

- An Executive Committee led by the Chief Executive Officer and comprised of managers of the Divisions representing the Company's main business areas, which provides support for the activities of the Chief Executive Officer.
- Management committees that support the Group's top management in connection with specific, important decision-making processes and/or special issues.
- The organizational operating structure, consisting of business units and departments, each responsible for managing important and homogeneous business areas or areas that provide support and services to the business areas. In this regard, please see the chart provided in the Report on Operation.
- The Code of Ethics, the specific models, protocol and management systems concerning issued governed by Legislative Decrees No. 231/2001 and No. 262/2005, concerning the protection of privacy and occupational health and safety, internal operating procedures, the proxy system and internal and external delegations of authority.
- The Internal Auditing Department, which reports directly to the Board of Directors, provides support and liaison services for the activities of the Oversight Board and, at the operational level, is coordinated by the General Counsel Department, to which the Board of Directors assigned responsibility for facilitating interaction by the Internal Auditing Department with the Board of Directors, the Board of Statutory Auditors and the Oversight Board.

Lastly, for several years the Company has focused its efforts on the creation of economic growth, while at the same time minimizing the impact of its activities on the environment and the social context. In this area, it prepares each year a Sustainable Development Report.

At December 31, 2015, the Group included 35 subsidiaries (26 in Italy); 11 companies under joint control (2 in Italy) and 12 affiliated companies (10 in Italy).



## ADOPTION OF CORPORATE GOVERNANCE CODES

As specified in the Foreword, even though only the savings shares continue to be listed on the MTA, Edison continues to comply, on a voluntary basis and with the exceptions listed below, with the Corporate Governance Code promoted by Borsa Italiana. Edison derived its code from the one used by Montedison, a publicly traded subsidiary, and adopted it in December 2002 upon the listing of its share following the absorption of the abovementioned subsidiary.

As a result, the Company's 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, was thus over time substantially consistent with the recommendations of the Code and was revised from time to time to reflect amendments to the Code. The latest substantive changes to Edison's governance system, implemented in 2012 and 2013 are the result of the changes that occurred in Edison's stock ownership structure and the Company's own organization.

Edison's current governance system, with the exceptions mentioned below, is thus consistent with the rules set forth in the 2015 edition of the Code (the "**Code**"). As allowed under the Code, certain adjustments are currently being implemented within the required deadlines. The Code is posted on Borsa Italiana's website ([www.borsaitaliana.it/comitato-corporate-governance/codice/2015engclean.en.pdf](http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015engclean.en.pdf)).

This Report, as well as the Compensation Report, incorporate an illustration of the corporate governance structure reviewed by the Board of Directors on February 15, 2016. It also lists, as they apply, the recommendations of the Code that the Company chose not to implement, explains the reasons why and describes any alternative conduct adopted. This Report also provides the disclosures required by the laws and regulations that apply to corporate governance.

Neither Edison nor its strategically relevant subsidiaries are subject to non-Italian laws affecting their governance structure.

# OWNERSHIP STRUCTURE

## STRUCTURE OF THE SHARE CAPITAL

### Composition

On February 15, 2016, Edison's share capital totaled 5,291,700,671.00 euros, divided into 5,181,545,824 common shares, par value 1 euro each, equal to 97.92% of the total share capital, and 110,154,847 savings shares, par value 1 euro each, equal to 2.08% 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 can be either bearer or registered shares, as the holder may choose, except for shares held by Directors, Statutory Auditors and the General Manager, if one is appointed, which must be registered shares. They 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 25,000.00 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.
- The remainder of the earnings shown in the duly approved 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 dissolution 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.

Lastly, for the sake of complete disclosure, please note that, as stated in the Foreword, in the event of delisting, upon a simple request by the shareholder, the savings shares could have been converted one-for-one into common shares in accordance with the terms and conditions determined by Board of Directors and communicated to the market. More specifically, it is worth mentioning that the Voluntary Conversion option was available during the month of November 2012 and, consequently, this option provided under the Bylaws may no longer be exercised.

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 savings shares have been traded on the MTA operated by Borsa Italiana since December 2, 2002. The common shares, which were also traded on the MTA, were delisted as of September 10, 2012, as explained in the Foreword.

### **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.

## **STOCK OWNERSHIP**

### **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 15, 2016, shows that there is no party, other than the EDF Group, that holds, directly or indirectly (including through third parties, nominees and subsidiaries), an interest greater than 2% of the voting stock (**Significant Equity Interests**).

A breakdown of the interest held by EDF in Edison's common share capital is as follows:

	<b>Common shares</b>	<b>% of common share capital</b>	<b>% of total share capital</b>
TdE Spa (formerly WGRM) <sup>(1)</sup>	5,154,369,098	99.48	97.40
<b>Total EDF Group</b>	<b>5,154,369,098</b>	<b>99.48</b>	<b>97.40</b>

A list of shareholders with Significant Equity Interest is available on the Company website ([www.edison.it](http://www.edison.it) Investor Relations Share capital and shareholders) and on the Consob website ([www.consob.it](http://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.

1. A wholly owned subsidiary of EDF International Sas, which, in turn, is a wholly owned subsidiary of EDF, and subject to its management and coordination authority.

## Agreements Deemed Significant Pursuant to Article 122 of the TUF

To the best of the Company's knowledge, there are no agreements deemed significant pursuant to article 122 of the TUF.

## Change of Control Clauses

Information about significant agreements executed by Edison or its subsidiaries who are parties to the Agreements at December 31, 2014, as defined in Article 93 of the TUF, 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 over Edison could have a material impact in the following cases:

1. A loan agreement, originally for 250 million euros (137 million euros outstanding at December 31, 2015), provided to Edison in December 2010 by the European Investment Bank to finance the conversion of some gas fields owned by Edison Stoccaggio Spa into underground gas storage facilities (see the notes to the separate and consolidated financial statements), with regard to which, if the European Investment Bank were to reasonably believe that a change of control over Edison had occurred or was about to occur, such event could justify a request for early repayment of the credit line.
2. A facility agreement, originally for 800 million euros (400 million euros outstanding at December 31, 2015), executed on April 9, 2013 by Edison and EDF IG. If Edison were to be no longer controlled, directly or indirectly by EDF, it shall disclose this fact immediately and, should the lender request it, it shall proceed with early repayment of principal, interest and any other amount owed pursuant to the loan agreement (see Notes to the separate and consolidated financial statements).
3. A contrat de financement ligne de credit for 600 million euros executed on April 9, 2015 by Edison and EDF. Should the controlling interest that EDF holds in Edison directly or indirectly decrease to less than 80% of the capital and voting rights of Edison or its significant subsidiaries, as defined pursuant to the contract, EDF would have the right to cancel in advance the credit line and demand the early repayment of any amounts already loaned and the payment of any other amounts owed pursuant to the contract (see Notes to the separate and consolidated financial statements).
4. A contrat de prêt amortissable for 200 million euros executed on December 9, 2015 by Edison and EDF drawn from EIB funds, earmarked for financing certain E & P projects in Italy. The same clause as in Item 3 above applies to this facility.
5. A facility agreement for 500 million euros executed on November 13, 2014 by Edison and a pool of banks. If Edison were to be no longer controlled, directly or indirectly by EDF, it shall disclose this fact immediately and, should any of the lenders request it, it shall proceed with early repayment of the portion of the facility owed to that lender, including principal, interest and any other amount owed pursuant to the loan agreement (see Notes to the separate and consolidated financial statements).
6. A contrat cadre de gestion de trésorerie (GBP - EUR - USD) executed on April 1, 2015 by Edison and EDF. Should Edison cease to be a "subsidiary" of EDF, the agreement shall be automatically cancelled, effective as of the date of change in Edison's status, and Edison shall immediately repay the sums it received by EDF and any other amounts owed pursuant to the contract.

## Commercial Agreements

If it resulted in a significant 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: 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 consideration payable for transmission capacity.

- Annual natural gas storage contract executed with Stogit Spa: in order to maintain access to the storage facilities, Edison would be required to provide a bank guarantee enforceable on sight for an amount equal to one-third of the maximum annual consideration payable for storage capacity.
- Annual natural gas storage contract executed with Edison Stoccaggio Spa: in order to maintain access to the storage facilities, Edison would be required to provide a bank guarantee enforceable on sight for an amount equal to one-third of the maximum annual consideration payable for storage 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 contracts to import natural gas are concerned, the contract signed with Sonatrach (an Algerian state company) on July 25, 2006 contains 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 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 is expected to 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 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%.

### Tender Offer Regulations

Insofar as Tender Offers are concerned, in view of the fact that Edison's common shares are no longer listed, the Company Bylaws provide no exceptions to the provisions of the passivity rule referred to in Article 104, Sections 1 and 1-*bis*, of the TUF and none of the neutralization rules set forth in Article 104-*bis*, Sections 2 and 3, of the TUF have been introduced.

### Controlling Entity and Management and Coordination Authority

EDF Sa acquired control of the Company, pursuant to the definition provided in Article 93 of the TUF, effective May 24, 2012.

However, neither EDF nor TdE Spa (formerly WGRM), which is the company that holds a direct interests in Edison, exercised management and coordination authority over Edison. This was because, on the one hand, TdE Spa is configured as a mere equity investment holding company without an organizational structure, and, on the other hand, Edison maintained substantially unchanged its independent management characteristics, as it continues to be equipped with a structured organization capable of performing all corporate activities, a separate strategic and financial planning process, its own planning capabilities regarding business implementation and evolution. Moreover, it has actually taken on a guidance and coordination role, within the EDF Group, for some activities (exploration, production and midstream and supply gas) specifically because of its geographic footprint and the technical and profession characteristics of its managers.

Vice-versa, virtually all of the Company's direct and indirect Italian subsidiaries have identified Edison as the entity that exercises oversight and coordinating authority over their operations. The only exceptions are some companies in which other shareholders also hold an equity interest or companies that are required to meet special operational independence requirement by industry regulations and some subsidiaries that are subject to permanent restrictions (such as companies in receivership or in bankruptcy).

## OTHER INFORMATION

### **Provisions Applicable to the Composition and Activities of the Board of Directors and Its Committees and to the Election and Replacement of Directors**

The composition and activities of the Board of Directors are governed by the following articles of the Bylaws: 14 (Board of Directors), 16 (Corporate Officers - Committees), 17 (Powers) and 18 (Procedures for Convening and Holding Meetings of the Board of Directors and Approving Resolutions). Please see the information provided in the corresponding sections of this Report.

Information about the composition and operating mechanisms of the Committees of the Board of Directors is provided in the abovementioned Article 16 of the Bylaws and in the section of this Report entitled "Internal Committees of the Board of Directors."

The election and replacement of Directors are governed by the abovementioned Article 14 (Board of Directors) of the Bylaws. Additional information is provided below in the section of this Report entitled "Election of Directors."

As mentioned in previous Reports on Corporate Governance, please note that, due to the delisting of the common shares, effective April 4, 2013, the provisions of the Bylaws that required and governed the filing of slates of candidates for the election of members of the Board of Directors were deleted and those concerning the replacement, for any reason, of Directors while they are still in office were simplified. This action was taken in part in response to an interpretative clarification provided by the Consob, according to which the provisions of the TUF concerning the election of members of the Board of Directors and the control entity are applicable only to companies "*with shares that actually have the opportunity of competing for the election of management and control entities, which do not include savings shares.*"

On that occasion, some provisions regarding the activities of the Board of Directors were also amended.

### **Provisions Applicable to the Composition, Activities, Election and Replacement of the Board of Statutory Auditors**

The composition and activities of the Board of Statutory Auditors, as well as the election and replacement of Statutory Auditors are governed by Article 22 (Board of Statutory Auditors) of the Bylaws. Please see the information provided in the corresponding sections of this Report.

Please note that the abovementioned Article was amended, most recently effective April 4, 2013, because, due to the delisting of the common shares, the provisions of the Bylaws that require and govern the filing of slates of candidates for the election of members of the Board of Statutory Auditors were deleted and those concerning the replacement of Statutory Auditors while they are still in office were amended. This action was taken in part in response to the abovementioned interpretative clarification provided by the Consob.

### **Provisions Applicable to the Activities of the Shareholders' Meeting and Relevant Rights of Shareholders**

The process of convening and holding Shareholders' Meetings and the relevant rights of shareholders are governed by Title III of the Bylaws. Please see the information provided in the corresponding sections of this Report.

Please note that certain articles contained in the abovementioned Title III were amended, most recently effective April 4, 2013, to take into account the different rules applicable to the common and savings shares, with respect to the different trading status of the two classes of shares, following the delisting of just the common shares.

### **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.

The Bylaws currently in effect, as amended, most recently effective April 4, 2013, have been published on the Company website, at the address [www.edison.it/en/bylaws](http://www.edison.it/en/bylaws).

### **Exceptions to Disclosure Requirements**

Please note that the Company elected to no longer comply with the requirement to publish an information memorandum in connection with material transactions involving acquisitions, divestments, capital increases through asset conveyances, mergers and demergers.

# CORPORATE GOVERNANCE

## BOARD OF DIRECTORS

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.

As stated in previous Reports on Corporate Governance, the following three Committees, all of which make recommendations and provide support, operated within the framework of the Board of Directors: the Control and Risk Committee, the Compensation Committee and the Committee of Independent Directors.

### Role of the Board of Directors

The Board of Directors is responsible for managing the Company directly or by delegating some of its attribution to other governance bodies.

In order to strengthen its management function, a series of decisions concerning highly significant issues and transactions were reserved for the Board of Directors, in addition to the powers attributed to it pursuant to law and the Bylaws, and consequently cannot be delegated to executive Directors.

The Board of Directors meets on a regular basis and operates in a fashion that ensures an effective discharge of its duties, including reliance on preparatory work by committees established within the Board itself.

### Plan Review and Approval

The Board of Directors has jurisdiction over the review and approval of the Company's strategic plans, which are prepared on a consolidated basis and include the industrial and financial plans, and periodically monitors their implementation.

With regard to the 2015 reporting year, in view of the election of a new Chairman of the Board of Directors and the significant changes that took place in the energy scenario close to the end of the 2014 reporting year, the Board of Directors thought it appropriate, as has been the case in recent years, to approve only the budget, since it seemed preferable to pursue a planning process focused on the short term, given the extreme uncertainty and variability of the reference economic scenarios. In any event, the Board of Directors reviewed various medium-term projections based on different potential scenarios for oil prices and the euro/U.S. dollar exchange rates. In addition, in view of the highly exceptional conditions and complexity of the reference scenario and given the extreme level of market volatility, it requested a series of in-depth studies regarding the outlook for the commodity price scenario and the resulting impact on Edison's activities in 2015, also in terms of investments and operating expenses. These studies were completed during the first half of the year. Based on the information it thus obtained, the Board of Directors, meeting on May 7, 2015, approved a new budget.

As for the 2016 reporting year, the Board of Directors approved the budget at a meeting held on December 8, 2015. At that meeting, the Board of Directors also carried out a longer-term analysis, taking into account potential developments in the reference scenario and in commodity price trends, and the different strategic options available for the long-term sustainable development of the Group's business.

Lastly, the Board of Directors adopted as valid, for the purpose of the impairment tests applied to the 2015 financial statements, the economic development assumptions and the projections incorporated into the industrial plan used in that regard.



As for the monitoring activity, it has been an established practice of the Board of Directors to compare actual and planned results, as listed in the approved budget, usually when quarterly financial statements are approved. On those occasions, special attention is paid to a set of economic variables regarding the Group's various areas of business and to the main financial gauges and any differences between "reported" data and projected results are discussed and analyzed.

### Definition of Corporate Governance and the Group's Structure

The Board of Directors has jurisdiction over defining corporate governance and the Group's structure.

No significant changes occurred in Edison's governance structure in 2015. On the other hand, with regard to subsidiaries, the implementation continued of a program to streamline their activities and make the Group's organization, concerning both certain business areas in Italy and its configuration abroad, consistent with the adopted business model, while minimizing operating load, risks, inefficiencies and intercompany transactions.

It is worth mentioning that the current configuration of the responsibilities of the Company's top management, which is based on the allocation of the Group's activities to nine different business units/divisions, was validated by the Board of Directors in October 2012, when it also endorsed the redefinition of the organizational structure recommended by the Chief Operating Officer. On that occasion, the Board established an Executive Committee, comprised of the managers of the main business and corporate areas, consistent with Edison's new mission.

### Definition of the Type and Level of Risks Compatible with the Issuer's Strategic Objectives

The Board of Directors has jurisdiction over defining the type and level of risks compatible with the Company's strategic objectives.

As explained in section of this Report entitled "Internal Control and Risk Management System," Edison developed an integrated risk management model in accordance with the international principles of Enterprise Risk Management (**ERM**), the COSO framework specifically, to map the Company's priority risks, preemptively assess their potential negative effects and take appropriate actions to mitigate them. Specifically, the risk assessment process also took into account the risks that could become significant in terms of sustainability over the medium/long-term.

Over the years, the Company developed specific safeguards for some of the risks identified within this integrated model, with the aim of managing and limiting the impact of the various risks on the Group's economic and financial equilibrium. More specifically, with regard to the Group's exposure to the risk of price fluctuations for the energy commodities used by its businesses and the foreign exchange risk for those commodities that are denominated in foreign currencies, the Company has adopted for some time an Energy Risk Policy. This policy, which defines the governance, monitoring and control environment for these risks, calls for the adoption of specific risk limits in term of economic capital, both for the entire portfolio of Group assets and contracts (the "**Industrial Portfolio**") and for activities involving trading in physical and financial commodities, which are segregated in special portfolios (the "**Trading Portfolios**"), separate from the Industrial Portfolio.

The Board of Directors, based on an updated mapping of the main business risks, determines each year, when it approves the annual budget, the maximum limit of the Economic Capital both for the Industrial Portfolio and the Trading Portfolios. This decision for 2015 was made at a meeting held on December 12, 2014 and at a meeting held on December 8, 2015 for 2016. On the latter occasion, as in previous years, the Board of Directors also approved a document entitled "Edison Risk Management Framework for Energy Market Risk," which defined for 2016 the main strategies to hedge the commodity risk and the related foreign exchange risk for the operating activities of the Industrial Portfolios, with the aim of ensuring compliance with the approved risk limits.

### **Assessment of the Effectiveness of the Organizational, Administrative and Accounting Structure, with Special Emphasis on the Internal Control and Risk Management System**

The Board of Directors reviews and evaluates periodically-usually in connection with the approval of the annual and semiannual financial report, but also based on preparatory activities carried out by the Control and Risk Committee (which in this area relies on the reviews performed and the results produced by the Internal Auditing Department and the Risk Office) and reviews performed by the Board of Statutory Auditors-the effectiveness of the Company's organization and administrative and accounting system, with special emphasis on the Internal Control and Risk Management System.

Specifically with regard to risk management, the Board of Directors, based in part on reviews performed by the Control and Risk Committee, is regularly informed about, and discusses, the results of tests performed with the integrated risk management model adopted by the Group.

With regard to this issue see the information provided in the section of this Report entitled "Internal Control and Risk Management System."

For 2015, the assessment, which covered both Edison and all of its subsidiaries, was carried out at the meetings held on February 11, 2015 and July 29, 2015. Additional assessments were performed in connection with the validation of specific corporate reorganization programs.

### **Assessment of the Overall Operating Performance and Reporting by Delegated Entities**

As required by the Code and by current laws, the Board of Directors reviews periodically the results from operations, starting with the approval, each quarter, of the financial statements for the period. Moreover, pursuant to law, the Code and the Bylaws, the officers to whom power has been delegated report to the Board of Directors and the Board of Statutory Auditors at least on 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 work he performed and on major transactions executed by the Company and its subsidiaries that did not require the prior approval of the Board of Directors. As a rule, these reports are supported by a series of memoranda and presentations that are sent to the Directors and the Board of Statutory Auditors together with the Agenda for each scheduled meeting of the Board of Directors.

### **Approval of Material Transactions Executed by the Company and Its Subsidiaries**

Furthermore, based on the provisions of the Bylaws and the resolution adopted by the Board of Directors, most recently on December 8, 2015, the Board of Directors, in addition to those attributions that are reserved for the Board pursuant to law and cannot be delegated to individual Directors, has sole jurisdiction over the particularly significant matters listed below:

- (a) Reduction of the Company's share capital when an eligible party request redemption of its shares;
- (b) Decisions concerning the approval of the business plan and budget;
- (c) Opening or closing Edison secondary headquarters and relocation of the registered office within the same municipality;
- (d) Designation of the Directors authorized to represent the Company;
- (e) Amendments to the Company Bylaws to comply with statutory requirements;
- (f) Mergers and demergers in the situations referred to in Articles 2505 and 2505-bis of the Italian Civil Code and those referred to in Article 2506-ter of the Italian Civil Code;
- (g) Bond placements;

- (h) Relocation of the registered office within Italy;
- (i) Contracts to sell and buy natural gas with a duration of more than 36 months, when the quantities of gas equivalent involved are greater than 10 TWh/y for each contract;
- (l) Contracts to sell and buy electric power with a duration of more than 36 months, when the quantities involved are greater than 5 TWh/y for each contract;
- (m) Contracts to sell and buy other energy commodities, steam, crude oil and its derivatives, securities representative of Green Certificates, CO<sub>2</sub> emissions rights and other similar securities or rights with a duration of more than 36 months, when the amount involved is greater than 150 million euros (or equivalent amount in another currency) for each contract;
- (n) Contracts to buy or acts of disposition of property (other than the assets specifically mentioned in other letters), commercial and industrial agreements, contracts for the provision of services and, in general, any other agreement or contract involving goods or services necessary to carry out the Company's operating activities involving an amount greater than 200 million euros (or equivalent amount in another currency) for each contract or agreement;
- (o) Granting, receiving or repaying ahead of schedule financing facilities, assumption of debt and other banking and financial contracts of any type involving an amount greater than 200 million euros (or equivalent amount in another currency) for each contract;
- (p) Contracts involving financial instruments traded in the money market and financial derivatives that may or may not hedge foreign exchange, interest rate and commodity price risks involving an amount greater than 200 million euros (or equivalent amount in another currency) for each contract;
- (q) Contracts involving investment (other than those listed in Section o) below) involving an amount greater than 50 million euros (or equivalent amount in another currency) for each contract;
- (r) Contracts involving purchases, acquisitions under any title and in any form (e.g., in connection with a capital increase or the establishment of a company), conveyances or other acts of disposition (in whole or in part, in any form and under any title, including without any limitation the establishment or granting of pledges, encumbrances, beneficial interest rights or other third-party rights) of securities, equity interests and ownership stakes in companies, enterprises and other entities, businesses and business operations and assets necessary to carry out the Company's operating activities involving an amount greater than 50 million euros (or equivalent amount in another currency) for each contract;
- (s) Granting or releasing encumbrances, pledges, collateral, sureties and other guarantees or similar rights on tangible and intangible assets (different from encumbrances, pledges, guarantees or rights set forth in other letters) involving an amount greater than 50 million euros (or equivalent amount in another currency) for each transaction;
- (t) Related-party transactions that qualify as "Highly Material Transactions" in accordance with the Procedure Governing Related-party Transactions approved by the Board of Directors on December 3, 2010;
- (u) Any other contract or transaction not expressly mentioned in the preceding letters that entails expense commitments greater than 50 million euros (or equivalent amount in another currency) for each contract or transaction.

At the meeting of December 8, 2015, the Board of Directors again confirmed the criteria for identifying highly material transactions executed by subsidiaries that would require its prior approval, initially identified at the meeting of October 26, 2012, where it specified that, when transactions are carried out by a subsidiary, the issues that are outside the jurisdiction of Edison's Chief Executive Officer require the prior approval of Edison's Board of Directors.

As was the case in the past, in view of the number of and the activities carried out by the subsidiaries, no qualitative/quantitative criteria were established for the identification of the most significant subsidiaries: this requirement thus applies to all subsidiaries, with only those operating in functional unbundling mode being excluded.

In 2015, the Board of Directors approved three material transactions carried out by subsidiaries.

## Self-assessment by the Board of Directors and Its Committees

In 2015, consistent with past practice with the exception of 2012, the Board of Directors agreed to carry out a self-assessment process concerning the size, composition and activities of the Board and its Committees.

As was done for previous self-assessments, the independent Directors were tasked with handling this process with the support of the Secretary to the Board of Directors and her staff. In this case as well, a questionnaire was prepared, similar to the one used the previous year. The questionnaire, which was distributed to all Directors, addressed the following issues: size, composition and competencies of the Board of Directors; handling of meetings; activities and efficiency of the Board and its Committees, corporate organization, procedures and governance.

The results were presented to the Board of Directors at a meeting held on February 15, 2016.

As in the past, the results of the questionnaire show a positive overall assessment of the activities carried out by the Board of Directors and its Committees and of the Company's governance, as outlined below.

The composition of the Board of Directors was found to be adequate in terms of the total number of Directors, gender parity and the weight of independent Directors. The mix of competencies and the level of knowledge of the Directors were found to be adequate and the high level of professionalism was noted.

It was also recommended that the program to provide more in-depth information about specific issues related to the Group's activities and its reference economic framework be continued. With regard to the Board's activities, the issues reserved for its jurisdiction were found to be exhaustive and the assessment of its operating modalities was positive.

In the area of documents and information flows, the assessment confirmed that the documents submitted to the Board of Directors were accurate, noting that the advanced-delivery timing of the documents was adequate. It also confirmed the expression of appreciation for the support provided by the online Portal, and rated as positive the level of analytical details provided in the information flows between the Chief Executive Officer and the Board of Directors and rated favorably the interaction between the Directors and the Company's managers. Lastly, the accuracy of the minutes of Board meetings and the adequacy of the rationale provided for the resolutions were also confirmed.

Likewise, the number of Committees and their respective attributions were again found to be adequate and their operating activities were judged as efficient, also with regard to the preparatory work carried out by the Committees in connection with decisions reserved for the Board of Directors.

Lastly, regarding the Company's organization, the organizational, administrative and accounting structure was found to be adequate and the same was true for the information provided to the Board of Directors. As was the case for earlier assessments, a positive evaluation was also rendered of the procedures adopted by the Company to manage insider information, related-party transactions and risks.

Lastly, the governance structure was also assessed as effective.

The review process generated a series of recommendations the implementation of which was delegated by the Board of Directors to the Chief Executive Officer.

As regards recommendations about the professional competencies that should be reflected among the members of the Board of Directors, the results of the self-assessment survey confirmed the findings developed in the past, i.e., that the composition of the Board of Directors represents and reflects the professional skills and competencies, managerial and of other nature, deemed necessary for a sound management of the Company. In this regard, please see the comments provided in the section entitled "Composition of the Board of Directors." In any event, the Board of Directors, taking into account the upcoming election of a new Board of Directors, recommended that the shareholders be provided with information about the managerial and professional skills represented on the Board.

## Rules of Operation of the Board of Directors

Edison's Directors act and deliberate with full knowledge of the issues at hand and independently, pursuing as their primary objective the creation of value for the shareholders over a medium/long-term time horizon.

Taking into account the respective professional competencies, they devote to the diligent discharge of their duties the necessary amount of time, considering also the work they perform at the internal Committees of the Board of Directors.

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 entire Board of Directors has supported this decision since the inclusion of the corresponding provision in the Code and the Directors systematically confirmed their support, expressing a concurring opinion on this issue in the self-assessment questionnaire. Based on the suggestions developed on the occasion of the self-assessment survey, the Board of Directors, in view of the upcoming election of a new Board, indicated that it would provide recommendations about the maximum number of posts that may be held.

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, based on the information obtained each year, did not uncover any issues worthy of the attention by the Shareholders' Meeting.

It also worth mentioning that, as explained in previous Reports, a special protocol entitled "**Protocol for the Management of Related-party Transactions**," sets forth rules of conduct that govern the position of Directors who may have an interest, albeit potential or indirect, in a transaction that the Company plans to carry out. 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, on the other hand, 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.

## Meetings of the Board of Directors and Information for Directors

Pursuant to the Bylaws, the Chairman or the Chief Executive Officer have the power to convene meetings of the Board of Directors and define the meeting's Agenda.

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. They may also be convened at the request of at least two Directors. These options were never used during the year.

The notice of the meeting must be given by means of a written communication, which must be sent at least five days ahead of the date set for the meeting, or at least two days ahead in urgent cases.

Meetings are chaired by the Chairman of the Board of Directors or, should he be absent or unavailable, by another Director designated by the Board of Directors, who guides the meeting progress and coordinates its activities.

In order to facilitate the attendance 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. However, usually, Directors who are linked through remote means of communication are a minority compared with those who participate in person.

A meeting of the Board of Directors is validly convened when a majority of the Directors in office are in attendance and it adopts resolutions by a favorable vote of the majority of the Directors in attendance, with abstaining Directors excluded from the count.

The Chairman of the Board of Directors and the Chief Executive Officer, who is the party directly responsible for the activities/transactions submitted to the Board of Directors for review and, pursuant to the Bylaws, has himself the power to convene meetings of the Board of Directors, ensure, through the Secretary to the Board of Directors, that adequate information is provided about the items on each meeting's agenda. Specifically, both officers shall strive to ensure that the documents concerning the items on the meeting's Agenda are made accessible to Directors and Statutory auditors sufficiently in advance of the date of the Board meeting. As a rule, these documents (always available also either in English or French, depending on the nationality of the Directors sitting on the Board) are sent concurrently with the notice of the meeting, 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.

In order to streamline the organization of the documents concerning meetings of the Board of Directors, the Company has been providing for some years a "shared work area," through the adoption of a specific electronic portal dedicated to the management of these documents, which has reduced transmission, consultation and filing time and increased speed and security for accessing documents reserved for the Board of Directors, thereby optimizing the process. The documents concerning each meeting are instantaneously filed, independently of the date individual documents are sent, based on the order in which items are listed on the agenda and are always kept available online, facilitating their subsequent consultation. Access to the portal, which is managed by an organizational unit headed by the Secretary to the Board of Directors, is protected with personal user IDs and passwords.

In 2015, the required documents were sent, in the majority of cases, about six days before the date of the Board meeting, which is in line with the practice followed the previous year.

In connection with the approval of the Report on Corporate Governance, the Board of Directors confirmed its choice of not setting a deadline for the delivery of information in advance of a Board meeting, since it determined that the modalities and timing with which these documents were made available in 2015 were found to be appropriate and the information provided before the meetings, as integrated in the course of the meetings, was adequate and exhaustive.

The professional expertise of the members of the current Board of Directors has made them fully capable of adequately understanding the obligations and responsibilities inherent in the office they hold. In view of the in-depth knowledge of the Company's areas of business possessed by the Directors, the Chairman, in concert with the Chief Executive Officer, decided to carry out, in 2015, induction sessions, focused on energy scenarios, specifically those affecting oil prices, and the principles of correct risk management, within the framework of the meetings held by the Board of Directors. Moreover, at the meeting held on December 8, 2015, the Board specifically discussed the evolution of the reference economic framework, as well as the related risks and opportunities and analyzed the Company's potential strategic development guidelines over the medium and long term. In any event, specifically with regard to the duties of the Board of Directors, the Company has developed for quite some time an "Information Guide for Directors" that 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.).

In 2015, the Board of Directors met six times, with each meeting lasting an average of about one hour and 34 minutes. The average attendance of Directors at Board meetings was 93.33%. A breakdown is provided below:

Directors	Number of Board meetings attended in 2015	Percentage
<i>In office at December 31, 2015</i>		
Jean-Bernard Lévy	6 of 6	100
Bruno Lescoeur	6 of 6	100
Marc Benayoun	1 of 1	100
Béatrice Bigois	6 of 6	100
Paolo Di Benedetto	6 of 6	100
Philippe Esper	6 of 6	100
Gian Maria Gros-Pietro	5 of 6	83.33
Thomas Piquemal	4 of 6	66.67
Nathalie Tocci	6 of 6	100
Nicole Verdier-Naves	6 of 6	100
<i>Left post in 2015</i>		
Denis Lépée	4 of 5	80

The attendance of meetings of the Board of Directors by Statutory Auditors in 2015 is shown in a table provided in the section of this Report entitled "Board of Statutory Auditors."

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](http://www.edison.it) - Investor Relations - Financial Calendar). As usual, the 2016 calendar was published in December 2015 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 additional meetings have been scheduled for 2016, in addition to the one held in February.

The members of the Executive Committee are invited to attend meetings of the Board of Directors and report on the activities for which they have direct operating responsibility. The General Counsel attended all meetings of the Board of Directors.

### Election of Directors

For the reasons explained in the "Other Information" section, the Bylaws in effect since April 4, 2013 no longer require the filing of slates of candidates for election to the Board of Directors. However, nominations, complete with the documents required pursuant to laws and regulations, must be filed at the Company's head office within the deadline and in the manner stated in the Notice of the Meeting or, absent such information, may be filed directly at the Shareholders' Meeting.

The nominations must be accompanied by the following documents: information disclosing the identity of the parties filing the nominations; 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 laws and regulations and that they accept the nomination.

The Board of Directors' decision not to establish a Nominating Committee, as required by the Code's recommendations, was repeatedly confirmed in consideration of the current highly concentrated stock ownership structure. This structure was actually further consolidated with the acquisition of virtually exclusive control by EDF and the delisting of Edison's



common shares. However, as shown by the findings of the last self-assessment, this does not exclude the option, should it become appropriate, of enabling the entire Board of Directors to provide the controlling shareholder with recommendations about its size and composition, also with regard to managerial and professional skills..

The Board of Directors also agreed not to adopt a succession plan for the executive Directors, since it does not believe that the selection of individuals asked to perform this role or the adoption of the corresponding selection criteria can be made by the Company ahead of the time when the need for a replacement may arise. This is because the choice of a new executive Director requires *ad hoc* considerations. The decision not to adopt a succession plan was made by the Board of Directors at the beginning of 2012, in connection with discussions about a governance structure that could be used as a benchmark and, possibly, implemented by Edison, consistent with the amendments introduced in the 2011 edition of the Code. In this regard, it is worth mentioning that, as stated in the Compensation Report, succession plans for Directors with executive assignments are handled, within the framework of the turnover processes of top managers, by EDF, the Group's Parent Company, for its subsidiaries and are updated usually on an annual basis.

Directors are elected for a maximum term of three years and may be reelected. The Bylaws do not contain any mechanisms for staggered expirations of the term of office of individual Directors.

The nominations for election to the Board of Directors currently in office were published as soon as they were received from TdE, the controlling shareholder, on March 12, 2013. At that time, TdE held 80.12% of the voting share capital. The required documents were received by the Company at the Shareholders' Meeting and posted on the Company website ([www.edison.it/Governance/Shareholders' Meeting/ Extraordinary and Ordinary Shareholders' Meeting of March 22/23, 2013/Documents](http://www.edison.it/Governance/Shareholders%20Meeting/Extraordinary%20and%20Ordinary%20Shareholders%20Meeting%20of%20March%2022/23,%202013/Documents)). At the Shareholders' Meeting, TdE put forth motions concerning the term of office and compensation of Directors.

As stated above, all of the Directors elected by the Shareholders' Meeting on March 22, 2013 were nominated by the majority shareholder TdE. The abovementioned Shareholders' Meeting set at 12 the number of Directors and elected the current Board of Directors for a term of three year, ending with the Shareholders' Meeting convened to approve the 2015 financial statements. Following the resignation of some Directors in 2014, the Shareholders' Meeting convened on March 26, 2015 reduced to 10 the total number of members serving on the Board of Directors and confirmed an earlier resolution adopted by the Board of directors on December 12, 2014, by which the Board coopted Jean-Bernard Lévy and named him Chairman of the Board of Directors. Lastly, in 2015, the Director Denis Lépée tendered his resignation and, at a meeting held on December 8, the Board coopted Marc Benayoun. At the same meeting, Bruno Lescoeur, while continuing to serve on the Board of Directors, relinquished the powers delegated to him, effective as of January 1, 2016, and the Board of Directors awarded the same powers to Marc Benayoun, effective as of the same date. Consequently, Marc Benayoun was named Chief Executive Officer. In any event, the Shareholders' Meeting convened to approve the 2015 financial statements will be required to elect the entire Board of Directors due to the expiration of its term of office.

### Composition of the Board of Directors

Under the Bylaws that went into effect on April 4, 2013, the number of Directors can vary from a minimum of five to a maximum of 13 members.

The composition of the Board of Directors must be consistent with the criteria provided in the applicable provisions concerning gender parity and the required minimum number of independent Directors. The Bylaws contain no mention of any additional qualifications beyond those set forth in the relevant laws and regulations and do not specify professional or independence requirements taken from the Code.

The Board of Directors in office at December 31, 2015 was comprised of 10 Directors: seven men, including two independent Directors, and three women, including one independent Director. These numbers were unchanged as of the date when this Report was approved (February 15, 2016).



The following Directors were in office at December 31, 2015:

Name, characteristics and post held	Date when last elected	Date when first elected (if different from last election)
<b>Jean-Bernard Lévy</b> (Chairman) Non-executive Director	Shareholders' Meeting of March 26, 2015. Elected Chairman by the same Shareholders' Meeting	Board of Directors meeting of December 12, 2014. Elected Chairman at the same Board meeting.
<b>Bruno Lescoeur</b> (Chief Executive Officer) Executive Director	Shareholders' Meeting of March 22, 2013	Board of Directors meeting of January 14, 2011. Appointed Chief Executive Officer by the Board of Directors on April 26, 2011.
<b>Béatrice Bigois</b> Non-executive Director Chairwoman of the Control and Risk Committee		Board of Directors meeting of June 4, 2012
<b>Paolo Di Benedetto</b> Non-executive Independent Director Chairman of the Compensation Committee and member of the Committee of Independent Directors and the Oversight Board		
<b>Philippe Esper</b> Non-executive Director		
<b>Gian Maria Gros-Pietro</b> Non-executive Independent Director Lead Independent Director Chairman of the Committee of Independent Directors and member of the Control and Risk Committee, the Compensation Committee and the Oversight Board		Shareholders' Meeting of October 28, 2005
<b>Thomas Piquemal</b> Non-executive and Independent Director Member of the Control and Risk Committee		Board of Directors meeting of June 29, 2010
<b>Nathalie Tocci</b> Non-executive Director Member of the Committee of Independent Directors and the Compensation Committee		
<b>Nicole Verdier-Naves</b> Non-executive Director Member of the Compensation Committee		Board of Directors meeting of June 4, 2012
<b>Marc Benayoun</b> Non-executive Director	Board of Directors meeting of December 8, 2015	

The following Directors served on the Board earlier in 2015:

Name, characteristics and post held	Date when last elected	Date when first elected (if different from last election)
<b>Denis Lépée</b> Non-executive Director	Shareholders' Meeting of March 22, 2013	

Even though, as stated above, the Bylaws do not require Directors to possess specific professional characteristics, all the Directors who served on the Board in 2015 were equipped with adequate competencies and professional skills. Specifically, their respective backgrounds include expertise in such areas as law, economics, finance, management and administration, as well as subjects more specifically applicable to the businesses pursued by the Company and the Group. The curricula of the Directors are annexed to this Report. The Annexes to this Report also include a table that lists the posts of Director or Statutory Auditor that Company Directors in office at December 31, 2015 held at publicly traded companies, at financial, banking and insurance companies and at companies of significant size.

### Chairman and 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.

Pursuant to the Bylaws, the Chairman and the Chief Executive Officer are the Company's legal representatives before third parties and in judicial proceedings.

In 2015, Jean-Bernard Lévy, who was Chairman and General Manager of EDF, the controlling shareholder, served as Chairman. Mr. Lévy was coopted by the Board of Directors on December 12, 2014 and his election to this post was confirmed by the Shareholders' Meeting on March 26, 2015.

For all of 2015, Bruno Lescoeur served as Chief Executive Officer, having been appointed to this post on April 26, 2011. He does not serve as a Director at other issuers outside the EDF Group.

As specified above, Marc Benayoun took over the post of CEO on January 1, 2016.

The Board of Directors, in accordance with the recommendations of the Code and consistent with past practice, again chose not to provide the Chairman with operational authority or a specific role in the development of business strategies, but gave him jurisdiction over institutional, guidance and control issues.

The Board of Directors gave to Chief Executive Officer 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 stated in the section of this Report entitled "Role of the Board of Directors," the applicable laws and resolutions adopted by the Board of Directors have placed under the Board's sole jurisdiction. The content of the proxies granted to the Chief Executive Officer is unchanged since 2012.

At a meeting in February 2007, the Board of Directors delegated to the Chief Executive Officer the task of overseeing the functionality of the Internal Control System, 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 section of this Report entitled "Internal Control and Risk Management System." Since 2012, this assignment has been broadened to include risk management.

Therefore, based on the foregoing considerations, only the Company's Chief Executive Officer, qualifies as an Executive Director according to the Code and consequently, is the Company's most senior manager. The interlocking directorate situation referred to in the Code does not apply in this case.

### **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: Paolo Di Benedetto, Gian Maria Gros-Pietro and Nathalie Tocci. In this regard, please note that, following the reduction to 10 in the total number of Directors, in accordance with the resolution adopted by the Shareholders' Meeting on March 26, 2015, the percentage weight of the independent Directors has increase to almost one-third of the total number of Directors in office.

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 the nominations of candidates are filed and when they accept their nomination, and their credentials are verified by the Board of Directors at the first meeting held after their nomination. The results of this process are disclosed to the market.

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. On the other hand, a commitment to remain independent while in office and, should that not be the case, to resign is not required. In this area, in view of the fact that the independence requirements of the Italian Civil Code do not match exactly those of the Corporate Governance Code and the circumstance that the verification process is based in part on

elements of a discretionary nature, the Board of Directors preferred to avoid the adoption of automatism and base the decision on assessments by the Board of directors based on additional available evidence. In this regard, please note that, upon approving the Report on Corporate Governance, 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 the TUF. Since the time when the current independence criteria were included into the Code, the Board of Directors has chosen not to set predetermined quantitative criteria for assessing the independence requirement. Specifically, it concluded that the information requested from independent Directors upon their acceptance of the post, which includes filling out a special form at the time they sign their independence affidavit, which must be updated at least once a year, is sufficiently analytical to enable the Board to make the appropriate assessments as to whether the independence requirement is met or not. The Board of Directors has reaffirmed this position, most recently when it approved the 2015 Report on Corporate Governance.

With regard to the Board of Directors currently in office, a review of compliance with the independence requirements was performed after its election, at the Board meeting of March 22, 2013, on February 12, 2014, on February 11, 2015 and, most recently, on February 15, 2016 at the Board meeting held to approve this Report. Specifically with regard to the uninterrupted service for more than nine years on the Board by Director Gros-Pietro, the Board of Directors confirmed the belief, with which it concurred in previous years, that when assessing independence requirements substance should prevail over form, consistent with widespread practice among listed companies. With this in mind, having assessed Mr. Gros-Pietro's ethical and professional qualities, his actions while in office and his independence of judgment, the Board of Directors concluded that this Director meets the Code's independence requirement.

The Board of Statutory Auditors reports to the Board of Directors the findings of the reviews it performed during the year and discloses them in its Report to the Shareholders' Meeting, which should be consulted for additional information.

Four meetings reserved exclusively for independent Directors were held in 2015 at the request of the Lead Independent Director. The topics discussed at those meetings included developments in the E & P industry and the changing dollar/euro exchange rate, with their effects on the energy business, as well as the current and projected profitability of the Company's various businesses, the adequacy of the internal control system, intercompany transactions and strategic development guidelines and perspectives. The Chief Executive Officer attended one of these meetings. At the request of the Board of Directors, the Independent Directors also carried out the necessary preparation to perform the self-assessment process of the Board of Directors.

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 sections of this Report entitled "Committee of Independent Directors and Related-party Transactions".

### **Lead Independent Director**

Lastly, it is worth mentioning that in October 2012, subsequent to EDF acquiring control of Edison, the Board of Directors selected, among the independent Directors, Gian Maria Gros-Pietro as the Lead Independent Director, assigning him the tasks required by the Code. This decision was made because, interpreting the Code with a substantive approach, the Board found that the requirements for such an appointment did exist at the time, due to the fact that the Chairman of Edison's Board of Directors also serves as EDF's Chairman and General Manager. The abovementioned Director was confirmed in his post by the Board of Directors at a meeting held after the Shareholders' Meeting convened in 2013 to elect the Board of Directors currently in office.

## INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS

In December 2002, upon the listing of the Edison shares on the MTA and consistent with the Code's recommendations, with the aim of facilitating the activities of the Board of Directors, the Company established within the framework of its Board of Directors an Audit Committee, renamed Control and Risk Committee in 2012, and a Compensation Committee. A Strategy Committee followed in May 2003. On January 1, 2011, these committees were joined by a Committee of Independent Directors, established pursuant to the Consob regulation governing related-party transactions. For the reasons mentioned in the section of this Report entitled "Election of Directors," a Nominating Committee has not been established.

All committees have at least three members and the activities of each committee are coordinated by a Chairman.

The tasks and rules of operation of each committee are defined in a resolution approved by the Board of Directors and were amended and integrated over time, also by means of a resolution approved by the Board of Directors, usually after an initial review by the affected committee.

Each Committee 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 at the earliest available Board meeting.

In the performance of its functions, each Committee can access the information and Company organizations it may need to discharge its duties.

## COMMITTEE OF INDEPENDENT DIRECTORS AND RELATED-PARTY TRANSACTIONS

The Committee of Independent Directors performs the tasks reserved for its jurisdiction by the Consob regulation that governs related-party transactions ("**Consob's Related-party Regulation**") and specified in the internal procedure for such transactions adopted by the Board of Directors in December 2010 and revised most recently in November 2014 (the "**Related-party Procedure**") pursuant to the provisions of the Consob regulations governing these transactions, which went into effect on January 1, 2011. This procedure was published on the Company website ([www.edison.it](http://www.edison.it) - "Governance - Related Parties"). The rules governing the Committee's activities have been adjusted-by a decision adopted by the Board of Directors on March 22, 2013 with the support of Committee members-to take into account the new organization adopted by the Company at the end of 2012. On that occasion, the Board decided-again with a favorable input by the Committee of Independent Directors-to avail itself of the option, provided in the Consob's Related-party Regulation, of excluding from the implementation of said Regulation the resolutions concerning the compensation of Directors serving in special capacities and executives with strategic responsibilities, in view of the fact that, starting with the 2013 reporting year, the Company met the conditions of Article 13, Section 3, Letter *b*), of the abovementioned Regulation (Compensation Committee, comprised in the majority of independent Directors and preparation of a Compensation Report submitted to the Shareholders' Meeting).

The Related-party Procedure governs the decision-making process and the disclosure rules for Related-party transactions.

Consistent with the requirements of the abovementioned 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 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., as of January 1, 2015, transactions valued at more than 331.4 million euros) or (ii) of total consolidated assets (i.e., as of January 1, 2015 transactions involving assets or liabilities valued at more than 7246.7 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.

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.

Pursuant to the Related-party Procedure, the Committee of Independent Directors must be comprised of three non-executive and independent Directors when tasked pursuant to the Consob's Related Party Regulation with performing a review and rendering an opinion. In addition, none of the Committee members 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. When, based on the process defined in the 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 as the circumstance requires, the composition of which is defined in the Related-party Procedure.

Moreover, in accordance with the procedure, 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 and other Company executives or employees may also be invited merely for information purposes. In addition, notice that a Committee meeting is being convened must be given to the Board of Statutory Auditors, whose members have to right to attend those meetings.

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 Related-party Procedure.

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

In order to allow the Board of Directors to adopt its decisions with regard to related parties, 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.

Lastly, the Related-party Procedure requires that the Directors and Statutory Auditors be provided, on a quarterly basis as a minimum, with information about the implementation of Highly Material and Less Material Related-party Transactions, if the information differs from what was originally communicated, and that, as it has been an established Company practice, the annual report and the interim reports on operations must include a special section for Related-party Transactions.

It is also worth mentioning that the Protocol for the Management of Related-party Transactions is part, since 2008, of the 231 Model and that the main provisions of the Related-party Procedure were later incorporated in this protocol. In order to enhance compliance with this protocol by the interested parties, the information flows that must be signed by the managers of the various Company Divisions and Departments were revised in 2014, introducing an express declaration about compliance, for issues under their jurisdiction concerning subsidiaries, with the requirements of the Related-party Protocol applicable to them.

### Activities of the Committee of Independent Directors in 2015

The current Committee of Independent Directors, in office since March 22, 2013, is comprised of the following independent Directors: Gian Maria Gros-Pietro (Chairman), Paolo Di Benedetto and Nathalie Tocci.

The Committee of Independent Directors met four times in 2015. On those occasions it reviewed seven Related-party transactions, all "Less Material Transactions" and/or "Regular Transactions" pursuant to the Procedure, and rendered a favorable opinion.

In 2015, the average attendance of Directors at meetings of the Committee of Independent Directors was 100%. A breakdown is provided in the table below.

#### Meetings of the Committee of Independent Directors at December 31, 2015

Committee members	Number of Committee meetings attended in 2015	Percentage
Gian Maria Gros-Pietro	4 of 4	100
Paolo Di Benedetto	4 of 4	100
Nathalie Tocci	4 of 4	100

Meetings lasted on average about 45 minutes.

As a rule, the Committee may invite to attend its meetings the General Counsel, the Chief Financial Officer and the Secretary of the Board of Directors, as well as, on each occasion, the managers responsible for the areas involved in the transactions being reviewed. In addition, further to the amendments made to the Related-party Procedure in November 2014, the Chairman of the Board of Statutory Auditors and another Statutory Auditor also decided to attend the Committee's meetings.

Transactions with Related Parties executed in 2015 are reviewed in the "Intercompany and Related-party Transactions" section of the separate and consolidated financial statements.

## COMPENSATION COMMITTEE AND COMPENSATION OF DIRECTORS

### Compensation Committee

Following the election of the new Board of Directors by the Shareholders' Meeting on March 22, 2013, the Board appointed the members of the Compensation Committee, redefining the Committee's functions and attributions and making the rules that govern its activities consistent with the new organization adopted by the Company at the end of 2012. In this regard, having verified and confirmed that the conditions of Article 13, Section 3, Letter b), of the Consob Related-party Regulation were being met, as specified in the section entitled "Committee of Independent Directors and Related-party Transactions," it decided that the previous condition that determined the decision to assign to the Compensation Committee also the functions of the Committee of Independent Directors regarding issues related to the compensation of Directors performing special functions and executives with strategic responsibilities no longer applied.

The Compensation Committee is responsible for providing consulting support and making recommendations to the Board of Directors in the following areas:

- a) render opinions regarding the compensation policy of Directors;
- b) submit recommendations 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);
- c) evaluate the guidelines and criteria concerning management's compensation, specifically with regard to executives with strategic responsibilities, and render the corresponding opinion;
- d) render opinions on 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 and for management, specifically regarding executives with strategic responsibilities;
- e) consequently, verify that the performance targets have in fact been achieved and render the required opinion for determining the amount of the variable component based on the results achieved;
- f) assess periodically the effectiveness, overall consistency and concrete implementation of the compensation policy for the parties mentioned in the letters above, benchmarking it against the market;
- g) provide opinions and recommendations for any medium/long-term compensation plans for executive Directors and management.

The current Compensation Committee, in office since March 22, 2013, is comprised of four non-executive members: Paolo Di Benedetto (Chairman and independent), Gian Maria Gros-Pietro (independent), Nathalie Tocci (independent) and Nicole Verdier-Naves.

Considering the professional competencies and the experience of the Committee members, the Code's recommendation about adequate knowledge and expertise with regard to financial and compensation policy issues is being met.

Committee meetings are duly convened when a majority of its members are present and adopts resolution with an absolute majority of the attendees.

The Chairman and the Chief Executive Officer have the right to attend Committee meetings exclusively to provide consulting support but are not allowed to participate in the Committee's deliberations, it being understood that they cannot be present when issued concerning their compensation are discussed by the Committee.

From time to time, other Directors, employees and independent experts, as well as the Chairman of the Board of Statutory Auditors or another Statutory Auditor may be invited to attend Committee meetings.

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 usually communicates to the Board



of the Directors the resolutions adopted by the Committee, which may take the form of a proposal, regarding assessments and opinions on issues within its jurisdiction.

The Committee reports to the Shareholders' Meeting, within the framework of the Report on Corporate Governance, on the methods followed in performing its functions.

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.

In organizing its meetings, the Committee is supported by the Secretary to the Board of Directors, who drafts the minutes of the meetings and coordinates the Committee's activities with the Board of Directors, and by the Manager of the Human Resources & Organization Department, who usually attends Committee meeting to provide the necessary technical support at the Committee's request.

In 2015, the Committee held three meetings. On those occasions, based in part on information provided by the Company:

- it assessed how the compensation policy was effectively implemented in 2014, compared with predefined requirements, and to what extent reported data concerning the management of the abovementioned policy by management (including executives with strategic responsibilities) were consistent and compliant with requirements;
- it verified the achievement level of the reference targets tied to the variable portion of the compensation for 2014 of the Chief Executive Officer and top management and, more generally, of the reference common company targets for top management and management in general;
- it assessed the adequacy of the proposed guidelines of the compensation policy for management and the Directors in 2015;
- it reviewed and rendered a favorable opinion on the 2014/2015 Compensation Report of the Board of Directors;
- it rendered a favorable opinion regarding the launch of a second LTI cycle for management for the 2015-2017 period, identifying the corresponding targets;
- it reviewed and made suggestions and recommendations regarding the targets upon which the MBO for the Chief Executive Officer would be based in 2015 and reviewed the common Company targets for top management and management in general.

Since the beginning of 2016, the Committee held one meeting. On that occasion, based on information provided by the Company:

- it assessed how the compensation policy was effectively implemented in 2015, compared with predefined requirements, and to what extent reported data concerning the handling of the abovementioned policy by management (including executives with strategic responsibilities) were consistent and compliant with requirements;
- it 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 2015 and, more in general, the common Company targets for Top management and management in general;
- it assessed the adequacy of the proposed guidelines of the compensation policy for management and the Directors in 2016;
- it reviewed and rendered a favorable opinion on the 2015/2016 Compensation Report of the Board of Directors;

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 2015, the average attendance of Directors at Committee meetings was 100%. A breakdown is provided in the table below. The average length of each meeting was about 50 minutes.

**Meetings of the Compensation Committee at December 31, 2015**

<b>Committee members</b>	<b>Number of Committee meetings attended in 2015</b>	<b>Percentage</b>
Paolo Di Benedetto	3 of 3	100
Gian Maria Gros-Pietro	3 of 3	100
Nathalie Tocci	3 of 3	100
Nicole Verdier-Naves	3 of 3	100

The Chairman of the Board of Statutory Auditors attended all of the meetings held in 2015. Another Statutory Auditor also attended one of these meetings.

**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 or recommendation 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 February 15, 2016 (the "**Compensation Report**"), which was prepared in accordance with the provisions of the applicable regulations and is reproduced in the second part of this publication.

**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.

**CONTROL AND RISK COMMITTEE**

Subsequent to its election, the new Board of Directors confirmed for the Committee appointed on March 22, 2013 the same functions and attributions as in the past, adjusting the rules governing its activities consistent with the new organization adopted by the Company at the end of 2012.

The Control and Risk Committee is responsible for providing consulting support and making recommendations in the following areas:

- a) Together with the Corporate Accounting Documents Officer and considering the input of the Statutory Independent Auditors and the Board of Statutory Auditors, it assesses 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 Company transactions, particularly with regard to their effect on financial reporting.
- b) It renders an opinion to the Board of Directors on the guideline of the internal control and risk management system and the compatibility degree of such risks with a management of the Group's business that is consistent with the chosen strategic objectives.
- c) It renders an opinion to the Board of Directors on the effectiveness of the internal control system and the risk management process. In this endeavor, the Committee is supported by the Internal Auditing Manager.
- d) It reviews the work plan submitted by the Internal Auditing Department and its periodic reports, as well as the findings of particularly significant reports prepared by that Department.
- e) It monitors the adequacy, effectiveness, efficiency and independence of the Internal Auditing Department.

- f) If appropriate, it recommends that the Internal Auditing Department perform audits of specific operational areas, notifying the Director responsible for overseeing the internal control and risk management system.
- g) It renders an opinion regarding the appointment and dismissal of the Internal Auditing manager and on the adequacy of the financial resources allotted to him. In this regard, please note that securing an opinion about the appointment was not made mandatory, preferring to leave greater discretion to the Board of Directors with regard to the appointment and considering that the procedures adopted by the Company for the replacement of key resources in the corporate organization (such as, specifically, the manager of the Internal Auditing Department) and the definition of the corresponding compensation guarantee that the selection and evaluation process of the candidates is sufficiently detailed and their compensation is consistent with the general guidelines reviewed by the Compensation Committee.
- h) Upon request by the Board of Directors or the Director responsible for overseeing the functionality of the internal control and risk management system, it provides opinions concerning specific aspects of the internal control system and the mapping and management of the main risks.
- i) It evaluates, with the input of the Board of Statutory Auditors the findings of the Statutory Independent Auditors in the audit report and the management letter concerning key issues uncovered during the statutory independent audit.
- l) It carries out all other tasks assigned to it by the Board of Directors
- m) It reports to the Board of Directors at least semiannually, when the annual and semiannual financial reports are approved, on the work it performed and on the effectiveness of the Company's internal control and risk management system.

The Control and Risk Committee (formerly the Audit Committee) in office since March 22, 2013 is comprised of four non-executive Directors, including two independent Directors: Beatrice Bigois (Chairwoman since April 23, 2013); Thomas Piquemal (Chairman until April 23, 2013), Paolo Di Benedetto (independent) and Gian Maria Gros-Pietro (independent).

The Company did not comply with the Code's recommendations that the independent Directors must constitute a majority of members of the Committee and that the Chairman must be an independent Director or, when a company is controlled by another listed company (as in Edison's case after May 24, 2012), that all Directors must be independent. The presence of only two independent Directors among the members of the Committee appointed by the Board of Directors on March 22, 2013, upon a motion by the Chairman of the Board of Directors, while larger than in the previous Committee, is explained by two reasons. On the one hand, the Board of Directors chose to emphasize continuity in composition and, consequently, in management, selecting the majority of Committee members and specifically the Chairman (even though not independent) from among the members of the previous Committee and, on the other hand, it sought to ensure the correct performance of the tasks attributed to the Committee, electing its members among non-executive Directors who, therefore, were not involved in the Company's operating activities but undoubtedly possess proven professional skills and expertise with regard to the tasks that the Committee is asked to perform. With regard to this issue, see the comments provided in the section entitled "Self-assessment by the Board of Directors and Its Committees."

The current composition of the Committee is consistent with the Code's recommendation that at least one of its members should be experienced in accounting, finance and risk management.

Committee meetings are validly convened when a majority of its members are present. Resolutions are adopted with an absolute majority of the votes

The Chairman of the Board of Directors and the Chief Executive Officer are entitled to attend Committee meetings merely in a consultative capacity.

At the Committee's invitation, meetings of the Committee are attended on a regular basis by the Chairman of the Board of Statutory Auditors or another Statutory Auditor, so as to ensure the delivery to this entity of the flow of information and suggestions recommended by the Code. As a rule, the following parties are invited and attend

Committee meetings for their entire duration: the Chief Financial Officer, the General Counsel, the Secretary to the Board of Directors, the Risk Officer, the Accounting & Tax Manager, the Planning, Control & Corporate Credit Manager and the Independent Auditors. From time to time, other Directors, employees and experts may be invited to attend meetings in a consulting capacity. As a rule, the Chief Executive Officer attends Committee meetings.

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 Auditing Department provides the Committee with support in organizing its meetings. The manager of the Internal Auditing 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 five times in 2015 and once since the beginning of 2016. On those occasions it engaged in the following activities:

- It reviewed the 2014 and 2015 annual statutory and consolidated financial statements, the 2015 semiannual financial report, the interim reports on operations for the first and third quarter of 2015, as well as the findings developed through the audits of the annual financial statements and semiannual report, assessing the finding presented by the Statutory Independent Auditors in the management letter and the report on key issues uncovered in the course of the independent statutory audit and, with the input of the Board of Statutory Auditors, the correct use of the accounting principles and their consistent application to prepare the consolidated financial statements.
- It reviewed the 2016 forecast data, limited to risk profiles and financial issues.
- It reviewed the updated map of the main risks, assessing the trend of the risk profiles associated with the business activities in relation to the risk mandate for 2015 and rendered a favorable opinion about the risk limits set for 2016.
- It reviewed the periodic reports on the assessment of the internal control and risk management system and on the merit the results of all of the audits performed in 2015, assessing the completion progress and analyzing particularly significant finding, and the results of the self-assessment process of the internal control and risk management system.
- It provided the Board of Directors with its opinion regarding:
  - updates to the 231 Model and the corresponding conduct protocols;
  - the adoption of the "Anti-corruption Guidelines" document, which represents a set of rules of conduct that are both consistent with the relevant provisions of the 231 Model and Protocols and suitable for preventing the risk of the occurrence of corruption crimes in connection with the activities of subsidiaries governed by foreign laws, which are not required to adopt a 231 Model;
  - the adequacy of the internal control and risk management system and its effectiveness;
  - the semiannual revision of the 2015 Audit Plan;
  - the 2016 Audit Plan;
  - the main characteristics of the internal control and risk management system.
- It monitored the activities of the Internal Auditing Department in 2015, taking into account the findings of the Quality Assessment Review (**QAR**).

In 2015, the Committee did not ask the Internal Auditing Department to perform audits of specific operational areas.

The Committee reported four times to the Board of Directors about the work it performed; on two of those occasions it also reported on the reviews it performed of the adequacy and effective functionality of the internal control and risk management system.

In 2015, the average attendance of Directors at Committee meetings was 75%. A breakdown is provided in the table below. The average length of each meeting was about one hour and 20 minutes.

**Meeting of the Control Risk Committee at December 31, 2015**

<b>Committee members</b>	<b>Number of Committee meetings attended in 2015</b>	<b>Percentage</b>
<i>In office at December 31, 2015</i>		
Beatrice Bigois	4 of 4	100
Paolo Di Benedetto	4 of 4	100
Gian Maria Gros-Pietro	4 of 4	100
Thomas Piquemal	0 of 4	0

The Chairman of the Board of Statutory Auditors attended all Committee meetings.

In 2014, in addition to the executives, who are systematically invited to attend each meeting, the Chief Executive Officer attended one meetings in 2015 and on two occasions the Committee asked that the manager of a specific business area attend the meeting to provide information about the activities for which he was responsible and the risks associated with them.

## INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Edison's Internal Control and Risk Management System 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.

### Parties Involved

#### Board of Directors

For several years, the Board of Directors, working with the support of the Control and Risk Committee, has defined the guidelines of the Internal Control System, which in 2013 were updated, integrating them with the risk management guidelines, which the Company has been following for some time, adopting a conduct consistent with them.

Based on the abovementioned guidelines, the Board of Directors defines each year the type and level of risks compatible with the Company's strategic objectives, as explained in the section of this Report entitled "Role of the Board of Directors."

As required by the Code, the Board of Directors regularly reviews the main risks faced by the Company and, based on the findings presented in the report prepared by the Control and Risk Committee, assesses the adequacy, efficacy and effectiveness of the Internal Control and Risk Management System at least once a year.

On the other hand, the Board of Directors chose, as in the past, to leave to the Control and Risk Committee the assessment of the findings presented by the Independent Statutory Auditors in the management letter, when issued, and in the report on key issues uncovered in the course of the independent statutory audit, in the belief that the Committee provides a more suitable venue for studying and analyzing such issues.

#### Director Responsible for Overseeing the Functionality of the Internal Control and Risk Management System

As mentioned above, the Board of Directors entrusted to the Chief Executive Officer responsibility for overseeing the functionality of the Internal Control and Risk Management System. As part of this assignment, the Chief Executive

Officer, with the support of the Chief Financial Officer and the Risk Officer, mapped the key business risks, which were periodically reviewed by the Board and implemented the guidelines of the Internal Control and Risk Management System, overseeing the system's design, implementation and management, verifying on an ongoing basis its adequacy, effectiveness and suitability for handling changes in operating conditions and in the legislative and regulatory framework.

In 2015, the Chief Executive Officer did not submit specific requests to the Internal Auditing Department concerning the performance of audits of specific operational areas or specific processes, but reported to the Control and Risk Committee, through the Internal Auditing Department, with regard to the main critical issues uncovered in the course of his activities seeking the Committee's assessments in this regard.

### Control and Risk Committee

Please see the previous section of this Report for information about the jurisdiction and activities of this Committee.

### Internal Auditing Department

The Internal Auditing Department, established in May 2003, is responsible for performing internal audits, with the goal of assisting the Board of Directors, the Control and Risk Committee and the Company's management in the pursuit of a correct implementation of the internal control and risk management system and thus facilitate the achievement of the Company's objectives. In February 2004, acting upon a proposal by the Chief Executive Officer, the Board of Directors assigned to the manager of the Internal Auditing Department the task of assessing the adequacy and effectiveness of the overall Internal Control and Risk Management System.

Hierarchically, the Internal Auditing Department, which does not perform any operational function, reports directly to the Board of Directors, which assigned to the General Counsel Department the task of providing operational coordination for the activities of the Department and its manager, serving as liaison between the abovementioned Department and the Board of Directors, the Board of Statutory Auditors and the Oversight Board. The Board of Directors then delegated to the Chief Executive Officer, in his capacity as the Director responsible for the Internal Control and Risk Management System, responsibility for ensuring that the Department is provided with the resources needed to discharge its duties and for defining the compensation of the Department's manager, determined in a manner consistent with the Group's management compensation policies, in accordance with general guidelines reviewed by the Compensation Committee. The current manager, Paolo Colapenna, was appointed on July 29, 2013 upon a recommendation by the Chief Executive Officer, in his capacity as the Director responsible for the Internal Control and Risk Management System, with a favorable opinion provided by the Control and Risk Committee and the input of the Board of Statutory Auditors. The compensation, which, as mentioned above, was defined by the Chief Executive Officer at the request of the Board of Directors, and, more specifically, the incentive package for this manager are consistent with the tasks assigned to him.

The Department operates on the basis of a Mandate approved by the Board of Directors. The Mandate was last updated at the end of 2013 to take into account the changes brought by the evolution of professional auditing standards and its terminology was upgraded consistent with the Code. Under this mandate, the Department is required to prepare a work plan, defined using risk-based methods to identify the engagements that should be performed, and specify 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 from management; suggestions by the Chief Executive Officer and the Chairman of the Control and Risk Committee; control self-assessment activities; assessments by the Internal Auditing Department; results of previous audits; Independent Auditors. The audit plan is then submitted to the Control and Risk Committee and, starting in 2014, approved by the Board of Directors. 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).

A report is issued at the end of each audit engagement. Generally, the report is addressed to parties who have jurisdiction over and responsibility for the management of the audited processes and any other parties who may be able to properly follow-up the recommendations contained in the report and/or provide specific support in this

area. An executive summary of each audit report is also sent to the Chief Executive Officer, the Chief Financial Officer, the manager of the Human Resources and Organization Department and the General Counsel. The Chief Executive Officer and the Control and Risk Committee must be promptly informed of any problems affecting the internal control and risk management system.

At least once every six months, the Internal Auditing Department reports to the Control and Risk Committee about the results of its audit engagements and supports the Committee in performing audit and assessments of the internal control and risk management system.

Also once every six months, the Internal Auditing Department reports to the Board of Statutory Auditors with regard to the work performed and its assessments of the internal control and risk management system. On those occasions, the Board of Statutory Auditors is systematically informed of the results of audits performed, specifically with regards to any issues uncovered and the corresponding improvement actions agreed upon with management.

The Internal Auditing Department operates in accordance with the international standards for the internal auditing profession, as set forth in the International Professional Practices Framework (**IPPF**) and, since 2009, its internal auditing activities are certified in accordance with international Quality Assessment Review (**QAR**) methods; in 2014, this certification was renewed for another five years further to a review by an external, independent certifier.

In 2015, the Department's Work Plan, which concerned, inter alia, the reliability of the IT systems included in the accounting and reporting systems, was completed as expected.

The manager of the Internal Auditing Department has direct access to all information useful for discharging the assigned tasks. Moreover, owing in part to the fact that he attends the meetings of the Control and Risk Committee and the Oversight Board, of which he is the Secretary, receives and assesses any additional information and assists the Control and Risk Committee in assessing the internal control and risk management system.

### Other Parties Involved

The risk management process is coordinated by the Risk Officer, who reports to the Chief Financial Officer. 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.

The managers in charge of each Business Unit, department or division are responsible for designing and managing the internal control system for the operations under their jurisdiction and for monitoring that the system is operating effectively, in accordance with the framework defined by the Board of Directors and the instructions provided to implement those guidelines. As explained below, this activity has been integrated into the processes deployed to identify, monitor and manage risks. All employees, each within the scope of his or her responsibilities, must contribute to ensuring that the Internal Control and Risk Management System is operating effectively.

### Board of Statutory Auditors

Pursuant to law, the Board of Statutory Auditors monitors the effectiveness of the Company's organization, of the system of internal control and of the administrative and accounting system, as stated in the report submitted by the Board of Statutory Auditors to the Shareholders' Meeting, which should be consulted for additional details. A comment about the flow of information between the Board of Statutory Auditors and the other governance entities is provided in the sections of this Report entitled "Rules of Operation of the Board of Statutory Auditors" and "Control and Risk Committee."

## Elements that Characterize the System of Internal Control

### 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 231

Model. The Code, which has been approved by the Group's subsidiaries, 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. A copy of the Code is provided to all employees and associates of the companies that adopted it. In addition, the Group established a special procedure to report potential violations of the Code of Ethics and Model 231. As mentioned in previous Reports, the Code of Ethics was the subject of regular revisions and updates, the latest of which was performed in 2014, aimed, inter alia, at specifically emphasizing the "zero tolerance" principle with regard to fraud and corruption.

- **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 Divisions, Departments and Business Units. In turn, the managers who are responsible for the various Divisions, 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 and reviews those that are particularly significant.
- **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 231 Model 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. In 2015, the process of integrating corporate 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.
- **Commodity Risk** - With regard to the risk tied to fluctuations in the prices of the energy commodities it uses, the Group 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 and Risk Officer, the manager of the Gas Midstream Energy Management & Optimization, the manager of the Exploration & Production Division 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 centralized at Edison under the supervision of its Chief Financial Officer, for financial market transactions, at Edison Trading for commodity transactions and at the Finance & Treasury Department for foreign currency transactions. In 2006, consistent with best industry practices, the Company, based on a favorable opinion by the Audit Committee (now the Control and Risk Committee) approved an Energy Risk Policy that defines the objectives and guidelines of the Group's risk management policy with regard to Group commodity activities.

- **Foreign Exchange Risk** - The execution by the Group of transactions involving currencies different from the euro and its strategies of expansion on international market require the management of the foreign exchange risk as a strategic factor, which makes this risk a fundamental component when making economic management choices. The guidelines for the governance and strategies to mitigate the foreign exchange risk generated by business activities are outlined in specific policies, which describe the exchange risk management objectives based on the different types of risks involved:
  - **Economic Foreign Exchange Risk**, which is related to changes in the value of contracts denominated in a foreign currency or with price components indexed to a currency different from the euro, the management of which, for the commodity component, is defined in the Energy Risk Policies.
  - **Transactional Foreign Exchange Risk**, which is related to potential changes in the value of future collections/payments denominated in a foreign currency between the time when a payable/receivable is generated and the time when the cash flow actually occurs.
  - **Translational Foreign Exchange Risk**, which is related to the consolidation into the Group's results of the financial statements of other companies denominated in currencies different from the euro.The Company adopts a centralized type of management model, through which the Parent Company is able to constantly safeguard the Group's economic and financial equilibrium by constantly monitoring exposures and implementing appropriate hedging and foreign exchange procurement strategies designed for risk mitigation purposes.
- **Counterparty Risk** - With regard to the risk of potential losses arising from the failure to meet the obligations undertaken by various counterparties with whom the Company interacts, the Group has implemented for some time procedures and tools to evaluate and select credit parties based on their credit rating and constantly monitors its exposure to the various counterparties, implementing appropriate mitigation actions, chiefly aimed at collecting and transferring receivables. In 2007, in accordance with guidelines defined by top management, the objectives and policy for the management of commercial credit were defined in a specific regulation, later extended to trading activities and financial derivatives. Risk positions are reviewed once a month by the Risk Committee, the composition of which is specified in the "Commodity Price Risk" section, earlier in this Report.
- **EMIR Regulation Safeguard** - As mentioned earlier in this Report, recent evolutions in international regulations governing the use of financial instruments are having a significant impact on operational practices, due to the need to comply with specific disclosure and oversight requirements. Particularly significant in this area is European Regulation No. 648/2012 (so-called EMIR), the purpose of which is to regulated trading in over-the-counter derivatives, with the aim of improving market transparency and reducing the risks associated with transactions involving financial instruments of this type. The enactment of the EMIR provisions, the complexity of the issues involved and the broad scope of the regulation make implementation particularly complex. With this in mind, the Company defined and implemented upgrades of its processes so as to ensure compliance with the new requirements of the EMIR regulation, taking also into account the fact that it is now part of the EDF Group. These processes, defined upon the completion of a work program that involved the affected Company Divisions, are currently fully operational.
- **Enterprise Risk Management (ERM)** - As mentioned earlier in this Report, Edison developed an integrated risk management model (ERM). 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 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, and a Corporate Risk Model, developed in accordance with best industry and international practices that places within an integrated framework the different types of risks that characterize the businesses that the Group operates:

- *risks related to the external environment*, depending on market conditions, the competitive environment within which the Group operates and changes in the political, legislative and regulatory framework;
- *operational risks*, tied to processes, structures and corporate management systems, specifically with regard to production and marketing activities;
- *strategic risks*, related to the definition and implementation of the Company's strategic guidelines.

More specifically, with the coordination of the Risk Office, the managers of the various 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 Enterprise Risk Management process is closely linked with the medium/long-term 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 Control and Risk Committee and the Board Directors and are used by the Internal Auditing Department as a source of information for the preparation of specific risk-based audit plans. The ERM system is supported by a dedicated IT tool. The main risks and uncertainties affecting Edison 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 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; security 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 (the "231 Model")** - In July 2004, Edison adopted a 231 Model designed to prevent the perpetration of the unlawful acts referred to in the corresponding 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 231 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 231 Model's own core and reviews the 231 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 231 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 231 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 Auditing Department, which established a dedicated support unit called Corporate Compliance & Ethics Function, as well as by the Legal & Corporate Affairs Division and the Human Resources & Organization Department.

Even though the law now provides the option of attributing to the Board of Statutory Auditors the functions of the OB, the Board of Directors did not find it appropriate to use this option, due to the special complexity of Edison's organization and the specific competencies required to perform the tasks assigned to the OB.

In 2005, the main subsidiaries, all of which have a much simpler organizational structure than Edison, adopted models based on the guidelines issued by the Group's Parent Company. Virtually all of them designated as the OB a member of their Board of Statutory Auditors, who, in the case of major subsidiaries, is supported by a qualified external consultant.

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**").

Since 2008, the Model has been constantly updated and the updates were systematically approved by the Board of Directors, both to take into account the numerous types of crimes that over time were being steadily added to the number of presumed crimes for 231/2001 purposes and make the necessary adjustments required by the organizational changes that occurred over the years. The model updating process was also applied to the main subsidiaries. The latest update to Edison's 231 Model was approved by the Board of Directors on December 8, 2015 specifically to reflect the findings of the risk assessment process with regard to recently introduced crimes ("self-money laundering" and the new crime of "false corporate communications"). Edison's 231 Model was updated for all relevant types of presumed crimes covered by Legislative Decree No. 231/2001 as of December 31, 2015, except for the so-called "environmental crimes" introduced into the Italian legal system by Law No. 68/2015. The risk assessment activities for these crimes should be completed in the early months of 2016.

The various updates were handled by the same interdepartmental work group that developed the 231 Model in 2004, with the support of top external consultants.

In addition, training programs about the Model 231 and the Code of Ethics launched in 2014 continued in 2015 with the offering of multimedia online courses to all employees and help them achieve a sufficiently detailed knowledge of those documents.

The Board of Directors appointed Edison's current OB on March 22, 2013. Its members include: an outside professional (Umberto Tracanella), who serves as Chairman, and two independent Directors (Gian Maria Gros-Pietro and Paolo Di Benedetto). On March 22, 2013, the Board of Directors, acting upon a recommendation by the Compensation Committee, confirmed for the members of the OB the same compensation amounts as in the previous mandate and confirmed the decision of awarding to the Chairman, who is not a Director, a higher compensation than the other two members.

The OB met five times in 2015 and once in 2016. At those meetings, it reviewed primarily 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 231 Model's adequacy and effectiveness, submitting a special report.

In 2015, the members' average attendance at meetings of the Oversight Board was 93.33%. The average length of each meeting was about one hour and 30 minutes.

- **Anti-corruption Guidelines** - In May 2015, Edison's Board of Directors, in view of the strategic choices made by the Company in recent years, which caused the Group to increase its activities outside Italy, and considering the efforts being made by national and international institutions to avert and prevent corruption crimes, adopted the "Anti-corruption Guidelines."

These guidelines play a key role within the broader policy pursued by the Group to stress and further emphasize its firm position of absolute rejection and opposition for any type of corruptive conduct, also in the case of activities carried out in foreign countries.

The compliance program thus developed, which insofar as Italy is concerned complements the 231 Model, is aimed at providing all Edison associates, as well as all those who contribute to the achievement of the Company's purposes and objectives, with a systematic framework of the existing principles and rules that must be complied with at all times to prevent the occurrence of corruptive episodes in the areas of operating activity deemed to be most at risk.

The corporate governance bodies of Italian and foreign subsidiaries independently adopted the "Anti-corruption Guidelines" promptly ensure their timely dissemination and implementation.

- **Accounting Control Model pursuant to Law 262/2005 concerning financial disclosures** - Following the enactment of Law No. 262/2005 on the protection of investments, Edison upgraded, when appropriate, the accounting procedures it uses to prepare financial disclosures and defined the governance rules for the 262 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 262 Model it developed and assign responsibilities within its organization. Additional information is provided in the section of this Report entitled "Financial Statement Reporting and Risk Management and Internal Control System in Relation to the Financial Disclosure Process."
- **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 Legal & Corporate Affairs Division (for general legal and corporate issues) and to the Institutional and Regulatory & Institutional Affairs/International Power Development Division (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 over time to comply with the requirements of Law No. 262/2005, as explained in the section of this Report entitled "Financial Statement Reporting and Risk Management and Internal Control System in Relation to the Financial Disclosure Process." The Company also adopted a fast closing procedure to optimize the preparation of periodic accounting and managerial reports and move forward the financial statement approval dates.

- *Insider Information* - Edison has adopted for some time a procedure for the internal handling and external communication of insider information, which is an integral part of the 231 Model. An overview of this procedure is provided in the section of this Report entitled "Treatment of Corporate Information."
- *Internal Communications* - Edison has adopted an internal communications system that facilitates and encourages the exchange of information within the Company and the Group.

### 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 Auditing Department, which carries out risk-based auditing and assessment activities. The findings of each audit are submitted to the Chief Executive Officer and the Company's managers and are presented on a regular basis to the Control and Risk Committee, which, in turn, reports to the Board of Directors and the Board of Statutory Auditors.

### Financial Statement Reporting and Risk Management and Internal Control System in Relation to the Financial Disclosure Process

Financial reporting plays a pivotal role in establishing and consolidating solid and constructive relationships between companies and the parties they interact with, contributing, together with positive business performances to the creation of value for shareholders.

Edison, being aware of the significance of financial reporting, developed an internal control system aimed at ensuring the credibility, accuracy, reliability and timeliness of financial information, with respect both to internal entities and the market.

In order to foster efficient coordination and exchange of information between the Parent Company and the subsidiaries and ensure the correct construction of the separate and consolidated financial statements, the Group adopted, and constantly updates an adequate set of rules and documents. Specifically, this set of rules includes the Group's accounting principles, administrative and accounting procedures, guidelines, the fast closing procedure, operating instructions, accounting manuals and chart of accounts.

Because Edison is an Italian company with savings shares traded on an Italian regulated market, it is required to appoint a Corporate Accounting Documents Officer (the "**Documents Officer**"), who, pursuant to law, has specific attributions, responsibilities and certification and declaration obligations. Pursuant to the Bylaws, the Documents Officer must be selected by the Board of Directors, upon a mandatorily required opinion by the Board of Statutory Auditors, among executives with proven multi-year experience in the fields of administration, finance and/or control at companies listed on regulated markets. On October 26, 2012, the Board of Directors decided to entrust this assignment jointly to Roberto Buccelli, in his capacity as Accounting & Tax manager, and Didier Calvez, in his capacity as Chief Financial Officer. The Board of Statutory Auditors rendered a favorable opinion with regard to these appointments. The Chief Executive Officer, being duly authorized by the Board of Directors, provided each one of the abovementioned parties with all necessary operating authority. The respective compensation packages were defined consistent with the compensation policies for Group managers, taking into account the general guidelines reviewed by the Compensation Committee. More specifically, the incentive mechanisms for these managers are consistent with the tasks entrusted to them.

In accordance with statutory requirements, the Documents Officer is responsible for the internal control system insofar as it applies to financial reporting. Consequently, he defines the administrative and accounting procedures needed to ensure that adequate controls are applied in the preparation of periodic financial reports and any other financial communication and, in a special report annexed to the statutory financial statements, the semiannual financial statements and the consolidated financial statements, certifies, together with the Chief Executive Officer, that the abovementioned procedures were effectively applied.

The guidelines that must be followed within the Edison Group in terms of the obligations entailed by Article 154 *bis* of the TUF with regard to the preparation of corporate accounting documents and the corresponding certification requirements are defined in the Model pursuant to Law No. 262/2005 (the "**262 Model**").

The 262 Model, through its own "Accounting Model Regulations," accomplishes the following:

- It defines the roles and responsibilities of the Organizational Units involved for various reasons. Specifically, the Administrative Processes Function of the Accounting & Tax Department is responsible for deploying and concretely implementing, through the Internal Control Officer, the activities needed to guarantee the effectiveness of the accounting control system.
- 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 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 and the CEOs/Chairmen of companies that do not fall within purview of Edison's oversight and control who are responsible for implementing the 262 Model use the internal communication process to provide an internal attestation of the completeness of the information and that the accounting control system established pursuant to Law No. 262/2005 is functioning effectively;
- It assigns responsibility for testing activities to the Internal Auditing Department;
- To effectively implement the programs described above, it formally identifies specific managers of Divisions/Departments/Business Units/Functions and specific operational officials who serve as "focal points."

More specifically, the internal accounting control system outlined in the 262 Model 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, a procedure for the preparation of period reports called "fast-closing" procedure (inspired by best international practices, which is updated monthly and defines in detail the roles and responsibilities of company Divisions/Departments, the support systems, the reporting details and the process deadlines), operating financial statement instructions, reporting procedures, accounting calendars, etc.
- A process carried out under the supervision of the Documents Officer and in concert with the Chief Executive Officer to map the main risks related to accounting information and the key controls to monitor the identified risks (administrative/accounting risk assessment). The risk assessment process is performed every six months.
- For each relevant area/accounting information, the establishment of accounting processes and flows that are deemed critical and specific control activities through the development of special control matrices that describe for each process (or accounting flow) that has been identified as critical and/or sensitive the standard control activities (key controls) and the relevant operating unit officers responsible for implementing the 262 Model. These controls are validated and, if necessary, updated on a quarterly basis.
- Designation of a specific company function, identified as the Administrative Processes Function of the Accounting & Tax Department, responsible, with the support of the organizational units, for reviewing and updating on a regular basis the corpus of Group accounting procedures.
- A process involving activities to assess periodically the adequacy and actual implementation of the 262 Model and the identified key controls. This assessment, which is performed every six months, is structured on two levels: a) self-assessment by the organizational units, carried out by each organizational unit officer with regard to the processes/flows under his jurisdiction; b) independent assessment performed by the Internal Auditing Department. The audit plan is reviewed by the Control and Risk Committee and approved by the Board of Directors.
- A process of documentation and internal communication, carried out by managers of Divisions/Departments/Business Units/Corporate Functions and by the Chief Executive Officers/Chairmen of the companies that do not fall within purview of Edison's oversight and control or of companies that adopt specific accounting procedures.
- A process to provide the market with a formal attestation that the accounting control system pursuant to Law No. 262/2005 is functioning correctly.

The 262 Model was again updated and upgraded in 2015. More specifically, the at-risk areas were reassessed in light of changes in the Group's organization and the industrial context, with the aim of increasing the level of protection, specifically with regard to the more sensitive and significant areas.

## Overall Assessment of the Effectiveness of the Internal Control and Risk Management System

In 2015, the Board of Directors, based on the information and the evidence collected with the support of the investigative work performed by the Control and Risk Committee and the contribution provided by management and the manager of the Internal Auditing Department in the manner described earlier in this Report, determined that, overall, the existing Internal Control and Risk Management System 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.

In this regard, it is important to point out that this assessment, insofar as it refers to the Internal Control and Risk Management System in its entirety, reflects the limitations inherent in such a system. Specifically, even an Internal Control and Risk Management System that is well conceived and operates properly can ensure an adequate management of the mapped risks only with "reasonable certainty."

## Coordination Among the Parties Involved with the Internal Control and Risk Management System

The Company analytically identified the activities of the parties involved with the internal control and risk management system, specifying concrete coordination modalities to make more efficient the activities of each one of them. As mentioned earlier in this Report, the Chairman of the Board of Statutory Auditors and another Statutory Auditor, as well as several managers more directly involved in the management of business risks and the Chief Executive Officer, also as officer in charge of the internal control and risk management system, regularly attend the meetings of the Internal Control and Risk Committee. The Control and Risk Committee reports to the Board of Directors at least twice a year on its activities and, with the support of the Internal Auditing Manager, on the adequacy of the internal control and risk management system. The Chairman of the Board of Statutory Auditors and another Statutory Auditor also regularly attend meeting of the Oversight Board. Moreover, the Board of Statutory Auditors periodically meets with the Documents Officer, the Independent Auditors and the various Company functions involved in the processes and procedures that specifically require verification by the Board of Statutory Auditors, including those concerning the internal control and risk management system.

## TREATMENT OF CORPORATE INFORMATION

The Board of Directors, upon a recommendation by the Chief Executive Officer, has adopted for some time a procedure for the management of corporate information called "**Procedure for Internal Management and External Communication of Documents and Information Concerning Edison**," which applies to information of a confidential nature and, more specifically, insider information (including both insider information "in process" and those for which a market communication obligation already exists). In this regard, please note that, even though only its savings shares continue to be publicly traded, Edison is still required to comply with market abuse rules, as they apply to the treatment of insider information. This procedure, which was subsumed into a protocol (the "**Insider Information Protocol**") that is an integral part of the 231 Model, was updated over time 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 and 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 confidential and insider information, taking into account how this information should be verified and, when required, how 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 the applicable 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.

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 divisions, departments and corporate functions, as well as managers of subsidiaries are responsible for identifying the existence of insider information and implementing all security measures required to ensure that insider information or otherwise confidential 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 or otherwise confidential information concerning the Group of the relevance of the information they possess and must ensure that all outsiders who receive such information be 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 or confidentiality clauses or commitments.

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.

Six new projects were recorded in the Register in 2015.

In order to enhance compliance with the Insider Information Protocol by the interested parties, the information flows that must be signed by the managers of the various Company Divisions and Departments were revised starting in the second half of 2013, introducing an express declaration about compliance, for issues under their jurisdiction concerning subsidiaries, with the requirements of the Insider Information Protocol applicable to them.

The data of all Edison 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.

Directors and Statutory Auditors are informed of the regulatory framework regarding internal dealing and the communication obligations that they are required to comply with through the Company. Subsequent to the reorganization that followed the changes in stock ownership, nine executives were designated as having strategic responsibilities, all of whom are part of the Executive Committee. They are also subject to compliance with internal dealing regulations.

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 and listed on regulated markets. 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 2016 blackout periods are as follows:

- from January 16 to February 20
- from April 10 to May 15
- from June 28 to August 2
- from September 27 to November 1

## BOARD OF STATUTORY AUDITORS

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 verify 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 and the administrative-accounting system is reliable; 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 maintained by the Ministry of the Economy and Finances. 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 statutory independent auditing of annual and consolidated financial statements and the independence of the Independent Statutory Auditors.

### Election of the Board of Statutory Auditors

Nominations for election to the post of Statutory Auditor, equipped with the documents required pursuant to laws and regulations, must be filed at the Company's head office within the deadline and in the manner stated in the Notice of the Meeting or, absent such information, may be filed directly at the Shareholders' Meeting.

The nomination of each Statutory Auditor must be accompanied by: information about the identity of the shareholders who are submitting the nominations; a professional curriculum vitae listing any management and control posts held at any other companies; and an affidavit by which the candidate declares that there are no issues that would make him/her incompatible or unelectable or would cause him/her to be removed from office and that he/she meets the requirements for election as Statutory Auditor pursuant to law and the Bylaws; and that he/she accepts the nomination. In this regard, please note that, as required by the Decree of the Ministry of Justice dated March 30, 2000, the Bylaws list the professional requirements for Statutory Auditors. In any event, persons who do not meet the requirements of independence, integrity and professionalism set forth in the relevant statutes and the Bylaws or who already serve on the maximum allowed number of posts of administration and control bodies, determined in accordance with the applicable regulations, cannot be elected.

Elected Statutory Auditors serve for a term of three years and may be reelected.

The Bylaws do not impose any other restrictions on Statutory Auditors, other than those set forth in the legislation currently in effect regarding the total number of posts that may be held. The purpose of these provisions is to ensure that the Statutory Auditors can devote the necessary time to the performance of their duties. In any event, responsibility for assessing whether a Statutory Auditor is performing his/her function effectively should rest with the shareholders upon the Statutory Auditor's election and with the Statutory Auditor upon acceptance of the assignment.

Nominations for the election of the current members of the Board of Statutory Auditors were published as soon as they were received from TdE Spa, the controlling shareholder, on March 27, 2014. At that time, TdE Spa held 99.476% of the voting capital. The corresponding documents were received by the Company and, consequently, made available at the Shareholders' Meeting and posted on the Company website ([www.edison.it/Governance/Shareholders' Meeting/Ordinary Shareholders' Meeting of March 28 and 29, 2014/Documents](http://www.edison.it/Governance/Shareholders%20Meeting/Ordinary%20Shareholders%20Meeting%20of%20March%2028%20and%2029,%202014/Documents)). At the Shareholders' Meeting, TdE Spa put forth motions concerning the term of office and compensation of the Board of Statutory Auditors.

With regard to the issues mentioned above, all of the Statutory Auditors elected by the Shareholders' Meeting on March 28, 2014 were nominated by TdE, the controlling shareholder.



## Composition of the Board of Statutory Auditors

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

The composition of the Board of Statutory Auditors must also comply with the requirements of the applicable gender parity provisions.

The current members of the Board of Statutory Auditors are: Serenella Rossi (Chairwoman), Giuseppe Cagliero and Leonello Schinasi. The Alternates are: Elisabetta Bertacchini, Vincenzo D'Aniello and Luigi Migliavacca.

All elected Statutory Auditors are listed in the Register of Independent Auditors, except for the Chairwoman, and meet the requirements of current laws and the Bylaws, as well as the Code's independence requirements for Directors, applied, with the requisite adjustments to the Statutory Auditors. The Board of Statutory Auditors informed the Board of Directors that it verified that these requirements were still being met after its election and subsequently, 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 2016 annual financial statements.

The Annexes to this Report include a table that lists the posts that the Statutory Auditors currently in office hold at other companies.

## Compensation of the Board of Statutory Auditors

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 March 28, 2014, 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 2015 is provided in Compensation Report, which is reproduced in the second part of this publication.

## Rules of Operation of the Board of Statutory Auditors

To the best knowledge of the Board of Directors, the Statutory Auditors operate autonomously and independently of everyone, including the shareholders who elected them.

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 2015, the Board of Statutory Auditors met six times. The average attendance of the Statutory Auditors at these meetings was 100%. A breakdown is provided below:

Statutory Auditors	Number of Board of Stat. Aud. meetings attended in 2015	Percentage
Serenella Rossi	6 of 6	100
Giuseppe Cagliero	6 of 6	100
Leonello Schinasi	6 of 6	0

The average length of each meeting was two hours.

In addition, the Statutory Auditors attended meetings of the Board of Directors held in 2015. As shown in the table below, their average attendance percentage was 94.44%.

Statutory Auditors	Number of Board of Directors meeting attended in 2015	Percentage
<i>In office at December 31, 2015</i>		
Serenella Rossi	6 of 6	100
Giuseppe Cagliari	6 of 6	100
Leonello Schinasi	5 of 6	83.33

The Chairman of the Board of Statutory Auditors coordinates the activities of this entity and serves as liaison with other corporate bodies involved in the governance of the system of controls. Also during 2015, the Chairman of the Board of Statutory Auditors was invited to attend the meetings of the Compensation Committee and those of the Oversight Board. Lastly, the exchange of information between the Board of Statutory Auditors and the Control and Risk Committee takes place through the regular attendance to Committee meetings by one or more Statutory Auditors 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 main subsidiaries to exchange information about the Company's activities.

In addition, based on the information that the Board of Statutory Auditors obtains at meetings of the Board of Directors regarding the activities carried out by the Internal Auditing Department and the Control and Risk Committee, it regularly performs in-depth reviews together with the Internal Auditing Manager, who is periodically invited to attend meetings of the Board of Statutory Auditors to provide, when appropriate, additional information about the outcome of completed activities and reviews. On those occasions, specific issues are discussed and clarifications may be requested from managers involved with the abovementioned review activities, primarily for the purpose of hearing reports about any corrective actions carried out.

To the best knowledge of the Board of Directors, in view of the number of meetings held during the year by the Board of Statutory Auditors and the meetings of the Board of Directors and the Various Committee that the Statutory Auditors were invited to attend, it can be concluded that the Statutory Auditors devoted the required time to the performance of their tasks.

With regard to the implementation of specific initiatives to gain adequate knowledge about the areas of business in which the Company operates, its business dynamics and their evolution, and the legislative and self-regulatory framework, the Board of Statutory Auditors meets on a regular basis with the managers of the Company's main functions, who, in concert with the Chief Executive Officer, supply the Board of Statutory Auditors with detailed information it requests and provide it with the corresponding supporting documents.

The Board of Statutory Auditors did not indicate to the Board of Directors that there was a need to propose corrective actions with regard to the main corporate processes.

In 2015, the Board of Statutory auditors did not request the Internal Auditing Department to perform audits of specific operational areas or Company transactions.

In 2015, the Board of Statutory Auditors rendered 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. The Board of Statutory Auditors also ascertained the Independent Auditors' independence and performed all of the other functions assigned to the Control and Risk and Auditing Committee pursuant to law.

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. No situation with respect to which the members of the Board of Statutory Auditors would have been required to make disclosures of this type occurred in 2015.

In order to enable the Board of Statutory Auditors to efficiently discharge its duties, a dedicated Company unit that reports to the office of the Secretary to the Board of Directors provides the Board of Statutory Auditors with the necessary support.

## RELATIONS WITH SHAREHOLDERS

Even though only Edison's savings shares continue to be listed on the MTA and EDF owns about 99.5% of Edison's voting share capital, the Board of Directors resolved to maintain an organizational structure capable of delivering timely information and preparing Company documents that are relevant to the holders both of common shares and savings shares.

With this in mind, the Company has maintained constantly updated on its website a special page devoted to corporate governance issues, which contains the Reports on Corporate Governance, and an Investor Relations page, which contains key information about the company. Both pages 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 about the Company. As part of the credit rating valuation processes, Edison interacts with the rating agencies, supplying them with the necessary information to formulate valuations, in accordance with the modalities and conditions of the mandates of these agencies, and makes promptly available to the market the results of their valuations.

The Company continues to promptly inform its shareholders and bondholders of any action or decision that could have a material impact on their investment. It also makes available on its website ([www.edison.it](http://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 and bondholders are informed about the issues on which they will be asked to cast their votes.

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

## SHAREHOLDERS' MEETING

The Shareholders' Meeting is the tool 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 adopts resolutions on issues that the law reserves for its jurisdiction, which include mainly those concerning the financial statements and the appropriation of the result for the year, the election and dismissal of Directors, the election of Statutory auditors and the selection of the Independent Auditors, when convened in ordinary session, and amendments to the Bylaws, including capital increases and the issuance of convertible bonds, when

convened in extraordinary session. Please note that, as allowed pursuant to law and in accordance with the Bylaws, jurisdiction has been transferred to the Board of Directors with regard to deliberations concerning: reductions of share capital if shareholders demands redemption of their shares, opening and closing secondary head offices, attributing to Directors the power to represent the Company, amending the Bylaws to make them compliant with statutory requirements, mergers and demergers in the instances referred to in Article 2505 and Article 2505-*bis* of the Italian Civil Code, also as cited in Article 2506-*ter*, bond issues, and, following the changes approved by the Shareholders' Meeting on March 22, 2013, the relocation of the Company's head office elsewhere in Italy.

### Convening of Shareholders' Meetings

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 and, without the requirement to use slate voting, elect the governance bodies) is 30 days before the date of the meeting. 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 offer.

The Notice of Shareholders' Meeting is published through the SDIR-NIS system and filed with the authorized storage mechanism "eMarket Storage" and published in condensed form 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 any subsequent callings) and 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 or submit additional motions about items already on the Agenda, how to vote by proxy and file a proxy electronically; the identity of the party designated by the Company as a proxy agent and the procedure for selecting it as 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 and of the documents that will be submitted to the Shareholders' Meeting. The Company is required to make available to the public copies of the documents relevant to the Shareholders' Meeting, which it usually prepares also in English, by depositing them at the Company's head office, publishing them on its website via a link on its homepage ([www.edison.it](http://www.edison.it)) and releasing them through the SDIR-NIS system and the authorized storage mechanism "eMarket Storage" within the deadline required by the relevant laws and regulations.

### Activities of the Ordinary Shareholders' Meeting

The Shareholders' Meeting is validly convened and can validly adopt resolutions, both in ordinary and extraordinary session, in accordance with the laws in effect at any given time.

### Activities and Attributions of the Special Meeting of Holders of Savings Shares

The Special Meeting of Holders of Savings Shares has jurisdiction over the following issues: the election and dismissal 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.

The Special Meeting is governed by the provisions of the laws applicable to special meetings of savings shareholders and, if compatible, the relevant provisions of the Bylaws for the Extraordinary Shareholders' Meeting.

## Right to Attend Shareholders' Meetings

Pursuant to Article 10 of the Bylaws, the right to attend, participate and exercise the right to vote at the Shareholders' Meeting is governed by the provisions applicable to shares eligible for centralized clearing.

More specifically, considering the different trading status of the common shares, delisted from the MTA as of September 10, 2012, and the savings shares, still listed on the MTA, the amendments to the Bylaws approved by the Shareholders' Meeting on March 22, 2013 introduced a different deadline regarding the time of possession that must be used to certify, in the communication provided by the intermediary, the registration in the account of the party eligible to vote (the "**Record date**"). For the savings shares, the statutory deadline of the close of business on the seventh stock market trading day prior to the date set for the Shareholders' Meeting on the first calling continues to apply, as in the past, while for the common shares the deadline has been shortened to the end of the second business day before the date set for the Shareholders' Meeting.

The shares are freely transferable at all times, but credit and debit entries posted to the accounting records after the abovementioned seven-day or two-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 dates, 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. However, upon calling the Shareholders' Meeting to order, the Chairman of the Meeting always asks shareholders to make remarks that are concise and pertinent to the item on the Agenda and keep to a maximum of ten minutes the length of their remarks, so that everyone may have a chance to be recognized. This decision was most recently confirmed by the Board of Directors following the delisting of the common shares.

In 2015, at a Shareholders' Meeting held on March 26, 2015, resolutions were adopted to approve the 2014 financial statements and replenish the loss; reduce to 10 the number of Directors serving on the Board; confirm the election of Jean-Bernard Lévy to the post of Directors and name him Chairman of the Board of Directors. This Shareholders' Meeting also cast a consultative vote on the first section of the Compensation Report.

Because of the particular stock ownership structure, the March Shareholders' Meeting was attended by the Chief Executive Officer Bruno Lescoeur, who was appointed Chairman of the Meeting, by the Directors Paolo Di Benedetto and Gian Maria Gros-Pietro and by the entire Board of Statutory Auditors. On that occasion, the Chairman, responding in part to specific requests by shareholders and in accordance with the right of the attendees to obtain information, reported on the activity carried out and planned by the Company. In any event, the question posed by a shareholder, some of which were not pertinent to the items on the Agenda, and the respective answers provided by the Company have been annexed to the minutes of the Shareholders' Meeting.

The Compensation Committee did not believe that reporting to the Shareholders' Meeting about its modalities to exercise its functions was necessary, given the fact that this information is already contained in the Report on Corporate Governance and in the Annual Compensation Report provided to the shareholders before the Meeting.

A Special Meeting of Holders of Saving Shares was held on April 1, 2015. 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, replenishment of this fund, election of the Common Representative for three years 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, following the transactions discussed in the introduction to this Report, the EDF Group has acquired virtually total control of the share capital represented by common shares and the share capital percentage represented at Special Meetings of Holders of Saving Shares is already quite high.

As for the stock market capitalization of the Edison savings shares, it was virtually unchanged in 2015.

### **Additional Shareholders' 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 provide methods of exercise that are different from those set forth in the applicable laws and regulations.

However, the Company reserved the right to consider the possibility of introducing in its Bylaws the options allowed by Legislative Decree No. 27/2010 concerning the exercise of actions and prerogatives provided for the protection of minority shareholders once the case law has become established. The developments that affected the control structure and, more specifically, the Edison common shares, as described above, rendered this issue no longer relevant. Similar considerations were developed regarding the additional options available under subsequently enacted legislation.

## **INDEPENDENT AUDITORS**

### **Attributions of the Independent 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 statutory 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 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 assignment for the independent statutory audit of the financial statements must be awarded to a company listed in the register of Independent Statutory Auditors. The Shareholders' Meeting awards the assignment, based on a reasoned recommendation by the Board of Statutory Auditors, and determines the corresponding compensation.

The award of the assignment to the current Independent Auditors, Deloitte & Touche Spa (**Deloitte**) was approved by the Shareholders' Meeting of April 26, 2011. As allowed under current laws, Deloitte's assignment will last for nine years, i.e., from 2011 to 2019.

Within the framework of the Group's general audit plan, the Independent Auditors performed independent statutory audits not only of the financial statements of companies that meet the Consob's "materiality" requirements, but also of those of the other Italian and foreign subsidiaries-with strictly limited exceptions concerning mainly companies that were dormant or in liquidation.

As a rule, these assignments were awarded to Edison's Independent Auditors in order to allow the Independent Auditors of the Parent Company to take direct responsibility for auditing the financial statements of the 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 or possible, the expiration of the assignments awarded to Deloitte was aligned with that of the assignment for Edison, the Parent Company

An exception with regard to the length of the assignment is the Edison Trading Spa subsidiary, which had already appointed Deloitte in 2010 and, consequently renewed the award to the same company for an additional eight years, i.e., until 2018. Another exception regards the Infrastrutture Trasporto Gas Spa subsidiary, which, having been established in 2012 in accordance with the Independent Transmission Operator (ITO) model required by the functional unbundling rules applicable to the company's business activities, is required by law to retain different independent auditors from those selected by its Parent Company. The statutory independent auditing assignment awarded to Baker Tilly Revisa Spa in 2012 for a period of three years was renewed in 2015 for an additional three years, i.e., until 2017.

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 regulations issued by the Electric Power and Gas Authority.

With regard to Italian companies for which only a Board of Statutory Auditors was appointed, the Board of Statutory Auditors was also asked to perform an independent statutory audit, pursuant to law. No Group company chose to appoint a monocratic control body.

Deloitte and its international network, working in accordance with assignments they received directly, audited about 94.77% of total consolidated assets (2015) and about 98.49% of total consolidated revenues.

Please note that the award and management of assignments to independent auditors by Group companies was carried out in accordance with the guidelines approved by Edison's Board of Directors on July 25, 2011.

### Fees of the Independent Statutory Auditors

As noted in the previous section, Edison's Shareholders' Meeting that awarded the independent statutory audit assignment also approved the corresponding fees and the corresponding adjustment criteria.

In 2015, the total consideration for the provision of independent statutory auditing services and services other than auditing amounted to 723,328 euros for the Group's parent Company and 1,731,733 euros for the Group, as detailed in the table below.

Edison Spa financial statements	Deloitte Auditors		Other Auditors		Total	
	Hours	Fee	Hours	Fee	Hours	Fee
Audit of the statutory financial statements	7,380	403,529	-	-	7,380	403,529
Audit of the consolidated financial statements	1,500	84,898	-	-	1,500	84,898
Limited audit of the semiannual report	1,770	96,952	-	-	1,770	96,952
Regular reviews of the accounting records	600	41,925	-	-	600	41,925
Coordination with other auditors	100	6,289	-	-	100	6,289
Audit of the separate annual financial statements	300	16,770	-	-	300	16,770
Additional review and verification activities	1,120	72,966	-	-	1,120	72,966
<b>Total for Edison Spa</b>	<b>12,770</b>	<b>723,328</b>	<b>0</b>	<b>0</b>	<b>12,770</b>	<b>723,328</b>
Italian subsidiaries or consolidated companies	13,269	753,667	1,100	68,007	14,369	821,674
Foreign subsidiaries or consolidated companies	1,495	186,730	-	-	1,495	186,730
<b>Total for the Edison Group</b>	<b>27,534</b>	<b>1,663,726</b>	<b>1,100</b>	<b>68,007</b>	<b>28,634</b>	<b>1,731,733</b>



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 2015, the additional review assignments performed for Edison Spa by Deloitte & Touche and its network required 1,120 hours, at a cost of 72,966 euros, and, as was the case in the past, concerned: attestation of the rates applied to rebill costs to partners in joint ventures; certification required pursuant to a contract, for green certificate trading activities; and certain auditing procedures of Edison's Sustainability Report.

## **ADDITIONAL CORPORATE GOVERNANCE PRACTICES**

Nothing to report beyond the information provided in this Report.

## **CHANGES SINCE THE CLOSE OF THE REPORTING YEAR**

Nothing to report beyond the information provided in this Report.

Milan, February 15, 2016

The Board of Directors  
by: Marc Benayoun  
*Legal Representative*



# ANNEXES

## BOARD OF DIRECTORS

### Overview of the Structure of the Board of Directors and Board Committees

Board of Directors														
Post held	Member	Year of birth	Executive	Non-executive	Independent	(1)	No. of other posts held (2)	% attendance at Shareholders' Meet.	Control and Risk Committee (i)		Compensation Committee		Committee of Independent Directors	
									(3)	(1)	(3)	(1)	(3)	(1)
<i>Directors in office at December 31, 2015</i>														
Chairman	Jean-Bernard Lévy (a)	03.18.1955		X		100	6	0						
Chief Executive Officer	Bruno Lescoeur (b)	11.19.1953	X			100	6	100						
Director	Marc Benayoun	08.26.1966		X		100	3	(e)						
Director	Béatrice Bigois (b)	01.20.1969		X		100	7	0	C	100				
Director	Paolo Di Benedetto (b)	10.21.1947		X	X (d)	100	3	100	M	100	C	100	M	100
Director	Philippe Esper (b)	09.10.1941		X		100	2	0						
Director	Gian Maria Gros-Pietro (b)	02.04.1942		X	X (d)	83.33	2	100	M	100	M	100	C	100
Director	Thomas Piquemal (b)	05.13.1969		X		66.67	9	0	M	0				
Director	Nathalie Tocci (b)	03.07.1977		X	X (d)	100	0	0			M	100	M	100
Director	Nicole Verdier-Naves (b)	10.08.1953		X		100	5	0			M	100		
<i>Directors who resigned their office in 2015</i>														
Chairman	Denis Lépée (b)	11.29.1968		X		80		0						

The Board of Directors reaffirmed the choice it made in previous reporting years that the establishment of a Nominating Committee was not appropriate in view of the jurisdictional authority attributed to this Committee by the Code and the current highly concentrated stock ownership structure.

(i) The presence of just two independent Directors among the members of the Committee, is explained by two reasons. On the one hand, the Board of Directors chose to emphasize continuity in the Committee's composition and management, selecting the majority of its members and, most importantly, its Chairman (albeit not independent) from among the members of the previous Committee, and, on the other hand, sought to ensure the correct performance of the tasks attributed to the Committee, selecting its members from among non-executive Directors who, therefore, are not involved in the Company's operating activities but undoubtedly possess proven professional skills and expertise with regard to the tasks that the Committee is asked to perform. The Committee's current composition is thus consistent with the Code's recommendation that at least one of its members be experienced in accounting, finance and risk management.

#### Number of meetings held in 2015

Board of Directors: 6      Control and Risk Committee: 4      Compensation Committee: 3      Committee of Independent Directors: 4

#### Quorum needed to file of candidatures for the election of Directors

Not applicable

- (1) This column shows the attendance percentages of each director at meetings of the Board of Directors and Committees, respectively.
- (2) 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.
- (3) This column indicates that the listed Director is a member of the Committee: C (chairman), M (member).
- (a) Coopted and appointed Chairman by the Board of Directors on December 12, 2014 and confirmed by the Shareholders' Meeting on March 26, 2015 and in office until the next Shareholders' Meeting.
- (b) Elected by the Shareholders' Meeting of March 22, 2013 for a three year period ending with the Shareholders' Meeting convened to approve the 2015 annual financial statements.
- (c) Coopted on December 08, 2015 and appointed Chief Executive Officer with effect from 1 January 2016. In office until the next Shareholders' Meeting.
- (d) Meets the independence requirements pursuant to law (TUF) and the Code.
- (e) Percentage not applicable because no additional Shareholders' Meetings were held in 2015 subsequent to his appointment.

## Posts Held by Directors at December 31, 2015

Director	Post held at other companies	EDF Group companies
Jean-Bernard Lévy	Director of Dalkia Sas	X
	Chairman and Chief Executive Officer EDF Sa (*)	X
	Chairman of EDF Energy Holdings Ltd	X
	Director of EDF Energies Nouvelles Sa	X
	Chairman of Foundation d'Enterprise EDF	X
	Director of Société Générale Sa (*)	
Bruno Lescoeur	Chairman of the Supervisory Board of Dunkerque LNG Sas	X
	Member of the Executive Committee EDF Sa (*)	X
	Director and Chief Executive Officer of EDF International Sas	X
	Chairman of EDF Péninsule Ibérique Srl	X
	Director of EDF Trading Limited	X
	Chairman of Fenice Spa	X
	Chairman of Transalpina di Energia Spa	X
Marc Benayoun	Director of ES Energies	X
	Member of the Supervisory Board of NetSeenergy	X
	Member of the Supervisory Board of Trimet France Se	
Béatrice Bigois	Director of British Energy Direct Limited	X
	Director of DK Energy UK Limited	
	Director of EDF Energy Customer Field Services (Metering) Limited	X
	Director of EDF Energy Customers Plc	X
	Director of EDF Energy 1 Limited	X
	Director of SEEBOARD Energy Limited	X
Paolo Di Benedetto	Director of SEEBOARD Energy Gas Limited	X
	Director of Cementir Holding Spa (*), Lead Independent Director, Chairman of the Control and Risk Committee and of the Compensation Committee and member of the Related Party Transaction Committee	
	Chairman of National Guarantee Found	
	Director of Istituto Poligrafico Zecca dello Stato, member of the Compensation Committee	
Philippe Esper	Director of International Council of Defense	
	Chairman and of Eurotradia International	
Gian Maria Gros-Pietro	Chairman of the Managing Board of Intesa Sanpaolo Spa (*)	
	Chairman of ASTM Spa (*)	
Thomas Piquemal	Director of Dalkia Sas	X
	Member of the Executive Committee EDF Sa (*)	X
	Director of EDF Energy Holdings Ltd	X
	Director of EDF Energies Nouvelles Sa	X
	Director of EDF International Sas	X
	Director of EDF Trading Limited	X
	Member of the Supervisory Board of ERDF	X
	Director of Fimalac Sa	
	Member of the Supervisory Board of RTE EDF Transport Sa	X
Director of TIGF Holding Sas		
Nathalie Tocci		
Nicole Verdier-Naves	Director of Citelum, Chairman of the Compensation Committee	X
	Director of EDF Energies Nouvelles Sa, Chairman of the Compensation Committee	X
	Director of EDF Luminus Sa, Chairman of the Compensation Committee	X
	Vice-Chairman of the Supervisory Board of EDF Polska Sa, Chairman of the Compensation Committee	X
	Director of Foundation d'Enterprise EDF	X
	Member of the Supervisory Board of RTE EDF Transport Sa and Chairman of the Compensation Committee	X

(\*) Company with shares traded in regulated markets.

## Curricula<sup>1</sup> of the Directors in Office at December 31, 2015

### Jean-Bernard Lévy

Born in Suresnes, France, on March 18, 1955.

He is a graduate of École Polytechnique (class of 1973) and Telecom Paris Tech.

He is an officer of the the Légion d'Honneur and of the Ordre National du Mérite.

He currently serves EDF Group as Chairman and CEO.

#### Professional Background

- In 1979 he began his career at France Télécom as an engineer in Angers. In 1982 he became responsible for the management of senior executives and budgets at headquarters, and was subsequently promoted Deputy Head of Human Resources.
- From 1986 to 1988 he was advisor to Gérard Longuet, the French Minister for Postal & Telecommunications services.
- From 1988 until 1993 he was General Manager of Matra Espace (Communications Satellites division) which became Matra Marconi Space.
- In 1993 and 1994 he served as Chief of Staff to Gérard Longuet, the French Minister for Industry, Postal Services & Telecommunications, and Foreign Trade.
- From 1995 to 1998, he was appointed Chairman and CEO of Matra Communication.
- From 1998 to 2002, he was Managing Partner, Corporate Finance at Oddo & Cie.
- In the summer of 2002, he joined Vivendi, a global communications and digital media company as Chief Operating Officer and from 2005 as Chief Executive Officer, a position he held until June 2012.
- From December 2012 to November 2014, he served Thales Group a leading electronics and systems industrial Group as Chairman and CEO.
- On 26<sup>th</sup> November 2014, he was appointed Chairman and Chief Executive Officer of EDF Group.

#### Main present positions

- He is Chairman and Chief Executive Officer of EDF Sa and Director of Société Générale Sa, two listed companies.
- He is the Chairman of the Board of Directors of Institut Mines Télécom.
- He is Director of Institut Pasteur.

### 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 "Chevalier de l'Ordre National du Mérite" et Chevalier de la Légion d'Honneur.

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 Head of Managers at EDF GDF Services Var and, in 1993, Deputy Chief Financial Officer of EDF, responsible of Treasury, financing and mergers and 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 and Trading of EDF.
- In December 2004, he was named Senior Executive Vice President (SEVP) of EDF and member of the Executive Committee, with responsibility for international operations.
- In 2008, he became responsible for the development of EDF Group's gas operations.
- In April 2010, he was named Senior Executive Vice President member of the new Steering Committee, in charge of Gas and also responsible for Southern Europe.
- From April 2011 until the end of December 2015 he was CEO of Edison Spa.

1. Curricula updated at December 31, 2015.

### Marc Benayoun

Born in Tarbes, France, on August 26 1966.

He is graduated of Ecole Supérieure des Sciences Economiques et Commerciales (Paris, 1989).

#### Professional Background

- In 1989 he began his career at the Paribas Group.
- In 1993 he joined the Boston Consulting Group, where he became associate director at the Paris office in 2001 and at the Moscow office in 2008. During the years in Boston Consulting Group he took on several roles including the development of expertise in the natural gas sector.
- In 2009 he joined the EDF Group as Director of the economic department for tariffs and prices. In 2012 he became Sales Director of Business and Market Professionals segment in charge of the sale of electricity, gas and services. During last years he has led the project related to the end of regulated electricity prices for companies and local authorities (over 400,000 sites in total 120 TWh of electricity consumption), with the goal of maintaining a leading position in the new competitive environment.
- On December the 8<sup>th</sup> 2015 he has been appointed as Director of the Board of Edison and Chief Executive Officer from January the 1<sup>st</sup> 2016.

#### Main present positions

He's member of the Supervisory Board of Trimet France and NetSeenergy and director of ES Energies.

### Bèatrice Bigois

Born in Talence, France, on May 20, 1969.

1986-89 Scientific preparation for engineering schools.

1989-92 Ecole Polytechnique - Theoretical Physics (2<sup>nd</sup> year) and Economics (3<sup>rd</sup> year).

1992-94 Ecole Nationale des Ponts et Chaussées - Economics, Finance and Applied Mathematics.

#### Professional Experience

- Since 1994: EDF
- Sept. 94 - May 99: EDF, Finance Department, Financial Strategy Division.
- Risk analyst: debt management, ALM, country-risk management
- June 99 - end 02: Secondment to London Electricity Plc, Optimisation & Trading Department
- Power purchaser (06/99 - 06/00): procurement of power for LE customers
- Head of Energy Risk Management (07/00 - 12/02): in charge of the development and implementation of risk policies and risk controls over the energy trading activities; in charge of credit risk management, demand forecasting methods and systems developments, and energy reporting; secretary to the Market Risk and Credit Risk Committees.
- Jan. 03 - Feb. 06: EDF, Asset Optimisation Department
- Head of Market Operations (01/03 - 08/04): in charge of the development of market based transfer pricing to the Customer Branch and execution of market hedges with EDF Trading.
- Head of Portfolio Optimisation and Hedging (09/04-02/06): responsible for the optimisation of EDF portfolio of assets in France on the medium term. Included nuclear and fossil fuel plants maintenance planning, management of fossil fuel procurement, hedging activities, management of the French VPPs.
- March 06 - Sept. 08: Secondment to EDF Trading Markets Ltd, Paris
- Deputy Head, then Head of the Paris Branch of EDFT: set up and management of the branch.
- Oct. 08 - Dec 13: Secondment to EDF Trading Ltd, London.  
Chief Financial Officer of EDF Trading: in charge of Market Risk, Credit Risk, Finance, Tax, Treasury, Internal Control, Contracts & Settlements and IT.  
Member of the Board of Directors of EDF Trading and EDF Trading Markets Ltd.
- Since Jan 14: Secondment to EDF Energy.  
Managing Director, Customers: in charge of wholesale optimisation, B2C & B2B retails activities.

### Paolo Di Benedetto

Born in Rome on October 21, 1947.

University of Rome, "La Sapienza", Master Degree in Law, Master Degree in Administrative Sciences, *magna cum laude*. Lawyer.

#### Academic and Professional Background

- Banco di Napoli, Naples, 1973-1984: Manager.
- Consob, Rome, 1985-2000: Manager.

- Poste Italiane Group, Rome, 2000-2003: Sim Poste, Managing Director; BancoPosta Fondi SGR, Managing Director.
- Consob, Rome, July 2003 - March 2010: Commissioner.
- Acea Spa, April 2010 - May 2014: Member of the Board, Chairman of the Compensation and Appointment Committee, Member of the Control and Risk Committee and of the Related Party Transaction Committee.
- Author of articles on Security Regulations.
- Professor on contract of Security Regulations at LUISS - the Guido Carli Free International University for Social Studies and after at University of Tor Vergata.

#### Main present positions

- National Compensation Fund, Rome, Chairman, from December 2010.
- Cementir Holding Spa, from April 2012 - Member of the Board, Lead Independent Director, Chairman of the Control and Risk Committee and of the Compensation Committee and member of the Related Party Transaction Committee.
- Istituto Poligrafico Zecca dello Stato Spa, from September 2014: Member of the Board and member of the Compensation Committee.

#### Philippe Esper

Born in Toulon, France, on September 10 1941.

Ingénieur Général de l'Armement.

French distinction: Commandeur dans l'ordre de la Légion d'Honneur.

Henri-IV high school in Paris.

Graduated from Ecole Polytechnique, Ecole nationale supérieure d'Aéronautique, Ecole nationale supérieure des poudres (1962-1967).

Graduated from Institut d'études politiques de Paris (1967).

#### Professional Background

- Chargé de mission, private staff of the Minister in charge of the National Defence, Michel Debré (1970-1973).
- Ministry of Defence, Deputy Director, Directorate of International Affairs (1973-1975).
- Lecturer at the Institut d'Etudes Politiques de Paris (1970-1976).
- Ministry of Industry, Deputy General Director of Industry (1976-1978).
- Board Member, Centre National d'Etudes Spatiales (National Space Agency) (1978-1982).
- Interministerial Delegate for audiovisual techniques to the Prime Minister, Raymond Barre, (1976-1981).
- International Delegate to the Minister of Industry, André Giraud (1978-1981).
- Equipment Division Executive Manager, Renault Véhicules Industriels (1981-1984).
- Chief Executive Officer, (1985-1993), then Chairman and Chief Executive Officer, since May 1993, of Eurotradia International.
- Chairman of a Paris-based think tank focusing in best practises in international trade since 2000.
- Chairman of the Defence Economy Council, since May 2003, then Defence European Cercle, since May 2013.
- President, Foundation of the French National Orchestra, since 1980.

#### Main present positions

- Eurotradia International as Chairman and Ceo.
- Défense Conseil International as Delegate of Eurotradia International.

#### Gian Maria Gros-Pietro

Born in Turin on February 4, 1942.

Economist, served as full professor of Business Economics and Industrial Economics at the University of Turin till 2004 and at the Luiss University in Rome from 2004 to 2012.

#### Academic and professional experiences

- From 1974 to 1995 he lead 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.
- From 2004 to 2011 he directed the Department of Economic and Business Science at LUISS.
- He served as director in many industrial, banking and services companies.
- For 13 years he was on the Board of Directors of the University of Turin.

- He served as a member of the National Council for the Economy and Labor, a constitutional body, during 10 years.
- He was a member of the executive of Confindustria (the employers federation) for 13 years.

### Main present positions

- He chairs the Management Board of Intesa Sanpaolo and the Board of Directors of ASTM, two listed companies.
- He is the Deputy Chairman of Adige Spa.
- He is a Vicepresident and a member of the Executive Committee of the Italian Banking Association (ABI) and of the Board of the Turin Industrial Association.
- He is a member of the Executive Committee of the Italian Association of Stock Companies (Assonime) and of the Italian Association of Banking, Insurance and Finance (Febaf).
- He is the President of the Felice Gianani Foundation.
- He is a member of the board of the Censis Foundation.
- He chairs the Scientific Committee of 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 he now serves as a director.
- He chairs the Scientific Council of Nomisma.
- He is a member of the Scientific Committee of Confindustria's Center of Studies.
- 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 Dematté Award.

### 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 became a partner five years later. He worked on major financial and strategic transactions in utilities, retail, financial services and real estate sectors including the restructurings of share capital, merger and IPOs.
- 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 February 2010 he joined EDF as Group CFO Senior Executive Vice President in charge of Finance.
- 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.

### Nathalie Tocci

Born in Rome on March 7, 1977.

1995-98: University College, Oxford - BA (Hons) PPE (Politics, Philosophy and Economics). Overall result: *First Class*. Preliminary examinations: *First Class*.

1998-99: London School of Economics - MSc Development Studies. Dissertation on Turkey's political economy. Overall result: *Distinction*.

2000-03: LSE - PhD in International Relations. Title: EU Accession Dynamics and Conflict Resolution: The Case of Cyprus 1988-2002. *Defence June 2003*.

### Professional Experience

- 1999-2003 Centre for European Policy Studies (CEPS), Brussels: research fellow in the Wider Europe Programme working on EU relations with Turkey, Cyprus, the South Caucasus and the Middle East.
- 2003-2004, Mediterranean Programme, Robert Schuman Centre for Advanced Studies, European University Institute: Jean Monnet Fellow. Working on the role of the EU in conflict resolution. Organisation of events under the EU-Turkey Observatory.
- 2005-2007, Robert Schuman Centre for Advanced Studies, European University Institute, Marie Curie Fellow. Research on the EU's role in conflict resolution in the Caucasus, Balkans, Middle East, Turkey and Cyprus.
- 2006, Istituto Affari Internazionali, Rome, Senior fellow (2006-2010) and Head of Department (2010) working on European foreign policy and Associate Editor of The International Spectator.

- 2007-2009, Centre for European Policy Studies, Brussels, Associate fellow working on European foreign policy.
- 2009-2010, Transatlantic Academy, Washington, Senior Fellow working on Turkey's relations with the US, the European Union and the Middle East.
- 2011, Istituto Affari Internazionali, Rome, Deputy Director and Editor of *The International Spectator*.
- May-November 2014: Advisor for International Strategies of the Minister of Foreign Affairs, Rome.
- December: Special Adviser of the High Representative for European Foreign Policy/Deputy Chairman of the European Commission.

#### Prizes and awards

- 2004-7: Marie Curie Fellowship, European Commission.
- 2008: Anna Lindh Award on European Foreign Policy.

#### Main present positions

- 2004-ongoing: Member of the Advisory Board of *Mediterranean Politics*.
- 2007-ongoing: Member of the Editorial Board of *The International Spectator*.
- 2011-ongoing: Member of the Advisory Board, *Open Security/Open Democracy*.
- 2012-2014: Member of the Board of the University of Trento.
- 2012-ongoing: Rapporteur, Independent Commission on Turkey; Chaired by Nobel Peace Laureate Maarti Ahtisaari.

#### Nicole Verdier-Naves

Born in Epinal, France, on October 8, 1953.

Master in Law and a postgraduate degree in Private Law.

She currently serves as EDF's Senior Vice President Senior Executive, Managers Training, Mobility Division.

#### Professional Background

- In 1976 she joined EDF where she held various HR management positions within EDF operational and corporate divisions.
- Between 1997 and 2000, she was Head of Management Control and Deputy Corporate Secretary, including the management of support services.
- In 2000, she joined the Human Resources Division, where she was responsible for EDF corporate HR coordination.
- She has strong expertise in HR and related legal issues as well as management transformation.
- She is Member of the RTE supervisory board and Chairman of the Compensation Committee.
- She is Vice President of EDF Polska supervisory board and Member of the Compensation Committee.
- She is Director of EDF EN Board and Citelum Board. She chairs these 2 Compensation Committees.
- She is also Director of EDF Luminus Board and Member of the Compensation Committee.
- She is Member of the EDF Foundation AGIR pour l'Emploi (FAPE).

## Curricula<sup>2</sup> of the Directors who Resigned their Office in 2015

#### Denis Lépée

Born in Versailles, France, on November 29, 1968. BA in history (Paris I University Sorbonne), MA at Institut d'études politiques (IEP), Paris.

#### Professional experience

- Project manager - Rassemblement pour la République (RPR) (1995-97).
- Project manager (1993-95), Chief of staff (1998-2003) - General Council for the Oise department.
- Project manager (2003-07), followed by Advisor to the Chairman (2007-09) - Veolia Environnement.
- Advisor to the Chairman, Secretary to the Executive Committee, Electricité de France (EDF) (since 2009).
- Literary works.
- Essays: *Winston Churchill* (2004), *Ernest Hemingway: la vie en face* (2005), *Franck Sinatra: un rêve américain* (2008).
- Novels: *1661* (2005, reissued 2006), *La Conspiration Bosch* (2006, reissued 2007), *L'Ordre du monde* (2007, reissued 2009), *Le Chemin des faux-serments* (2010, reissued 2012).

<sup>2</sup> Curricula updated at December 31, 2014.

## BOARD OF STATUTORY AUDITORS

### Overview of the Structure of the Board of Statutory Auditors

Post held	Member	Year of birth	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, 2015 (a)</i>							
Chairman	Serenella Rossi	07.15.1962	X	100	100	100	0
Statutory Auditor	Giuseppe Cagliari	02.28.1965	X	100	100	100	23
Statutory Auditor	Leonello Schinasi	06.05.1950	X	100	83.33	100	8

**Number of meetings held in 2015: 6**

#### Quorum needed to file of candidatures for the election Statutory Auditors

Not applicable.

(\*) 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 March 28, 2014 for a three year period ending with the Shareholders' Meeting convened to approve the 2016 annual financial statements.



## Posts Held by the Statutory Auditors at December 31, 2015

Statutory Auditor	Posts held at other companies	EDF Group companies
Serenella Rossi		
Giuseppe Cagliari	Statutory Auditor A. Raymond Italiana Srl	
	Director of Bitmana Srl	
	Statutory Auditor Cooper-Standard Automotive Italy Spa	
	Statutory Auditor EDF EN Services Italia Srl	X
	Statutory Auditor Elichef Holding Spa	
	Chairman Board Statutory Auditors Elior Concessioni Srl	
	Statutory Auditor Elior Ristorazione Spa	
	Chairman Board Statutory Auditors Elior Servizi Spa	
	Chairman Board Statutory Auditors GE Avio Srl	
	Statutory Auditor Gemeaz Elior Spa	
	Chairman Board Statutory Auditors Getti Speciali Srl	
	Statutory Auditor Hypertac Spa	
	Chairman Board Statutory Auditors Liabel Spa	
	Statutory Auditor Meridia Spa	
	Statutory Auditor Mychef Ristorazione Commerciale Spa	
	Chairman Board Statutory Auditors Nexity Holding Italia Srl	
	Chairman Board Statutory Auditors Nexity Residenziale Italia Spa	
	Chairman Board Statutory Auditors Nexity Torino San Carlo Srl	
	Statutory Auditor Openwave Messaging Spa	
	Statutory Auditor Sea Service Srl	
	Chairman Board Statutory Auditors Servizi Integrati Area Fiorentina Spa	
	Statutory Auditor Transalpina di Energia Spa	X
	Statutory Auditor Trelleborg Sealing Solutions Torino Srl	
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 Fenice Ambiente Srl	X
	Statutory Auditor IME Spa	
	Chairman Board Statutory Auditors Lfoundry Srl	
	Chairman Board Statutory Auditors Tyco Electronics Amp Italia Products Spa	
	Chairman Board Statutory Auditors Transalpina di Energia Spa	X

## Curricula<sup>1</sup> of Statutory Auditors in Office at December 31, 2015

### Serenella Rossi

Born in L'Aquila on July 15, 1962.

Law Degree from the University of Milan in 1986.

#### Academic and Professional Background

- Attorney at law since 1990, member of the Milan Bar association.
- From 1992 to 1998, university scholar in commercial law at the University of Milan.
- From 1998 to 2004, Associate Professor of Commercial Law at the Insubria University Law School.
- Since 2004, Tenured Professor of Commercial Law at the Insubria University Law School.
- From 2005 to 2009, member of the Board of the Arbitration Chamber at the Varese Chamber of Commerce.
- Since March 2013, Coordinator of the Performance Assessment Unit of Insubria University.
- Since March 2014, member of the Bank of Italy's Banking Financial Arbitration Board (Milan District).
- Served on Arbitration Boards both as a member and as Chairperson (in arbitrations involving corporate law, finance law and business contracts).
- Served as consultant in the areas of corporate law and financial markets, bankruptcy law and contracts.
- Research activity in the areas of corporate governance, financial market law, business crisis, competition law and business ethics.
- Participated in project qualified as Projects of Significant National Interest.
- Since 1989, member of the editorial board of the magazine "Giurisprudenza commerciale" (Giuffrè).
- Since 2002, Director of the book series "Diritto delle società e dei mercati finanziari" – (IPSOA).
- Since 2006, member of the Scientific Committee of the online magazine "Quadrimestre di Business and Tax."
- Since 2007, member of the editorial board of the magazine "Rivista di diritto societario" (Giappichelli).
- Since 2010, member of "Orizzonti del diritto commerciale" – Italian Association of University Professors of Commercial Law.
- Since 2012, member of the Scientific Committee of the Institute for Corporate Governance.
- Since 2012, member of the Management Committee of the magazine "Osservatorio del diritto civile e commerciale" (Il Mulino).
- Since 2013, member of the Management Committee of the online magazine "Orizzonti del diritto commerciale."
- Featured speaker and panelist at various conventions organized by universities, institutions and entities.
- Author of numerous publication on corporate law and markets.
- Foreign languages known: English

### Giuseppe Cagliari

Born in Turin on February 28, 1965.

Degree in Economics and Business Administration from the University of Turin, in 1990.

#### Academic and Professional Background

- Certified Public Accountant since 1991. Licensed to practice as a Certified Public Accountant having passed the licensing exam at the University of Turin in the first session of 1991.
- Independent Auditor since 1995.
- Technical consultant to the Court of Turin since 1998.
- From 2000 to 2010, Contract Professor of Business Economics at the School of Engineering of the Turin Polytechnic University.
- Featured speaker at research conferences on corporate and taxation topics.
- Lecturer at the Scuola Superiore dell'Economia e delle Finanze.
- Developed significant and consolidated expertise as a consultant on corporate, taxation, accounting and regulatory issues to publicly and privately held companies and national and multinational groups.
- Serves as Statutory Auditor at several corporations.
- Served as an expert in connection with contribution in kind and mergers and as a consultant in the design and implementation of extraordinary corporate transactions, debt restructuring processes and composition with creditors proceedings.
- Languages known: French and English.

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1. *Curricula* updated at December 31, 2015.

### Leonello Schinasi

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

- 1977 Pirola Pennuto Zei & Associati. Tax and legal consulting firm based in Milan.
- Certified Public Accountant since 1979. Licensed to exercise this profession by virtue of having passed the required exam at Urbino University.
- 1988 Founding Partner responsible for the Turin office.
- Technical consultant of the Court of Turin since 1993
- Independent Auditor since 1995.
- 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.

# ANNUAL COMPENSATION REPORT 2015





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# 1. INTRODUCTION

## 1.1 FOREWORD

The Shareholders' Meeting of March 22, 2013 elected the current Board of Directors, defining its term of office as The Shareholders' Meeting of March 22, 2013 elected the current Board of Directors, defining its term of office as covering a period of three reporting years (2013-2015), i.e., until the Shareholders' Meeting convened to approve the 2015 financial statements.

The current Chairman, coopted by the Board of Directors and elected on December 12, 2014, was confirmed by the Shareholders' Meeting on March 26, 2015. The Chief Executive Officer currently in office was coopted by the Board of Directors on December 8, 2015, with delegation of the powers required for the office of Chief Executive Officer effective as of January 1, 2016, replacing the Chief Executive Officer appointed by the Board of Directors on March 22, 2013.

The Board of Directors also established a series of internal committees, including the Compensation Committee, and appointed the respective Chairmen (the "**Board Committees**").

As explained later in this Report, the compensation of Directors was determined directly by the Shareholders' Meeting, upon a motion by the controlling shareholder, while that of Directors who perform special functions and the members of the various Board Committees and the Oversight Board was determined by the Board of Directors upon a recommendation by the Compensation Committee.

In view of the foregoing remark, the current Board of Directors – whose term of office will end in 2016 –, in addition to reporting on the originally defined compensation policy guidelines as explained in Section 2.4 of this Report, further to a concurring opinion by the Compensation Committee and with the input of the Board of Statutory auditors, thought it appropriate to provide guidelines for the 2016 compensation policies, as a useful and preliminary reference point for the incoming corporate governance bodies, which will be responsible for managing the Company's activities in the current reporting year, without prejudice to any prerogatives of the new corporate governance bodies as they apply to any determinations that they may wish to pursue in this area.

Consequently, with regard to the 2016 compensation policy, should it become beneficial to make significant changes to the approach followed thus far and outlined in this document, the Company reserves the right to provide an adequate disclosure to the market with subsequent communications 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 Legislative Decree No. 58 of February 24, 1998 (the "**TUF**") and was prepared in accordance with the guidance 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 the TUF. In addition, this Report adopts as its general reference guidelines concerning compensation policies the principles set forth in Article 6 of the Corporate Governance Code for Listed Companies, July 2015 edition (the "**Code**").

## 1.3 PURPOSE AND CONTENT

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

- the Company's general policy concerning the compensation of Directors, top management, including executives with strategic responsibilities, and Company managers in general, describing the governance and procedures applied to define, implement and verify the adoption of the abovementioned policy;

- a detailed and analytical disclosure of the items and amounts that make up the compensation of Directors, 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;
- a disclosure provided in the aggregate of the items and amounts that make up the compensation of 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 at a meeting held on February 15, 2016 (further to an opinion rendered by the Compensation Committee and the input of the Board of Statutory Auditors); Section One of this Report is being submitted for a consultative vote to the Shareholders' Meeting convened to approve the financial statement for the 2015 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 2015 reporting year; it will be made available to the market at least 21 days before the date of the abovementioned Shareholders' Meeting and may be consulted on the Governance page of the Company website: [www.edison.it](http://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 March 22, 2013 for a term of office ending with the Shareholders' Meeting convened to approve the financial statements for the 2015 reporting year. The abovementioned Shareholders' Meeting determined the compensation of the members of the Board of Directors, setting it at a gross annual amount of 50,000 euros for each Director, plus a gross attendance fee of 1,800 euros for each meeting of the Board of Directors attended by a Director.

The abovementioned resolutions were adopted by the Shareholders' Meeting upon a motion by the controlling shareholder.

At the meeting of March 22, 2013, the Board of Directors, upon a motion put forth by the Chief Executive Officer, with the prior approval of the Compensation Committee and the consent of the Board of Statutory Auditors, debated a resolution concerning:

- the compensation of members of the Board's Committees (Control and Risk Committee; Compensation Committee and Committee of Independent Directors) and the Oversight Board.

On April 23, 2013, further to a recommendation by the Compensation Committee and with the approval of the Board of Statutory Auditors, the Board of Directors debated a resolution concerning:

- the compensation of Directors who perform special functions (Chairman and Chief Executive Officer).

### 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 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 and medium-term objectives and the challenges posed by the medium/long-term strategies defined in the Company's strategic plan.

For the purpose of analyzing market trends and benchmarking vis-à-vis the market the competitiveness 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 can consider 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 2015 reporting year, the Committee did not avail itself of this option.

## 2.3 STRUCTURE AND COMPOSITION OF THE COMPENSATION IN 2015

Taking into account the general objectives stated above and the competitive position in the reference market, the compensation policy was developed with the aim of maintaining consistency with the previous two years, thus covering the overall scope of the three-year term of office of the current Board of Directors, in accordance with the following principles:

- **For Directors who are asked to perform specific functions (Chairman and Chief Executive Officer)**, the cash compensation is 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 term of office for the three-year period from 2013 to 2015, taking into account the principles and general criteria presented in Section 2.2 above, the Board of Directors currently in office, acting upon a recommendation by the Compensation Committee, with the input of the Board of Statutory Auditors, resolved to:
  - a) confirm, finding it adequate, the amount of the gross annual cash compensation of the Chairman, as defined at the beginning of the current term of office and consisting exclusively of a single fixed component; as expressly requested by the Chairman, this component and all other compensation provided for serving as a Director are paid by Edison Spa directly to its Parent Company;
  - b) confirm, finding it adequate, the amount of the gross annual cash compensation of the Chief Executive Officer, as defined at the beginning of the current term of office, considering that it had been reduced by 30% compared with the previous term of office, consistent with the market's current cost containment trend and the new governance system adopted by the Company, following the change in the stock ownership structure completed in 2012. In view of the personal situation of the current Chief Executive Officer, who is an employee internationally seconded by the Parent Company, this compensation also includes the value of the home provided by the Company and the special tax status applied to expatriate employees in accordance with Group policies.
- **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 predefined and measurable targets assigned by the Board of Directors, further to a recommendation by the Compensation Committee and with the input of the Board of Statutory Auditors. With regard to the current term of office, the Board of Directors, based on a recommendation by the Compensation Committee, resolved to maintain at 40% (at the target value) the variable portion of the total gross annual compensation defined for the Chief Executive Officer. For 2015, the reference targets used to determine the variable compensation consisted of four economic-financial targets, with a combined weight of 50%, including EBITDA net of the effects of extraordinary transactions related to renegotiations/arbitration of the price under long-term gas procurement contracts and operating expenses, the trend in operating expenses, the economic result from renegotiations/arbitration of the price under long-term gas contracts and the cash flow, in addition to four operating performance targets (combined weight of 40%) consisting of the "imbalance<sup>1</sup>" of the portfolio of electric power generating

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1. Production imbalance = ratio between the production program that the Company committed to deliver to the sales markets and the production actually supplied. It is computed on a daily basis for each individual production unit and includes all markets where electric power is sold (Day Ahead Market, Intraday Market, Dispatching Services Market, real time Balancing Market).

facilities and the economic value generated by the delivery of electric power dispatching services, the hydrocarbon production level, the containment of trade receivables and the injury incidence rate, both for Company employees and employees of contractors who work at the Company. This basket of targets was rounded out with the addition of an overall target with a total weight of 10%, the qualitative evaluation of which was left to the shareholders, expressed through the Board of Directors and taking into account management's annual performance, assessed in terms of its impact on long-term growth and sustainability perspectives. The targets thus defined are measured on a linear scale based on three levels: a minimum assigned result level (75%), below which the specific target is not deemed to have been achieved and no economic effect is produced, a target level (100%) and a maximum level (125%). The abovementioned general targets also represent common annual objectives for the Company's top management and its managers in general as a whole, supplementing specific area and/or personal targets and accounting for 60% to the overall targets assigned to top managers with strategic responsibilities.

With regard to the results achieved for the common targets assigned to the Chief Executive Officer for the 2015 reporting year, the Board of Directors, meeting on February 15, 2016, upon a recommendation by the Compensation Committee and with the input of the Board of Statutory Auditors, reviewed the data and concluded that the overall performance level achieved was 96%. This result will also be used as a reference value for the pro rata portion of the common objectives included in the 2015 MBO form for top managers and all managers.

As is the case for the Chairman, at the express request of the Chief Executive Officer, all compensation that he may earn for the posts in which he serves are paid by Edison Spa to the Parent Company, which is his employer.

- No medium/long-term stock and/or cash incentive tools were introduced for Directors asked to perform special functions (Chairman and Chief Executive Officer) or for executives with strategic responsibilities. On the other hand, with regard to some middle managers, the Board of Directors, meeting on February 11, 2015, upon a recommendation by the Compensation Committee and with the input of the Board of Statutory Auditors, agreed to launch a second Long-Term Incentive (LTI) cycle for the 2015-2017 three-year period, similarly to what originally occurred with the first 2011-2013 three-year period (first cycle). The new cycle applies to 67 managers and is tied to the achievement of targets different from those used for the annual MBO programs. These objectives are linked with profitability parameters functional to the achievement of a perspective of economic-financial-industrial sustainability by the Company over the medium term. The current plan does not include the Chief Executive Officer and top management, for whom the Board of Directors, further to a recommendation by the Compensation Committee, thought it appropriate to consider the option offered by different and more appropriate solutions, consistent with Group policies for employees in that category, taking also into account the Company's peculiar governance structure.
- 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, entities 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 and an attendance fee for each meeting of the Board of Directors or one of the Committee attended by a Director. For members of the various Committees, the Board awarded the same compensation to each Committee member, except for Committee Chairmen, who receive a slightly higher compensation, consistent with market practice, 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.

- With regard to special **benefits**, please note that: considering the responsibilities of his post and the operational modalities with which he discharges his duties, no special benefits are being provided to the Chairman; as for the benefits provided to the current Chief Executive Officer, their type, purpose and treatment are described earlier in this Report, in the section on fixed compensation, the amount of which includes the economic value of the benefits. A special civil liability insurance coverage is provided by the Company to members of the Board of Directors and Board of Statutory Auditors.

The Company's benefit policies common to all managers also apply to Top Managers with strategic responsibilities. These policies specifically provide for the award of a company car both for business and personal use, specific pension and health care coverage, insurance for work related and non-work related accidents and illness and life insurance. The maximum insurable amounts covered by these policies are higher than those required currently by the relevant collective bargaining agreement.

- The Company is not a party to any agreements with Directors, including the Chief Executive Officer, calling for the payment of **special indemnities in the event of resignation or termination of the appointment/assignment** for any reason and/or cause, or **if the appointment/assignment is not renewed** upon its scheduled expiration. Consequently, no special indemnities were paid to the Directors who left their office in 2015, including the Chief Executive Officer who was terminated effective January 1, 2016, as mentioned in the Forward section of this Report.
- **Succession plans for Directors with executive assignments** are handled, within the framework of the turnover processes of top managers, by the Group's Parent Company for its subsidiaries and are updated periodically, usually on an annual basis.

## 2.4 COMPENSATION FRAMEWORK AND POLICY GUIDELINES FOR 2016

The Board of Directors, acting further to a favorable opinion by the Compensation Committee and with the input of the Board of Statutory Auditors, developed the following framework and guidelines for the current year:

- The overall domestic economic scenario showed the first signs of positive growth, after two years of recession, and an economic recovery that, while still sluggish and gradual, is finally supported by an upturn in internal demand. The macroeconomic and social indicators recorded in Italy in 2015 show GDP growth of about 0.8% (-0.4% in 2014) and an unemployment rate that, while still high, decreased to 11.3% (more than 13% in 2014); inflation, following a period of steady and significant decline in 2013 and 2014 that brought it to a level close to deflation, increased slightly in 2015, but remained at levels below 1%, due mainly to the slump in the price of imported energy products. The expected economic scenarios for 2016, which are also reflected in the government's economic and financial planning documents, show a consolidation and gradual strengthening of the current economic recovery, reflected in macroeconomic indicators that include projected GDP growth of about 1.5%, the overall inflation rate increasing to about 1% (while still held down by the low price of petroleum products) and a further reduction in unemployment, supported by a positive economic trend and labor market political initiatives (reduction in payroll taxes for new permanent hires and the "jobs act"). The impact of this scenario on the trend in Italy's general labor market in 2016 should confirm and consolidate a moderate but steadily growing and dynamic demand in the main industrial sectors. However, the energy sector, with regard both to electric power and hydrocarbons is expected to continue suffering the adverse effects of structural weakness and adverse economic conditions. More specifically, the electric power sector is characterized by low

internal demand and structural production overcapacity. However, this sector is also characterized by a market restructuring phase, with a repositioning of market operators that started in 2015 and, prospectively, could produce a more dynamic scenario in the respective underlying labor market. On the other hand, the hydrocarbon sector, due to the current international macroeconomic scenario, affected primarily by the drastic reduction in crude oil prices, is witnessing a temporary phase of slowing and/or contracting investments in development projects and restructuring processes by the main international operators, resulting in a temporary phase of sluggishness in the underlying labor market, both in Italy and abroad.

In this market context, current general trends and projections concerning compensation policies for Executive Directors, top management and managers of medium-size and large companies in the domestic market, monitored through systematic and periodic surveys available to the Company through periodic reports provided by specialized external companies, confirm for 2016 a cautious and conservative approach to compensation policies, in line with the trend of previous years, particularly with regard to Directors and top management. In general terms with regard to the Italian market, the abovementioned reports for the current year show that projections for the overall wage increase dynamics for 2016 call for an increase of the fixed compensation of about 2.5% for the total payroll, substantially in line with the rate for 2015 and including the remaining automatic contractual adjustments.

- Starting in 2012, in the market context described above, the Company consistently implemented a gradual but significant reduction in the compensation of Directors who perform special functions. Consistent with this approach, from the beginning of the current recessionary cycle, the Company reduced the compensation policies for all managers. In the 2015 reporting year, in accordance with the guidelines defined by the Board of Directors in implementation of the policies and guidance provided in the Compensation Report approved by the Shareholders' Meeting on March 26, 2015 and the program/objective launched during the year to contain operating expenses, the Company's compensation dynamics, consistent with the compensation policy applied to top management and management in general, reflected an increase of 1.8%, which was less than the average market rate of 2.0% and even lower than the rate of the approved compensation policy for the year, which called for an increase ranging between 2.0% and 2.2%.
- In terms of economic and industrial results, the Company is committed to regaining its profitability, while at the same time launching a new medium/long-term growth cycle, consistent with the mission and growth strategy defined within the Group and the consolidation opportunities available in the domestic market; in this context, in 2015, even though the market scenario showed growing challenges for the energy sector, management was able, overall, to achieve the operational-economic-industrial and social targets approved at the beginning of the year and announced to the market, with a particularly significant result in terms of EBITDA and a further improvement of the net financial position.
- Given the abovementioned market context, the current Board of Directors, considering that its term of office will end with the approval of the 2015 financial statements by the Shareholders' Meeting, thought appropriate to hold unchanged for its members the policies already adopted and illustrated in previous Compensation Reports submitted annually to the Shareholders' Meeting for its review.

As for the portion of the 2016 reporting year after the election of a new Board of Directors, without prejudice to the assessments and prerogatives that fall within its jurisdiction the current Board of Directors believes that, in defining compensation policies attention must be given to considering both the continuation of challenging

conditions in the electric power and hydrocarbon market and the effects of the important market restructuring and consolidation processes that could involve major industry operators. These circumstance still make it preferable to adopt compensation policies that provide continuity with the previous three years and are focused on prudence and containment, particularly for the fixed and variable short-term cash components; at the same time and as already stated in the 2014-2015 Compensation Reports, it may be appropriate to introduce-particularly for executive Directors-medium-term variable incentives linked with relevant medium-term strategic objectives (LTI), consistent with the adoption of similar tools within the Group while also considering the possibility of introducing “clawback” clauses for the variable components thus defined, as recommended by the Corporate Governance Code for Listed Companies (Article 6, Implementation Criterion 6.C.1, Letter F).

- With regard to top management and Company managers in general, the salary policy adopted in 2016 should be conservative, particularly regarding increases in the fixed gross annual component, substantially in line with the policy adopted in previous years, slightly more conservative than the projection for the Italian market in general and consistent with the labor cost budgets approved for the current year; insofar as salary increase for the year are concerned, projections call for an increase of not more than 2%, about 0.5% lower than projection for the Italian market in general for this category.
- As for the 2016 targets tied to the variable component of the Chief Executive Officer, it seems appropriate to recommend that the new Board of Directors retain the general structure of a panel that includes economic/financial and operating targets, of an industrial/commercial and social type, that also constitutes a set of common Company targets both for top management and all other company managers.

## 2.5 OPERATING PROCEDURES

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

- The **Shareholders' Meeting**, which defines the annual compensation of the Board of Directors relative to the duration of each term of office and, consistent with Article 123-ter of the TUF, must cast a consultative 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 decides how the compensation awarded by the Shareholders' Meeting should be allocated among its members, unless the Shareholders' Meeting has already defined it, and, based on and consistent with the guidelines set forth in the Compensation Report, determines 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**, established by the Board of Directors, which also defined the Committee's functions (see the 2015 Report on Corporate Governance for additional information) and approved its Operating Regulations. In the performance of its functions, the Committee relies on the operational support of the Human Resources and Organization Department and, when appropriate, the support of qualified external consulting companies different from those normally used by the Company's management.
- 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 and/or other Statutory Auditors 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 Human Resources 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, STATUTORY AUDITORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The schedule that follows lists in detail the compensation that Directors, Statutory Auditors and Executives with Strategic Responsibilities, including those whose term of office ended during the year, earned in 2015 for any reason and in any form, attributable to the Company and its subsidiaries and affiliated companies at December 31, 2015.

Reference period: January 1, 2015 to December 31, 2015 (in thousands of euros)

Beneficiary		Description of post and term office				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 (*)				
<i>Directors in office at December 31, 2015</i>							
Jean.Bernard Lévy (a)	Chairman	01.01.15 - 12.31.15	12.31.15		661	-	
Bruno Lescoeur (b)	Chief Executive Officer	01.01.15 - 12.31.15	12.31.15		761	-	
Marc Benayoun	Director	12.08.15 - 12.31.15	12.31.15		5	-	
Béatrice Bigois (b)	Director (e)	01.01.15 - 12.31.15	12.31.15		61	39	
Paolo Di Benedetto (b)	Director (e) (f) (g) (h)	01.01.15 - 12.31.15	12.31.15		61	137	
Philippe Esper (b)	Director	01.01.15 - 12.31.15	12.31.15		61	-	
Gian Maria Gros-Pietro (b)	Director (e) (f) (g) (h)	01.01.15 - 12.31.15	12.31.15		59	133	
Thomas Piquemal (b)	Director (e)	01.01.15 - 12.31.15	12.31.15		57	22	
Nathalie Tocci (b)	Director (f) (g)	01.01.15 - 12.31.15	12.31.15		61	52	
Nicole Verdier-Naves (b)	Director (f)	01.01.15 - 12.31.15	12.31.15		61	25	
<b>Total compensation of Directors in office at December 31, 2015</b>					<b>1,848</b>	<b>408</b>	
<i>Directors who resigned their office in 2015</i>							
Denis Lépée (b)	Director	01.01.15 - 12.02.15	12.02.15		53	-	
<b>Total compensation of Directors who resigned their office in 2015</b>					<b>53</b>	<b>-</b>	
<b>Total compensation of Directors</b>					<b>1,901</b>	<b>408</b>	
<i>Statutory Auditors in office at December 31, 2015 (d)</i>							
Serenella Rossi	Chairman Board Stat. Audit.	01.01.15 - 12.31.15	12.31.16		60	-	
Giuseppe Cagliero	Statutory Auditor	01.01.15 - 12.31.15	12.31.16		40	-	
Leonello Schinasi	Statutory Auditor	01.01.15 - 12.31.15	12.31.16		40	-	
<b>Total compensation of Statutory Auditors in office at December 31, 2015</b>					<b>140</b>	<b>-</b>	
<b>Total compensation of Statutory Auditors</b>					<b>140</b>	<b>-</b>	
<b>Total compensation Directors and Statutory Auditors</b>					<b>2,041</b>	<b>408</b>	
<b>Executives with strategic responsibilities in office at December 31, 2015 (n)</b>					<b>2,784 (o)</b>	<b>-</b>	

(\*) 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 value of the compensation in kind.

(a) Coopted as Director and appointed as Chairman by the Board of Directors on 12 December 2014 and after confirmed by the Shareholders' Meeting on 26 March 2015.

(b) Elected by the Shareholders' Meeting of March 22, 2013.

(c) Coopted by the Board of Directors on December 8, 2015 and appointed Chief Executive Officer with effect from 1 January 2016.

(d) Elected by the Shareholders' Meeting of March 28, 2014.

(e) Member of the Control and Risk Committee.

(f) Member of the Compensation Committee.

(g) Member of the Committee of Independent Directors.

(h) Member of the Oversight Board.

(i) Variable compensation for 2015.

(l) Compensation paid directly to the EDF Sa company and not to the beneficiary.

(m) Compensation paid directly to the beneficiary.

(n) Includes nine executives.

(o) Compensation for service as an employee.

(p) Please see Table 3.2 below for details.

Variable non-equity compensation		Compensation			Total	Fair Value of equity compensation	End-of-service or employment termination indemnity
Bonuses and other incentives	Profit sharing	Non-cash benefits (**)	Other compensation				
-	-	-	-	661 (l)	-	-	
480 (l)	-	-	-	1,241 (l)	-	-	
-	-	-	-	5 (l)	-	-	
-	-	-	-	100 (l)	-	-	
-	-	-	-	198 (m)	-	-	
-	-	-	-	61 (m)	-	-	
-	-	-	-	192 (m)	-	-	
-	-	-	-	79 (l)	-	-	
-	-	-	-	113 (m)	-	-	
-	-	-	-	86 (l)	-	-	
<b>480</b>	-	-	-	<b>2,736</b>	-	-	
-	-	-	-	53 (l)	-	-	
-	-	-	-	<b>53</b>	-	-	
<b>480</b>	-	-	-	<b>2,789</b>	-	-	
-	-	-	-	60 (m)	-	-	
-	-	-	-	40 (m)	-	-	
-	-	-	-	40 (m)	-	-	
-	-	-	-	<b>140</b>	-	-	
-	-	-	-	<b>140</b>	-	-	
<b>480 (p)</b>	-	-	-	<b>2,929</b>	-	-	
<b>1,001 (p)</b>	-	<b>134</b>	<b>182</b>	<b>4,101</b>	-	-	

## Annual 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, 2014 to December 31, 2015 (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. for post held (2)		
<i>Directors in Office at December 31, 2015</i>									
Jean.Bernard Lévy (a)	Chairman	01.01.15 - 12.31.15	12.31.15	661	50	11	600	-	
Bruno Lescoeur (b)	Chief Executive Officer	01.01.15 - 12.31.15	12.31.15	761	50	11	700	-	
Marc Benayoun (c)	Director	12.08.15 - 12.31.15	12.31.15	5	3	2	-	-	
Béatrice Bigois (b)	Director (e)	01.01.15 - 12.31.15	12.31.15	61	50	11	-	39	
Paolo Di Benedetto (b)	Director (e)(f)(g)(h)	01.01.15 - 12.31.15	12.31.15	61	50	11	-	137	
Philippe Esper (b)	Director	01.01.15 - 12.31.15	12.31.15	61	50	11	-	-	
Gian Maria Gros-Pietro (b)	Director (e)(f)(g)(h)	01.01.15 - 12.31.15	12.31.15	59	50	9	-	133	
Thomas Piquemal (b)	Director (e)	01.01.15 - 12.31.15	12.31.15	57	50	7	-	22	
Nathalie Tocci (b)	Director (f)(g)	01.01.15 - 12.31.15	12.31.15	61	50	11	-	52	
Nicole Verdier-Naves (b)	Director (f)	01.01.15 - 12.31.15	12.31.15	61	50	11	-	25	
<b>Total compensation of Directors in office at December 31, 2015</b>				<b>1,848</b>	<b>453</b>	<b>95</b>	<b>1,300</b>	<b>408</b>	
<i>Directors who resigned their office in 2015</i>									
Denis Lépée (b)	Director	01.01.15 - 12.02.15	12.02.15	53	46	7	-	-	
<b>Total compensation of Directors who resigned their office in 2015</b>				<b>53</b>	<b>46</b>	<b>7</b>	<b>-</b>	<b>-</b>	
<b>Total compensation of Directors</b>				<b>1,901</b>	<b>499</b>	<b>102</b>	<b>1,300</b>	<b>408</b>	
<i>Statutory Auditors in office at December 31, 2015 (d)</i>									
Serenella Rossi	Chairman Board Stat. Audit.	01.01.15 - 12.31.15	12.31.16	60	60	-	-	-	
Giuseppe Cagliero	Statutory Auditor	01.01.15 - 12.31.15	12.31.16	40	40	-	-	-	
Leonello Schinasi	Statutory Auditor	01.01.15 - 12.31.15	12.31.16	40	40	-	-	-	
<b>Total compensation of Statutory Auditors in office at December 31, 2015</b>				<b>140</b>	<b>140</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total compensation of Statutory Auditors</b>				<b>140</b>	<b>140</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total compensation</b>				<b>2,041</b>	<b>639</b>	<b>102</b>	<b>1,300</b>	<b>408</b>	

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

(a) Coopted as Director and appointed as Chairman by the Board of Directors on 12 December 2014 and after confirmed by the Shareholders' Meeting on 26 March 2015.

(b) Elected by the Shareholders' Meeting of March 22, 2013.

(c) Coopted by the Board of Directors on December 8, 2015 and appointed Chief Executive Officer with effect from 1 January 2016.

(d) Elected by the Shareholders' Meeting of March 28, 2014.

(e) Member of the Control and Risk Committee.

(f) Member of the Compensation Committee.

(g) Member of the Committee of Independent Directors.

(h) Member of the Oversight Board.

(1) Compensation approved by the Shareholders' Meeting of March 22, 2013.

(2) Compensation approved by the Board of Directors on April 23, 2013.

(3) Compensation approved by the Board of Directors on March 22, 2013.

## Detail of Compensation for serving on Committees

Honoraria for participating in meetings of the Control and Risk Committee <sup>(3)</sup>	Attendance fees for meetings of the Control and Risk Committee <sup>(3)</sup>	Honoraria for participating in meetings of the Compensation Committee <sup>(3)</sup>	Attendance fees for meetings of the Compensation Committee <sup>(3)</sup>	Honoraria for participating in meetings of the Committee of Independent Directors <sup>(3)</sup>	Attendance fees for meetings of the Committee of Independent Directors <sup>(3)</sup>	Honoraria for participating in meetings of the Oversight Board <sup>(3)</sup>	Attendance fees for meetings of the Oversight Board <sup>(3)</sup>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
30	9	-	-	-	-	-	-
22	9	25	5	20	7	40	9
-	-	-	-	-	-	-	-
22	7	20	5	25	7	40	7
22	-	-	-	-	-	-	-
-	-	20	5	20	7	-	-
-	-	20	5	-	-	-	-
<b>96</b>	<b>25</b>	<b>85</b>	<b>20</b>	<b>65</b>	<b>21</b>	<b>80</b>	<b>16</b>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<b>96</b>	<b>25</b>	<b>85</b>	<b>20</b>	<b>65</b>	<b>21</b>	<b>80</b>	<b>16</b>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<b>96</b>	<b>25</b>	<b>85</b>	<b>20</b>	<b>65</b>	<b>21</b>	<b>80</b>	<b>16</b>

## 3.2 SCHEDULE OF MONETARY INCENTIVE PLANS FOR DIRECTORS AND EXECUTIVES WITH STRATEGIC RESPONSABILITIES

Reference period: January 1, 2015 to December 31, 2015 (in thousands of euros)

Beneficiary			Bonuses of the year			Bonuses of previous years			Other Bonuses
First and last name	Post held	Plan	Paid/ Payable	Deferred	Deferral period	No longer payable	Paid/ Payable	Still deferred	
Bruno Lescoeur	Chief Executive Officer	Annual Monetary Incentive Plan 2015 BoD May 7, 2015	480 (a)	-	-	-	-	-	-
		Annual Monetary Incentive Plan 2014 BoD May 13, 2014	-	-	-	-	520 (c)	-	-
<b>Total</b>			<b>480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>520</b>	<b>-</b>	<b>-</b>
<b>Executives with strategic responsibilities</b>									
Compensation in the reporting company		Annual Monetary Incentive Plan 2015	1,001 (b)	-	-	-	-	-	-
		Annual Monetary Incentive Plan 2014	-	-	-	-	1,026 (d)	-	-
Compensation from subsidiaries and affiliates		Annual Monetary Incentive Plan 2015	-	-	-	-	-	-	-
<b>Total</b>			<b>1,001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,026</b>	<b>-</b>	<b>-</b>
<b>Total</b>			<b>1,481</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,546</b>	<b>-</b>	<b>-</b>

(a) Variable compensation for 2015.

(b) Variable bonuses for 2015 for nine executives with strategic responsibilities.

(c) Variable compensation for 2014.

(d) Variable bonuses for 2014 for nine executives with strategic responsibilities.

### 3.3 SCHEDULE OF EQUITY INTERESTS HELD BY DIRECTORS, STATUTORY AUDITORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The schedule that follows lists the equity interests that Directors, Statutory Auditors and Executives with Strategic Responsibilities, 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, 2014 to December 31, 2015, in Edison and its subsidiaries at December 31, 2015, based on data obtained from the Shareholders' Register, communications received and other available information.

Reference Period: January 1, 2015 to December 31, 2015

First and last name	Post held	Investee company	Number of shares held at the end of the previous year (12.31.2014)	Number of shares bought	Number of shares sold	Number of shares held at the end of the current year (12.31.2015)
<i>Directors in office at December 31, 2015</i>						
Jean-Bernard Lévy	Chairman	-	-	-	-	-
Bruno Lescoeur	Chief Executive Officer	-	-	-	-	-
Marc Benayoun	Director	-	-	-	-	-
Béatrice Bigois	Director	-	-	-	-	-
Paolo Di Benedetto	Director	-	-	-	-	-
Philippe Esper	Director	-	-	-	-	-
Gian Maria Gros-Pietro	Director	-	-	-	-	-
Thomas Piquemal	Director	-	-	-	-	-
Nathalie Tocci	Director	-	-	-	-	-
Nicole Verdier-Naves	Director	-	-	-	-	-
<i>Directors who resigned their office in 2015</i>						
Denis Lépée	Director	-	-	-	-	-
<i>Statutory Auditors in office at December 31, 2015</i>						
Serenella Rossi	Chairman Board Stat. Audit.	-	-	-	-	-
Giuseppe Cagliero	Statutory Auditor	-	-	-	-	-
Leonello Schinasi	Statutory Auditor	-	-	-	-	-
<b>Executives with strategic responsibilities at December 31, 2015 (a)</b>			-	-	-	-

(a) Includes nine executives.

# MOTION

*Dear Shareholders:*

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 Executives with Strategic Responsibilities and the procedures used to adopt and implement those policies. The resolution is not binding.

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 Executives with Strategic Responsibilities and the procedures used to adopt and implement those policies;
- taking into account the Corporate Governance Code for Listed Companies, which the company adopted;
- having acquired the favorable opinion of the Compensation Committee;

**resolves**

- to approve "Section One" of the Compensation Report.

Milan, February 15, 2016

The Board of Directors  
by: Marc Benayoun  
*Legal Representative*



**Edison Spa**

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20121 Milan, Italy

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