



# 2017 CORPORATE GOVERNANCE

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## **2017 CORPORATE GOVERNANCE**

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This document has been translated into English for the convenience of readers outside of Italy.  
The original Italian document should be considered the authoritative version.

# 2017 Corporate Governance





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This Report on Corporate Governance and on the Company's Ownership Structure (hereinafter the "Governance Report" or "Report") and the Bylaws are available on the Company website ([www.edison.it](http://www.edison.it) - "Governance - Governance - Bylaws and Corporate Governance Reports").

# INTRODUCTION

## FOREWORD

Edison is a leading player among Italian energy companies. It 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 forms of energy, and offers energy efficiency services. The Group headed by Edison is mainly active in Italy and is present in other European countries, in Africa and the Middle East.

On the basis of the new strategic guidelines of the Edison Group, outlined at the end of 2015, also in response to the significant changes that occurred in the context in which the Group operates, Edison thought it appropriate to make customers the fulcrum of its strategy, strengthening the development in the downstream area and broadening its offerings with the addition of energy efficiency services. At the same time, it decided to focus its activities more decisively on renewable source generation. In this new strategic scenario, a new brand identity and a new logo, viewed as providing an opportunity to reinforce the orientation of business activities in the abovementioned direction, were identified in 2016.

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 the applicable regulations.

Please keep in mind that in 2012 Translapina di Energia Srl ("TdE Srl"), which at that time already held a controlling interest in Edison, owning 61.3% of its common share capital, promoted a mandatory offer, as defined below, following the acquisition of control of Edison, as of May 24, 2012, by Electricité de France Sa ("EDF"). This took place upon its subsidiary WGRM Holding 4 Spa ("WGRM"), controlled by EDF in its turn, acquiring from Delmi Srl ("Delmi"), a 51% subsidiary of A2A Spa, a 50% interest in the share capital of TdE Srl, thus becoming its sole shareholder. Following this transaction, TdE Srl, 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 art. 102 and art. 106, paragraph 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 art. 108, paragraph 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 Srl and MNTC, of a 99.5% interest in Edison's common share capital.

Due to the outcome of the Mandatory Offer and in fulfilment of the Purchase Obligation mentioned below, Borsa Italiana Spa ("Borsa Italiana"), by Resolution No. 7544 of August 7, 2012, then delisted the Edison common shares from the MTA, effective September 10, 2012.

Nevertheless, the Company elected to continue following the Corporate Governance Code promoted by Borsa Italiana, in the manner described later in this Report on the Corporate Governance.

For the sake of complete disclosure, please also keep in mind that, subsequent to the delisting of the common shares, in accordance with the provisions of art. 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 traded 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 Srl 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 Srl 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").

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 Edison 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

Lastly, it is important to keep in mind, that the debt securities that Edison still had outstanding totalling 600 million euros, issued within the framework of a Euro Medium Term Note Program approved by the Board of Directors, and listed on the Luxembourg Exchange, were reimbursed on November 10, 2017, the date of natural maturity of the bond. The features of this bond issue are summarized in the notes to the separate financial statements and the consolidated financial statements.

## GOVERNANCE STRUCTURE

Consistent with its status as a company under Italian law Edison 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.

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

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

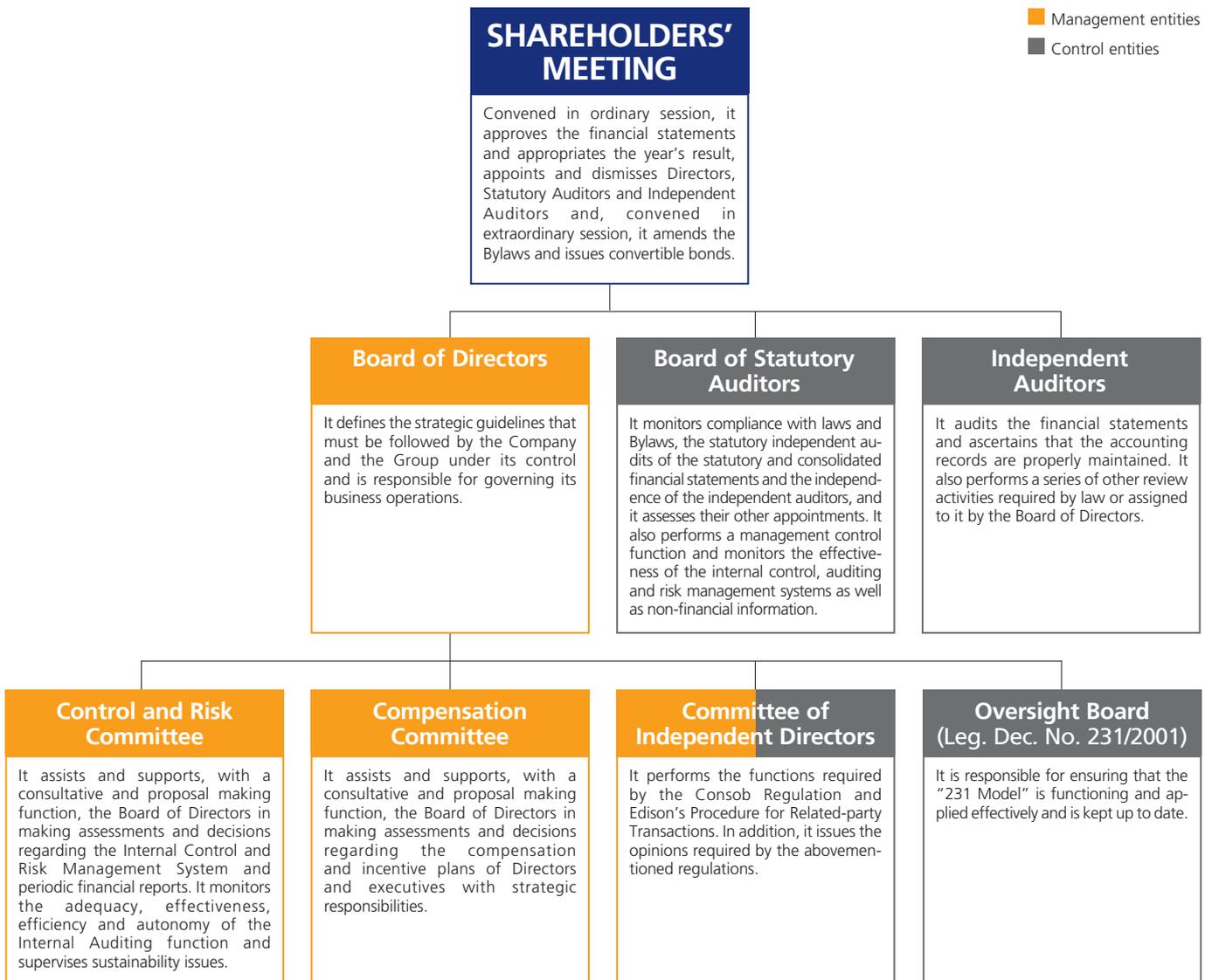
- An Executive Committee, established in 2012, the composition of which was changed in 2016, led by the Chief Executive Officer and comprised of the managers of the Divisions representing the Company's main business areas, which provides support for the activities of the Chief Executive Officer. This body includes the managers of the five business divisions (Exploration & Production; Power Asset & Engineering, Gas Midstream, Energy Management & Optimization; Gas & Power Market; and Energy Services Market) and the managers of the four divisions providing guidance and transversal support (Finance & Procurement, Legal & Corporate Affairs; Human Resources & ICT and since February 2017, as specified in the section of this Report entitled "Definition of Corporate Governance and the Group's Structure", External Relations & Communication);
- 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 and which - as specified in the previous Governance Report - were reorganized in 2016;
- The Code of Ethics, the specific models, protocol and management systems concerning issues governed by Legislative Decrees No. 231/2001 and No. 262/2005, concerning the protection of privacy and occupational health and safety, subject to systematic updates to take into account the evolution of regulations on the matter and changes in the Group's organizational structure, 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 economic growth, which is also able to minimize the impact of its activities on the environment and the social context. Starting from this year, in line with the new EU provisions incorporated into our legal system with Legislative Decree No. 254 of December 30, 2016, it has prepared a Statement on non-financial information (the "NFS"). The 2017 NFS, approved by the Board of Directors at its meeting on February 14, 2018, incorporates some of the content that was already included in the Sustainability Report, which Edison - one of the first in Italy - had prepared every year since 2004 on a voluntary basis and subjected to a voluntary audit by the Independent Auditors. In this regard, for some time now the Institutional Affairs Department has included a specific Sustainability and CSR Function responsible for managing matters linked to sustainable development.

At December 31, 2017, the Group included 60 subsidiaries (37 in Italy), 9 foreign companies under joint control and 12 affiliated companies (8 in Italy).

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

The illustration on the facing page provides an overview of Edison's governance model.



## 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 behaviour 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. In 2016, as allowed under the Code, the Company adopted some of the new recommendations contained in the 2015 edition of the code (the "Code").

Edison's current governance system, with the exceptions mentioned below, is consistent with the rules set forth in the Code. The Code is posted on Borsa Italiana's website (<http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf>).

This Governance Report, as well as the Compensation Report, both included in this publication, in it, incorporate an illustration of the corporate governance structure reviewed by the Board of Directors on February 14, 2018. 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. These reports also provide the disclosures required by the laws and regulations that apply to corporate governance and the compensation of Directors and executives with strategic responsibilities.

## OWNERSHIP STRUCTURE

### STRUCTURE OF THE SHARE CAPITAL

#### Composition

As of February 14, 2018, Edison's share capital totalled 5,377,000,671.00 euros, divided into 5,266,845,824 common shares, par value 1 euro each, equal to 97.95% of the total share capital, and 110,154,847 savings shares, par value 1 euro each, equal to 2.05% 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 pre-set 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 savings shareholders convened in Special Meetings.

Lastly, for the sake of complete disclosure, please note that, as stated in the Foreword, in the event of delisting of the common shares, 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 art. 2443 of the Italian Civil Code, nor is it authorized to purchase treasury shares.

### **Restrictions on 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 14, 2018, 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 3% of the voting stock ("Significant Equity Interests").

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

	Common shares	% of common share capital	% of total share capital
TdE Spa (formerly WGRM) (1)	5,239,669,098	99.48	97.45
<b>Total for the EDF Group</b>	<b>5,239,669,098</b>	<b>99.48</b>	<b>97.45</b>

A list of shareholders with Significant Equity Interest is available on the Company website ([www.edison.it](http://www.edison.it) - Our Company - Investor Relations - Stocks - 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 Art. 122 of the Consolidated Finance Law ("TUF")

To the best of the Company's knowledge, there are no agreements deemed significant pursuant to art. 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, 2017, as defined in art. 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:

- A loan agreement, originally for 250 million euros, provided to Edison in December 2010 by the European Investment Bank to finance the conversion of some gas fields owned by Edison Stocaggio Spa into underground gas storage facilities (see 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.
- Contract between Fenice S.p.A. and Fiat Group Purchasing S.r.l. (now FCA Group Purchasing S.r.l.), executed on December 19, 2012, for the provision of energy services for FCA's industrial sites in Italy and Spain. FCA will have the right to terminate all or part of the contract due to the sale by Fenice of a business operation to a third party not controlled by or affiliated with EDF, as well as after the transfer of control over Fenice by EDF, unless such sale or transfer is carried out for the advantage of any company controlled by or affiliated with EDF.
- 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 (see Notes to the separate and consolidated financial statements).
- 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 1 above applies to this facility (see Notes to the separate and consolidated financial statements).
- A *contrat de financement ligne de crédit* for 600 million euros executed on April 10, 2017 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 will 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).
- A *facility agreement* for 300 million euros executed on April 19, 2017 by Edison and a pool of banks. If Edison stops being directly or indirectly controlled by EDF, it will need to provide prompt disclosure of this and if one of the lenders so requests, it will need to make early repayment of that lender's amount (principal and interest) and any other sum due pursuant to the contract (see Notes to the separate and consolidated financial statements).
- A loan agreement for 150 million euros executed on November 9, 2017 by Edison and the European Investment Bank (EIB) to finance the construction and commissioning of five new onshore wind power plants and the complete rebuilding and commissioning of three existing onshore wind power plants, for a total capacity of roughly 165 MW, owned by E2i Energie Speciali S.r.l. If Edison stops being controlled by EDF or it is informed that EDF will soon stop controlling it, it must promptly notify the EIB, which subsequent to the occurrence of this event may request early repayment of the loan, along with the interest accrued and any other sum accrued or due pursuant to the contract (see Notes to the separate and consolidated financial statements).

### 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.

### 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 art. 104, paragraphs 1 and 1-*bis*, of the TUF and none of the neutralization rules set forth in art. 104-*bis*, paragraphs 2 and 3, of the TUF have been introduced.

### Controlling Entity and Management and Coordination Authority

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

Neither EDF nor TdE (formerly WGRM), which is the company that holds a direct interest in Edison, exercised management and coordination authority over Edison. This was because, on the one hand, TdE 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 and functions, 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 professional characteristics of its managers. Consistent with Edison's strategic guidelines defined at the end of 2015, this role was broadened in 2016 to include the area of energy efficiency services, due also to the transfer of control of Fenice Spa, operational or otherwise, from EDF to Edison, which has enabled Edison to develop and strengthen its position on that market. In 2017, it was further strengthened with the attribution to Edison by the controlling shareholder EDF of the management of its gas assets with regard to procurement, contractual management and medium/long-term optimization.

Vice-versa, virtually all of the Company's direct and indirect Italian subsidiaries have declared that Edison or one of its direct subsidiaries is the entity that exercises oversight and coordinating authority over their operations.

## 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 art. 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 art. 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, as adopted in art. 144-*ter* of the Issuers' Regulations, 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, 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 art. 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 art. 17 of the Bylaws.

The Bylaws currently in effect have been published on the Company website, at the address <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.

In light of the changes in the reference legislative framework, the Company decided, in line with the best practices followed by other companies with listed financial instruments and in continuity with the legislation previously in effect, that it will continue to abide by the choice made since 2016 to communicate to the market quarterly financial information on a consolidated basis, in addition to its annual and semiannual financial reports. With respect to the past, this information is now more concise and more focused on business trends. In any event, it is still published within the same terms as those set forth by the old rules, i.e., by the forty-fifth day subsequent to the end of the quarter.

## CORPORATE GOVERNANCE

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.

### BOARD OF 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.

However, as mentioned in recent Corporate Governance Reports, the Board of Directors has decided for a few years that, given the persisting instability of the energy scenario, it is more appropriate to approve only the budget. This is because it finds that planning activities focused over the short term would be preferable, given the extreme volatility and uncertainty of the reference economic scenarios. During the approval of the budget, the Board of Directors in any event examines the medium-term forecasts on the basis of the assumed Group reference commodity pricing scenario (oil, electricity and gas) and euro/dollar exchange rates, as well as the evolution of electricity and gas demand.

The 2017 budget was approved by the Board of Directors at its meeting on December 6, 2016; during this meeting it also examined the 2018-2020 medium-term plan, after sharing its assumptions, key objectives and the main expected changes. The 2018 budget was instead approved by the Board of Directors on December 7, 2017, which also viewed the 2019-2021 medium-term plan, sharing its assumptions, key objectives and opportunities. Moreover, during the previous meeting on October 26, 2017, the Directors viewed the assumptions underlying that plan in terms of the evolution of electricity and gas demand, commodity prices and regulatory and business development assumptions, along with the key objectives and challenges identified.

Lastly, the Board of Directors adopted as valid, for the purpose of the impairment tests applied to the 2017 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 quarterly actual and planned results, as listed in the approved budget, usually when 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 analysed.

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

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

The Group's organizational, management and corporate structure underwent several changes in 2017. In the first place, at the initiative of the Chief Executive Officer, approved of by the Board of Directors, effective as of February 24, 2017, the number of members of the Executive Committee was increased from 9 to 10 (including the Chief Executive Officer) following the identification of a new Manager of External Relations & Communication activities. In 2017 the decision was also made to have the activities of the Transformation Team established in 2016 continue, within the terms specified in the "Composition of the Board of Directors" section.

In addition, a reorganization of the activities carried out by Edison Trading was also approved, leading to the creation of a joint desk at EDF Trading - London for the performance of proprietary trading activities on power in Italy, and the merger by absorption of Edison Trading into Edison, completed effective as of December 1, 2017, which resulted in the transfer to Edison of activities relating to production optimization and dispatching.

### **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 strategic objectives mentioned in the "Forward" section of this Report.

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. The updated risk map is then examined on a yearly basis by the Board of Directors at the meeting during which it also approves the budget for the next year.

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, as also specified in more detail in the "Internal Control and Risk Management Systems" section, 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.

In addition, like every year, during the approval of the budget, the Board of Directors approves the document entitled "Edison Risk Management Framework for Energy Market Risk", whereby it identifies the principles and defines the main strategies for hedging commodity risk and the relative exchange risk and establishes the risk limits to be respected during the subsequent year.

With respect to 2017, the decision regarding the maximum limit of Economic Capital for the Industrial Portfolio and the Trading Portfolios was approved during the meeting on December 6, 2016 and, relating to 2018, during the meeting on December 7, 2017. During this last meeting, the Board of Directors also decided to establish a maximum limit for Economic Capital only for the Industrial Portfolio, considering the organizational changes that took place in the activities carried out by Edison Trading, referred to above.

### **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 assesses 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.

As specified in the previous Governance Report, starting in 2016, specifically with regard to risk management, the Board of Directors reviews more in detail, based on the same documents provided to the Control and Risk Committee, the analyses performed and the results achieved, using the integrated risk management model adopted by the Group. The purpose of this approach is, on the one hand, to ensure a better implementation of the principle in this area set forth in the Code and, on the other hand, to comply with the recommendations of Consob Communication No. 0009517 of February 3, 2016, which required the active involvement of the Board of Directors in the processes for managing, monitoring and controlling risks deriving from derivative transactions and greater attention by the Board of Statutory Auditors to the adequacy of the Company's organizational structure in terms of compliance with the EMIR regulation. As in the past, the Control and Risk Committee in any event continues to carry out a preventive investigative activity, providing its assessments and recommendations to the Board of Directors.

For 2017, the assessment, which covered both Edison and all of its subsidiaries, was carried out at the meetings held on February 13, 2017 and July 26, 2017. Additional assessments were performed in connection with the validation of specific corporate reorganization programs.

In connection with the approval of the 2018 budget, the Board of Directors discussed and approved the risk map; moreover, when the 2017 semiannual results and the 2018 budget were approved, the Board discussed the updated risk profiles, specifically as they relate to the Group's main risks: i.e., i) market risks; ii) counterparty and country risk; iii) risks inherent in the use of financial derivatives; and iv) EMIR compliance risks, sharing information about mitigating actions.

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

### **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 March 22, 2016, the Board of Directors, in addition to those attributions that are reserved for the Board pursuant to law or specific internal procedures 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 requests 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 Italy;
- 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 art. 2505 and 2505-*bis* of the Italian Civil Code and those referred to in art. 2506-*ter* of the Italian Civil Code;
- g) Bond placements;
- h) 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;
- i) 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;
- l) Contracts to sell and buy other energy commodities, steam, crude oil and its derivatives, coal, securities representative of Green Certificates, CO2 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;
- m) 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;
- n) 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;
- o) 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;
- p) Contracts involving investment (other than those listed in letter q) below) involving an amount greater than 50 million euros (or equivalent amount in another currency) for each contract;
- q) 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;
- r) 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;
- s) 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, as amended;
- t) 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 above-mentioned meeting of March 22, 2016, 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, if carried out by Edison, would be outside the jurisdiction of Edison's Chief Executive Officer, require the prior approval of Edison's Board of Directors.

As explained in previous Reports on Corporate Governance, in view of the number of and the activities carried out by the subsidiaries, the Board of Directors did not establish any qualitative/ quantitative criteria 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 2017, the Board of Directors approved the completion of three material transactions carried out by subsidiaries.

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

In 2017, 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, in line with 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 14, 2018.

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 and with regard to gender parity and the weight of independent Directors. Both the mix of competencies, also at the management level, and the level of knowledge of the Directors were found to be adequate for a sound management of the Company and the high level of their professionalism was confirmed.

The programs to provide more in-depth information about specific issues related to the Group's activities and its reference economic framework carried out during the year were greatly appreciated and a recommendation was made that they be continued, with a few specifications. 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 and how time was allocated to the different issues discussed at the meeting 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 five days for 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 favourably the presentations provided at Board meeting by Company 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 and regarding the issue of the number of posts at other companies compatible with

the post of Director at Edison, please see the sections of this Report entitled "Rules of Operation of the Board of Directors" and "Election of Directors."

### **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, and for stakeholders more generally, 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.

In 2016, complying with the Code's recommendation and amending the position taken in the past, Edison's Board of Directors, based on the suggestions developed on the occasion of the self-assessment survey carried out during the year and also with regard to the election of the Board of Directors that was to take place soon, expressed an opinion on the maximum number of posts that may be held, compatibly with the effective performance of the duties of an Edison Director. In this regard, the maximum number of posts of Director or Statutory Auditor that may be held at other companies listed on regulated exchanges (including abroad) and financial, banking and insurance companies or companies of significant size that are not part of the group to which Edison belongs was set at five. Beyond this consideration, Edison's Board of Directors continues to believe 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.

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. Therefore, generally, the transactions carried out by Edison and its parent company EDF were subject to specific approval by Edison's Board of Directors, irrespective of their value and nature, due to the fact that Edison's Chief Executive Officer is also an employee of EDF.

### **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 such cases, the Chief Executive Officer usually chairs the Meeting.

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.

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 favourable 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 five days in advance of the date of the Board meeting, as specified by the Board of Directors upon completion of its self-assessment conducted in 2016. 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 2017, aside from justified and limited exceptions, the required documents were sent, in the majority of cases, more than six days before the date of the Board meeting, which is a slight improvement compared to the previous year. The Board of Directors determined that the modalities and timing with which these documents were made available in 2017 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. As in the previous year, the Chairman, in agreement with the Chief Executive Officer, decided to conduct a few induction sessions in 2017 and during Board meetings, going in depth on specific matters mentioned by the Directors as part of the self-assessment conducted in 2017. These in-depth analyses regarded in particular: the business of gas and electricity sale activities and risks linked to the strategic orientation towards the customer market; an examination of the investments made; the national energy strategy and its impact on Edison's strategic programs; sector regulatory evolutions and the main new features of Legislative Decree 231/2001, the new regulation regarding the granting of engagements to the independent auditors and regulations on non-financial information.

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 governance rules 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 2017, the Board of Directors met nine times, with each meeting lasting an average of about one hour. The average attendance of Directors at Board meetings was 86.42%. A breakdown is provided below:

Directors	Number of Board meeting attended in 2017	Percentage
<i>In office at December 31, 2017</i>		
Jean-Bernard Lévy	8 of 9	88.89
Marc Benayoun	9 of 9	100
Marie-Christine Aulagnon	7 of 9	77.78
Béatrice Bigois	8 of 9	88.89
Paolo Di Benedetto	6 of 9	66.67
Gian Maria Gros-Pietro	8 of 9	88.89
Sylvie Jéhanno	7 of 9	77.78
Nathalie Tocci	8 of 9	88.89
Nicole Verdier-Naves	9 of 9	100

The attendance of meetings of the Board of Directors by Statutory Auditors in 2017 is shown in a table provided in the section of this Report entitled "Board of Statutory Auditors."

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.

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 for the following year, and posted on the Company website ([www.edison.it](http://www.edison.it) - Our Company - Investor Relations - Financial Calendar). The calendar for 2018 was published on December 9, 2017 and the Company confirmed the established practice of convening a meeting of the Board of Directors early in February to approve the financial statements. Four more meetings have been scheduled for 2018, in addition to the one held in February.

### 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. Current provisions require that nominations, complete with the documents required pursuant to laws and regulations, be filed at the Company's head office within the deadline and in the manner stated in the Notice of the Meeting. If such information is not provided, they may be filed directly at the Shareholders' Meeting.

The nomination of each Statutory Auditor must be accompanied by: 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, 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. In this regard, please recall what was specified in the previous Governance Report, and that is that on the occasion of the election of the new Board of Directors in 2016, the departing Board of Directors provided some indications in this respect, on the basis of the results arising from the findings of the self-assessment process carried out in 2015 and in compliance

with the provisions of the Corporate Governance Code. Indeed, in its explanatory report to the Shareholders' Meeting convened on March 22, 2016, it suggested that in determining the composition of the Board of Directors that would be elected, consistent with past practice, *"the different sectors of activity of which the Company is comprised and the main professional and management competencies needed for a sound management of the Company"* be taken into account, and recommended that the members serving of the various Committees of the Board of Directors include *"persons that possess the specific professional competencies required by the Code, such as adequate experience in accounting and finance and/or risk management and/or compensation policy areas."*

The Board of Directors, with the same modalities, also recommended the appointment of an adequate number of Directors possessing the independence requirements necessary pursuant to law and the Code, i.e., at least three.

The controlling shareholder accepted these recommendations.

Lastly, in order to enable the Directors to devote the necessary time to the performance of their tasks and adequate availability to discharge their duties effectively, while remaining convinced that the determination of these issues is first of all the responsibility of the individual Directors upon accepting their appointments, and taking into account, if applicable, service on any of the Board Committees, the Board of Directors recommended that no Director should hold more than five posts as Director or Statutory Auditor at companies listed on regulated exchanges (including abroad) and financial, banking and insurance companies or companies of significant size that are not part of the group to which Edison belongs.

All Directors are complying with this recommendation.

With regard to succession plans, the Board of Directors 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, and was later confirmed. On the other hand, for executives with strategic responsibilities and, more generally, for the management, the Company has adopted a specific succession process for some time now.

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, together with the motion regarding the length of the term of office, were published as soon as they were received from TdE, the controlling shareholder, on March 18, 2016. At that time, TdE held 99.476% of the voting share capital. On the same date, the relevant documents were made available and published on the Company website ([www.edison.it](http://www.edison.it) - Our Company - Governance - AGM - Archives - Shareholders' Meeting of March 22, 2016 - Documents). During the Shareholders' Meeting of March 22, 2016, TdE also filed motions regarding the compensation of Directors, taking into account and consistent with the recommendations contained in the Compensation Report submitted to the same Shareholders' Meeting.

As stated above, all of the Directors elected by the Shareholders' Meeting on March 22, 2016 were nominated by the majority shareholder TdE. The above-mentioned Shareholders' Meeting also reduced the number of Directors to nine, electing the current Board of Directors for three years, until the Shareholders' Meeting for the approval of the 2018 financial statements.

### 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, nor do they specify professional or independence requirements taken from the Code or specific professional characteristics for the Directors. Information regarding recommendations made by the Board of Directors in accordance with the Code about the composition of the Board and the characteristics of the Directors is provided in the section of this Report entitled "Election of Directors."

As mentioned earlier, the Board of Directors in office at December 31, 2017 was comprised of nine Directors: five women, one of whom qualified as independent, and four men, two of whom qualified as independent. The number of Directors was unchanged on the date this Report was approved (February 14, 2018). Edison is thus the first listed company in which the number of female Directors is greater than that of male Directors, who thus become the "least represented gender."

All the Directors who served on the Board in 2017 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, 2017 held at publicly traded companies, at financial, banking and insurance companies and at companies of significant size, pointing out those held inside the EDF group.

Diversity policies are adequately applied in relation to the composition of the Board of Directors and the Board of Statutory Auditors, as both boards are suitably diversified in terms of age, gender and educational and professional background, as well as nationality, as can be seen in the information provided above as well as the *curricula* annexed to this Governance Report. In light of this, the Board of Directors did not deem it necessary to formalize the approval of such a policy. Moreover, through its Chief Executive Officer, the Company is moving forward with specific inclusion and diversity programs. In 2017, these programs were accelerated, including through the activities carried out by the Transformation Team, consisting of managers and professionals, which has dedicated a work group to these matters.

The following Directors were in office at December 31, 2017 (and they continue to be in office at February 14, 2018).

Name, characteristics and post held	Date when last elected	Date when first elected
<b>Jean-Bernard Lévy</b> (Chairman) Non-executive Director	Elected also as Chairman by the same Shareholders' Meeting	Board of Directors of December 12, 2014. Elected Chairman at that meeting
<b>Marc Benayoun</b> (Chief Executive Officer) Non-executive Director	Appointed Chief Executive Officer by the Board of Directors on March 22, 2016	Board of Directors meeting of December 8, 2015 that also appointed him Chief Executive Officer
<b>Marie-Christine Aulagnon</b> Non-executive Director Member of the Control and Risk Committee <sup>(1)</sup>		-
<b>Béatrice Bigois</b> Non-executive Director Chairperson of the Control and Risk Committee <sup>(2)</sup>		Board of Directors of June 4, 2012
<b>Paolo Di Benedetto</b> Non-executive independent Director Chairman of the Compensation Committee and member of the Control and Risk Committee, the Committee of Independent Directors and the Oversight Board	Shareholders' Meeting of March 22, 2016	Shareholders' Meeting of March 22, 2013
<b>Gian Maria Gros-Pietro</b> Non-executive independent Director Lead Independent Director Chairperson 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>Sylvie Jéhanno</b> Non-executive Director		-
<b>Nathalie Tocci</b> Non-executive independent Director Member of the Committee of Independent Directors and the Compensation Committee		Shareholders' Meeting of March 22, 2013
<b>Nicole Verdier-Naves</b> Non-executive Director Member of the Compensation Committee		Board of Directors of June 4, 2012

(1) Chairman as of September 20, 2017

(2) Chairman until September 20, 2017

## 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 2017, Jean-Bernard Lévy, who was Chairman and General Manager of EDF, the controlling shareholder, served as Chairman (and continues to do so). Mr. Lévy was initially appointed to this post by the Board of Directors, having been coopted by the Board on December 12, 2014 and his election to this post was confirmed by the Shareholders' meetings on March 26, 2015 and on March 22, 2016.

For all of 2017, the post of Chief Executive Officer was held (and still is held) by Marc Benayoun, initially appointed to this post by the Board of Directors on December 8, 2015, effective as of January 1, 2016, following the resignation of Bruno Lescoeur, effective as of the same date. At a meeting held on March 22, 2016, immediately following the Shareholders' Meeting that elected the Board of Directors currently in office, the Board of Directors reelected Marc Benayoun Chief Executive Officer. Mr. Benayoun does not serve as a Director at other issuers outside the EDF Group.

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 situations referred to in the Code do 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 nine in the total number of Directors, in accordance with the resolution adopted by the Shareholders' Meeting on March 22, 2016 on the occasion of the election of a new Board of Directors, the percentage weight of the independent Directors in the Board of Director currently in office has increased to one-third of the total number of Directors.

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 Consolidated Finance Law. 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 2017 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, 2016, with the results of the review conducted on February 13, 2017 and on February 14, 2018 at the meetings held to approve the Report on Corporate Governance for 2016 and 2017, respectively, being communicated to the market on the same day.

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. With this in mind, having assessed Mr. Gros-Pietro's ethical and professional qualities, the factual circumstances of his actions while in office and his independence of judgment displayed over time, 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.

In 2017 three meetings reserved exclusively for independent Directors were held at the request of the Lead Independent Director during which the following topics were discussed: i) Edison's long-term strategies, particularly with regard to the limitation of upstream objectives in hydrocarbons, in light of the greater commitment to their marketing; ii) increasing commitment to renewable energies, both in the traditional hydroelectric area, and with regard to mini water turbines, solar and especially wind energy; iii) organizational changes consistent with the new strategic guidelines.

As in previous year, 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 most recently by the Board of Directors at a meeting held after the Shareholders' Meeting convened in 2016 that elected the Board of Directors currently in office.

On more than one occasion, again in the course of 2017, the Lead Independent Director was able to meet both with the Chairman and the Chief Executive Officer in connection with legal issues relating to Edison's prospective evolution.

## 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 the Control and Risk Committee and a Compensation Committee. 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 was not established, as required by the Code. However, the Code's recommendation to establish for this purpose an ad hoc committee or combine or redistribute among existing committees specific functions regarding sustainability and relations with stakeholders was implemented and these responsibilities were assigned in 2015 to the Control and Risk Committee, as explained in the "Control and Risk Committee" section of this Report.

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

### Activities of the Committee of Independent Directors and Related-party Procedure

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 abovementioned Consob Regulation, which went into effect on January 1, 2011. This procedure was published on the Company website ([www.edison.it](http://www.edison.it) - Our Company - Governance - Other information - Governing related-party transactions). The committee's operating rules were adopted, by a resolution of the Board of Directors on March 22, 2013, to take into account the new organization adopted by the Company at the end of 2012, with the favourable input of the committee members. In 2013, the Board decided, again with favourable 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 art. 13, paragraph 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). These rules were confirmed by the Board of Directors that impanelled the committee currently in office. Lastly, in November 2014 the procedure was supplemented to allow the Board of Statutory Auditors to be informed of the calling of meetings and possibly participate in them.

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, 2017, transactions valued at more than 297.8 million euros) or (ii) of total consolidated assets (i.e., as of January 1, 2017, transactions involving assets or liabilities valued at more than 583.5 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 members 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 the costs 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, as specified above, notice that a committee meeting

is being convened must also 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.

### Composition and Activities of the Committee of Independent Directors

The current Committee of Independent Directors, in office since March 22, 2013 and confirmed with the same composition by the Board of Directors on March 22, 2016 upon a motion by the Chief Executive Officer, is comprised of the following independent Directors: Gian Maria Gros-Pietro (Chairman), Paolo Di Benedetto and Nathalie Tocci.

The Committee of Independent Directors met seven times in 2017. On those occasions, it reviewed and assessed a series of related-party transactions, including two that qualified as "Less Material Transactions" pursuant to the Related-party Procedure, with regard to which it rendered a favourable opinion.

In 2017, the average attendance of Directors at meetings of the Committee of Independent Directors was 100%. A breakdown is provided below:

#### Meetings of the Committee of Independent Directors at December 31, 2017

Committee members	Number of Committee meetings attended in 2017	Percentage
Gian Maria Gros-Pietro	7 of 7	100
Paolo Di Benedetto	7 of 7	100
Nathalie Tocci	7 of 7	100

The average length of each meeting was about one hour.

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, at least one Statutory Auditor, typically the Chairman of the Board of Statutory Auditors, almost always attended the committee's meetings on their own volition.

Transactions with Related Parties executed in 2017 are reviewed in the "Other Information" section of the separate and consolidated financial statements.

## COMPENSATION COMMITTEE AND COMPENSATION OF DIRECTOR

### Attribution and Composition of the Compensation Committee

Following the election of the new Board of Directors by the Shareholders' Meeting on March 22, 2016, upon a motion by the Chief Executive Officer, the Board appointed the members of the Compensation Committee, confirming the committee's functions and the rules that govern its activities, which had recently been made consistent with the new organization adopted by the Company at the end of 2012. In particular, having verified and confirmed that the conditions of art. 13, paragraph 3, letter b), of the Consob's Related-party Regulation were being met, as specified in the section entitled "Committee of Independent Directors and Related-party Transactions," the Board confirmed that the Compensation Committee shall refrain from performing the functions of the Committee of Independent Directors regarding issues related to the compensation of Directors performing special functions and executives with strategic responsibilities.

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

- a) provide opinions and/or recommendations regarding the compensation policy of Directors;
- b) submit recommendations or render opinions 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;
- c) evaluate the guidelines and criteria concerning management's compensation, specifically with regard to executives with strategic responsibilities, and render the corresponding opinion;
- d) make recommendations or 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 top management, specifically regarding executives with strategic responsibilities;
- e) verify that the performance targets have in fact been achieved and, consequently make recommendations or render opinions for determining the amount of the variable component based on the results achieved, respectively for the Directors to whom this component applies and for top management, specifically regarding executives with strategic responsibilities;
- 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 and making recommendations in this area;
- g) provide opinions and recommendations for any medium/long-term compensation plans for executive Directors and management;
- h) review the Annual Compensation Report and provide its opinion about it to the Board of Directors prior to its submissions to the Shareholders' Meeting.

The Compensation Committee is in office in the current composition since March 22, 2013. Its members were confirmed by the Board of Directors on March 22, 2016 upon a motion by the Chief Executive Officer. The Committee 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 resolutions 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 issues 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 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 meetings to provide the necessary technical support at the committee's request.

### **Activities Performed by the Compensation Committee**

In 2017, the committee held three meetings. On those occasions, based in part on information provided by the Company, it performed the following activities:

- assessed the actual implementation of the compensation policy for 2016 compared with the defined plans, as well as the consistency and accuracy of the actual results of the management of the policy by management (including executives with strategic responsibilities);
- it verified the level of achievement of the reference targets for the variable portion of the compensation for the 2016 reporting year of the Chief Executive Officer, top managers and, more in general, the common reference targets for the Company as a whole applicable to top managers and management in general;
- it assessed the adequacy of the proposed guidelines of the compensation policy for management and the Directors in 2017;
- it reviewed and rendered a favourable opinion on the 2016/2017 Compensation Report of the Board of Directors;
- it performed a review and provided proposals and recommendation regarding the targets upon which the 2017 MBO for the Chief Executive Officer should be based and regarding the common Company-wide reference targets for top management and management in general.

In 2018, the committee held two meetings during which, based on the information provided by the Company, it:

- assessed the actual implementation of the compensation policy for 2017 compared with the defined plans, as well as the consistency and accuracy of the actual results of the management of the policy by management (including executives with strategic responsibilities);
- verified the level of achievement of the reference targets for the variable portion of the compensation for the 2017 reporting year of the Chief Executive Officer, top managers and, more in general, the common reference targets for the Company as a whole applicable to top managers and management in general;
- assessed the adequacy of the proposed guidelines of the compensation policy for management and the Directors in 2018;

- reviewed and rendered a favourable opinion on the 2017/2018 Compensation Report of the Board of Directors;
- verified the level of achievement of the reference objectives underlying the medium/long-term incentive plan (LTI) for middle management for the 2015-2017 period.

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 2017, the average attendance of Directors at committee meetings was 100%. A breakdown is provided below: The average length of each meeting was about forty minutes.

### Meetings of the Compensation Committee at December 31, 2017

Committee members	Number of Committee meetings attended in 2017	Percentage
Paolo Di Benedetto	2 of 2	100
Gian Maria Gros-Pietro	2 of 2	100
Nathalie Tocci	2 of 2	100
Nicole Verdier-Naves	2 of 2	100

The Chairman of the Board of Statutory Auditors attended all of the meetings held in 2017.

### 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 14, 2018 (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

Information about the severance indemnities of Directors is provided in the Compensation Report.

## CONTROL AND RISK COMMITTEE

### Attribution and Composition of the Control and Risk Committee

Subsequent to its election, the new Board of Directors confirmed for the committee appointed on March 22, 2016 the same functions and attributions as in the past, consistent with the organization adopted by the Company at the end of 2012, which were expanded in accordance with one of the alternatives offered in 2015 by the Code, attributing to the committee also the supervision of sustainability issues related to the exercise of the Company's businesses and the dynamics of its interaction with all stakeholders.

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

- 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 reviews the accounting treatment of the principal Company transactions, particularly with regard to their effect on financial reporting.
- It renders its opinion to the Board of Directors on the guidelines 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.
- It renders its opinion to the Board of Directors on the effectiveness of the internal control system and the risk management process. In this endeavour, the committee is supported by the Internal Control Officer (now in charge of Internal Auditing), a function performed by the Internal Auditing Manager.

- d) It reviews the work plan submitted by the Internal Auditing Department and its periodic reports regarding the issues listed in the preceding letter, 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.
- n) It supports, with an adequate investigative activity, the assessment and decisions of the Board of Directors regarding the management of risks deriving from prejudicial events.
- o) It supervises sustainability issues related to the exercise of the Company's businesses and the dynamics of its interaction with all stakeholders.

The Control and Risk Committee in office since March 22, 2016 is comprised of four non-executive Directors, including two independent Directors: Marie-Christine Aulagnon (Chairperson since September 20, 2017), Béatrice Bigois (Chairperson until September 20, 2017), 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. As stated repeatedly in earlier Governance Reports, the presence of only two independent Directors also among the members of the committee appointed by the Board of Directors on March 22, 2016, upon a motion by the Chief Executive Officer, 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, confirming the roles they perform. 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, are not involved in the Company's operating activities but undoubtedly possess proven professional skills and expertise with regard to those tasks. It should be noted that the Committee Chairperson changed in September 2017, as specified above, although its composition remained the same.

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.

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, the Gas Midstream, Energy Management & Optimization Manager and the Independent Auditors. From time to time, other Directors, employees and experts may be invited to attend meetings in a consulting capacity.

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

The Internal 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 to the Board with regard to issues within its jurisdiction.

### Activities Performed by the Control and Risk Committee

The committee met five times in 2017 and once since the beginning of 2018. On those occasions it engaged in the following activities:

- It reviewed the 2016 and 2017 annual statutory and consolidated financial statements, the 2017 semiannual financial report, the interim reports on operations for the first and third quarter of 2017, as well as the findings developed through the audits of the annual financial statements and semiannual report, assessing the findings 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 2018 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 2017 and rendered a favourable opinion about the risk limits set for 2018.
- 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 2017, assessing the completion progress and analysing 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 adequacy of the internal control and risk management system and its effectiveness;
  - the semiannual revision of the 2017 Audit Plan;
  - the 2018 Audit Plan;
  - the main characteristics of the internal control and risk management system.
- It monitored the activities of the Internal Auditing Department in 2017, taking into account the findings of the Quality Assessment Review (QAR).
- It monitored activities in the areas of sustainability and Corporate Social Responsibility, in particular in relation to the project of the new company policy on sustainability and the new obligation of drawing up the "non-financial statement" contained in a report supplementing the financial statement documentation since 2017.

In 2017, the committee did not ask the Internal Auditing Department to perform audits of specific operational areas.

The committee reported five times to the Board of Directors about the work it performed; on three 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 2017, 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 two hours.

### Meeting of the Control and Risk Committee at December 31, 2017

Committee members	Number of Committee meetings attended in 2017	Percentage
<i>In office at December 31, 2017</i>		
Béatrice Bigois	5 of 5	100
Marie-Christine Aulagnon	5 of 5	100
Paolo Di Benedetto	5 of 5	100
Gian Maria Gros-Pietro	5 of 5	100

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

## 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 allow for proper business management consistent with the targets set by the Company, through an adequate process of identifying, measuring, managing and monitoring the main risks. This system is integrated within the organizational, administrative and accounting structure and, more generally, Edison's system of corporate governance. It is based on the Corporate Governance Code of listed companies which Edison follows, taking domestic and international models and best practices as a reference. The internal control and risk management 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.

Again in 2017, 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 of the 2016 financial statements, in the belief that the committee provides a more suitable venue for studying and analysing such issues. Moreover, starting with the 2017 financial statements, EU Regulation 537/2014 required public-interest entities, such as Edison, to have their company engaged for the statutory audit of the accounts address a dedicated report on the findings of the audit to the Internal Control and Auditing Committee; in our system, this body has been identified as the Board of Statutory Auditors. In turn, the Board of Statutory Auditors is responsible for sending the "additional" report to the Board of Directors accompanied by any observations.

As a result, as of 2018, the assessment of these aspects is no longer the responsibility of the Control and Risk Committee, which in any event continues to be informed of them.

### **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 2017, 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.

### **Internal 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, since March 2013 the Internal Auditing Department, which does not perform any operational function, reports directly to the Board of Directors (and to its Chairman for the full Board), which assigned to the General Counsel 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 favourable 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).

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 regard 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 2017, 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, he 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 analysing, identifying, evaluating and managing risk and defining and managing the corresponding control and reporting system. For the management of the most significant risks to the company, a management committee named the Risk Committee has been established, which is described in the "Elements that Characterize the Internal Control and Risk Management System" section.

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 Internal Control and Risk Management System

**Organizational Model Pursuant to Legislative Decree No. 231/2001** - In July 2004, Edison and its main subsidiaries adopted the organizational model pursuant to Legislative Decree No. 231/2001 (the 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 OB 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, Edison's 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. Virtually all of the subsidiaries 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").

The 231 Models of Edison and the subsidiaries are continuously updated in light of specific risk assessment activities in relation to the new types of crime introduced over time into the group of presumed crimes for 231/2001, as well as in light of organizational changes within the Group. In the course of 2017, there were three updates to Edison's 231 Model, approved by the Board of Directors respectively at the meetings of February 13 with reference to the Protocol for the Management of Confidential and Insider Information; of July 26 to govern the situations that could trigger the occurrence of crimes linked to "illegal intermediation and exploitation of labour" introduced by law 199/2016 and adopted by art. 25-*quinquies* of Legislative Decree 231/2001 and, lastly, of October 26, 2017, in light of the new formulation of the crime of corruption between private parties and the introduction of the crime of instigation to corruption between private parties introduced within the Italian legal system with Law 38/2017. Edison's 231 Model is thus updated with respect to all relevant types of presumed crimes laid out in Legislative Decree 231/2001 at December 31, 2017. Likewise, the subsidiaries also updated their respective 231 Models on the basis of the same methodological arrangement as the parent company.

In addition, training programs about the 231 Model, the Code of Ethics and the Anti-corruption Guidelines, launched in 2014 continued in 2017 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, 2016. Its members include: an outside professional (Pietro Manzonetto), who serves as Chairman, and two independent Directors (Gian Maria Gros-Pietro and Paolo Di Benedetto). On March 22, 2016, 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 2017 and once in 2018. 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 2017, the members' average attendance at meetings of the Oversight Board was 93.33%. The average length of each meeting was about one hour.

**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 231 Model (whistleblowing). As mentioned in previous Reports, the Code of Ethics was the subject of regular revisions and updates, the last of which was performed in October 2017 specifically to reflect the new formulation of the crime of "corruption between private parties" and the introduction of the new crime "instigation to corruption between private parties".

**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," and 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 assigned 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 Regulatory Affairs and Institutional Affairs Departments (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.

**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.

**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 mitigation 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 the 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.

**Energy Risk Management** - In 2006, consistent with best industry practices, the Company, based on a favourable opinion by the Control and Risk Committee (formerly the Internal Control 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. 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 the Chief Executive Officer, Chief Financial Officer, Risk Officer, the manager of the Gas Midstream, Energy Management & Optimization Division, the manager of the Exploration & Production Division and the Chief Executive Officer of the subsidiary Edison Energia and, until the absorption of the company by Edison, that of Edison Trading, 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. For further details on risk management, please refer to the "Risks and Uncertainties" section of the Report on Operations.

**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. In addition, 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 of 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. In addition, in 2017, the project of transferring applications to the data centre of the parent company EDF in Noé (France) was completed, with further strengthening of security and the level of redundancy in the case of a disaster. 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.

**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. For further details on this matter, please refer to the non-financial statement.

The effectiveness of the elements characterizing the internal control system 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 favourable 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 art. 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 Processes, Compliance and Systems Function of the Accounting & Tax Department is responsible for deploying and concretely implementing, through the Documents Officer, the activities needed to guarantee the effectiveness of the accounting control system;
- It defines 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 year.
- 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 Processes, Compliance and Systems 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. The assessment is broken down into 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 subject to updating and adjustment most recently in 2016 following the acquisition of control of the Fenice group.

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

In 2017, 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/or 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/or another Statutory Auditor also regularly attend meeting of the OB. 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

At the proposal of the Chief Executive Officer, Edison has adopted and amended over time a procedure for the management of corporate information, particularly with regard to the subset of confidential and insider information. 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.

During the most recent review in 2016, at the request of the Board of Directors, to adopt the rules of Regulation (EU) No. 596/2014 relating to market abuse (the "EU Regulation"), as specified in the Governance Report from last year, the procedure was renamed "Internal handling and external communication of confidential and insider information concerning Edison and its financial instruments."

The procedure governs the roles, responsibilities and operational management modalities with regard to identifying and verifying confidential and insider information and disclosing it to the market (including, if the requirement can be met, activating the embargo procedure). If applicable, the procedure also governs the entering of data in the Insider Register and the treatment and internal circulation of the information and its communication to outsiders (complying with special safeguards).

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, the procedure identifies the top management as having Group-wide responsibility for disclosing insider information to the market and indicates under which conditions top management, or individual members of the Executive Committee, can decide to activate the procedure to "embargo" the disclosure of insider information to the market.

However, as soon as the presence of insider information for which a decision was made to embargo its disclosure to the market is detected, the divisions, departments and corporate functions, as well as the managers of subsidiaries are responsible for implementing all of the security measures required to ensure that insider information is treated confidentially and segregated, limiting its circulation only to those parties who need access due to their function 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 of the insider status of the information to which they have access and which is not being immediately disclosed to the market, communicating the activation of the embargo procedure and making sure that all outsiders who receive such information be required pursuant to law, regulation, Company Bylaws or contract to respect the confidentiality of the documents and information they are receiving.

The procedure defines the process for determining the moment when information should be qualified as insider information and the methods for managing the information until it is disclosed to the market or the underlying project is cancelled.

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.

They state that parties may be entered in the register on a permanent basis or in connection with specific events.

In line with the EU provisions, listing in the "Permanent" section is limited to parties who, because of their function, the position they hold or the specific responsibilities entrusted to them, have access to all insider information, while parties with access 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 insider information concerning individual events are listed in the "Single Event" section. However, the establishment of a section reserved for individual events always presupposes the activation of a process to embargo the disclosure of the information to the market.

Responsibility for identifying the parties who should be listed in the "Permanent" section of the Insider Register rests with Edison's senior managers, while listings in the "Single Event" section can be carried out by senior managers and by managers for the affected areas under their jurisdiction. The procedure also deals with the method for informing the parties entered in the register, updating their information and deleting their names.

As a result of regulatory changes discussed above, as of 2016 the only members of the Board of Directors listed in "Permanent" section are the Chairman and the Chief Executive Officer. The other Directors and the Statutory Auditors are listed in the "Single Event" section in connection with information concerning specific transactions that could be brought to their attention from time to time. As a rule, a party is listed when he/she gains access to the documents prepared for a meeting of the Board of Directors convened to review the transaction subject of the inside information.

Analyses are also under way to evaluate any changes in the Procedure in light of the content of the guidelines issued by Consob on this matter in October 2017.

In 2017, six new "Single Event" sections were created in the Insider Register. All of them were closed during the same year.

As specified in the section "Elements that Characterize the Internal Control and Risk Management System", the procedure was also incorporated in a protocol (the "Protocol for the Management of Confidential and Insider Information"), which is an integral part of the 231 Model and, in order to enhance compliance with the relevant 231 Protocol on this matter by the interested parties, the information flows must be signed by the managers of the various Company Divisions and Departments 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 Directors and Statutory Auditors are also informed, upon appointment, of the obligations arising from their knowledge of insider information as well as the disclosure obligations if they or people closely linked with them perform transactions on the issuer's financial instruments. In this regard, as stated in previous Governance Reports, these disclosure obligations regarding transactions on the issuer's financial instruments also apply to members of the Executive Committee, as they are qualified as executives pursuant to the EU Regulation, all of who are also listed in the "Permanent" section of the Insider Register.

As already specified in the previous Governance Report, for the reasons specified therein, starting from 2017 the Board of Directors decided:

- i) to no longer include a blackout period in the publication process for quarterly reports, requiring it only for mandatory financial reports (annual financial statements and semiannual report), as the Company does not provide preliminary data to the market;
- ii) to make the duration of the blackout period consistent with the timeframe provided in the EU Regulation, i.e., starting 30 calendar days before the publication of the press release regarding the annual financial statements or the semiannual report and until the publication of the press release.

The 2018 blackout periods are as follows:

- from January 16 to February 14
- from June 28 to July 27.

## 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 also supervises compliance with provisions concerning the non-financial statement. 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 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, as most recently amended by Legislative Decree No. 135 of July 17, 2016 on the basis of the requirements laid out in EU Regulation 537/2014. Accordingly, in 2017 it was required to monitor the disclosure of financial information; the effectiveness of internal control, internal auditing and risk management systems; the statutory independent auditing of annual and consolidated financial statements and the independence of the Independent Statutory Auditors, authorising from 2017 engagements that are not required, other than the statutory legal audit of the accounts assigned to Edison's auditor. In addition, as specified in the section "Internal Control and Risk Management System - Parties Involved - Board of Directors", the Board of Statutory Auditors examines starting from 2017 the content of the "additional" report prepared by that auditor pursuant to art. 11 of the above-mentioned EU Regulation.

### 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, the controlling shareholder, on March 29, 2017, which also made a proposal regarding compensation, along with the relative documentation. The proposals and the relative documentation were simultaneously made available on the Company website ([www.edison.it](http://www.edison.it) - Our Company - Governance - AGM - Shareholders' Meeting of March 30, 2017 - Documents). At that time, TdE held 99.484% of the voting share capital.

With regard to the issues mentioned above, all of the Statutory Auditors elected by the Shareholders' Meeting on March 30, 2017 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), Lorenzo Pozza and Gabriele Villa. The Alternates are Silvano Corbella, Elisabetta Bertacchini and Luigi Migliavacca.

Until the above-mentioned Shareholders' Meeting of March 30, 2017, the Board of Statutory Auditors consisted of Serenella Rossi, Chairwoman, Giuseppe Cagliero and Leonello Schinasi. The Alternates were: 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. After appointment, the Board of Directors, acknowledging at the meeting of April 4, 2017 the statements made by the Statutory Auditors and the checks conducted by them with respect to independence, disclosed their results to the market. The Board of Statutory Auditors also performed that verification on the occasion of the meeting during which it reviewed the Company's Governance Report for 2017, with positive results, again reporting the results to the Board of Directors on the occasion of February 14, 2018 meeting.

The term of office of the current Board of Statutory Auditors will expire with the Shareholders' Meeting convened to approve the 2019 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.

With respect to the diversity policy applied in relation to the Board of Statutory Auditors, please refer to the section "Composition of the Board of Directors".

### **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 30, 2017, which established a gross annual compensation of 75,000 euros for the Chairman and 50,000 euros for each Statutory Auditor, increasing the amounts previously provided, i.e., a gross annual compensation of 60,000 euros for the Chairman and 40,000 euros for each Statutory Auditor, which had remained unchanged over the last 15 years.

Additional information about the compensation earned by the Statutory Auditors in 2017 is provided in the 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 2017, the Board of Statutory Auditors met twelve times. The average attendance of the Statutory Auditors at these meetings was 100%. A breakdown is provided below:

<b>Statutory Auditors</b>	<b>Number of Board of Stat. Auditors meetings attended in 2017</b>	<b>Percentage</b>
Serenella Rossi	12 of 12	100
Lorenzo Pozza	9 of 9	100
Gabriele Villa	9 of 9	100
<i>Left post in 2017</i>		
Giuseppe Cagliero	3 of 3	100
Leonello Schinasi	3 of 3	100

The average length of each meeting was about two hours.

In addition, the Statutory Auditors attended meetings of the Board of Directors held in 2017. As shown in the table below, their average attendance percentage was 96.30%. A breakdown is provided below:

<b>Statutory Auditors</b>	<b>Number of Board of Directors meeting attended in 2017</b>	<b>Percentage</b>
<i>In office at December 31, 2017</i>		
Serenella Rossi	9 of 9	100
Lorenzo Pozza	8 of 8	100
Gabriele Villa	7 of 8	87.50
<i>Left post in 2017</i>		
Giuseppe Cagliero	1 of 1	100
Leonello Schinasi	1 of 1	100

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 2017, the Chairman of the Board of Statutory Auditors was invited to attend the meetings of the Compensation Committee and those of the OB and attended them on a regular basis. In addition, all Statutory Auditors were informed about upcoming meetings of the Committee of Independent Directors and at least one Statutory Auditor usually attended the meetings. 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 committees 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 takes part to the Board of Directors meetings where closer examinations about the Group business are made and 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 2017, the Board of Statutory Auditors did not request the Internal Auditing Department to perform audits of specific operational areas or Company transactions.

In 2017, the Board of Statutory Auditors rendered opinions on, and when required by provisions in force authorised, the additional assignments that the Company and its subsidiaries awarded to Edison's Independent Auditors and to other entities belonging to its network, verifying that the abovementioned assignments 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 Internal Control 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 2017.

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 99.48% 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, inter alia, the Reports on Corporate Governance and the Compensation Reports, 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 behaviour 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.

In 2017, the Company continued to promptly inform the market, and therefore also its shareholders and, until the repayment of the bond issue outstanding in November 2017, bondholders, of any event or decision that could have a material impact on their investment. It also made available on its website ([www.edison.it](http://www.edison.it) - Investor Relations and Governance) press releases disclosed through the "eMarket SDIR" system and notices published in the press with regard to the exercise of rights inherent in the securities it has issued, and documents concerning Shareholders' Meetings or otherwise provided to the public. This was done so as to ensure that these parties are informed about the issues on which they will be asked to cast their votes.

As part of a constructive dialog, in 2017 the Company met with the common representative of savings shareholders, at their request, providing clarifications on certain items in the financial statements.

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 art. 2505 and art. 2505-*bis* of the Italian Civil Code, also as cited in art. 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 art. 9 of the Bylaws, Shareholders' Meetings are convened by means of a notice pursuant to the current regulations and published on the Company's website in compliance with the terms specified in regulations. The notice is also published in compliance with current legislation through the "eMarket SDIR" 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 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 conflict with the offer.

The Company makes 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)), through the "eMarket SDIR" circuit and at the authorized storage mechanism "eMarket Storage," within the deadline required pursuant to the provisions of laws and regulations.

### Activities of the 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 Savings Shares

The Special Meeting of Savings Shareholders is responsible for: 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 art. 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 2017, a Shareholders' Meeting was held on March 30. The Shareholders' Meeting adopted resolutions concerning: the approval of the 2016 financial statements and carrying forward the loss as well as the election of the Board of Statutory Auditors and its Chairman and the determination of the compensation of Statutory Auditors. The same Shareholders' Meeting also cast a consultative vote in favour of 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 Marc Benayoun, who was appointed Chairman of the Shareholders' Meeting, by the Directors Paolo Di Benedetto and Gian Maria Gros-Pietro and by the Chairman of the Board of Statutory Auditors. On that occasion, the Chairman, responding in part to specific requests by shareholders and the common representative of savings shareholders and in accordance with the right of the attendees to obtain information, reported on the activity carried out. In addition, the questions posed before the Meeting by a shareholder and the corresponding answers provided by the Company were annexed to the minutes of the Shareholders' Meeting.

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

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 Savings Shareholders is already quite high.

In 2017, the stock market capitalization of Edison's savings shares rose by 27% on the basis of the average annual price and by 33% on the basis of the average price in December.

### **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.

For the sake of complete disclosure, please note that with the approval of the financial statements for the year 2017, the term of office of the common representative of savings shareholders will come to a close, and therefore a Shareholders' Meeting will need to be called to elect a new one.

## **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 and, since 2017, to prepare the additional report pursuant to art. 11 of EU Regulation 537/2014 on the results of the independent statutory audit of the financial statements. The Independent Auditors also 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 of the financial statements of nearly all of the Italian and foreign subsidiaries. The strictly limited exceptions concern 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. As long as it was possible and permitted by the legislation previously in force, the Italian subsidiaries assigned the statutory legal audit engagement with an expiry date aligned

with that of the parent company Edison. However, as a result of the entry into force of EU Regulation 537/2014, engagements assigned starting from 2017 need to cover a fixed duration of three years.

Additional exceptions regarding the selection of the Independent Auditors concern a limited number of foreign subsidiaries. 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/or natural gas sectors, the annual separate financial statements and perform special audits needed to comply with contractual requirements or regulations issued by the Electric Power and Gas and Water System Authority.

Deloitte and its international network, working in accordance with assignments they received directly, audited about 94.36% of total consolidated assets (2017) and about 97.54% of total consolidated revenues.

Please note that the guidelines for the assignment and management of auditing engagements which Edison adopted in 2011 were amended and supplemented in 2017 to take into account the provisions introduced by EU Regulation 537/2014, mentioned above.

### **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.

The details of the compensation received from Edison and its subsidiaries by the Independent Auditors are provided in the notes to the consolidated financial statements.

## **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.

## **CONSIDERATIONS CONCERNING THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE'S LETTER OF DECEMBER 13, 2017**

The recommendations set forth in the letter of the Chairman of the Corporate Governance Committee of December 13, 2017 on corporate governance received by the Company when the Board of Directors self-assessment process, initiated at the end of October 2017, was already complete, were brought to the attention of the Board of Directors at the first possible meeting and, therefore, during the examination of the results of the self-assessment held on February 14, 2018.

At that time, after assessing the recommendations, the Board of Directors decided not to take further initiatives aside from those already enacted or started with regard to the pre-board meeting disclosure, independence requirement assessments and board review activities, as it is in compliance with them. With respect to the other areas for improvement suggested by the committee, i.e., claw-back clauses, the Nominating Committee and succession plans, it decided not to take specific actions for the time being for the reasons provided in the corresponding paragraphs of the Governance Report and the Compensation Report.

Milan, February 14, 2018

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

## 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 (1)	Control and Risk Committee (i)		Compensation Committee		Committee of Independent Directors	
									(3)	(1)	(3)	(1)	(3)	(1)
<i>Directors in office at December 31, 2017</i>														
Chairman	Jean-Bernard Lévy (a) (b)	03.18.1955		X		8/9	6	0						
Chief Executive Officer	Marc Benayoun (b) (c)	08.26.1966	X			9/9	2	1/1						
Director	Marie-Christine Aulagnon (b)	03.31.1963		X		7/8	5	0	C	5/5				
Director	Béatrice Bigois (b)	01.20.1969		X		8/9	8	0	M	5/5				
Director	Paolo Di Benedetto (b)	10.21.1947		X	X (d)	6/7	3	1/1	M	5/5	C	2/2	M	7/7
Director	Gian Maria Gros-Pietro (b)	02.04.1942		X	X (d)	8/9	2	1/1	M	5/5	M	2/2	C	7/7
Director	Sylvie Jéhanno (b)	05.22.1969		X		7/9	3	0						
Director	Nathalie Tocci (b)	03.07.1977		X	X (d)	8/9	0	0			M	2/2	M	7/7
Director	Nicole Verdier-Naves (b)	10.08.1953		X		9/9	0	0			M	2/2		

(\*) 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. The Board of Directors also attributed the sustainability issues to the Control and Risk Committee.

(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 2017

Board of Directors: 9      Control and Risk Committee: 5      Compensation Committee: 2      Committee of Independent Directors: 7

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

not applicable

(1) This column shows the attendance 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) Confirmed Chairman by the Shareholders' Meeting on 22 March 2016.

(b) Elected by the Shareholders' Meeting of March 22, 2016 for a three year period ending with the Shareholders' Meeting convened to approve the 2018 annual financial statements.

(c) Confirmed Chief Executive Officer by the Board of Directors on March 22, 2016.

(d) Meets the independence requirements pursuant to law (TUF) and the Code.

## Posts held by Directors at December 31, 2017

Director	Posts held at other companies	EDF Group companies
Jean-Bernard Lévy	Director of Dalkia Sa	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 Fondation d'Entreprise EDF	X
	Director of Société Générale Sa (*)	
Marc Benayoun	Chairman of Transalpina di Energia Spa	X
	Member of the Supervisory Board of Trimet France Sas	
Marie-Christine Aulagnon	Director of Citelum Sa, Chairman of the Audit Committee and member of the Compensation Committee	X
	Member non-executive of the Audit Committee of EDF Energy (UK) Ltd	X
	Director of EDF International Sas	X
	Director of Electricité de Starsbourg	X
	Director of NNB Holding Company (SZC) Ltd	X
Béatrice Bigois	Director of British Energy Direct Limited	X
	Director of Dk Energy UK Limited	X
	Director of EDF Energy Customer Plc	X
	Member of the Executive Committee of EDF Energy (Uk) Ltd	X
	Director of EDF Energy Services Limited	X
	Director of EDF Nouveaux Business Holding (Sas)	X
	Director of Hime-Groupe Saur	X
Director of Hoppy Limited		
Paolo Di Benedetto	Director of Cementir Holding Spa (*), Lead Independent Director, Chairman of the Control and Risk Committee, of the Compensation Committee and of the Related-Party Transaction Committee	
	Chairman of National Guarantee Found	
	Director of Generali Spa (*), Chairman of the Related-Party Transaction Committee and member of the Corporate Governance, social and environmental Sustainability Committee	
Gian Maria Gros-Pietro	Chairman of ASTM Spa (*)	
	Chairman of Intesa Sanpaolo Spa (*)	
Sylvie Jéhanno	Chairwoman (**) and Chief Executive Officer of Dalkia Sa	X
	Director of Fondation d'Entreprise EDF	
	Chairwoman of TIRU Sa (**)	X
Nathalie Tocci		
Nicole Verdier-Naves	Director of Dalkia Sa and member of the Compensation Committee	X
	Member of the Compensation Committee of EDF China	X
	Member of the Compensation Committee of EDF Inc.	X
	Director of EDF Energies Nouvelles Sa and Chairman of the Compensation Committee	X
	Director of EDF Luminus Sa and member of the Compensation Committee	X
	Director of Fondation d'Entreprise EDF	X
	Member of the Compensation Committee of HPC (UK)	X
	Member of the Compensation Committee of NHPC (Cameroon)	X
	Director of UTE Norte Fluminense Sa and Chairman of the Compensation Committee	X

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

(\*\*) From 10 January 2018.

## Curricula<sup>1</sup> of the Directors in Office at December 31, 2017

### 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 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, listed companies.

### Marc Benayoun

Born in Tarbes, France, on August the 26<sup>th</sup> 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 is Chairman of the Board of Directors of Transalpina di Energia Spa and member of the Supervisory Board of Trimet France.

1. Curricula updated at December 31, 2017.

### Marie-Christine Aulagnon

She is graduated of École Supérieure de Commerce (Paris).

She currently serves as EDF's Group Finance Director and Performance Director.

#### Professional Background

- in 1986 she begin her career at Rhone Poulenc, firstly in France (Audit, Management Control, Reporting and Consolidation) and then in the United Kingdom at a pharmaceutical subsidiary of the group (RP Rorer Pharmaceuticals), where in 1997 she is appointed Chief Financial Officer.
- In 2000, she joins Rhodia and led the financial integration of Albright & Wilson Group in the United Kingdom, before returning to France as Director of Group Financial Communications.
- In 2004, she joins Dalkia as Director of Internal Control, and then as Director of Accounting Control and Group management, before becoming Finance Director of Dalkia France.
- In July 2014, she joins EDF Group. She report directly to the Group Senior Executive Vice President, Finance.

#### Main present positions

- She is Director of Citelum, Chairman of the Audit Committee and member of Compensation Committee.
- She is Director of EDF International Sas, Electricité de Strasbourg and of NNB Holding Company (HPC & SZC) Ltd.
- She is a non-executive member of the Audit Committee of EDF Energy (UK) Ltd.

### Béatrice 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, the nuclear and fossil fuel plants maintenance planning, the management of fossil fuel procurement, the hedging activities and the 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.

#### Main present positions

- She is Director of British Energy Direct Limited, DK Energy Uk Limited, EDF Energy Customers Plc, EDF Energy Services Limited, Edf Nouveaux Business Holding (Sas), Hime-Group Saur and Hoppy Limited.
- She is a member of the Executive Committee of EDF Energy UK.

### 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, 2000-2002: Sim Poste, Managing Director; BancoPosta Fondi SGR, Managing Director.
- Consob, Rome, July 2003 - March 2010: Commissioner.
- Banca Finnat Euroamerica Spa August 2010 - February 2013 : Member of the Board, Chairman of the Control and Risk Committee, Member of the Compensation Committee and of the Related Party Transaction Committee.
- 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.
- Istituto Poligrafico Zecca dello Stato Spa, September 2014 - February 2016: Member of the Board and member of the Compensation 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

- Cementir Holding Spa, from April 2012 - Member of the Board, Lead Independent Director, Chairman of the Control and Risk Committee, of the Compensation Committee and of the Related-Party Transaction Committee.
- National Compensation Fund, Rome, Chairman, from December 2010.
- Generali Spa, from April 2016: Member of the Board, Chairman of the Related-Party Transaction Committee and member of the Corporate Governance, social and environmental Sustainability Committee.

### 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 Board of Directors of Intesa Sanpaolo and of ASTM, two listed companies.
- 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 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 member of the Board of Directors of the Luigi Einaudi Institute.
- He is member of the Board of Directors and of the Executive Committee of the ISPI – Institute for International Political 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.

### Sylvie Jéhanno

Born in Bar Le Duc France, on May 22 1969.

She is graduated from École Polytechnique and Mines (Paris).

She is currently Chairwoman and CEO of Dalkia Sa.

#### Professional Background

- Has worked for EDF in a variety of technical and customer oriented roles, initially managing an operating agency, a commercial agency and a multi-site call center.
- In 2007 she then held strategic roles as Marketing Manager for Business Customers and as Vice-President for Key Accounts, where she led strategic negotiations and drove customer satisfaction initiatives.
- Since October 2011, has been Senior Vice-President For Residential Customers, managing more than 6.000 employees and serving 25 million customer.
- Since January 1 2017, she is CEO of Dalkia and since January 10 2018, also Chairwoman.
- She is Chairwoman of TIRU since January 10 2018.

#### Main present positions

- She is Director of Fondation d'Entreprise EDF.
- She is Chairwoman of the Board of Directors of TIRU Sa.
- She is Chairwoman and CEO of Dalkia Sa.

### 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 2014: 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.
- 2017/04 - ongoing: Head of Istituto Affari Internazionali.

### **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 joins EDF where she held various HR management positions within EDF operational and corporate divisions.
- Between 1997 and 2000, she is Head of Management Control and Deputy Corporate Secretary, including the management of support services.
- In 2000 she joins the Human Resources Division, where she is responsible for EDF corporate HR coordination.
- She has strong expertise in HR and related legal issues as well as management transformation.
- Since November 2015 she is Member of the French Economic, Social and Environmental Council (CESE). In this case, she participates in the working group of section for Economics Activities.

#### **Main present positions**

- She is Director of Dalkia Sa and member of Compensation Committee.
- She is Director of EDF EN Board and Chairman of Compensation Committee.
- She is also Director of EDF Luminus Board and member of Compensation Committee.
- She is member of the Fondation d'Entreprise EDF.
- She is Director UTE Norte Fluminense Sa (Brazil) and Chairman of Compensation Committee.
- She is Member of Compensation Committee of NHPC (Cameroon), HPC (UK), EDF Inc. (USA) e EDF China

## BOARD OF STATUTORY AUDITORS

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

Post held	Member	Year of birth	Independent as per Code	Attendance at meetings of the Board of Statutory Auditors (*)	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, 2017 (a)</i>							
Chairman	Serenella Rossi	07.15.1962	X	12/12	9/9	1/1	1
Statutory Auditor	Lorenzo Pozza	10.11.1966	X	9/9	8/8	(b)	9
Statutory Auditor	Gabriele Villa	06.18.1964	X	9/9	7/8	(b)	4
<i>Statutory Auditors who resigned their office in 2017</i>							
Statutory Auditor	Giuseppe Cagliero	28.02.1965	X	3/3	1/1	0	-
Statutory Auditor	Leonello Schinasi	05.06.1950	X	3/3	1/1	0	-

**Number of meetings held in 2017: 12**

**Quorum needed to file of candidatures for the election Statutory Auditors:** not applicable

(\*) This column shows the attendance of each statutory auditor at meetings of the Board of Statutory Auditors, Board of Directors, and Shareholders' Meeting respectively.

(\*\*) 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 30, 2017 for a three year period ending with the Shareholders' Meeting convened to approve the 2019 annual financial statements.

(b) Percentage not applicable because no additional Shareholders' Meetings were held in 2017 subsequent to his appointment.

### Posts Held by Statutory Auditors at December 31, 2017

Statutory Auditor	Posts held at other companies	EDF Group companies
Serenella Rossi	Director of Banca Popolare di Sondrio S.c.p.a (*)	
Lorenzo Pozza	Director of Amplifon Spa (*) Vice Chairman of Angel Capital Management Spa Chairman Board Statutory Auditors Ariston Thermo Spa Statutory Auditor Assicurazioni Generali Spa (*) Statutory Auditor Bracco Imaging Spa Chairman Board Statutory Auditors Gas Plus Spa (*) Statutory Auditor Leonardo & Co Spa Statutory Auditor Merloni Holding Spa Statutory Auditor Transalpina di Energia Spa	X
Gabriele Villa	Director of Mediobanca Spa (*) Sole Statutory Auditors Otis Srl Statutory Auditor Transalpina di Energia Spa Chairman Board Statutory Auditors Westfied Milan Spa	X

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

## **Curricula<sup>1</sup> of Statutory Auditors in Office at December 31, 2017**

### **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.
- 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.
- From March 2013 to March 2016, 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).
- Since April 2016 member of the board of Banca Popolare di Sondrio s.c.p.a.
- 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.

#### **Main present positions**

- Since April 2016 member of the Board of Directors of Banca Popolare di Sondrio s.c.p.a.

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1. *Curricula* updated at December 31, 2017.

### Lorenzo Pozza

Born in Milan on February 11, 1966.

Degree in Business Economics from Milan's Università L. Bocconi in 1990.

#### Academic and Professional Background

- Certified Public accountant since 1991. Licensed to exercise this profession having passed the required test at Milan's Università L. Bocconi.
- Independent Auditor since 1995.
- Associate professor of Business Economics at Milan's Università L. Bocconi.
- Lecturer on economic subjects at Milan's Università L. Bocconi.
- Certified Public Accountant and consultant for several companies operating in various business sectors, developed expertise as Director and Statutory Auditors on company boards.
- Author of numerous publications regarding financial statements and the value of business capital.
- Member of the Editorial Board of *Rivista dei Dottori Commercialisti*.
- Member of the Editorial Board of the magazine *La valutazione delle Aziende*.

#### Main present positions

- Member of the Board of Directors of Amplifon Spa.
- Chairman of the Board of Statutory Auditors of Ariston Thermo Spa.
- Statutory Auditor of Assicurazioni Generali Spa.
- Chairman of the Board of Statutory Auditors of Gas Plus Spa.
- Statutory Auditor of Bracco Imaging Spa.
- Statutory Auditor of Leonardo & Co. Spa.
- Statutory Auditor of Merloni Holding Spa.
- Vice Chairman of the Board of Directors of Angel Capital Management Spa.
- Statutory Auditor of Transalpina di Energia Spa.

### Gabriele Villa

Born in Milan on June 18, 1964.

Degree in Economics and Business Administration from Milan's Università Cattolica in 1988.

#### Academic and Professional Background

- Adjunct professor of Business Economics at the School of Banking, Financial and Insurance Science of Milan's Università Cattolica del Sacro Cuore.
- Tenured professor of Financial Reporting and International Accounting Principles.
- Co-tenured professor of Business Finance (advanced course).
- Certified Public Accountant, Member of the Milan Board of Certified Public Accountants.
- Independent Auditor.
- Partner of Studio Crostarosa Guicciardi – Villa, Milan.
- Developed significant expertise in the valuation of business enterprises and extraordinary corporate transactions, providing support in connection with legal actions filed before judicial authorities or arbitration boards, financial reporting (statutory financial statements, consolidated financial statements and interim reports) and providing expert opinions in civil and criminal venues.
- Member of the Editorial Board of *Rivista dei Dottori Commercialisti*.
- Member of the Editorial Board of *Rivista di diritto societario*.

#### Main present positions

- He is a Director of Mediobanca Spa.
- He is Chairman of the Board of Statutory Auditors of Westfield Milan Spa.
- He is Sole Statutory Auditors of Otis Srl.
- He is Statutory Auditor of Transalpina di Energia Spa.
- He is an independent Auditor of Fondazione Accademia Arti e Mestieri del Teatro alla Scala.

## Curricula<sup>1</sup> of the Statutory Auditors who resigned their Office in 2017

### 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.

### 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.

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1. *Curricula* updated at December 31, 2016.

## Edison Spa

31 Foro Buonaparte  
20121 Milan, Italy

Capital stock 5,377,000,671,00 euros, fully paid  
in Milan - Monza - Brianza - Lodi Company Register  
and Tax I.D. No. 06722600019  
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