



**SUSTAINABILITY  
REPORT**

**2010**





# CONTENTS

<b>A Letter to Our Stakeholders</b>	<b>6</b>
<b>Edison's Sustainable Development Policy</b>	<b>9</b>
<b>WHO WE ARE</b>	<b>10</b>
Structure of the Group	<b>12</b>
Edison's Strategies for the Future	<b>13</b>
Our Responsibility	<b>17</b>
Corporate Governance	<b>18</b>
Identification of Relevant CSR Issues	<b>24</b>
Edison and its Stakeholders	<b>25</b>
<b>ECONOMIC RESPONSIBILITY</b>	<b>28</b>
Trends in the Energy Industry	<b>29</b>
The Wealth We Created	<b>29</b>
Relations with the Financial Community	<b>31</b>
<b>ENVIRONMENTAL RESPONSIBILITY</b>	<b>34</b>
Promoting Sustainable Development	<b>35</b>
Protecting Biodiversity	<b>40</b>
Edison and Climate Change	<b>42</b>
<b>SOCIAL RESPONSIBILITY</b>	<b>52</b>
Our Employees	<b>53</b>
Our Customers	<b>60</b>
Our Suppliers	<b>67</b>
Public Institutions	<b>70</b>
Our Communities	<b>71</b>
Strategic Projects for Italy and Europe	<b>72</b>
Edison and Human Rights	<b>74</b>
Projects for the Community	<b>82</b>
Socio-environmental Accounting – A Note on Methodology	<b>83</b>
Commitments for the Future	<b>84</b>
Performance Indicators	<b>86</b>
GRI index	<b>95</b>
Review report	<b>98</b>



## EDISON WORLDWIDE

- Edison's headquarters and offices
- Hydrocarbon concessions and permits
- Electric power generation
- Trading branch
- Hydrocarbon branch



## FACILITIES AND INFRASTRUCTURES AT ITALY'S SERVICE

ELECTRIC POWER

**30** thermoelectric power plants

**72** hydroelectric power plants

**31** wind farms

**12,475** MW of installed capacity, including 2,161 MW in capacity from renewable sources\*

**2** photovoltaic facilities

**1** biomass power plant

\* Installed capacity data include those of Edipower at 50%

HYDROCARBONS

**60** concessions and exploration permits in Italy

**20** concessions and permits for natural gas and crude oil exploration and production outside Italy

**3** storage center concessions in Italy\*

**52.8** billion m<sup>3</sup> in hydrocarbon reserves

**3.68** thousand km of natural gas distribution networks

\* storage centers in operation and 1 under development



## A LETTER TO OUR STAKEHOLDERS

**T**he global scenario that Edison was faced with in 2010 was characterized by a slow economic upturn, following one of the most severe crises of the past decades. In addition, recent events in North Africa heightened uncertainty both about the economic recovery and global political stability. In this challenging environment of profound change, Edison focused on countering the effects of negative economic conditions with the aim of preserving an adequate level of profitability over the medium term, without sacrificing its sustainable growth objectives.

Because of the number and importance of its stakeholders, Edison is fully aware of the primary role that it is expected to play in applying a sustainable development model.

Being socially responsible and knowing how to manage relations with its stakeholders is fundamentally important for the continuity and success of a business. In a context as critical as the one we are facing, sustainable development becomes even more significant among Edison's corporate values. The progress of integrating social responsibility into the Company's business model led to concrete actions in 2010, consistent with the guidelines outlined in the Sustainable Development Policy defined in 2009. The aim of this process was to combine the pursuit of economic objectives with a steady reduction of environmental and social impacts.

In 2010, Edison continued to provide its contribution to the fight against climate change, giving concrete form to its commitment through the implementation of various projects. Significant examples include: expansion of energy production from renewable sources, research and innovation for technologies with a low environmental impact, and, through the Energy Efficiency and Sustainable Development Business Unit, support to industrial customers for a rational use of energy resources and renewable-source production. The results of these efforts were a reduction in the level of specific CO<sub>2</sub> emissions by power plants and an increase in the contribution provided by renewable sources to Edison's generating mix.

Sustainability means more than just fighting climate change. In 2010, the International Biodiversity Year, Edison, consistent with an action plan to manage and protect biodiversity in the areas where it operates, developed a methodology to analyze biodiversity levels at its operating locations, aimed at defining concrete objectives for managing and maintaining its performance level. This is just an example of an all-encompassing commitment to sustainability that, going beyond the environment, views people as a central element whose value should be protected and maximized.

Fostering the development of its employees, while ensuring their occupational health and safety, is another commitment inherent in Edison's responsibility. The adoption of management systems consistent with international standards (BS OHSAS 18001) and the deployment of numerous programs to promote adequate health and safety levels, both internally and at contractors, are evidence of the Group's commitment to go beyond mere compliance with regulatory requirements. Edison promotes a continuous improvement policy designed to promote a culture of safety at all Company levels, involving all employees in the pursuit of the "Zero Risk" objective. The Company's occupational safety performance reached levels of excellence both in Italy and abroad, also regarding the employees of contractors, for whom the Company developed numerous education and training programs about occupational safety.

It is important to keep in mind that market conditions were difficult in 2010, particularly in the natural gas market. In such an environment, transparent communications with the market and the shareholder community became even more important than in the past. Through an ongoing dialog, Edison succeeded in making the market aware of the strategies that it deployed to respond to the crisis and through which it plans to stabilize its performance in future years. The electric power industry suffered from the combined effect of a drop in demand and an increase in supply, which compressed generating margins. In the hydrocarbon area, an already complex situation was made worse by a combination of factors at the global level (e.g., availability of shale gas, lower consumption, abundant LNG supply) that created extreme pressure on spot gas prices, which diverged by a substantial amount from prices under conventional long-term gas procurement contracts, which are indexed to crude oil prices and include take-or-pay clauses.

Despite such a challenging environment, Edison's electric power operations succeeded in delivering a profitability performance in line with previous years. In the natural gas area, Edison began the process of renegotiation contracts with its suppliers, filing for arbitration in some cases, with the aim of reestablishing a reasonable profit margin.

Insofar as the Group's electric power operations are concerned, the reduction in profit margins was compensated by an increase in unit sales, as the Group reached the milestone of one million end customers in 2010, just two years after entering the residential electric power market. The key factors that contributed to this performance were affordability, simplicity, transparency and quality of service.

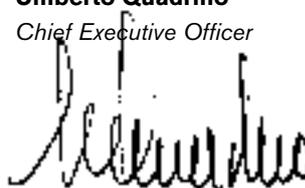
This achievement was also made possible by finetuning the tools used to recognize and analyze the need of Italian consumers and by a further development of the dialog and collaboration with consumer associations through a series of projects and programs: the Joint Conciliation Protocol, the Conciliation Guide and the Service Charter. These programs enable Edison to monitor and improve the level of the services it provides to its customers.

In addition to its customer focus, Edison's commitment is aimed at strengthening its ties with its host communities. The holding of discussion workshops, the dialog with all parties and the establishment of a lasting relationship with local players are essential tools in Edison's effort to play an ongoing active role in listening to and engaging local communities in new projects, beginning with their development phase. The Edison Foundation deserves special mention for its economic analyses of industrial clusters and the structure of the Italian economy in the international context. In 2010, the foundation published several works, including "The Edison Foundation: Ten years for Europe's Economy." In addition, it partnered with other foundations, entities and non-profit organizations that are an integral part of Edison's corporate responsibility strategy, in that they represent an effective tool in the dialog with civil society.

With regard to community projects, the programs carried out by the Company in 2010 addressed issues concerning the territories where it operates, young people and young children, focusing on a few priority areas: the promotion of sustainable development, energy efficiency, sports and culture. Because Edison operates both in Italy and abroad, its commitment in this area was important at the international level as well, with such projects as the "It's my right" project, for the rights of women and children in Egypt, and the "Together for Haiti" employee volunteer program.

Lastly, Edison developed its own strategic approach to the issue of human rights as an integral part of its Corporate Social Responsibility values. As part of this effort, it developed a dedicate seminary on this issue, coordinating, in cooperation with the UN Global Compact Italian Network, a work group tasked with providing input on human rights and innovative methods for handling this issue.

**Umberto Quadrino**  
*Chief Executive Officer*





## EDISON'S SUSTAINABLE DEVELOPMENT POLICY

**S**ustainability is a strategic element of Edison's business model. The creation of value is based on the ability to pursue economic objectives while at the same time steadily reducing environmental impacts, consistent with a sustainable development approach, thereby meeting the expectations of all stakeholders.

**The world is faced with the global challenge of climate change, which can be successfully tackled only if we all get involved.** As an electric utility, we have a great responsibility: we have to manage and mitigate our environmental impact and help minimize the effects on climate, while delivering energy to all of our customers.

We are convinced that the promotion of a culture of energy conservation, coupled with special services for our customers and the development of an energy system with a low environmental

impact, can help contain global warming and provide growth opportunities in our markets.

**Empowering our employees and providing them with a healthy and safe work environment** are core objectives for Edison, which views them as fundamental elements to guarantee the respect and integrity of all our associates. We treasure diversity and foster the professional development of our employees by listening to their needs and expectations.

**Edison is committed to strengthening its ties with its local communities by respecting the aspirations of the local population and supporting growth in the areas where it operates.** We involve the communities in decisions that affect them, we invest in cultural development and we promote social, educational and sports initiatives that benefit the community.

### Edison's Responsibilities: 4 challenges and 11 Commitments for Sustainable Development

#### THE ENVIRONMENT

**Help fight climate change and develop an energy system with a low environmental impact:**

- Position ourselves among the energy companies with the most efficient facilities and the lowest level of greenhouse gas emissions, pursuing objectives of continuous improvement as we shift our energy mix towards sources with lower emissions;
- Aim to play a leadership role in renewable sources in Italy;
- Operate with the utmost respect for the environment and biodiversity.

#### OUR EMPLOYEES

**Foster the development of our employees by providing a healthy and safe work environment:**

- Strengthen programs that empower our employees by helping them develop competencies and finding an optimum work-life balance;
- Strengthen and improve our management system for occupational health and safety prevention and monitoring (already one of the most advanced in Europe); attain accident levels that are among the lowest in our industry, while continuing to pursue a "zero accidents" objective.

#### THE MARKET

**Be a transparent and fair player in the market in which we operate to establish respectful and lasting relationships with our counterparties:**

- Invest in research to develop new energy-saving solutions for our customers, offering them services that are respectful of the environment, and promote an informed use of energy;
- Develop a dialog with customers and consumer groups to improve the services that we offer.

#### OUR COMMUNITIES

**Consolidate our ties with public institutions and our local communities by listening to the legitimate expectations of our stakeholders:**

- Communicate our values, actions and achievements, while listening to the expectations and changing needs of our local communities and those of public institutions;
- As responsible citizens, support social, educational and sports initiatives that benefit the community;
- Establish and maintain stable, transparent and collaborative relationships with our suppliers;
- Maintain an effective system of Corporate Governance capable of steadily creating value for our shareholders.

Milan, February 11, 2011

**Umberto Quadrino**

*Chief Executive Officer*



# WHO WE ARE

economic value  
generated  
millions of euros

9,529 2009  
**11,295** 2010

charitable contributions  
and sponsorships  
millions of euros

4 2009  
**4** 2010

number of employees

3,923 2009  
**3,939** 2010

injury incidence  
rate

3.04 2009  
**2.96** 2010

training hours  
per employee

31.9 2009  
**32.5** 2010

sales of REC certified  
"green energy"  
GWh

106 2009  
**658** 2010

energy produced  
from renewable sources  
GWh

5,954 2009  
**6,463** 2010

CO<sub>2</sub> emissions avoided  
with renewable sources  
million/t

3.32 2009  
**3.80** 2010

locations with EMS  
(environmental management systems)

**97%** Electric Power Oper.  
**93%** Hydrocarb. Oper.



**R**espect for the environment, dialog with local communities, concern for safety, delivery of high quality services, and transparency and ethics in dealings with stakeholders: these are the foundations on which Edison builds its business. Edison is Italy's

second largest electric power and natural gas operator. Just two years after entering the residential electric power and gas market, Edison reached the milestone of one million retail customers.

With a net production of electric power in Italy that totaled 41.8 GWh in 2010, Edison confirmed its position in the domestic market, accounting for 14.6% of the entire national production.

What makes Edison unique is the development of a well balanced portfolio of highly efficient power plants that enables it to generate energy with an optimum mix, ranging from gas fired, combined cycle facilities to hydroelectric power plants, wind farms and other renewables. With more than 2,160 MW in installed capacity, renewables account for 17% of Edison's total capacity. The Group's production from renewable sources is provided by a portfolio of 72 hydroelectric power plants (1,741 MW), 31 wind farms (410 MW), 2 photovoltaic systems and 1 biomass facility.

In 2010, the Group commissioned the Mistretta wind farm in Sicily (30 MW) and, in May, completed the acquisition of the San Francesco wind farm in the municipality of Melissa (KR).

In the hydrocarbon area, Edison has an integrated presence, ranging from exploration to production, importation, distribution and sales of natural gas and oil.

As part of Edison's commitment to improve Italy's energy mix and achieve greater independence from individual hydrocarbon producing countries, the Adriatic LNG's Rovigo regasification terminal was commissioned in 2009. It will make it possible to import 8 billion cubic meters of natural gas a year (6.4 billion cubic meters reserved for Edison).

In addition, Edison is developing strategic supply infrastructures for Italy and Europe, such as the ITGI and GALSI pipelines to import natural gas from the Caspian Sea basin and Algeria.

Also in the international arena, Edison is working to further strengthen its presence in the hydrocarbon sector through the development of the Abu Qir field in Egypt and the discovery of new reserves in the North Sea.

In the electric power area, Edison is present in Greece with Elpedison, the second largest operator in that country's electric power industry, and is seeking additional growth opportunities in south-east Europe, Turkey and the Mediterranean Basin.

#### ELECTRIC POWER - SOURCES (GWh)\*

	2008	2009	2010	Δ %
<b>Net production Edison Group</b>	<b>50,151</b>	<b>41,601</b>	<b>41,824</b>	<b>0.5%</b>
Thermoelectric power plants	44,606	35,646	35,361	-0.8%
Hydroelectric power plants	5,021	5,398	5,734	6.2%
Wind farms and other renewables	524	561	730	30.7%
<b>Imports</b>	<b>-</b>	<b>-</b>	<b>250</b>	<b>-</b>
<b>Other domestic purchases and swaps**</b>	<b>15,040</b>	<b>18,771</b>	<b>29,820</b>	<b>58.9%</b>
<b>Total sources</b>	<b>65,191</b>	<b>60,372</b>	<b>71,894</b>	<b>19.1%</b>
<b>Production outside Italy</b>	<b>-</b>	<b>236</b>	<b>943</b>	<b>299.6%</b>

\* One GWh is equal to one million kWh in terms of physical volumes.

\*\* Before expenses and excluding the trading portfolio.

#### NATURAL GAS - SOURCES (millions of m³)

	2008 <sup>(1)</sup>	2009	2010	Δ %
Production in Italy	662	604	509	-15.7%
Pipeline imports	7,554	8,678	7,671	-11.6%
LNG imports	0	1,682	5,813	245.6%
Domestic purchases and other items*	5,281	2,246	1,846	-17.8%
<b>Total sources in Italy*</b>	<b>13,497</b>	<b>13,210</b>	<b>15,839</b>	<b>19.9%</b>
<b>Production outside Italy**</b>	<b>352</b>	<b>1,231</b>	<b>1,458</b>	<b>18.5%</b>

\* Includes changes in inventory and pipeline leaks.

\*\* Counting volumes withheld as production tax.

(1) The data for 2008 have been restated in accordance with the new classification criteria adopted.

#### OIL - SOURCES (thousands of barrels)

	2008 <sup>(1)</sup>	2009	2010	Δ %
Production in Italy	1,729	1,703	2,331	36.9%
Production outside Italy*	0	957	1,159	21.1%
<b>Total sources in Italy*</b>	<b>1,729</b>	<b>2,660</b>	<b>3,490</b>	<b>31.2%</b>

\* Counting volumes withheld as production tax.

(1) The data for 2008 have been restated in accordance with the new classification criteria adopted.



### Fortune Showcases Edison's Reputation

In 2010, Edison was again named one of the top Italian companies with the best international reputation, ranked second in the listing of "World's Most Admired Companies" published by *Fortune*, a prestigious U.S. magazine.

In the global ranking, Edison finished second among the companies with the best reputation in the energy industry and fourth in the world for its social responsibility and environmental activities.

<http://money.cnn.com/magazines/fortune/mostadmired/2011/intl/Italy.html>

## STRUCTURE OF THE GROUP

Edison is one of the key players in the Italian energy market, active in the procurement, production and distribution of electric power and natural gas. The Group's structure is purposely designed to operate in all of the strategic areas of the electric power and natural gas businesses. Specifically, its corporate organization is based on

an integrated business model that reflects Edison's commitment to the energy sector. The coordinated activities of different Group companies enable Edison to generate electric power with a low environmental impact, which it offers in the deregulated market at increasingly competitive prices, for the benefit of its customers.

### ELECTRIC POWER ASSETS

- Management of thermoelectric and hydroelectric power plants

- Edipower Spa <sup>(2)</sup>
- Hydros Srl
- Dolomiti Edison Energy Srl

### POWER INTERNATIONAL

- Development and management of international thermoelectric power plants and interconnection infrastructures

- ElpEdison BV
- Elite Spa

### RENEWABLE SOURCES

- Management and development of wind farms and other facilities for power generation from renewable sources

- Edison Energie Speciali Spa

### ENERGY MANAGEMENT

- Dispatching and sales on the Power Exchange and to wholesalers

- Edison Trading Spa

### MARKETING AND DISTRIBUTION

- Sales of electric power and natural gas to end customers

- Edison Energia Spa



### HYDROCARBON ASSETS

- Hydrocarbon exploration and production; storage, transmission and distribution of natural gas in Italy and abroad

- Edison International Spa
- Abu Qir Petroleum Co
- Edison Stocaggio Spa (\*)
- Edison D.G. Spa (\*)

### GAS INTERNATIONAL

- Development of international natural gas interconnectors

- Itgi-Poseidon Sa
- Galsi Spa

### GAS SUPPLY AND LOGISTICS

- Management of procurement, logistics and sales to wholesalers and thermoelectric power plants

- Electric Power Business Unit
- Hydrocarbons Business Unit
- Main companies included in the scope of consolidation

### ENERGY EFFICIENCY AND SUSTAINABLE DEVELOPMENT

- Solutions for the use of sustainable energy



1) Edison Spa, working through its Business Units and Corporate Activities, is directly engaged in the production of electric power (hydroelectric and thermoelectric) and produces, imports and distributes hydrocarbon products.

2) Edipower Spa is consolidated at 50% by the proportional method.

(\*) Company subject to unbundling requirements.

## Edison's Commitment to Sustainability

### 1883

- Europe's first power plant capable of distributing a continuous supply of power begins to operate at Milan Santa Radegonda.

## 1800

### 1881

- Giuseppe Colombo founds the Committee to Promote the Use of Electric Power in Italy. The Committee will become Società Generale Italiana di Elettricità
- Sistema Edison in 1884.

### 1898

- The Bertini hydroelectric power plant in Paderno d'Adda is commissioned. At that time, it was the most powerful power plant in Europe.

### 1931

- Edison begins to supply natural gas to households in Milan.

### 1966

- Merger with Montecatini; Montedison is born.

### 1963

- Italian electric utilities are nationalized.

### 1992

- Edison introduces in Italy the combined-cycle technology for power plants fueled with natural gas.

## 1900

### 1994

- Edison publishes its first Environmental Report.

### 1990

- Under the new National Energy Plan, businesses are again allowed to build new power plants, provided they use environmentally compatible technologies.

### 1993

- The Edison Research Center opens in Trofarello (TO).

## EDISON'S STRATEGIES FOR THE FUTURE

Edison is ready to take up the challenge posed by the current scenario, building on its ability to grow by anticipating changes in the market. Specifically, the Company intends to:

- consolidate its competitive position in the Italian electric power generation market and strengthen its role as the second largest operator in the natural gas procurement area;
- focus its marketing strategy on expanding its presence in the small business-SOHO (Small Office and Home Office) and residential segments, leveraging its ability to offer both power and gas;
- increase and fully exploit the Abu Qir reserves, with the aim of covering 15% of its hydrocarbon needs from internal production;
- offset a steady reduction in margins from regulated activities generated by CIP6 electric power production with projects to triple storage capacity;
- participate, over the long term and consistent with the evolution of the market, in the construction of two infrastructures to import natural gas from Africa and the Middle East and in the programs to privatize the electric power industry currently under way in the Balkans and in Turkey.

The Group's rate of growth will be modulated to make sure that capital expenditure levels are consistent with changes in energy demand, taking also into account the need to maintain the financial flexibility parameters required by the credit rating assigned to the Company by the rating agencies.

### Strategies for the Electric Power Operations

In the electric power sector in Italy, having completed one of the most ambitious programs to expand generating capacity carried out in Europe in the past 10 years and reached an installed capacity of over 12,400 MW at the end of 2010, Edison intends to consolidate its competitive position in the Italian electric power

generation market, maintaining its 15% share of the national generating capacity.

Future investments will focus mainly on completing existing projects, such as repowering the former CIP6 power plants at Marghera Azotati and Bussi (about 300 MW) with LMS100 units, with the aim of increasing the flexibility of production for the deregulated market, and on maintaining existing facilities.

In a context characterized by diminishing spark spreads, the availability of a portfolio of cutting-edge, efficient power plants of significant size provides Edison with sufficient flexibility to consider make-or-buy options and seize opportunities to optimize margins by pursuing growth in the small business-SOHO and residential segments.

In the wind power area, Edison's goal is to carry out those projects for which it has received construction permits. In addition, early in 2010, the Company signed a definitive contract to buy from Gamesa 100% of Parco Eolico San Francesco Srl, a company that is completing construction of a 26 MW facility in the municipality of Melissa (Crotone). In addition, a 30 MW wind farm was commissioned in Mistretta, Sicily, in the first quarter of 2010

The investments planned in the hydroelectric area will include projects to maintain the production capacity of the existing power plants and activities that will result in the production of new green certificates. In addition to producing and selling energy generated from renewable sources, Edison will be increasingly focused on developing new energy efficiency services for its customers, through a business unit established specifically for this purpose in 2009.

over  
**12,400** MW  
in installed  
capacity

#### 1997

- Edison's Bussi power plant is the first facility in Italy to receive ISO 14001 environmental certification.
- The CET 3 power plant in Taranto is the first facility in the world to use, on an industrial scale, a combined-cycle system fueled with recycled gas from the neighboring steel mill complex.

#### 2004

- Ten years after publishing its first Environmental Report, Edison publishes its first Sustainability Report and approves the 231 Organizational Model.

#### 2007

- A 400-MW turbogas power plant fueled with a mixture that includes "lean" natural gas from local deposits is commissioned in Candela (FG). The steam generated by the facility is used to heat about 150 acres of greenhouses built by a local floricultural business.

#### 2009

- A Corporate Responsibility Department is established and Edison publishes a Human Rights Policy.
- Elpedison Power, Greece's second largest electric power operator, is created.

2000

#### 1996

- Edison commissions its first wind farm.
- The farm is located in Casone Romano, in the municipality of Castelnuovo della Daunia, province of Foggia.

#### 2002

- Edison Energie Speciali (renewable sources) is the first organization in Italy to receive multi-site EMAS registration.

#### 2005

- Edison joins the U.N. Global Compact.

#### 2008

- Publication of the Sustainable Development Policy.
- A Sustainable Development Business Unit is established.

#### 2010

- Start of the project to adopt the guidelines of the ISO 26000 standard.
- Edison establishes a working group on human rights.

At the international level, also in the electric power generation sector, Edison plans to complete the projects launched in Greece through Elpedison, a 50-50 joint venture with Hellenic Petroleum. Elpedison is currently Greece's second largest electric power operator, with its T-Power facility (a 390 MW CCGT system), which is already operational, and the Thisvi power plant (a 410 MW CCGT facility).

Additional growth opportunities available through participation in the privatization programs currently under way in the Balkans and Turkey will be assessed taking into account the evolution of the macroeconomic scenario and the regulatory framework.

### Strategies for the Hydrocarbons Operations

In the coming years, significant amounts will be invested in hydrocarbon exploration and production activities, focusing primarily on increasing and fully exploiting the Abu Qir reserves, in Egypt. In this area, 2009 was a landmark year in the development of Edison's strategy in the hydrocarbon area. Specifically, in January 2009, Edison, the Arab Republic of Egypt and EGPC signed a contract awarding to Edison the Abu Qir offshore concession, together with the concession's exploration, production and development rights for 20 years, extendable by an additional 10 years at Edison's request.

The Abu Qir fields have been operational since the 1980s. Currently, they produce through three platforms about 1.5 billion cubic meters of natural gas and 1.5 million barrels of liquids a year. Based on the development plan, production should reach its peak over the next two or three years. Thanks to the Abu Qir's contribution, Edison will be able to achieve the strategic objective of covering with internal production 15% of its hydrocarbon needs.

In addition, as part of its effort to improve the reliability of Italy's gas system, the Group will expand its projects in the gas storage area. Specifically, work started at the end of 2009 on a project to increase the capacity of the Collalto field from the current 400 million standard cubic meters of working gas to more than 800 million standard cubic meters, with the peak delivery rate rising from 3.5 million standard cubic meters a day to 9 million standard cubic meters a day in 2011.

In addition, the work to standardize the capacity of the Cellino field was completed in the first half of 2010. The new San Potito and Cotignola project, for which the Group received a storage concession in 2009, will enable Edison to triple its storage capacity. This capacity expansion will provide the Company with an EBITDA flow from regulated activities, which it can use to offset the impact of a gradual decrease in the revenues generated by production from CIP6 power plants.

Over the long-term, taking into account market trends and conditions for the procurement of natural gas, Edison intends to participate in the development of two infrastructures to import natural gas from Africa and the Middle East that will allow Italy to play a key role, thanks to its preferential position in the Mediterranean:

- The Galsi pipeline, which will bring 8 billion cubic meters of natural gas a year from Algeria to Italy (Algeria-Sardinia-Italy). Edison is involved with the international segment of the project.

- The ITGI (Interconnector Turkey-Greece-Italy) pipeline, which will link Italy with the Caspian Sea basin and deliver up to 10 billion cubic meters of natural gas a year. Edison is a 50% partner with Depa in the Italy-Greece segment of the project.

The construction of these two pipelines will enable Edison to further diversify its portfolio of procurement sources.

## Edison's International Development

Edison intends to develop its presence in markets outside Italy, focusing initially on neighboring countries and the Mediterranean Basin, with special emphasis on Greece, Turkey and the Balkans.

The presence in Greece was developed with the aim of replicating in that market the Edison business model in the electric power and natural gas sectors by:

- establishing Elpedison, a joint venture with Hellenic Petroleum, and two companies to generate electric power (Elpedison Power) and operate in the end-customer market (Elpedison Trading);
- establishing IGI Poseidon, a joint venture with DEPA, Greece's largest public/private natural gas operator, that will develop a gas pipeline to transport to Greece, Italy and the rest of Europe natural gas produced in the Caspian Basin.

In Turkey and the Balkans, the start of the process to deregulate the electric power generation market could represent for Edison an interesting opportunity to consider developing, through joint ventures with local companies, hydroelectric power plants and thermoelectric facilities that burn fossil fuels different from gas, thereby balancing its fuel mix and create a diversified portfolio of production facilities in Southeast Europe.

Similarly to many other countries in Europe, Greece experienced an unprecedented decrease in the demand for energy in 2009 (-5.8%, a smaller decline than in Italy), which, together with a reduction in fuel prices, caused electric power prices to plummet on the Power Exchange. Despite this challenging situation, Edison continued to implement its investment projects in this area, with the aim of seizing the opportunities that changing market conditions are providing. In 2010, Elpedison Power completed the construction of a second combined-cycle power plant with a capacity of about 420 MW located near Thisvi, which joined a power plant of about 390 MW that has been operating in Thessaloniki since the end of 2005. Elpedison Power is carefully

evaluating the possibility, currently being studied, to increase installed capacity, which would help reduce the company's average production cost and help support margins during a period of falling market prices.

In addition, the exposure to highly volatile Power Exchange prices is mitigated by the presence in the downstream market of Elpedison Trading. The function of this wholly owned subsidiary of the Elpedison BV joint venture (50% Edison, 50% Hellenic Petroleum), which was established in the second half of 2009, is to operate as a trading company for the sale of electric power.

In the natural gas area, the Group's strategy includes both the development of the IGI pipeline and its extension to the countries of Southeast Europe (IGB) and a project for commercial collaboration with DEPA, which could enable Edison to supply over the medium term its gas to the Greek market and, specifically to Elpedison Power's combined-cycle power plants.

In Turkey, in addition to the possibility of participating in the privatization process, Edison is assessing, together with local partners, several projects to develop hydroelectric power plants, renewable source facilities and facilities that burn fossil fuels different from gas.

In addition, Turkey is a country where Edison has already established an industrial collaborative relationship in connection with the development of the ITGI (Interconnector Turkey-Greece-Italy), an infrastructure to import natural gas, of which the IGI project is the final segment between Greece and Italy.

Lastly, the Balkans offer attractive opportunities in connection with the deregulation process required to modernize the existing facilities, which consist mainly of lignite and hydroelectric power plants. Edison is participating in an international call for tenders issued by the electric power agency of the Republic of Serbia for the purpose of choosing an industrial partner to build and operate two lignite power plants with a capacity of 700 MW each.

## Main Projects Completed in 2010

The main events with a significant impact on the development of Edison's activities in 2010 are summarized below.

### **ITGI Gas Pipeline: The Agreement to Build the Greece-Bulgaria Pipeline Bypass (IGB) Is Finalized and an Agreement Allowing Transit Through Turkey Is Signed**

On March 4, 2010, at a meeting in Thessaloniki, BEH (Bulgarian Energy Holding) and IGI Poseidon Sa (a 50-50 joint venture of DEPA, Greece's national gas company, and Edison) finalized an agreement to establish an asset company (BEH 50% and IGI Poseidon Sa 50%) that will build the new IGB (Interconnector Greece-Bulgaria) natural gas pipeline. The IGB pipeline will have a length of about 160 km, running between Komotini (Greece) and Stara Zagora (Bulgaria). With an annual capacity of 3 to 5 billion cubic meters of natural gas, it will provide Bulgaria with access to new supply sources by way of Greece. Planned investments total 140 million euros and the project is expected to have access to about 45 million euros in funding under the EU's European Economic Recovery Plan.

Engineering activities in preparation for construction will begin once the agreement is officially approved by the respective companies, with the pipeline expected to go on stream in 2013.

Subsequently, meeting in Sofia (Bulgaria) on November 30, 2010, Edison, DEPA, IGI Poseidon S.A. and Bulgarian Energy Holding EAD signed documents establishing a company called Natural Gas Interconnector Greece Bulgaria EAD (IGB EAD), which will be responsible for developing, building and operating a new IGB natural gas pipeline linking Greece with Bulgaria.

Lastly, on June 17, 2010, at a meeting in Ankara, Edison, DEPA and Botas (Turkey's national gas company) signed a Memorandum of Understanding allowing transit through Turkey for natural gas delivered by the ITGI (Turkey-Greece-Italy Interconnector). This project is the first component being built in Europe of the so-called "Southern Corridor," an infrastructure recognized by the European Union as a "Project of European Interest" and included in the European Economic Recovery Plan with proposed funding of 100 million euros. The agreement sets forth the general terms and conditions governing the transit of the ITGI through Turkey and the use of the available capacity in the Turkish network operated by Botas, up to the border with Greece, for the gas volumes required by the ITGI gas pipeline. This agreement strengthens the partnership between Edison, DEPA and Botas, by creating the possibility for Botas to acquire an interest in IGI Poseidon Sa. This company, which is currently owned in equal shares by Edison and DEPA, is responsible for the construction of an underwater gas pipeline between Greece and Italy (the Poseidon gas pipeline). The companies involved will also jointly evaluate the possibility of a collaborative arrangement for implementing the expansion of the Turkish network that will be required to allow the transit of ITGI gas.

### **Vega Field: Italy's Largest Offshore Oil Platform Is Back in Business**

On June 25, 2010, in Siracusa, Sicily, production from the Vega oil field (60% Edison, as operator, and 40% Eni) resumed upon completion of the installation of a new oil storage system. This FSO (Floating Storage and Offloading) system is connected, through three underwater lines, with the oil platform, where the production facilities are located. The mooring system of the FSO Leonis (consisting of a buoy-yoke-tanker beam) was entirely designed by Edison and provides the highest level of security even under extreme weather and sea conditions. The Vega field is located in the Strait of Sicily, about 12 miles off the Pozzallo (Siracusa) coast. The field began producing in 1987 and is currently flowing oil from 20 wells. From 1987 to present, the field has produced 55.5 million barrels of oil. It has been estimated that the Vega field is capable of producing an additional 12 million barrels of oil.

### **Edison Expands in Renewables Acquiring a 26-MW Wind Farm in Melissa (KR)**

On July 20, 2010, Edison, acting through its Edison Energie Speciali Spa subsidiary, closed the purchase from Gamesa Energia Sa of 100% of Parco Eolico San Francesco Srl, which owns a fully operational 26-MW wind farm in the municipality of Melissa (KR). The San Francesco facility in Melissa (KR) is capable of generating about 46 Gigawatt Hours of power a year. Edison currently operates facilities with more than 2,100 MW of production capacity from renewable sources.

### **Edison: New Gas Discovery in the Sea of Norway**

In September 2010, a new gas field was discovered in the Sea of Norway. The new well falls within production license 435 (Zidane). The well's licensee consortium includes Edison (20%), RWE (40% and operator), Maersk Oil Norway (20%) and Norwegian Energy Company (20%). Estimates of the recoverable gas range between 5 and 18 billion standard cubic meters.

### **Edison Joins the Main Gas Exchanges of Continental Europe**

At the end of December, Edison completed the process of registering with the main gas exchanges of Continental Europe, qualifying as an operator on the Endex TTF (Holland), the EEX Gas (Germany) and the newly established GME (Italy).

Edison intends to broaden the network of Gas Exchanges where it can operate and will soon begin the process of registering with the CEGH Gas Exchange in Austria.

# OUR RESPONSIBILITY



## Values and Business Conduct

Edison's fundamental principles of ethics, which are set forth in the Group's Code of Ethics, provide the foundation for its corporate culture and represent the standard of conduct that all Group employees are required to follow.

Edison supports the Global Compact, an initiative launched by the United Nations by which companies agree to uphold and publicize ten universal principles that cover human rights, labor standards, environmental protection and anti-corruption. Since 2009, Edison has been a member of the Italian Network of the U.N. Global Compact, which it supports as a tangible sign of its active commitment to the advancement of these issues. Edison's Mission, Code of Ethics, Company Values, Sustainable Development Policy and its new Human Rights Policy are the key elements that help define the Group's strategies and guide the daily conduct of all of its employees.

### Edison's Values:

**INTEGRITY.** We want to earn the confidence of all those who work with us by keeping our promises, behaving transparently and assuming responsibility for all of our actions.

**RESPECT.** We respect our employees, our customers, our shareholders and the communities and the environment in which we work. We view contributing to improving the quality of life and to social progress as a duty.

**TEAM SPIRIT.** We believe that the best results are achieved through team work, in collaboration with our colleagues and our customers.

**SERVICE.** We are firmly committed to providing effective and flexible solutions for the needs of our customers and to establishing lasting partnerships with them.

**EXCELLENCE.** We pursue with all our energy the commitment to continuously improve our results and our services. For us, a job well done is not enough: we want to be the best.

**SPEED.** We always want to be ahead of the curve, ready to anticipate changes and respond with agility and flexibility to the needs of the market. Our people don't just work hard, they work quickly.

**INNOVATION.** We want to deserve our pioneering reputation by challenging conventional wisdom and seeking new ways to produce and distribute energy.



Edison's Values, which are rooted in its Code of Ethics, guide us in the way we do business and interact with others.

**Edison's mission is to supply its customers with high quality energy and services, working in partnership with its suppliers to develop and deploy more efficient technologies that are compatible with the environment and increase safety.**

# CORPORATE GOVERNANCE



Edison's system of corporate governance is the set of standards and behavior guidelines deployed by the Company to ensure that its governance bodies and control systems are functioning efficiently and transparently. In developing its governance structure, Edison adopted the principles and implementation criteria recommended by the Corporate Governance Code promoted by Borsa Italiana (2006 version). This structure includes the following governance bodies:

- Shareholders' Meeting
- Board of Directors
- Board of Statutory Auditors
- Independent Auditors

Edison's governance structure also includes the support committees established by the Chief Executive Officer, whose members are the managers of the various departments and business units, the system of internal controls, the Code of Ethics, the system of powers and proxies and the organizational structure.

## CORPORATE GOVERNANCE

	Unit of measure	2008	2009	2010
<b>Total number of BoD (Board of Directors) members</b>		13	13	<b>13</b>
Number of Directors with executive authority on the BoD		1	1	1
Number of independent Directors on the BoD		3	3	3
Number of women on the BoD		0	0	0
Number of BoD meetings		8	8	7
Average attendance of BoD meetings by Directors	%	97.1	96.1	90.0
Average attendance of BoD meetings by Statutory Auditors	%	83.3	83.3	87.9
Number of Audit Committee meetings		6	5	5
Number of Compensation Committee meetings		4	7	4
Number of Strategy Committee meetings		4	6	5
<b>Number of meetings of the Board of Statutory Auditors</b>		<b>11</b>	<b>11</b>	<b>14</b>

(1) The Chairman does not perform any function requiring executive authority.

The corporate governance system adopted by Edison defines and regulates a series of activities reserved for the BoD, such as transactions with related parties, determination of Directors' compensation and assessment of their performance, and provides procedures to prevent the occurrence of conflicts of interest. More information is provided in the Report on Corporate Governance, which is available online at: [www.edison.it](http://www.edison.it).

In the performance of its tasks, the Board of Directors is assisted by the following four consulting committees:

- Strategy Committee;
- Compensation Committee;
- Audit Committee;
- Committee of Independent Directors (operational as of January 1, 2011).

### **System of Internal Controls**

Edison's system of internal controls is a structured and organic set of rules and procedures and organizational structures designed to prevent or minimize the impact of unexpected results and allow the Company to achieve its strategic and operating objectives, comply with statutory and regulatory requirements and provide fair and transparent disclosures internally and to the market.

Operational audits covered all of the Company's businesses, including issues with a social and environmental impact.

Work carried out in this area in 2010 included six major audit engagements that concerned mainly customer relations, external relations, counterparty risk and occupational safety. In 2011, the Company plans to perform the same number of audits focused mainly on customer relations, external relations, hydroelectric operating activities and projects for the development of renewable source facilities, wind farms in particular.

In addition, most audit engagements will include specific modules to assess compliance with the Code of Ethics.

In 2010, with regard to training concerning topics covered by Legislative Decree No. 231/01 and fraud prevention, 30 Edison Group employees attended courses that covered updates to the Organizational Model. As for the specific occupational safety issues incorporated into the Model in 2008, Edipower developed a training program in the first quarter of 2010 to bring all of the relevant parties up to date with regard to regulatory changes and the new model.

### **Sustainability Governance**

Over the years, Edison adopted the tools needed for an effective and efficient governance of its corporate social responsibility. Starting in 2009, Edison began the process of making CSR an integral part of its business activities, further developing it thanks to the adoption of new policies and the launch of important new projects in such areas as human rights and biodiversity.

A Corporate Social Responsibility function was officially established in September 2009. This new function is responsible for managing and coordinating communication and reporting activities concerning Corporate Social Responsibility processes, specifically with regard to the Group's Sustainability Report, and for providing specialized support to the Group's Departments and Business Units in the process of identifying and assessing environmental and social responsibility issues suitable for integration in their respective operating programs.

The manager of the CSR function reports directly to the manager of the External Relations and Communications Department, which is a staff function of the Chief Executive Officer.

At the end of 2009, the Company adopted a Human Rights Policy that provides a more comprehensive and systemic coverage of sustainability issues formerly addressed in part by the Environment, Safety and Quality Policy and the Code of Ethics and by the Sustainable Development Policy.

Lastly, at the end of 2010, Edison launched a project aimed at determining and assessing the level of compliance with the "core subjects" identified in the ISO 26000 guidelines.

## Edison and ISO 26000

ISO 26000, the standard that provides voluntary Corporate Social Responsibility (CSR) guidelines applicable to any type of organization, was published on November 1, 2010.

The ISO 26000 standard provides organizations with a framework for understanding CSR and to help them integrate, implement and promote socially responsible conduct within the organization and throughout its sphere of influence.

ISO 26000 is not a certifiable standard. However, it is a model that organizations can use as a template for the guidelines of their internal processes. Because ISO 26000 is a guideline and not a standard, a failure to comply with one of its requirements, instead of constituting a nonconformity issue, should be viewed as a signal to the organization that a specific area requires attention or, possibly, remedial action.

The project launched by Edison is designed to measure to what degree activities already carried meet the expectations of the guidelines for the following six key issues: human rights, labor practices, environment, fair operating practices, consumer issues, community involvement and development.

The first phase of the project entailed identifying the scope of implementation of the issues covered by the standard. Specifically, it involved developing a methodology to determine which issues were most relevant and, on that basis, carry out a more detailed assessment process. Accordingly, the Company identified a series of criteria, consistent with a risk-based logic, that enabled it to identify its key issues. In 2011, this project will include a more in-depth analysis of these key issues, with the aim of identifying any gaps between the practices currently implemented by Edison and the recommendations of the reference guidelines.

## Management Systems and the Audit Process

Edison addresses environmental and safety issues by means of management systems, which, thanks to their adoption at virtually all production facilities, enabled the Group to achieve levels of excellence with regard both to its ability to communicate and interact with third parties who are affected by or involved in the performance of its environmental activities and to its ability to activate, motivate and maximize the contributions of all interested parties within the organization.

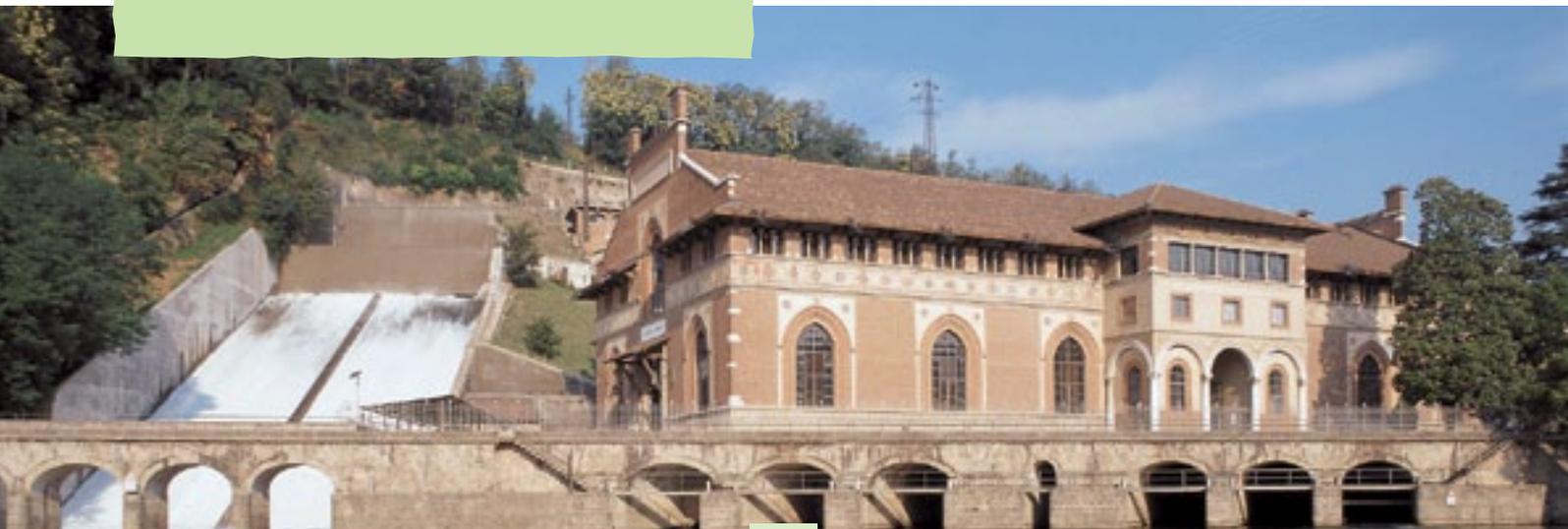
Edison was the first company in Italy to receive ISO 14001 and EMAS environmental certifications.

Presently, 96% of Edison's activity locations (electric power and hydrocarbons) are covered by ISO14001 certification, with 51% also holding EMAS certification and 80% OHSAS 18001 certified.

The objectives achieved in 2010 included the following:

- Completion of the certification process for the integrated environmental and safety management system for the Sarago - Maria a Mare site and the Transportation Operating Unit of Edison Stocaggio (hydrocarbons operations).
- On May 13, 2010, certification of the Engineering Department's Health and Safety Management System in accordance with the BSI OHSAS 18001 standard. The first certification renewal inspection was completed successfully in October 2010. The safety management system is being integrated into the quality management system, which is already certified.

The steady increase in certified locations demonstrates the Company's commitment and attention to environmental and safety issues. A tool in this area is provided by the internal auditing process, which is designed to bolster and improve the handling of operational practices. Compliance with relevant standards has reached outstanding levels, system activities have become common practice and operational competency is growing and widespread. Consequently, as independent audits have also shown, situations of statutory non-compliance are virtually non-existent and the risk levels of field activities are kept under control and managed in accordance with system rules.



## Edison and the Management of Business Risks

Edison established a centralized corporate function to control the risks that arise in connection with the pursuit of its different business activities. This function's purpose is to maximize the efficiency and effectiveness of the risk mitigation actions implemented by the Company, while providing an important tool to exploit the full range of growth opportunities.

The Group's system to control and manage corporate risks addresses two main areas: Enterprise Risk Management, which is designed to identify, monitor and control risk in accordance with the integrated management system model adopted by the Group, and Energy Risk Management. The latter is designed to manage the commodity market risk, which is the risk entailed by changes in the prices of energy raw materials in the financial and physical markets in which the Company operates.

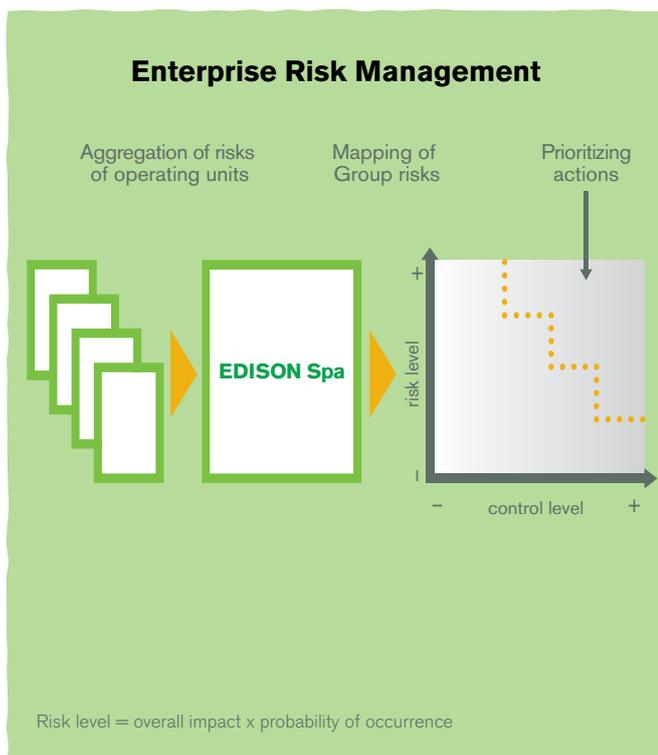
Edison developed an integrated risk model based on the Enterprise Risk Management (ERM) international principles. ERM's main purpose is to adopt a systematic approach to the process of mapping the Company's most significant risks, assess in advance their potential negative effects and take appropriate mitigating action. In addition, the integrated management of risks is a tool that supports the process by which strategic business choices are made, based also on a constantly evolving external context. Examples of these strategic responses include: decisions to invest in new projects that use the best available technologies, a plan to improve the efficiency of the existing production facilities portfolio, direct involvement in national and international discussions concerning such issues as energy and the environment, etc.

For this purpose, Edison adopted a Corporate Risk Model that covers all types of risks inherent in the Group's businesses and applies a risk scoring method that assigns a relevance index to each risk, based on an assessment of its overall impact, probability of occurrence and level of control.

In 2010, the existing ERM process underwent a complete overhaul, which is currently being finalized, designed to achieve a continuous alignment with international practices and standards and implement available improvements, such as the support of a dedicated IT system.

With this in mind, the risk model was further fine tuned. Specifically, issues related to climate change were embodied into specific physical, regulatory and process risk components.

The table below provides an overview of the risk model adopted by Edison.



Type of risk	Risk area	Examples
<b>Risks related to the external environment</b>	Institutions and society	Image risks, regulatory risks, risks of conflicts with host communities, etc.
	Market	Risks related to commodity prices, etc.
	Competitive environment	Competition based and technology risks, etc.
	Weather events and natural disasters	Risks of business interruption, etc.
<b>Process risks</b>	Transversal	Ethics, sustainable development, etc.
	Core business	Failure to achieve objectives, etc.
	Human resources	Risks related to occupational safety, loss of qualified personnel, etc.
	Finance	Credit rating, liquidity, etc.
	Information Technology	Data integrity and security, information systems availability, etc.
Compliance	Compliance with regulations, etc.	
<b>Strategic and planning risks</b>	Strategy	Business model, performance monitoring, etc.

Examples of risks related to the external environment include regulatory issues, macroeconomic factors, the impact of changes in public opinion and social views, climate and weather conditions and the effect of fluctuations in energy commodity prices. In addition to the risks inherent in the Group's core businesses, process risks include such risks as those related to ethics, social responsibility, customer care, environmental issues, human resources, litigation, compliance requirements and information technology. Examples of strategy risks include all risks related to the Group's business model, to the process of making strategic decisions, to corporate governance tools and to performance monitoring. The issue of respect for human rights, which recurs pervasively throughout the Group's diverse activities, affects transversally all of the risks in the Business Risk Model. For example, risks that are most affected by this issue include environmental responsibility, social responsibility in managing projects with regard both to the work performed directly and the work of contractors, and the management of human resources, particularly with regard to occupational health and safety. With the coordination of the Risk Office, the managers of the

Group's business units and departments map and assess the risks affecting the areas under their jurisdiction through a Risk Self Assessment process, by which risks are assessed in terms of probability of occurrence, impact (economic, image, etc.) and control level. They also provide an initial indication of the mitigating actions associated with each risk.

The results of this process are then consolidated at the central level into a map, in which risks are prioritized based on an assigned score and aggregated to facilitate the coordination of the corresponding comprehensive mitigation plans, consistent with an integrated risk management approach.

The findings of the ERM and Risk Self Assessment processes are communicated to the Audit Committee at regularly scheduled dates and are used by the Internal Control Systems Department as information input for the preparation of targeted risk-based audit plans.

Lastly, a map of the business risks identified through the ERM process is annexed to the budget schedules and the industrial plan approved by the Board of Directors of the Group's Parent Company.





## IDENTIFICATION OF RELEVANT CSR ISSUES

Through a process that included interviewing management, assessing the input of stakeholders and analyzing the main sustainability issues that appear to be relevant to the energy industry, as discussed in the main national and international media, Edison monitors social responsibility issues that it believes should be analyzed for the purpose of developing future action plans.

The approach used is based on a broader concept of significance, which defines the relevance of information relative to the impact of the Group's activities on economic, environmental and social issues.

The issues that were deemed to be relevant and, consequently, are discussed in this Report, were identified through the use of a matrix that included such variables as Edison's significant economic, environmental and social impacts and the effects that these impacts have on the perceptions and decisions of its stakeholders. The analysis was based on a scale with three levels of assessment: low, medium and high.

More specifically, an analysis of Edison's press review summary was performed taking into account the relevance of information concerning sustainability mentioned in major Italian and international print media and the impact that this information had on the assessments and decisions of the stakeholders.

The analysis performed in 2010 showed that, compared with the previous year, new issues that are deemed to be relevant are emerging in the economic area, the environmental area and the social responsibility area.

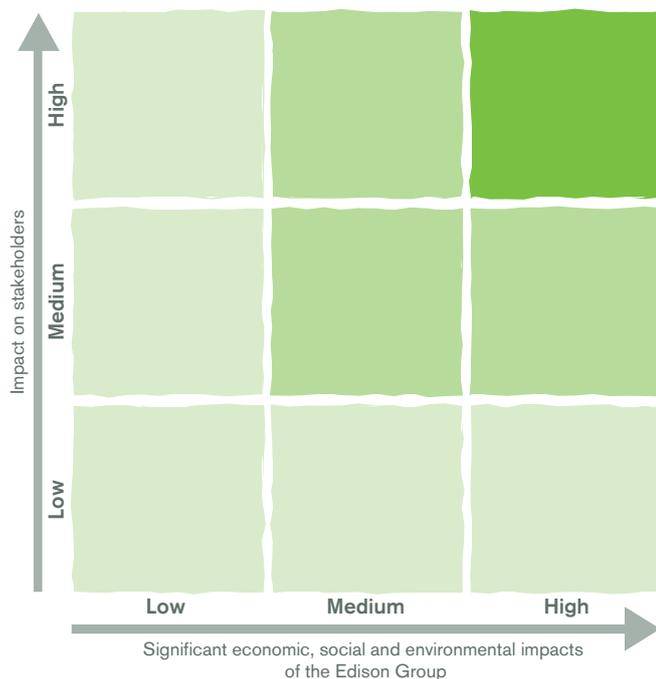
In the **economic area**, the issues debated most frequently included economic performance and the submission of bids for calls for tenders, which are items particularly relevant for shareholders. Another issue that attracted the interest of stakeholders (share-

holders, communities and institutions in particular) was the construction of industrial facilities (the ITGI project, mainly). Also in the economic area, the assessment of customer satisfaction and interaction with consumers also qualified as relevant issues, particularly for their impact on customers.

In the **environmental area**, most of the attention was focused on the development of nuclear energy, with the active involvement of the media and the public, due in part to the creation of the Nuclear Forum, of which Edison is one of the promoters, together with other parties. Energy conservation was another issue identified in the survey of the environmental area, reflecting the effect of special programs on this issue that Edison has been implementing for some time (e.g., the establishment of the Energy Conservation and Sustainable Development Business Unit, the 100% emissions offset for Opening Night at La Scala in Milan, the Edison Change the Music project and the Eco-generation – Scuola Amica del Clima project for the school system). Ultimately, this issue is indicative of a steadily growing awareness by the stakeholders.

In the **social area**, issues relevant to the stakeholders that deserve attention included the dialog with the local communities made possible by the launch of the new corporate website and a more visible presence on the social networks, as well as social programs (e.g., the "Together for Haiti" project), which have the greatest impact on the community but also affect institutions. Sports and culture were two other issues that attracted the steadily growing interest of the stakeholders in 2010.

This analysis was just one aspect of a series of activities carried out by Edison to dialog with its stakeholders and provide increasingly more effective responses to the expectations of its counterparties.



### Relevant Issues by Area

#### Environmental area:

- Climate change
- Nuclear energy development
- Renewable energy
- Energy efficiency
- Impact reduction
- Protection of biodiversity
- Development of green products

#### Social area:

- Human rights
- Fair contracts
- Transparent communications with customers
- Customer satisfaction
- Health and safety
- Training
- Equal opportunities

#### Employee satisfaction

- Siting of new facilities within the territory
- Support of communities
- Sports and culture
- Supply chain monitoring
- Partnering and fair dealing with suppliers

#### Economic area:

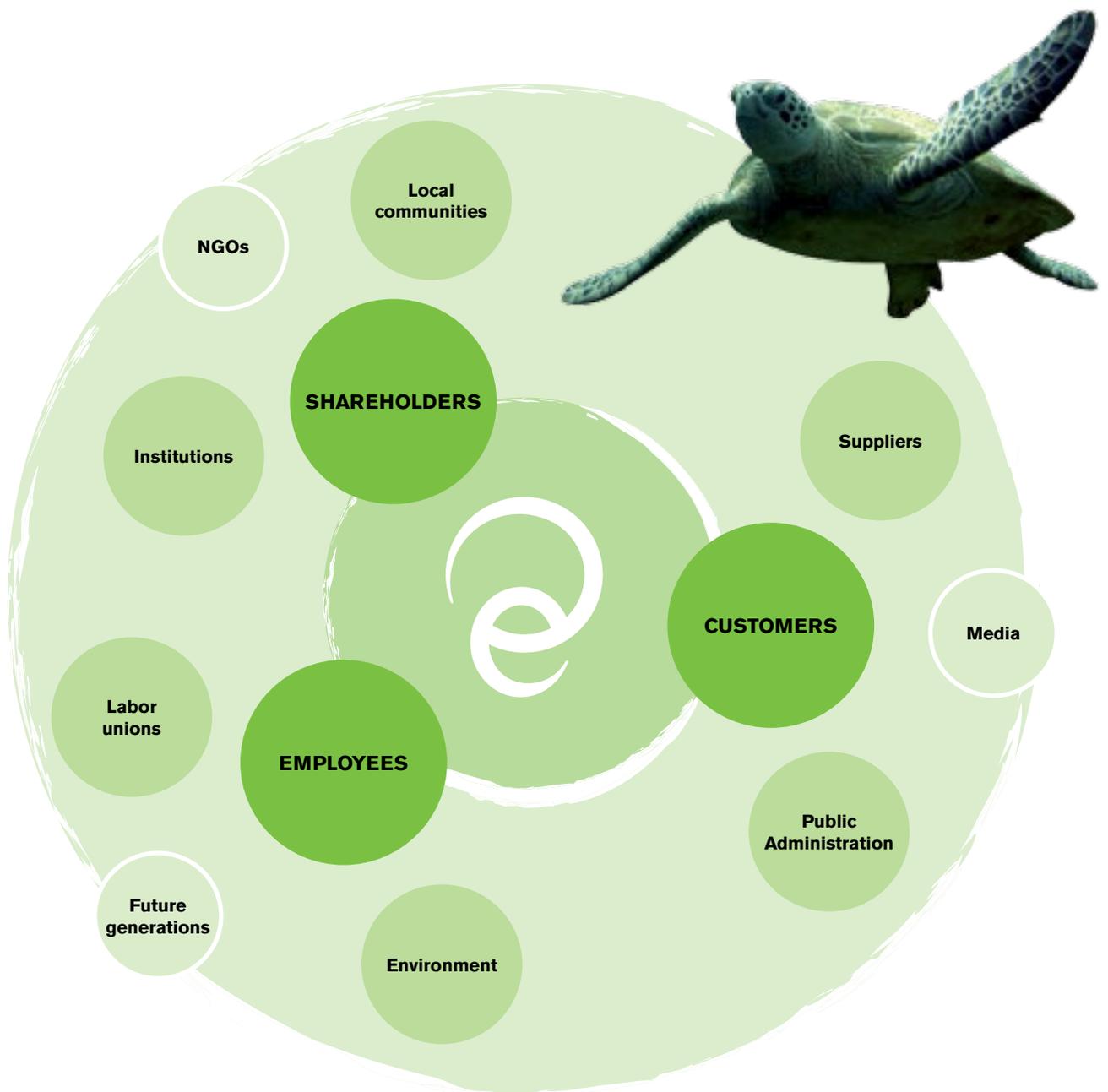
- Business integrity
- Economic performance

## EDISON AND ITS STAKEHOLDERS

Consistent with Edward Freeman's classic definition, Edison identifies as its stakeholders "all individuals and clearly identifiable groups that can affect or be affected by the activity of an organization in terms of its products, policies and work processes."

As part of its responsible management path, Edison interacts with and involves all its counterparties both internally (employees and

shareholders) and externally (customers, suppliers, financial community, public administrations, competitors, community and the environment) and undertakes specific commitments toward each one of them. The analysis of the level of impact of Edison's activities was used to develop a map that lists the main categories of stakeholders with whom the Group interacts.



## Tools to Listen and Talk to Our Stakeholders

In the pursuit of its endeavors, Edison is constantly engaged in a dialog with parties who represent different interests with regard to Edison. Among several dialog methods adopted by Edison, the Sustainability Report represents an important tool to communicate with a vast universe of stakeholders, who are provided with information about significant results achieved during the year in the economic, social and environmental areas. The Report also provides an overview of the main activities carried out during the year as part of the dialog and engagement process.

With regard to stakeholder engagement, Edison organized several projects in 2010 and early 2011 that made it possible to increase the engagement of the Company's stakeholders, define more accurately the Report's content and provide the input of experts on specific issues.

In addition to the traditional surveys (satisfaction surveys, meetings with the financial community, etc.), Edison's engagement projects included several new initiatives.

In the area of human rights, Edison collaborated with the Global Company to organize, at its head office, a seminar entitled "The United Nations Global Compact: an in-depth discussion on human rights." This initial gathering was followed by a decision to convene an operational meeting reserved for companies and organizations interested in working on human rights issues, with the aim of establishing a work group within the Global Compact Network Italia. The plan is to continue pursuing the implementation of this project in 2011.

Edison Generation is a Facebook community established in 2010 devoted exclusively to the issues of sustainability and energy efficiency in school buildings. The aim of this virtual community, which Edison operates jointly with Legambiente, is to become a conduit for dialog and the exchange of information among all parties within the educational system and anyone who is interested in the issues related to climate change.

The activities carried out in the stakeholder engagement area include projects to record impressions, suggestions and opinions of stakeholders from the locations where Company operates, who are encouraged to become engaged through discussions and presentations by external experts and professionals on social and environmental issues delivered on the Edison Generation online platform ([www.edisongeneration.it](http://www.edisongeneration.it)).

Also in 2010, the Company organized three individual interviews with Edison's main counterparties, aimed at hearing the opinions of specific stakeholders regarding relevant issues that are believed to be most significant. Specifically, the associations Legambiente and Cittadinanzattiva and the specialized magazine *Business*, the first magazine of sustainable businesses, were queried about such issues as climate change (Legambiente), the services charter, sustainable consumption and fuel poverty (Cittadinanzattiva) and communications regarding sustainability (Business).

In addition, a special workshop on biodiversity is being planned for 2011.

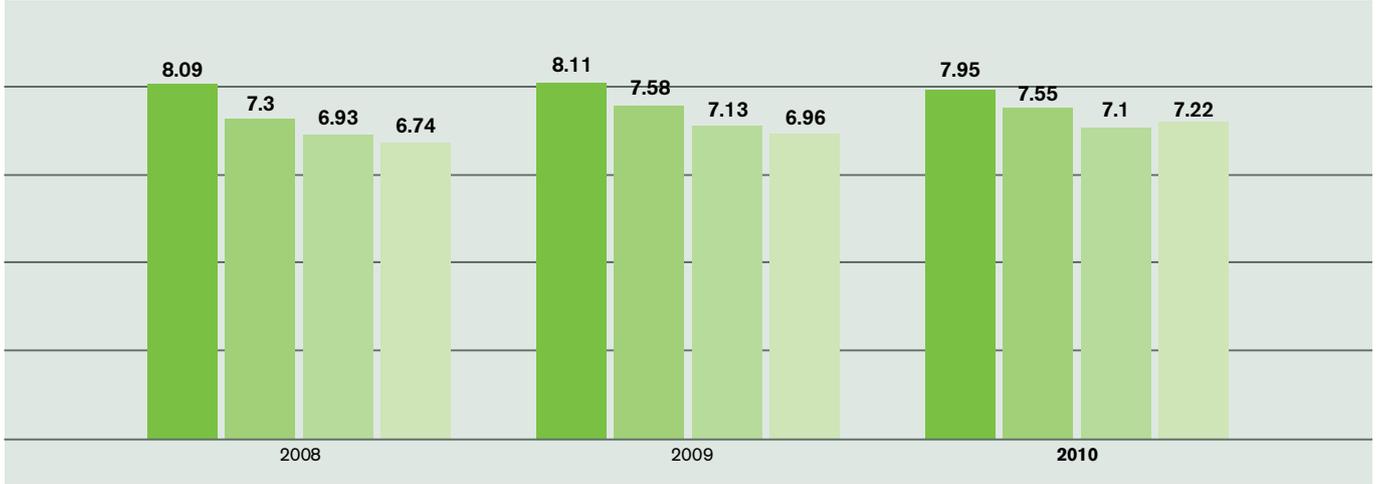
As part of the interaction with its stakeholders, the Company carried out in 2010 its annual survey to monitor the "health" of its image and the satisfaction of its stakeholders. In addition to an analysis of the 2009 Sustainability Report carried out by the students enrolled in the "Corporate Citizenship Masters Program, Integrated Strategies of Corporate Responsibility" organized by Fondaca, Edison asked ISPO, a consultant specialized in this area, to conduct a qualitative/quantitative survey about the following issues: familiarity with Edison, Edison's overall evaluation, satisfaction with the relationship, service, quality of communication tools and channels, reputation and Edison position.

The survey conducted by ISPO generated the following results:

- Familiarity with Edison increased: more than half of the interviewees stated that they were familiar with the Company (of the ISPO interviewees, 24% were "very familiar" with Edison, 45% were "fairly familiar" and 31% were "not very familiar").
- The Company's overall assessment was down slightly, but was significantly better than those of its competitors;
- The overall satisfaction was about the same as in the past;
- Edison's image is that of a reliable and integrated company that is also sustainable and technologically advanced (the trend shows generally improving levels of performance, except for financial strength and growth);
- The data show improvements for two messages of key importance for Edison (Edison as a competitor of Enel and a competitor of Eni).



## SATISFACTION OF EDISON'S STAKEHOLDERS



- Edison's overall assessment
- Satisfaction with personal relationships and service
- Emotional and relational reputation
- Key messages

Lastly, it is worth mentioning the development of an important tool required by the need to interact clearly and transparently with the world of non-profit organizations and international cooperation: in 2009, the Company established a Committee charged with evaluating socially beneficial projects and developing specific guidelines to identify and develop projects that pursue shared social goals.



# ECONOMIC RESPONSIBILITY

sales  
revenues  
millions of euros

8,867 2009  
**10,446** 2010

---

EBITDA  
millions of euros

1,471 2009  
**1,369** 2010



EBIT  
millions of euros

699 2009  
**273** 2010

---

Group interest  
in net profit  
millions of euros

240 2009  
**21** 2010

---

net financial debt  
millions of euros

3,858 2009  
**3,708** 2010

## TRENDS IN THE ENERGY INDUSTRY

**A**fter the slump that characterized the global economy in 2009, a recovery began to take hold in 2010, albeit at a slower pace than anticipated in the first half of the year and with different growth rates in different geo-economic areas of the planet.

Among the developed countries, signs that, in 2010, the economy was on a firmer footing and was beginning to recover came mainly from the United States and Germany. In the euro zone, however, conditions in 2010 were severely affected by sovereign debt problems (after Greece and Ireland, Portugal and Spain appear to be the countries most exposed to a sovereign debt crisis). Among the main countries in the euro zone, Italy showed the slowest growth rate (+1% in 2010), because, as a major net exporter of finished goods, it continues to feel indirectly the effects of weakness in other economies.

In the oil market, the price of crude oil increased by about 30% in 2010, with the average price rising from 62 U.S. dollar per barrel in 2009 to 80 U.S. dollar per barrel in 2010. In the euro zone countries, the impact of this increase was magnified by a decline in the value of the euro versus the greenback.

In September 2010, the European Commission published the "Energy Trends to 2030" report, which updated previous documents also prepared by the Commission. The report offers two scenarios: the first one (Baseline Scenario) shows the European energy system developing based on current trends/policies (economy, prices, demographics, etc.), while the second one (Reference Scenario) incorporates the effects of the policies developed from April to December 2009.

Conclusions common to both scenarios are lower consumption of primary energy, greater supply reliability, lower levels of emissions and considerably higher prices for electric power.

Specifically, both scenarios show a decrease in primary energy consumption and use of fossil fuels, due mainly to the economic crisis and the implementation of policies to improve energy efficiency. A positive fallout of this reduction is an increase in the reliability of energy supplies, due to a lesser need for imports from geopolitically unstable countries outside Europe. Insofar as fuels are concerned, according to the Reference Scenario, the objectives pursued with the RES – Renewable Energy Sources Directive<sup>1</sup> should result in a lower consumption of fossil fuels than under the Baseline Scenario, with carbon prices also declining, due to an increased use of renewable sources by the electric power industry and the reduced demand for power resulting from the adoption of eco-design architecture, to a level that could be too low to justify additional investments in Capture and Storage (CCS) technologies. Lastly, both scenarios show that the price of electric power could

increase considerably due to structural changes in capacity, higher fuel costs and higher expenses required to acquire permits.

In Italy, gross demand for electric power totaled 326.2 TWh (1 TWh = 1 billion kWh) in 2010, or 1.8% more than in the previous year. On a seasonally adjusted basis (i.e., eliminating the impact of changes in average temperature and the number of business days), demand was unchanged compared with 2009. Most of the growth recorded in 2010 occurred in the North Zone and the South Zone, while demand in the Central Zone and the Islands held at about the same level as in 2009. The increase of 6 TWh in thermoelectric production recorded in 2010 (+2.8% compared with 2009) is due to the combined effect of a gain of 5.4 TWh in net domestic production (+1.9%), a decrease of 3.4 TWh in hydroelectric output (-6.6%) and an increase of 2.8 TWh in power generated from renewable energy sources (+23.2%).

In 2010, Italian demand for natural gas grew by 6.6% compared with the previous year to a total of about 82.8 billion cubic meters, for an overall gain of about 5.1 billion cubic meters. This improvement, which occurred in all demand segments, reflects the positive impact of a more favorable economic environment, colder weather and a limited availability of water resources, which caused a substantial increase in the production of electric power from fossil fuels.

## THE WEALTH WE CREATED

The incremental wealth that Edison creates through its industrial activities is computed by determining the Economic Value that it generates and how it is distributed among its main stakeholders.

In 2010, the total Economic Value generated by the Group amounted to 11,295 million euros. Edison retained only 8.6% of this amount and distributed the remaining 91.4% to its stakeholders.

<sup>1</sup> Directive No. 2009/28/EC of the European Parliament and Council of April 23, 2009 on the promotion and use of energy from renewable sources, which amends and subsequently repeals Directive No. 2001/77/EC and Directive No. 2003/30/CEC

## ECONOMIC VALUE GENERATED AND DISTRIBUTED BY THE EDISON GROUP

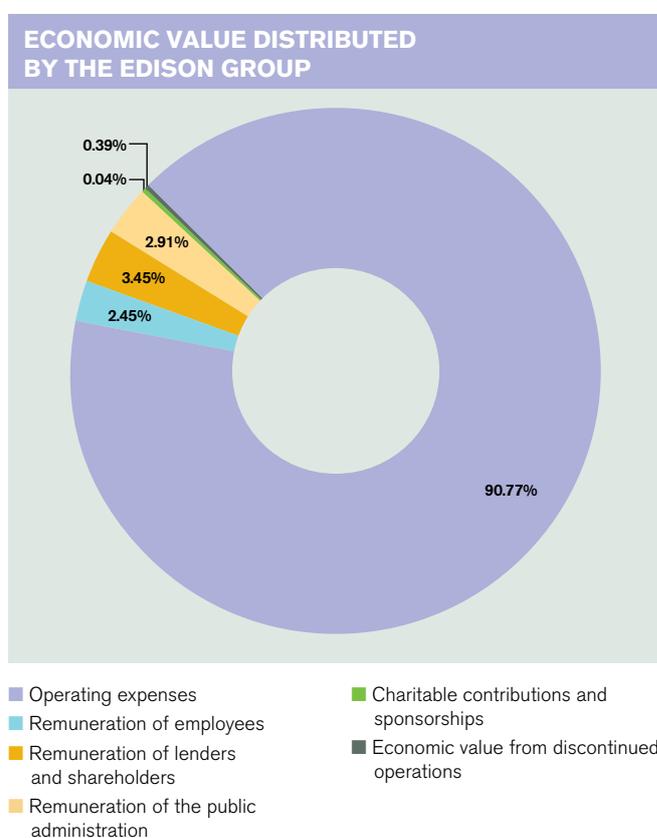
(in millions of euros)	2010		2009		2008	
	amount	%	amount	%	amount	%
<b>Economic value generated by the Group</b>	<b>11,295</b>	<b>100.00%</b>	<b>9,529</b>	<b>100.00%</b>	<b>10,914</b>	<b>100.00%</b>
Total revenues (*)	11,084	98.13%	9,384	98.48%	10,729	98.3%
Financial income	211	1.87%	145	1.52%	185	1.7%
<b>Economic value distributed by the Group</b>	<b>10,327</b>	<b>91.43%</b>	<b>8,721</b>	<b>91.52%</b>	<b>9,918</b>	<b>90.87%</b>
Operating expenses (**)	9,374	82.99%	7,578	79.53%	8,797	80.60%
Remuneration of employees	253	2.24%	240	2.52%	223	2.04%
Remuneration of lenders and shareholders	356	3.15%	532	5.58%	553	5.07%
Remuneration of the public administration	300	2.66%	367	3.85%	338	3.10%
Charitable contributions and sponsorships	4	0.04%	4	0.04%	3	0.03%
Economic value from discontinued operations	40	0.35%	0	0.00%	4	0.04%
<b>Economic value retained by the Group</b>	<b>968</b>	<b>8.57%</b>	<b>808</b>	<b>8.48%</b>	<b>996</b>	<b>9.13%</b>
Depreciation, amortization and writedowns	1,096	9.70%	772	8.10%	782	7.17%
Additions to provisions and reserves	-128	-1.13%	36	0.38%	214	1.96%

(\*) Total revenues reflect the presentation of trading activities that recognizes only the resulting "trading margin" (net presentation).

(\*\*) Operating expenses do not include expenses attributable to trading activities, which are reflected in "trading margin" (net presentation) included in "Total revenues."

A breakdown of the Economic Value distributed to the stakeholders is as follows:

- For operating expenses (payments to suppliers, non-strategic investments, royalties and other payments), over 9 billion euros (83.0% of the total);
- To employees (direct and indirect remuneration: wages and salaries, social security contributions and benefits, severance indemnities, bonuses, and professional development and supplemental training expenses), 253 million euros (2.2% of the total);
- To shareholders and lenders (remuneration of risk capital and debt capital), 356 million euros (3.2% of the total);
- To the Public Administration (income taxes for the year), 300 million euros (2.7% of the total)
- To the community (including non-commercial sponsorships, community programs and charitable contributions), about 4 million euros (0.04% of the total).



## RELATIONS WITH THE FINANCIAL COMMUNITY

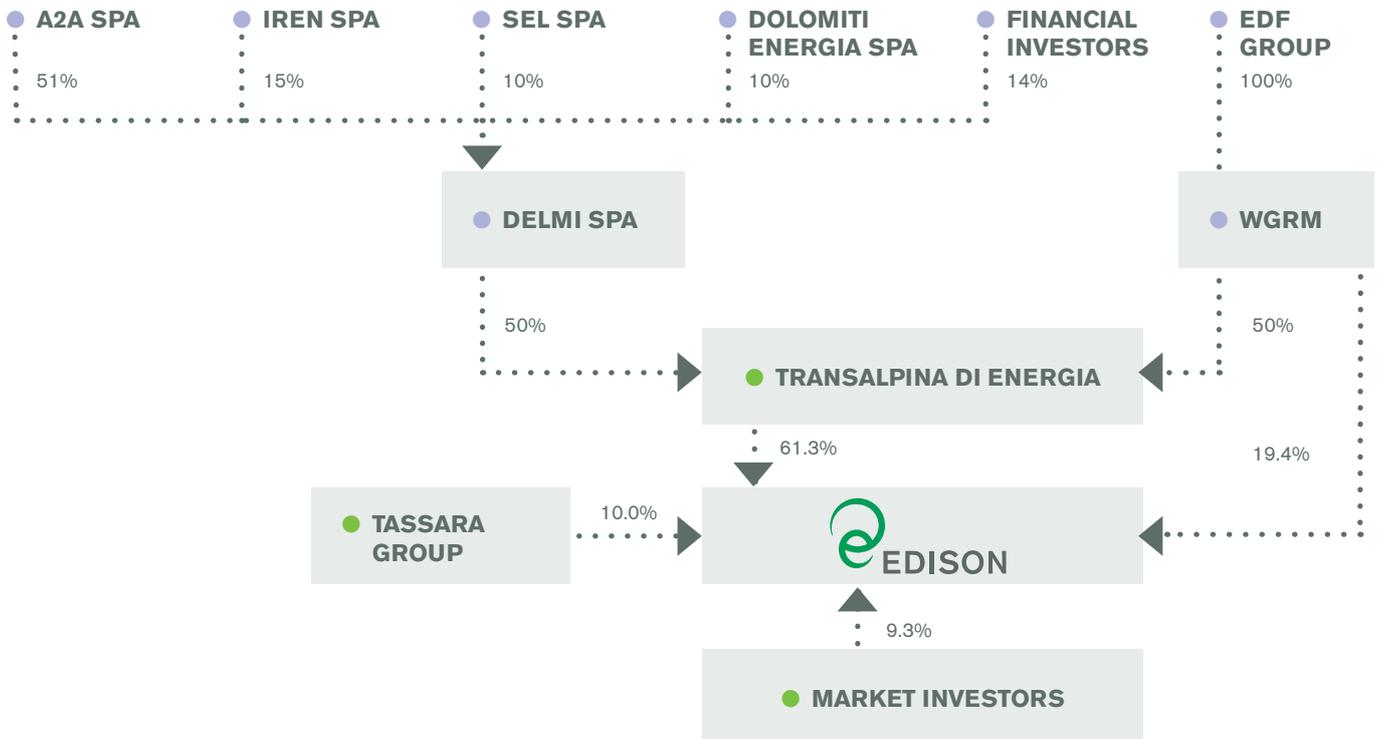
The Board of Directors and, under its direction, the relevant management structures, strive to provide relevant documents promptly to the shareholders.

Both directly and through its representatives, Edison engages in an ongoing dialog with the market, while fully complying with the laws and regulations governing the circulation of insider information and the procedures applicable to confidential information. The aim of the Group's activities and procedures is to avoid disparities in access to information and ensure the concrete implementation of the principle that every investor and potential investor has a right to receive the same information to make informed investment decisions. Edison's organization chart includes a department responsible for handling financial communications and assigned to the manager of the Investor Relations Department responsibility for managing relations with institutional investors, equity and fixed-income financial analysts and rating agencies.

**NUMBER OF MEETINGS WITH SHAREHOLDERS**

	2008	2009	2010
Conference calls	5	5	4
Road shows	1	0	0
Meetings with analysts/investors	4	3	5
<b>Total</b>	<b>10</b>	<b>8</b>	<b>9</b>

## EDISON'S SHAREHOLDERS



## **Transparency and Timeliness of Financial Communications**

The activities of the Investor Relations Function are designed to provide the market with information that makes it as simple as possible to assess the Company's operating and financial performance and its growth outlook. They are carried out through an ongoing dialog both with buy-side counterparties, through one-on-one meetings, conference calls and meetings with investors, and sell-side counterparties, through conference calls and meetings with financial analysts to discuss corporate strategies, and include the constant daily availability of the Investor Relations team via e-mail and telephone.

In managing communications with shareholders and investors, the tool that reaches the widest audience is the Group's website, which has separate Governance, Investor Relations and Press Room pages, all of which can be easily reached from the home page. On the occasion of the announcement of its annual, semiannual and quarterly results, the Company organizes special conference calls with institutional investors and financial analysts that are also open to members of the financial press. All press releases, paid announcements published by the Company regarding the exercise of rights conveyed by its securities and documents concerning Shareholders' and Bondholders' Meetings are posted on the [www.edison.it](http://www.edison.it) website. The Company encourages qualified journalists and experts to attend its Shareholders' Meetings.

## **Investor Relations Activities in a Year of Deep Economic Crisis**

The main purpose of the activities of the Investor Relations Function is to provide the market with the information it needs to assess most effectively the Company's performance and its projects and strategies. However, even transparent and comprehensive communications are not always sufficient to value the Company correctly. Often, instability at the statutory/regulatory and macro-economic levels has an impact on its stock price, irrespective of the Company's results and growth plans. Other activities of the Investor Relations Function in this area include the interaction with the rating agencies, which it carries out with conference calls and meetings with top management.

Despite a highly negative market environment that continued uninterrupted in 2009 and 2010, characterized by excess supply and a persistent pressure on margins, the Company's electric power operations were able to hold their margins at a level substantially in line with the previous years, thanks mainly to a sales policy focuses on end customers and a more favorable product mix. In the natural gas area, however, Edison is in the process of renegotiating all of its long-term contracts to import natural gas, seeking terms that will provide an adequate return on its merchant gas operations. A continuous communication effort by the Investor Relations Function helped make the market aware of the strategies deployed by Edison to address the economic crisis and stabilize its performance. As for the downgrading of Edison's long-term rating, caused mainly by concerns, on the part of the rating agencies, for the deterioration of Italy's economic scenario and competitive framework, the communications provided by the Investor Relations Function helped contextualize the information provided to the market, explaining the actions taken by Edison to strengthen its financial position and adjust its growth strategy consistent with changes in market conditions.

There are currently no disputes with institutional investors or other holders of the Company's common shares and none ever existed the past. In 2008, a decision was handed down in a civil action filed by the largest holder of savings shares. In June 2009, the Company reached a settlement that effectively ended this dispute. The Board of Directors agreed to offer to the other savings shareholders who filed damage claims a lump sum in settlement of any and all claims they may have.



# ENVIRONMENTAL RESPONSIBILITY

electric power produced  
from renewable sources

14.3% 2009  
**15.5%** 2010

energy used by  
the Group  
millions of GJ

288.1 2009  
**278** 2010

water resources used  
millions of m<sup>3</sup>

3,669 2009  
**3,302** 2010

effluents generated  
millions of m<sup>3</sup>

2,791 2009  
**2,589** 2010

specific CO<sub>2</sub> emissions,  
electric power operations  
g/KWh eq

486.0 2009  
**484.5** 2010

waste generated  
thousands of t

111.45 2009  
**92.31** 2010



## PROMOTING SUSTAINABLE DEVELOPMENT

**E**dison has always been committed to sustainable development in all of its activities, both in Italy and abroad, and has always been keenly aware of the needs of its employees, stakeholders and the environment in which it operates.

Its commitment to environmental protection, regulatory compliance and continuous improvement is embodied in actions that, over the years, enabled Edison to achieve levels of excellence in its performance, in terms of reducing its impact on the environment through:

- the adoption of certified environmental management systems to monitor and manage significant environmental issues and factors that, while their impact is smaller, can be held at levels of excellence;
- use of the best techniques available, with the aim of constantly reducing emissions levels, alongside research and development of new technologies and less polluting energy sources;
- ongoing use of programs to train and increase the awareness of employees and outside contractors, because improving the environment requires, above all, the daily effort of everyone who works for and with Edison.

### Significant Environmental Issues

The significant environmental issues over which Edison can have an effect vary depending on the areas of business in which Edison operates. In all cases, the Company deploys mitigation, monitoring and control activities designed to steadily reduce its environmental footprint by using resources with a low polluting impact, improving waste management and increasing waste recycling and treatment through the development of facilities capable of an environmental performance at the excellence level.

Specifically, the Company opened and operated six construction sites in 2010, both in Italy and abroad, to build new power plants and infrastructures, revamp and repower production facilities and start construction of photovoltaic systems in Piedimonte San Germano (FR) and Castellavazzo (BL) that will expand its production from renewable sources.

No extraordinary environmental events occurred in 2010.





### THERMOELECTRIC PRODUCTION



### HYDROELECTRIC PRODUCTION



### WIND FARM PRODUCTION

#### RESOURCES USED

- Water
- Raw materials (fuel)
- Consumables (chemicals)

#### RESOURCES USED

- Water
- Raw materials (dielectric oil)
- Fuel for auxiliary services

#### RESOURCES USED

- Chemicals (dielectric oil and lubricants)

#### SIGNIFICANT ENVIRONMENTAL IMPACTS

- Emissions into the atmosphere
- Effluents
- Solid waste
- Noise

#### SIGNIFICANT ENVIRONMENTAL IMPACTS

- Effluents
- Solid waste
- Noise
- Biodiversity

#### SIGNIFICANT ENVIRONMENTAL IMPACTS

- Noise
- Electromagnetic fields
- Visual impact
- Solid waste
- Biodiversity (impact on birds)

#### MITIGATING ACTIONS TAKEN

- Use of natural gas and combined-cycle cogenerating facilities
- Use of DLN (Dry Low NOx emission) technology
- Integrated environmental and safety management systems

#### MITIGATING ACTIONS TAKEN

- Minimum vital downstream water flow
- Installation of noise reduction equipment and sound proofing
- Construction of fish ladders

#### MITIGATING ACTIONS TAKEN

- Use of low-noise wind turbines
- Installation of transformer stations inside the wind turbine towers





## HYDROCARBON E&P



## NATURAL GAS DISTRIBUTION

### HYDROCARBONS OPERATIONS

#### RESOURCES USED

- Water
- Raw materials (fuel)
- Chemicals
- Electric power

#### RESOURCES USED

- Chemicals

#### SIGNIFICANT ENVIRONMENTAL IMPACTS

- Impact on soil, subsoil and aquifer
- Noise
- Solid waste
- Emissions into the atmosphere

#### SIGNIFICANT ENVIRONMENTAL IMPACTS

- Gas leaks released into the atmosphere

#### MITIGATING ACTIONS TAKEN

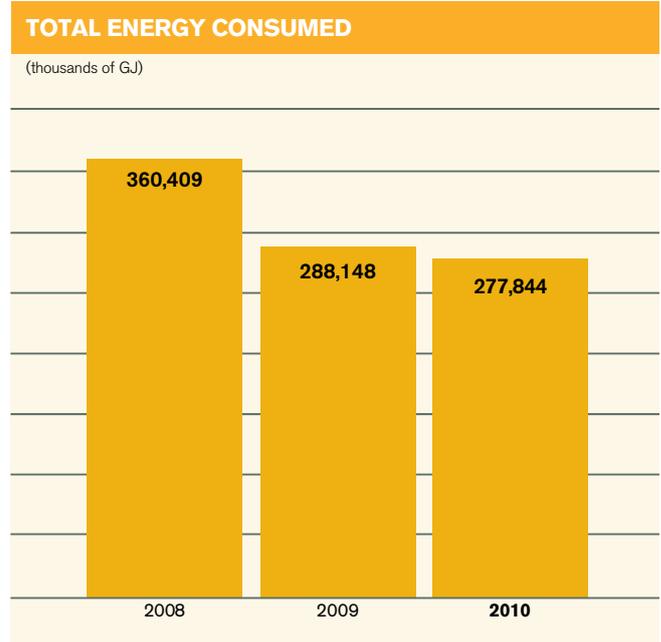
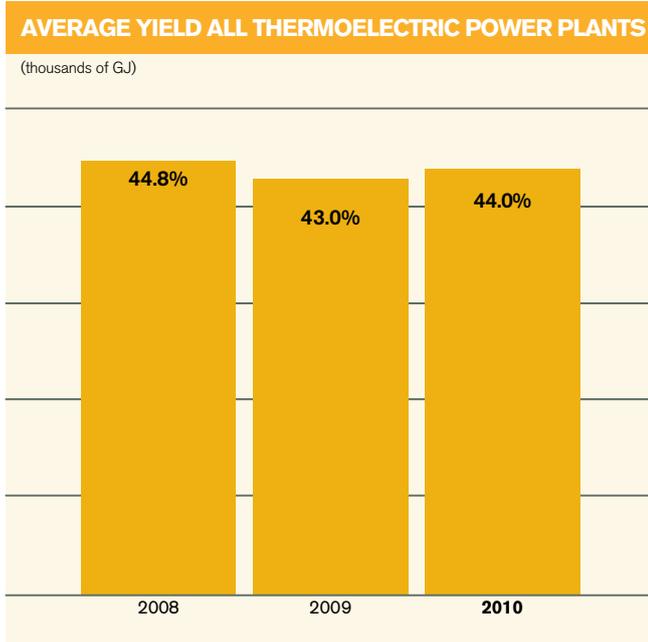
- Actions to secure the aquifer
- Remediation of areas disrupted by the laying of the pipeline
- Use of sound proofing panels
- Use of scheduled maintenance (workover)
- Use of tanks and reservoirs to contain aquifer water

#### MITIGATING ACTIONS TAKEN

- Continuous network monitoring
- Periodic replacement of damaged pipes

- Resources used
- Significant environmental impacts
- Mitigating actions taken





### Remediation of Industrial Sites

The Group continued the remediation of some of its sites, most of which are within high profile industrial areas, potentially polluted by activities carried out in previous years and designated as areas of "national interest" pursuant to law.

In 2010, projects involving the characterization, remediation and securing of 11 industrial sites continued at the following locations: the Levante and Azotati power plants in Porto Marghera (VE); the Torviscosa (UD), Sesto San Giovanni (MI), Piombino (LI), Bussi sul Tirino (PE), Taranto and Milazzo (ME) power plants and the Sinigo (BZ) and San Giuseppe di Cairo (SV) electrical stations. In addition, a characterization plan for the Pieve Vergonte (VB) power plants and a technical report of the Pentima (TR) site were filed in 2010.

### Emissions into the Atmosphere

Emissions into the atmosphere are generated primarily by the auxiliary systems operated in connection with hydrocarbon activities and the use of resources for thermolectric energy production.

In this area, the Group's thermolectric operations achieved a significant reduction in SOx emissions due to a decrease in the use of fossil resources and to the deployment at full operating capacity of SOx and NOx scrubbers at Edipower's power plants.

On the other hand, the resumption of production from the VEGA platform and the commissioning of the Leonis, a Floating Storage Off-loading (FSO) unit used to store hydrocarbons produced by the wells, is partly responsible for the rise in some emissions indicators, carbon monoxide and nitric oxides in particular.

In 2010, the Group used even more accurate methods to record emissions data.

As for avoided CO<sub>2</sub> emissions, which are computed based on a CO<sub>2</sub> emissions indicator developed specifically for this purpose by Edison (down compared with the previous year) and the production of renewable energy (up compared with the past two years), the trend was positive in 2010.

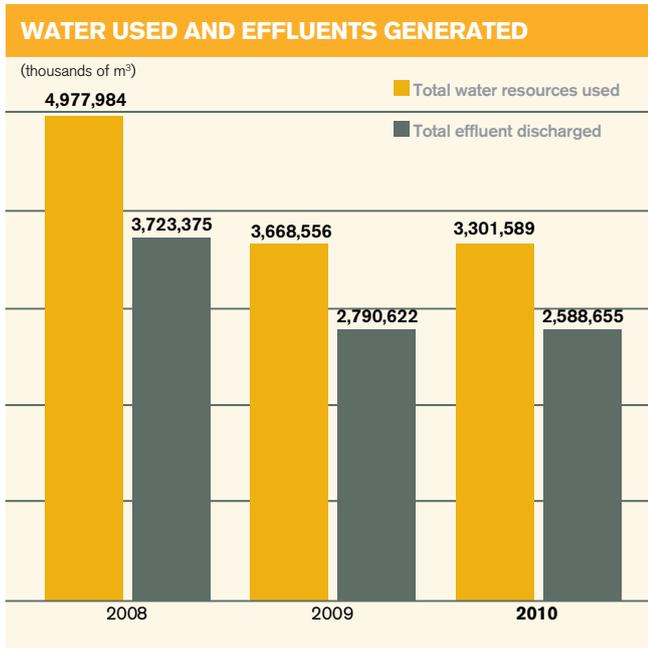
Completion of the plan to retire all equipment with a PCB content of less than 500 parts per million is expected in the first half of 2011.

### Innovation and Impact Reduction

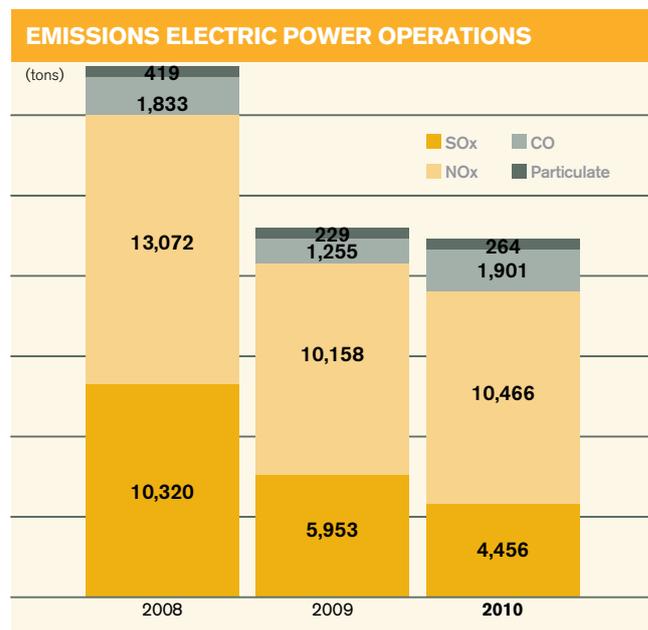
At the Marghera Azotati power plant, the replacement of GE F9E gas turbines with GE LMS100 gas turbines, which are derived from aeronautical systems and can deliver high efficiency and lower emissions of nitrogen oxides, was completed in 2010. Work also started on a similar project at the Bussi sul Tirino power plant during the year. These projects will have a significant impact on the reduction of CO<sub>2</sub> and NOx emissions, cutting them by more than 40%.

Other projects completed in 2010 included the revamping of the Cividate hydroelectric power plants and implementation of the first phase of the revamping process for Sonico, Albano and Cafaro 2, with completion expected in 2011.

The systems that monitor environmental factors undergo regular testing programs, in accordance with the control and monitoring plans required by the environmental certifications adopted by the Group, which make it possible to keep under control variances in those fac-



tors that may occur due to changes in plant configuration. As for issues concerning compliance with environmental laws and regulations, in 2010, the public prosecutor of Modica, upon a referral by the Coast Guard, charged Edison with violating Article 104 and Article 260 of Decree Law No. 152/2006 (Environmental Code) by discharging in the deep geological layers of the Vega field effluents resulting from the production of hydrocarbons. The resulting proceedings (currently in the preliminary phase following a request for indictment) refer to the discharge of effluents back into the field and not to spills of crude oil or contaminants into the sea, for which the Company has not been charged, since none ever occurred. Moreover, the activity that is being challenged is a practice used in the oil industry that is fully in compliance with regulatory requirements and encouraged by the industry oversight authorities, whenever the existence of a dry underwater well is available. In the case in question, the Company is being charged with a failure to secure a permit, which, in Edison's opinion, it secured when the platform was initially activated. Therefore, Edison is certain that its actions were fully in compliance with current regulations and the evidence produced in these proceedings will confirm its position. Moreover, it is important to emphasize that, in over 20 years of activity, no accident ever occurred at the Vega field, nor were there ever any spills of oil or substances used in the production process that contaminated the marine environment, as shown by investigations carried out by the judicial authorities.



## Environmental Accounting

The amounts invested are an indication of the Company's belief that protecting the environment is in its interest and represent the expression of an environmental policy that includes soil, subsoil, nature and biodiversity protection projects and programs to manage waste and water resources.

## PROTECTING BIODIVERSITY

### Interview of Legambiente on the biodiversity project

Answers by Rossella Muroli, General Manager of Legambiente

***What are Legambiente's concerns, priorities and expectations with regard to Edison and the handling of biodiversity issues?***

Biodiversity must be a priority issue in Edison's policies and strategies. This is because major energy groups can play a role of primary importance in the protection of biodiversity. It is essential that companies establish biodiversity related monitoring programs from the moment they develop their business plans. There are numerous tools and activities that can be deployed to protect biodiversity and programs that Edison can bring to bear in this area, including, for example, studies, monitoring systems and, in general, activities indicative of an ongoing concern for the environment. When a new industrial facility is being planned, it is of fundamental importance to verify the existing biodiversity conditions, particularly when the area includes a significant presence of endangered animal species.

***How does Legambiente rate the policies adopted by Edison and the projects it implemented to handle biodiversity issues?***

Legambiente rates very highly the efforts that Edison has been making to address biodiversity issues. Obviously, there is always room for improvement, starting with the problems encountered in earlier projects. We expect Edison to remain vigilant, particularly when it builds new facilities. In the case of wind farms, it is important to check for the presence of special protection zones or EU protected sites and any other restrictions that could require special solutions tailored to the territory and wildlife considerations. Undoubtedly, it is important to emphasize actions that can be deployed to protect biodiversity, such as monitoring, information, scientific education and, lastly, the involvement of the local community, so that any actions taken can help multiply the level of knowledge.



The most noteworthy investments of 2010 included the following:

- Edipower developed a project to rehabilitate a building located near the Chivasso power plant using the most modern bio-construction techniques. The energy consumption of the building, which was inaugurated at the end of 2010, will be covered by self-production.
- As part of its energy conservation effort, Edipower developed a system to provide heat to the district heating systems of Piacenza and Chivasso.
- In 2010, a 693 KWp photovoltaic system was installed in a reclaimed area adjacent to the Milazzo power plant. This facility, which is connected to the medium voltage power grid, covers a total surface of 14,300 square meters.
- The Porto San Giorgio (AP) gas treatment plant and the wells connected to it received ISO 14001 and OHSAS18001 certification, requiring an investment of about 580,000 euros.

## 2010: International Year of Biodiversity

In December 2006, responding to strong concerns about the social, economic, environmental and cultural consequences of the loss of biodiversity and the continuous deterioration of the global ecosystem, the United Nations General Assembly declared 2010 the International Year of Biodiversity: the aim of the United Nations was to increase awareness of the importance of biodiversity among member countries and other stakeholders and encourage the start of local, regional and international programs to protect "nature in all its forms."

A large number of programs to foster greater understanding of the concept of biodiversity and increase public awareness of the reasons why its conservation is endangered in so many parts of the world and of possible solutions were started both at the national and regional level and at the local level. The U.N. member countries, meeting in Nagoya, Japan, for the Tenth Conference of the Parties (COP-10) of the United Nations Convention on Biological Diversity launched at the 1992 Earth Summit in Rio de Janeiro, adopted 20 strategic objectives that must be reached at the global level by 2020. Over the next 10 years, the U.N. member countries must adopt the necessary measures and deploy effective programs to stop the loss of biodiversity. For example, 17% of land surfaces and 10% of the sea areas must be classified as protected and each country must define a strategy that is best suited for its situation.

In this area, Italy presented at the summit a National Strategy for Biodiversity developed by the Ministry of the Environment in October and approved by the Central Government-Regional Administrations Conference. This document analyzes biodiversity challenges in three sections (services for ecosystems, climate change and economic policies), identifies 15 areas of activity (species, habitats, landscape, genetic resources, agriculture, forests, rivers and lakes, the sea, infrastructures and transportation, cities, health, energy, tourism, research and innovation, education and information) and recommends the establishment of a national biodiversity observatory and a consultation system.

The Nagoya summit also provided an opportunity to assign to biodiversity an explicit and recognized economic value. Specifically, the member countries adopted a protocol about access to genetic resources and how benefits from their use should be shared: genetic resources from plants, animals, fungi or bacteria were recognized as assets of the supplier country, which must consent to their use and receive a portion of the benefits deriving from their exploitation.

## Edison's Protection of Biodiversity

In 2010, continuing a program started in 2009, Edison developed a method to analyze the sensitivity of its operating sites in terms of biodiversity issues. The method used, developed on a national scale, was based on three types of data: use of soil, protected areas and distribution of vertebrate species. These three types of information, taken from official databases and scientific publications, were organized within the framework of a geographic database that included, in addition to these data, the location of its operating sites.

The database thus created was used to develop a ranking of the operating sites, in terms of their sensitivity for biodiversity issues, by applying a three-step process:

- Define two areas of study (1 km and 2 km radius) and analyze the three types of data collected in each area;
- Identify, for each area of study and each site, three different key indicators:
  - a) Soil use: type of soil use within a study area and the corresponding percentage;
  - b) Vertebrate species: identify the species that exist in each study area and develop an overall indicator representing the interest in preserving the vertebrate species, obtained as the sum of the conservation indices of the different species present in the study zone (Maiorano et al., 2006);
  - c) Protected areas: percentage of protected areas within the study area.
- Combine this information into a single biodiversity sensitivity index for each site.

A summary data sheet that provides a description of the results of the analyses and lists the indicator data, useful for developing a ranking of operating sites, was prepared for each site, valued based on the abovementioned biodiversity indicators. This project represents another step forward in the process of achieving awareness of the impact that the Group's activities could have on the territory and constitutes a milestone in the development of a Preliminary Corporate Biodiversity Action Plan – PCBAP. The Action Plan that will be developed in 2011 will include the definition of clear and realistic objectives to manage and protect biodiversity and the requirement that biodiversity protection be gradually incorporated into the environmental management systems adopted at the operating sites.

## EDISON AND CLIMATE CHANGE

CO<sub>2</sub> emissions  
- thermoelectric  
million tons

20.8 2009  
**21.5** 2010

CO<sub>2</sub> emissions  
- hydrocarbons  
million tons

109 2009  
**128** 2010

CO<sub>2</sub> emissions  
- network leaks  
thousand tons

17 2009  
**23.7** 2010

research and  
innovation costs  
million euros

3.8 2009  
**3.2** 2010

avoided emissions  
with renewables  
million tons

3.32 2009  
**3.80** 2010

installed capacity  
renewable-source facilities  
MW

2,105 2009  
**2,161** 2010



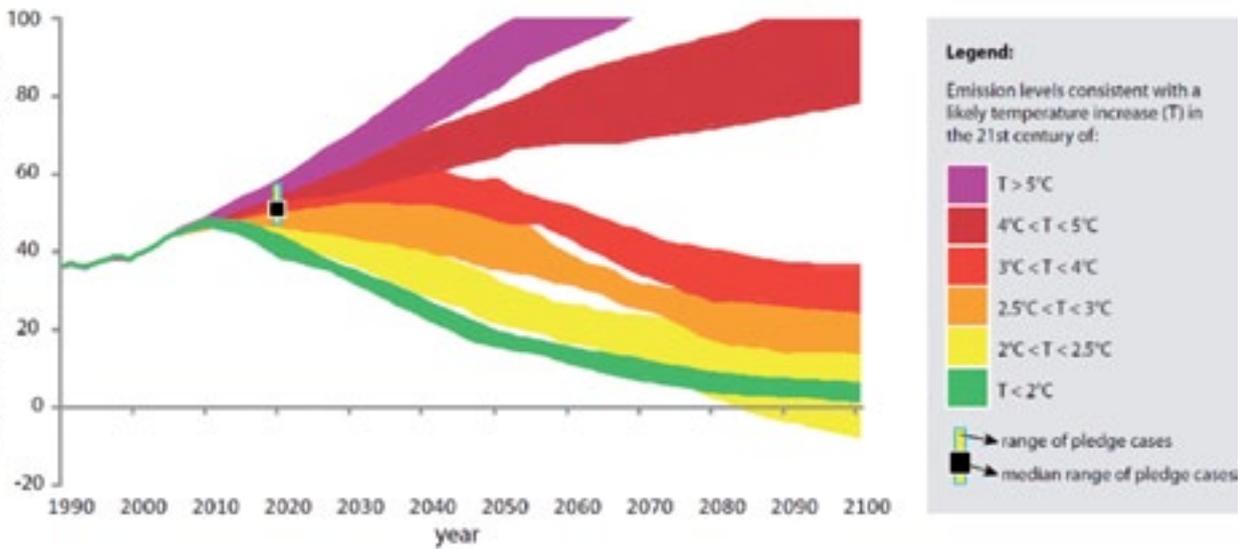
## Climate Change and the Energy Context

The issue of climate change continued to be the focus of the international debate in 2010, which, according to several studies, was the warmest year since the start of the twentieth century. Extreme weather events, such as the drought in Russia and China and the floods in Pakistan, occur with ever increasing frequency and the effects of climate change are now undisputable. However, the current economic crisis has made negotiations to

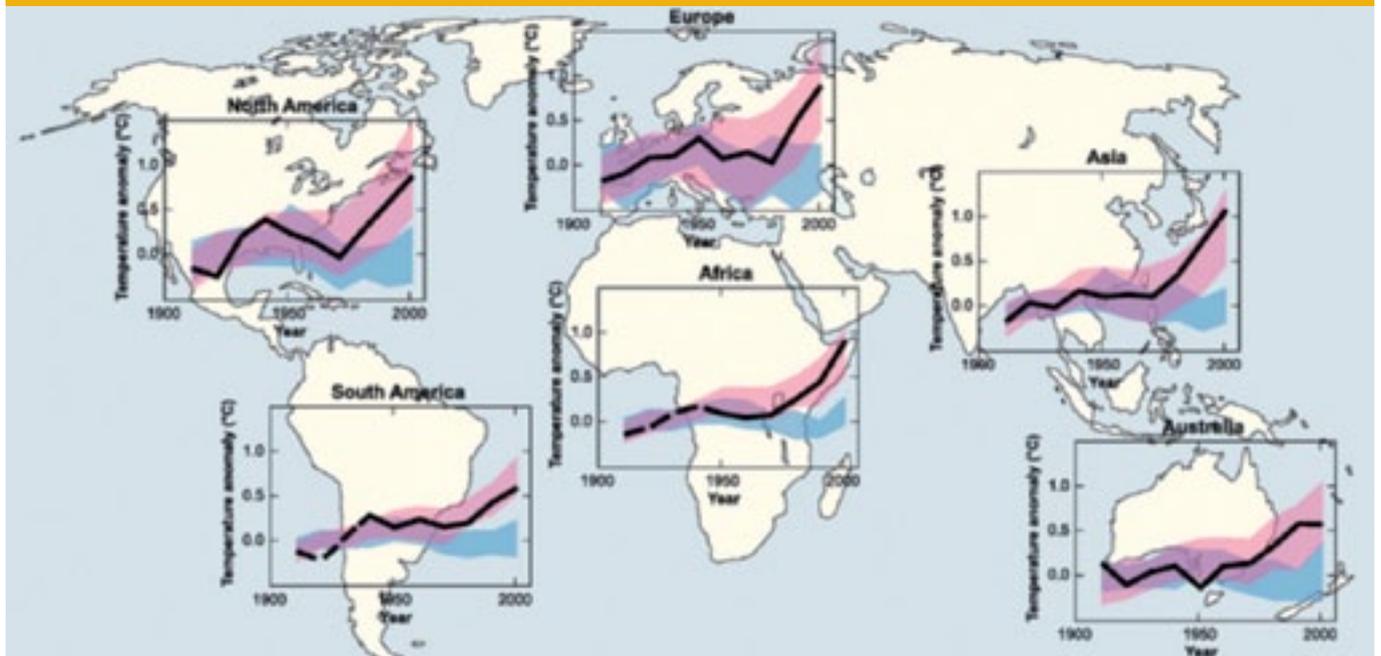
define an agreement that would replace the Kyoto Protocol starting in 2013 more complex. The position of the United States in support of a Cap-and-Trade system in America, championed by Obama during the election campaign, weakened significantly and binding commitment to reduce emissions starting in 2013 seems now highly unlikely.

### GLOBAL EMISSIONS SCENARIO

Likely avoided temperature increase of IAM scenarios.  
Bar superimposed in 2020 shows expected emissions from the pledges.



### GREENHOUSE GAS CONCENTRATION



COP 16, a conference that was supposed to lead to the definition of a binding international agreement, was held in Cancun in December 2010: the expectations were quite negative and no agreement was signed. However, according to various sources, Cancun laid a solid foundation for future negotiations.

As for the European Union, the target is still a 20% reduction in emissions compared with 1990, as defined in the Climate Package. This target, which must be reached by 2020, was spelled out in Directive No. 2009/29/EC, which revised the EU's Emissions Trading Scheme (ETS), and the Effort Sharing Directive, which attributes to individual member countries emissions reduction targets for sectors not covered by the ETS Directive (transportation, agriculture, construction).

The ETS Directive places the greatest burden on the thermoelectric sector, which will have to reduce its emissions as much as possible and buy additional emissions permits at auction. Manufacturing sectors, particularly those exposed to outsourcing risk, will continue to receive free permits.

With the approval of the Climate Package, the European Union defined the path that it intends to follow to achieve the objective of the environmental compatibility of generating facilities in the electric power sector. Each member country will be required to contribute to achieving the following EU targets:

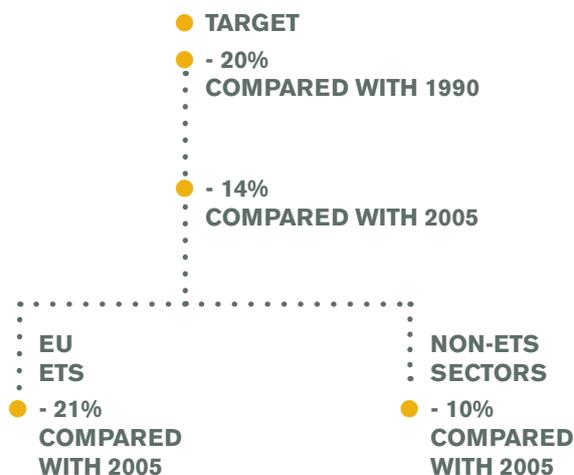
- (i) reduction of CO<sub>2</sub> emissions by 20% compared with 1990 emissions;
- (ii) coverage of 20% of final consumption (electric power sector + heating and cooling + transportation) with production from renewable sources (target adjusted for each member country: Italy 17%);
- (iii) 20% reduction in energy consumption by 2020, compared with a business-as-usual scenario.

The first two targets are binding and the third one, while not binding, seems to be necessary, if the two challenging targets are to be achieved.

The objective of the 20-20 Package is to reduce total European emissions of CO<sub>2</sub> by 20% compared with 1990, or by 14% compared with 2005 emissions.

For the sectors covered by the ETS Directive, the target translated into a 21% reduction from 2005 levels, to be achieved through a gradual decrease in total available emissions rights.

Each member country will be provided with a certain quantity of emissions rights (determined based on defined criteria for the allocation of the total emissions rights available at the EU level), which will be sold at special auctions. The quantity allocated to Italy should amount to 164 million tons of CO<sub>2</sub> in 2020.



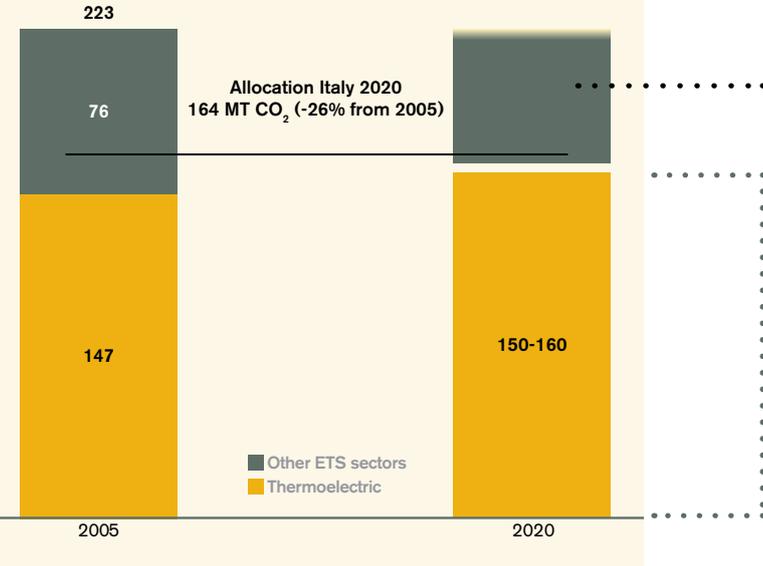
Differently from earlier phases, the ETS Directive requires, for the 2013-2020 period, neither the assignment of targets to individual member countries, nor, consequently, the adoption of National Allocation Plans. Member countries contribute jointly to achieving a target, without being required to achieve a specific target assigned to each of them.

In purely theoretical terms, assuming a fair allocation of reduction requirements among the different countries, Italy should reduce the emissions of ETS sectors by 21% compared with 2005, staying below 180 million tons of CO<sub>2</sub> by 2020. Even if we were to assume a major increase in production from renewable energy sources and a growing impact on consumption of energy efficiency programs, the thermoelectric sector alone will account for 150-160 million tons of CO<sub>2</sub> by 2020, in addition to the emissions of the other ETS sectors.

Even though, as mentioned above, there are no specific restrictions limiting the level of emissions by the various Italian ETS sectors, it is obvious that the substantial disparity that would arise compared with a theoretical reduction trend increases the exposure of the manufacturing system to the CO<sub>2</sub> risk.

## EMISSIONS EU-ETS SECTORS

(MT CO<sub>2</sub>)



Under this scenario, by 2030, Italy's manufacturing system will have to buy emissions permits from other EU countries or use the CDM (with limits).

### POST-CRISIS REFERENCE SCENARIO 150-160 MT CO<sub>2</sub>

of estimated emissions after efficiency measures and promotion of renewables

It is worth noting that the potential reduction in CO<sub>2</sub> emissions by the Italian thermoelectric sector is not limited to implementing programs to increase efficiency at the final use level or to increasing production from renewable energy sources. An absolutely significant contribution could be provided by simply replacing production from coal-fired facilities with production from CCGT systems fired with natural gas.

The maximum potential of such a program (replacement of 40 TWh from coal facilities with CCGT systems) would result in a decrease of emissions by this sector (~25 million tons of CO<sub>2</sub>) of a size comparable to that achievable through the expanded use of renewable sources mentioned in the government's Action Plan (from the current 60 TWh to 99 TWh).

Alternatively, the adoption of Carbon Capture and Storage (CCS) would seem to be indispensable to achieve a significant reduction

in CO<sub>2</sub> emissions from a portfolio of generating facilities that use fossil fuels.

On the other hand, CCS would burden the power generation system with higher production costs and energy dependence on foreign sources (significant increase in fuel consumption to produce the same amount of power). Moreover, there are still many uncertainties about the actual feasibility of CCS technology: a scale-up of a capture facility to a commercial size has not yet been achieved and the ability to store CO<sub>2</sub> underground for geological lengths of time is yet to be proven.

If the objective is to diversify energy supply sources and reduce CO<sub>2</sub> emissions, the use of nuclear energy presents an attractive opportunity to contain the use of fossil sources in the Italian power generation system and minimize the impact that the use of CCS would have on the system.

## Edison and the Management of Risks Related to Climate Change

Edison's ongoing commitment to fight the negative effects caused by climate change is reflected in a number of programs that entail, for the most part, selecting the best technologies for the construction of new infrastructures, investing in the production of energy from renewable sources, researching and developing technologies with a low environmental impact, promoting sustainable development in developing countries, supporting energy conservation education in the school system and offering clean energy to customers.

Edison's awareness of the effects of climate change is closely related to managing the risks resulting from climate change, which can be classified as follows:

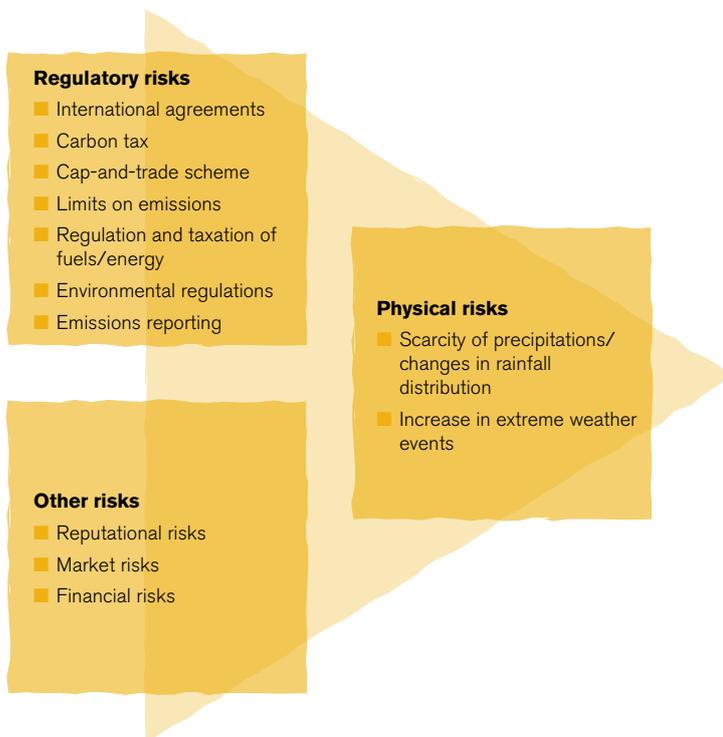
- Regulatory risks, caused by change in regulations concerning emissions, taxation, etc., which could have an impact of a financial, organizational or management type;
- Physical risks, caused by unexpected natural events that could have an impact on the Company's infrastructures, with probable consequences on costs incurred for insurance, occupational health and safety, etc.
- Other risks, such as financial, market and reputational risks.

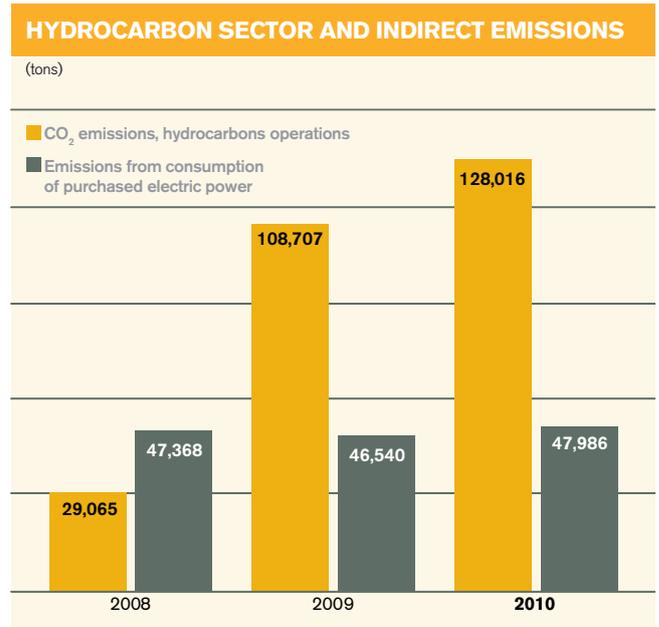
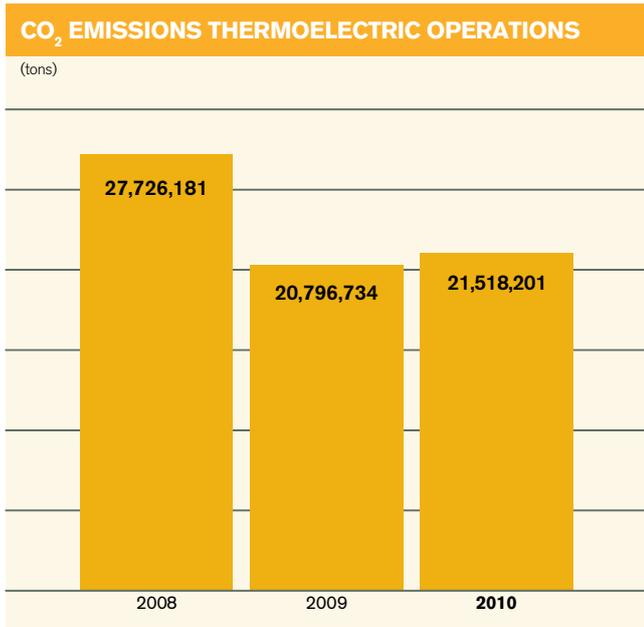
Because it is a producer of electric power with facilities that include thermoelectric power plants, Edison is required to comply with the provisions of the European Emissions Trading Scheme (ETS) and, more specifically, the National Allocation Plan for CO<sub>2</sub> emissions rights. However, because of the new ETS Directive and the new international agreements, currently being finalized, that should strengthen or replace the Kyoto Protocol, the Company must now monitor on an ongoing basis developing trends both domestically and internationally. This is because amendments to agreements and regulations currently in effect could have a material impact on its operations and require it to defray substantial costs to comply with new directives.

Given the need to adjust to restrictions created by existing and future regulatory measures, Edison currently engages public institutions and other stakeholders as an active counterparty in a dialog for the development of a path to sustainable development, in which it can play a leading role. Recently, the Company established a task force responsible for monitoring and assessing the economic impact or regulatory changes on its business activities. In Edison's case, physical risks can consist mainly of an immediate reduction in the production of electric power due to a decrease in the volume of rain or snow and by the unavailability of raw materials caused by an excessive increase in temperature. To avoid negative consequences, in addition to managing this risk with its Enterprise Risk Management model, Edison monitors on a daily basis the trends in the energy it supplies and gas consumption, as they relate to changes in temperature.

In managing these risks, the aim is not only to avoid the negative impact of the operational effectiveness and profitability of the Company's activities, but also to take advantage of opportunities developed by anticipating the consequences of climate change. The first major opportunity seized by Edison in this area was the development of electric power production from renewable sources, stimulated by the need to comply with the targets on the reduction of CO<sub>2</sub> emissions.

The Company also believes that the challenge posed by climate change is closely related to the protection of biodiversity, because the preservation of natural habitats and ecosystems has a major impact on the intensity of the effects of climate change. It was consistent with this belief that, in 2010 (International Year of Biodiversity), Edison defined an action plan to manage and protect biodiversity in the areas where it operates, setting a series of concrete objectives for the future that will help fight climate change.



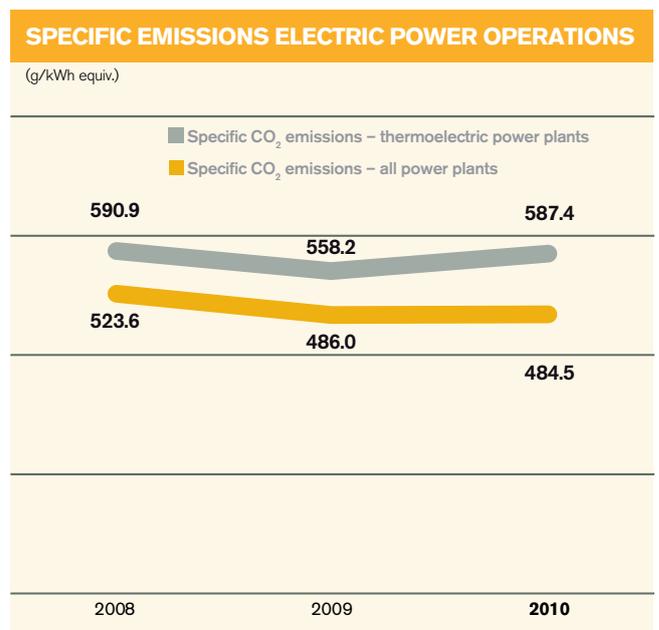


## Carbon Management

As mentioned above, companies in the thermoelectric sector will be required to buy their emissions permits at auction. In this regard, the European Union published Regulations governing such auctions, which provide the option of purchasing emissions rights on special platforms. After 2012, companies will still be able to use credits from CDM/JI projects to offset their emissions, but in a quantity limited to the level allowed for the 2008-2012 period, based on the allocations to production facilities.

In addition, the European Commission banned the use of credits from HFC projects, starting in 2013, because it found these project insufficiently compatible from an environmental point of view. Edison openly supported the EU's position, consistent with the decision it made at the outset not to invest in these technologies, choosing instead to support renewable energy and energy efficiency projects, which are more in line with its core business. Edison's approach to CDM development projects is unique for various reasons: not only did the Company choose to invest in environmentally sustainable technologies, it also carried out strict due diligence procedures for each project, specifically to verify the project's social and environmental sustainability (e.g., avoiding projects with child labor issues, projects near protected areas or, for dam construction, projects involving population relocation). The overall assessment also takes into account technical, legal and financial issues and makes it possible to evaluate a transaction's positive potential and the risks related to it. Based on this process, Edison decides whether or not it will buy the potential CER/ERU credits expected from the project, handling the entire credit registration and issuance process.

Currently, Edison is a direct participant in about 20 CDM projects in Asia and is an investor in two carbon funds for the purpose of purchasing credits.

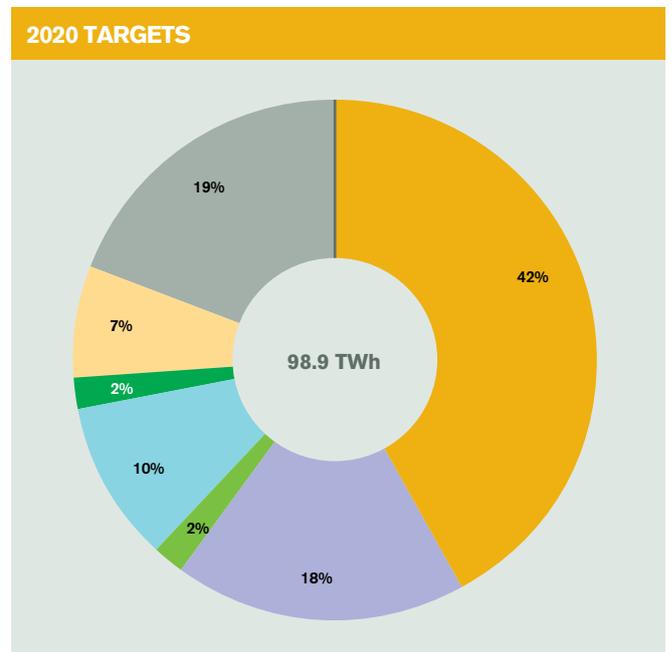
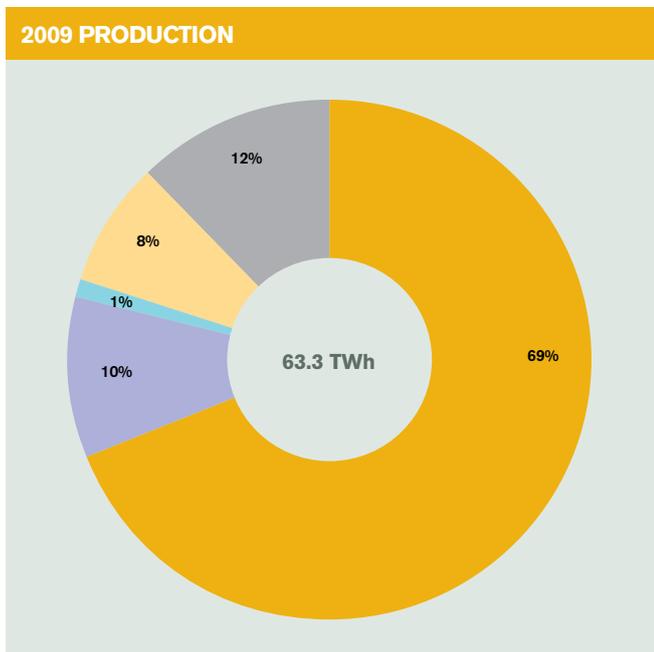


## Development of Renewable Energy Sources

The recently published EU Directive No. 2009/28 sets forth binding 2020 targets for the consumption of electric power from RES, both at the EU and national levels. The 17% target set for Italy was translated into the specific targets for the electric power, heating/cooling and transportation sectors that are listed in a National Action Plan that was submitted for approval to the European Commission in July.

As for the production of electric power from renewable sources, the target in the Action Plan is about 99 TWh by 2020, or about 35 TWh more than the production generated in 2009 (+13 TWh for wind power, +11 TWh for biomasses, +10 TWh for photovoltaic and +1 TWh for geothermal).

### ITALY - 2020 TARGETS



Hydroelectric	43.12 TWh	Geothermal	5.34 TWh
Onshore wind power	6.54 TWh	Biomasses	7.63 TWh
Photovoltaic	0.68 TWh		

Hydroelectric	42 TWh	CSP solar systems	1.7 TWh
Onshore wind power	18 TWh	Geothermal	6.75 TWh
Offshore wind power	2 TWh	Biomasses	18.78 TWh
Photovoltaic	9.65 TWh	Sea tides and waves	0.01 TWh

The economic crisis has made achieving the 17% target by 2020 easier, due to the reduction in gross consumption by end users with potential impact on future demand. Nevertheless, a significant portion of the selected programs must still be carried out.

Edison goal is to increase and consolidate its growth in the renewable sources, a sector in which has been active throughout its history.

The total Group renewable capacity accounts for 2,160 MW broken down as follows: Hydroelectric: 1,741 MW, wind: 410 MW, photovoltaic: 5 MW and biomass: 6 MW (through the Sistemi di Energia subsidiary).

Wind power generation is expected to grow in Italy, due to a significant pipeline for about 700 MW. The Group also plans to achieve an important international presence, mainly in Southeast Europe, with greenfield projects and potential acquisitions.

In the photovoltaic sector, growth will be pursued with Greenfield projects in Edison sites and third-party sites and through potential acquisitions of projects at different stages of development.

In the hydroelectric sector the development of new mini hydro power plants and the repowering of the existing power plants are expected in the next years.

In addition to monitoring of all renewable sources, Edison is studying the potential of innovative technologies, such as deep water offshore wind farms, high altitude wind power technology, thermodynamic solar and concentrated solar power.

In 2010, the Group commissioned 30 MW wind farm in Mistretta (province of Messina). Two wind farms located at San Giorgio La Molara and Foiano di Val Fortore (Campania region) with an installed capacity of 54 MW and 17 MW are under construction. The commissioning is expected by 2011/2012. The acquisition of 100% of Parco Eolico San Francesco Srl company (26 MW wind farm located at Melissa - KR) from Gamesa was also completed in 2010.

In the Photovoltaic sector Piedimonte San Germano (FR) power plant (1 MW) was completed and other two photovoltaic power plants (4 MW) are under construction in the province of Alessandria. These new power plants use a mixed fixed/tracker photovoltaic technology.

A 105 kW photovoltaic rooftop was installed on the industrial building of Castellavazzo biomass power plant, replacing the existing roof containing asbestos.

The company received the authorization for 1 MW photovoltaic power plants in the province of Campobasso, the construction of which should be completed by the end of 2011.

In the biomass area, a 6 MW power plant was commissioned in 2010 and over 25% of the fuel used in 2010 was sourced from local suppliers (short supply chain).



## Research and Innovation for the Environment

Edison's Research and Development Department is engaged in a broad spectrum of activities that concern primarily energy technologies and environmental sustainability. Activities in the areas of renewable sources, energy efficiency, low-impact power generation technologies and development of advanced energy materials range from monitoring technologies to feasibility studies, the construction of pilot facilities and the development of proprietary technologies.

In the pursuit of these activities, Research and Development works synergistically with Edison's internal departments and with many important public and private institutions engaged in researching energy related topics.

Renewable-source projects carried out in 2010 focused on conventional and concentrating photovoltaic systems, thermodynamic solar systems, innovative wind power facilities and biomass power plants.

Photovoltaic projects completed in 2010 included the construction of a testing station at the Research Center in Trofarello (TO). Completion of this project, which joins an existing testing facility at the Altomonte (CS) power plant, is expected later this year. Both locations can be used to field test systems based on different technologies, both commercial and developmental.

A study carried out also in the renewable-source area involved assessing the potential technical and economic benefits of integrating storage systems with large-scale wind farms.

Several testing and study programs focused on power generation with a low environmental impact. Projects carried out in 2010 studied issues such as carbon sequestration (CO<sub>2</sub> capture and geological storage technologies) and various high efficiency generation and cogeneration technologies. Activities in this area included fuel-cell testing projects at the Research Center and collaborative projects with Turin's Polytechnic, the Eifer Institute in Karlsruhe and other institutions.

In the area of energy efficiency, Edison's R&D Department works in close collaboration with and in support of the Energy Efficiency and Sustainable Development Business Unit. Several technologies, including heat pumps (both electrical and gas fired), small cogenerating systems and fuel cells, were studied in 2010.

Also in 2010, a multifunctional Project Team coordinated by the Research and Development Department, worked on establishing a framework for research in Smart Grid development, both nationally and at the international level, which involved establishing an important international network of operators and developers.

Many energy topics tackled in 2010 share as their common denominator the use of advanced materials, which are the subject of a specific research project by Edison's R&D Department.

The main line of research in this area is that of superconductors, which is carried out primarily at the Trofarello Research Center and in collaboration with the CNR's IENI Institute in Lecco.

Over the years, Edison's R&D Department established a wide network of collaborative relationships with other important public and private organizations engaged in energy-related research activities.

These relationships with organizations that represent centers of excellence provide the Group with a privileged position in monitoring evolution in the technology scenario, which is essential both to seize new opportunities and mitigate technology risks.

The institutions with which we collaborate include: Milan Polytechnic, Turin Polytechnic, Environment Park (Scientific Technology Park for the Environment - TO), CNR-IENI in Lecco, ENEA (National Agency for New Technologies, Energy and Sustainable Economic Development), ECLT at Ca' Foscari University, in Venice, and, at the international level, EDF's R&D organization, EIFER (European Institute for Energy Research - Karlsruhe), Ecleer (European Energy Efficiency Research Center, which involves the Federal Polytechnic in Lausanne and the Ecole des Mines in Paris).



## Technological innovation, renewable energy sources and energy conservation answer the challenge of climate change

Answers by Rossella Muroli, General Manager of Legambiente

### ***What are Legambiente's issues, priorities and expectations with regard to the Edison Group in terms of managing environmental innovation and fighting climate change?***

"At Legambiente, in light of the productive collaborative relationship we developed in these areas, starting with environmental education, we have great expectations with regard to Edison concerning the issue of climate change. What we are hoping for is for Edison to implement a Group strategy based on a massive investment in clean energy, shifting its business more towards renewable energy sources, a sector that, from Legambiente's point of view, is not compatible with nuclear energy. Therefore, we urge Edison to focus more on renewable sources and less on nuclear energy.

Edison can use different types of tools to address the challenge of climate change. At Legambiente, we expect Edison to make additional investments in the areas of education and energy conservation. For this reason, the projects that we developed together always addressed these issues, focusing specifically on increasing the awareness of the younger generations about the issue of climate change. In addition, we believe that action must be taken at the individual level, specifically with regard to energy consumption. Edison should continue on this path, investing in renewables with increasing determination. In terms of strategies, Edison should collaborate with environmental associations and businesses in the renewable energy sector, which are currently hobbled by new regulations that hinder their development. This issue is particularly important for us and it is essential that a responsible company such as Edison take a clear stand on this issue."

### ***How does Legambiente rate the policies and the strategies adopted by the Edison Group and the projects it carried out to fight climate change?***

"The Edison Group has done great things in the area of technological innovation, particularly with regard to climate change. Legambiente witnessed this development first hand. We expect investments in technological innovation to continue, leading to the gradual elimination of facilities with a greater impact on the environment, such as power plants that burn fuel oil. In our view, it is essential for Edison to focus its investments on renewable energy sources and concentrate its efforts on research and development. At Legambiente, we stand ready to support Edison in the pursuit of a virtuous path, with the aim of achieving the common goal of fighting climate change, acknowledging that natural gas represents a viable source in the transition toward renewables.

With regard to projects to fight climate change, we believe that Edison implemented optimally some of the numerous projects carried out in this area. A decisive issue is that of environmental education: we must communicate with the public, providing accurate information about energy conservation and the reduction of consumption. Edison should publicize more effectively its offer to supply green energy, which, in our view, is absolutely competitive. A straight sales offer can also be a conduit for a personal contribution: choosing Edison as a supplier also means choosing green energy. This is a very promising issue, with regard to which we could develop a joint effort."

## **Edison and Italy's Nuclear Program**

Edison is continuing to carefully consider the use of nuclear energy as a technology for the production of electric power that generates no CO<sub>2</sub> emissions and provides better diversification of supply sources than conventional technologies.

In 2010, as an active participant in the dialog with its stakeholders, the Company promoted the establishment of the Italian Nuclear Forum, a non-profit association whose aim is to contribute to the resumption of public debate on the development of nuclear energy in Italy. Drawing on the experience developed with similar forums, established in other countries where nuclear power is part of the energy mix, the goal of the Italian Forum is to promote the

development and understanding of technical and scientific information about nuclear issues that is as exhaustive, clear, transparent and accessible as possible, by disseminating ideas, considerations and knowledge in terms that are both simple and readily understandable, while at the same time providing an opportunity for expressing different viewpoints and thus stimulate a frank exchange of ideas.

# SOCIAL RESPONSIBILITY

percentage of female employees

17% 2009  
**18%** 2010

employee injury incidence rate

3.04 2009  
**2.96** 2010

lost workday incidence rate

0.07 2009  
**0.11** 2010

average hours of training per capita  
thousands

31.9 2009  
**32.5** 2010

occupational safety expenses  
thousands of euros

11,484 2009  
**14,080** 2010

total complaints for all energy customers  
%

2.23% 2009  
**3.25%** 2010

suppliers based in Italy  
%

84% 2009  
**88%** 2010

purchases from qualified suppliers  
%

85% 2009  
**87%** 2010

total number of electric power and natural gas customers

538,632 2009  
**1,011,301** 2010



## OUR EMPLOYEES

Edison's people are the engine that drives the growth of our Company. Concern for company employees translates into a corporate culture aimed at promoting team work, communication, a results oriented approach and the delegation of responsibility as key factors in the achievement of important corporate results.

Equal opportunities, awareness of employees' professional and personal needs and expectations, protection of employee health, a commitment to support professional development and rewards for performance are the fundamental principles on which Edison's relationship with its staff is based.

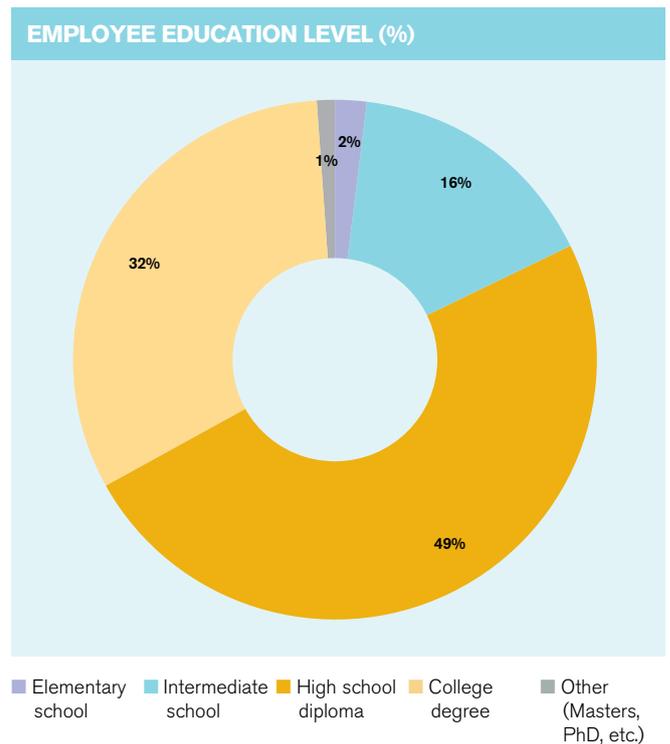
Edison rigorously complies with all statutes governing labor contracts and promotes its internal personnel management standards and the principles of the Group's Code of Ethics to ensure that the rights enshrined in the Universal Declaration of Human Rights and the principles of the Global Compact are protected in all of the countries where it operates. Edison does not tolerate any type of irregular work, off-the-books employment and, especially, child or forced labor and adopted an internal policy for the respect of human rights.

### Employee Recruitment Methods

While the Company continues to pursue a policy that favors the internal development of professional competencies, the interaction with the labor market can provide important opportunities to acquire competencies and professional skills that are not available within the Group or hire and invest in young resources.

Edison fully understands that the cooperation of highly motivated individuals with outstanding professional skills is a strategic factor of fundamental importance for the Company's growth. Consequently, it adopted a comprehensive recruitment process, followed by a human resources management and development system that, subsequent to their hiring, offer to all employees equal opportunities for improvement and professional development.

Consistent with the provisions of the Group's Code of Ethics, all discriminatory practices based on race, nationality, political, union



or religious affiliation, sex and sexual orientation, health and personal characteristics are avoided.<sup>2</sup>

The recruitment and selection of employees to staff the Company's organization is carried out consistent with the principles of objectivity, transparency and equal opportunity, while respecting the privacy of each candidate.

Recruitment and selection processes are designed to cover all of the Group's requirements with regard to human resources and, therefore, hiring employees to take up work positions in various business environments.

Special attention is paid to college seniors and recent graduates, to whom Edison offers numerous internships and work opportunities to help them develop dissertations in various professional fields. These potential employees are recruited through numerous meetings with students at top universities.

<sup>2</sup> The principles defined in the Group's Code of Ethics do not call for the preferential hiring of candidates from the areas where most of the Company's businesses are located.

## Employee Development

The development of the Group's employees is promoted and implemented through specific professional and career paths.

The Company has developed a Professional Competencies Assessment system, within professional families and role classifications, which it uses to identify technical-knowledge competencies of key value for the development of the Group's businesses and deploy appropriate training and organizational activities to enhance and augment them.

Edison also developed a Performance Assessment process that was applied to about 1,000 employees, including executives, middle managers and office staff, in 2010, with the aim of promoting and rewarding the achievement of business results, within the framework of an objective and transparent dialog between managers and employees.

For a number of years Edison has consistently applied a **Management Model** to assess, guide and develop the management skills that its managers must have to support the growth of their associates and handle management responsibilities.

Lastly, the Company pays special attention to the management of recent college graduates, to whom it applies a special development, training and compensation policy during the first three years they spend at the Company.

The identification of Company profiles that, because of the position, experience and key competencies involved, must be constantly monitored and protected is an integral part of the purposes and output of the Company's Management Review and Professional Competencies Assessment processes.

For all positions deemed to be essential and/or critical, the Company updates periodically special replacement charts and takes the most appropriate management actions to protect its corporate assets, which without doubt include employees.



## Employee Benefits and Balancing Work and Personal Life: Edison Per Te Program

For a number of years, by executing special agreements with the labor unions, Edison progressively integrated into its organization the new rules required by changing pension and health benefits legislation.

Specifically, employees have the option of availing themselves of **supplemental retirement benefits systems and supplemental health benefits systems** funded through joint employer and employee contributions. In addition, the Company established the Edison Per Te program to help employees balance personal and professional commitments, further improve the protection of their health and provide support for their families.

This program, in its third year in 2010, was expanded and upgraded with new initiatives and activities, demonstrating Edison's growing concern for the needs of its employees. The program includes four areas of activity:

- The main activities in the **Health and Wellness** area focused on a cardiovascular prevention campaign and an ophthalmology campaign that was extremely well received by employees. Additional initiatives included online medical consultations, information about medical facilities and hospitals, and wellness programs designed to promote physical activity and well being.
- The **Family** area includes pediatric assistance services, summer camps, babysitting services, online computer and foreign language courses for the children of employees, and information about facilities and services for young children and teenagers. The help desk for the elderly, a new support service that provides information on issues related to caring for elderly parents and/or relatives, was activated in November 2010.
- The **Personal Time** area includes specific programs to support economically and environmentally sustainable mobility through special agreements with ATM, Ferrovie Nord and Trenitalia Lombardia. Other services in this area, available to employees at all locations, include online consulting support for private and personal legal and tax issues and support by specialized personnel in dealing with the public administration paperwork on behalf of Group employees.
- Within the **Savings Opportunities** area, the network of suppliers and stores located throughout Italy who, through new conventions and agreements, provide significant economic benefits to employees was expanded in 2010. Specifically, the following two programs were launched during the year:
  - **Temporary Shop:** online sales at promotional prices, available for limited time periods and each time involving a different merchandise category.

- **Business and People Network:** Edison, together with some of Italy's biggest companies with a concern for the needs of their employees and the issues related to balancing family and work obligations, established a commercial exchange platform through which employees of each company within the network can purchase at discounted prices products and services developed by other network companies.

The Business and People Network also represents an exceptional opportunity for companies to exchange information about potential employee benefits and programs to balance work and personal life.



Compared with 2009, when the program took first place in the Famiglia-Lavoro prize sponsored by the Regional Administration of Lombardy and ALTIS, use of these services by employees and associates increased significantly at all locations. In 2010, about 54% of the employees and associates of the Edison Group used at least one of the services provide by the Edison Per Te program.

Confirming the effectiveness of the services and the broad scope of the needs they covered, a satisfaction survey carried out at the end of the year showed that between 85% and 95% of the people surveyed found the individual areas of the program useful.

## **Compensation and Incentive System**

Edison compensates its employees in accordance with merit-based criteria that take into account the results achieved, managerial performance and professional competencies.

The compensation system for all employees, with the exception of executives, includes collective incentives (result bonus), based on the achievement of profitability and productivity targets, and is designed to foster a more direct involvement of the staff in the pursuit of the Group's objectives.

In addition to a fixed amount, the compensation system for executives and professionals with positions of high responsibility includes a specially designed system of variable incentives based on the achievement of annual and multi-year targets. An important innovation introduced in 2009 is the addition of a target tied to the Group's occupational safety performance.

In 2007, as an addition to the conventional merit-based compensation system, the Company launched the Edison Group Award, an annual event to honor teams involved in special strategic Group projects, who receive non-cash prizes.

In 2010, the award went to the team that achieved the important sales objective of "one million customers."

## **Training and Empowerment of Human Resources**

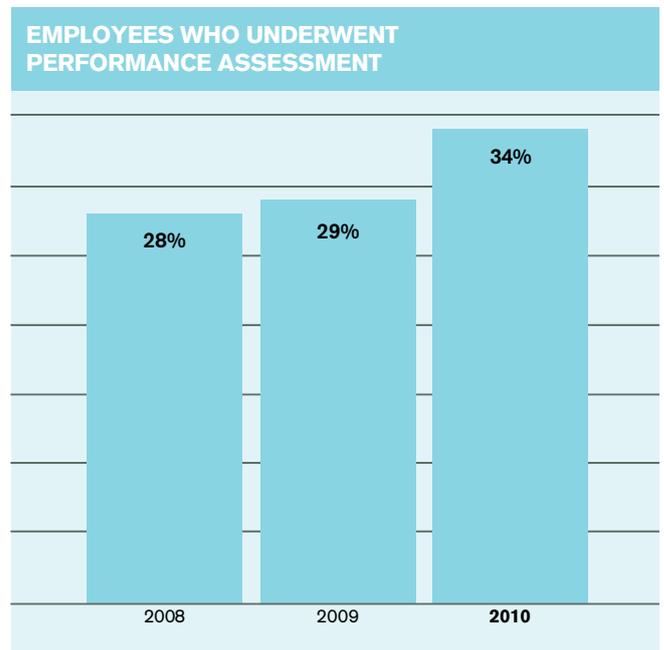
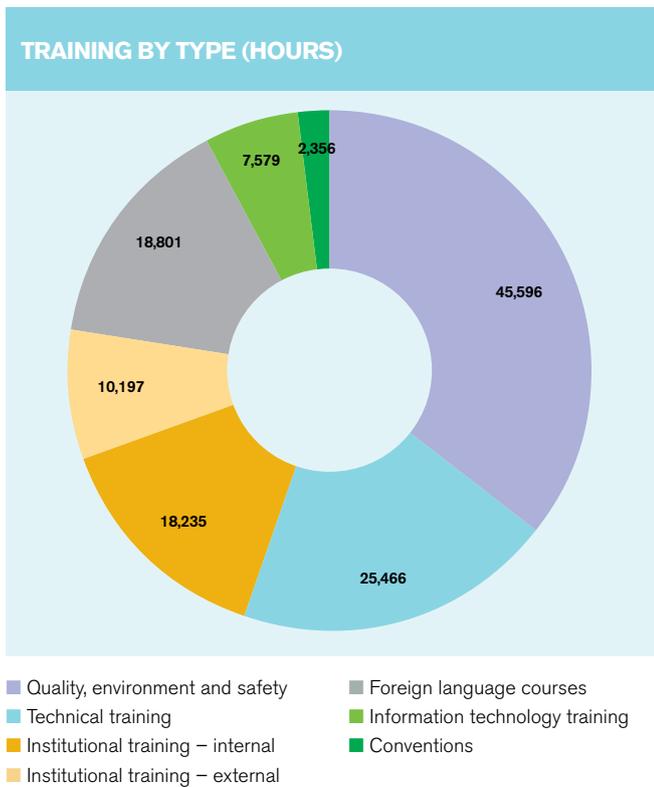
Based on the findings of a structured process designed to determine the Group's training needs and assess professional competencies, the Personnel Department defines a training program that benefits the entire staff by addressing the multiple needs of developing professional technical competencies, strengthening management competencies and developing transversal competencies (such as business competencies and an understanding of economic-regulatory and corporate context), which are essential for any professional or manager working at Edison, irrespective of the position he or she holds.

In addition, Edison carried out a training program provided to over 1,900 employees. In 2010, this program, which targeted with specific projects different populations within the Group, was characterized, in addition to the customary emphasis on occupational safety and the environment, also by a twin focus on: managerial-operational skills and professional competencies.

The Group's investments in training and development also include the increasingly frequent use of internal programs to update its entire management population on relevant business topics. Specific activities in this area included "action learning" programs aimed at defining an action plan for an increasingly effective implementation of the Management Model; conceptual and developmental training initiatives for professional families, such as the launch of the Market Academy in the sales area; and educational programs provided by internal instructors carried out by the different business segments, concerning geological competencies for the hydrocarbons operations and technical electric competencies for the electric power operations.

An important development that characterized 2010 was the second cycle of the management review process, which involved an integrated assessment of managerial results and competencies extended to all executives and middle managers on a triennial basis.

The assessment process was launched in the second half of 2009, targeting more than 500 employees for assessment, and ended with a strategic analysis by top management and a comprehensive feedback process involving all assessed resources.

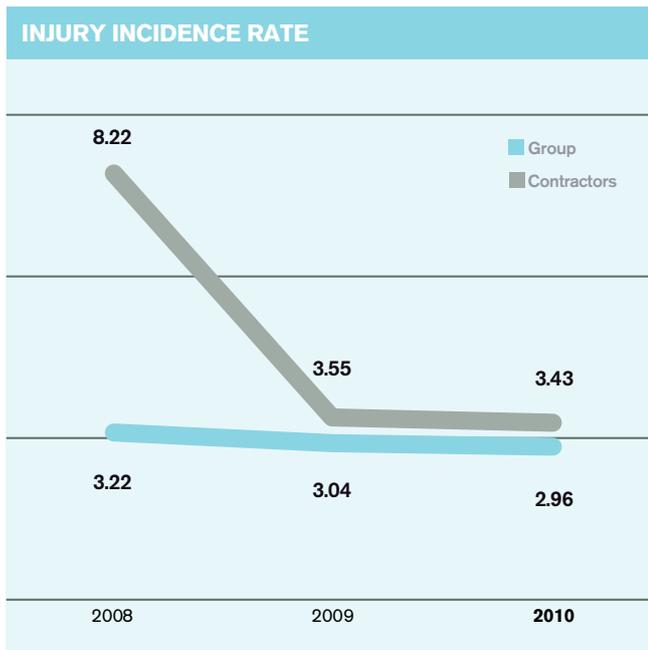


## Occupational Health and Safety

Promoting the development of our employees while guaranteeing their occupational health and safety is one of the challenges that are inherent in Edison's responsibility. With this in mind, Edison tackles and manages health and safety issues with an integrated management approach, promoting the development and deployment of integrated management systems as a key element of prevention and continuous management improvement, while respecting and constantly interacting with the communities within which it operates, consistent with best international practices. The adoption of health and safety systems that comply with international benchmark standards (BS OHSAS 18001) demonstrates the Group's commitment to going beyond merely maintaining compliance with statutory requirements, choosing instead to promote a policy of continuous improvement that fosters a culture of safety at all levels of the organization. Consistent with its relentless pursuit of a "zero accidents" objective, Edison continued to identify and develop activities that will produce a further improvement in its occupational safety indices. The occupational safety indices, which posted significant improvements in recent years, appear to have stabilized at levels of excellence within the framework of the Italian and international industrial scenario.

The main activities carried out or launched in 2010 by Edison Spa are reviewed below:

- As was the case in 2009, Edison was an active participant in OSHA Week 2010, the European Health and Safety Week (October 25-29), promoting the topics of risk assessment and healthy and safe work environments, specifically with regard to safe maintenance, with informational and training programs.
- The Risk Assessment Documents were amended to comply with the requirements of the updated Legislative Decree No. 81/08. By year's end, the risk assessment software covered about 95% of the Group's locations. In this area, a process to assess risk from work-related stress, designed in accordance with the general guidelines of the European Agreement of October 8, 2004, was launched in 2010, ahead of the deadline of Legislative Decree No. 81/08. The first part of this process, involving the collection of objective indicators, has been completed and work has started on recording subjective perceptions (through focus groups) required to complete the assessment process.



- A training program for all company officials involved in managing occupational safety (employers, delegated managers, supervisors, prevention and protection service managers, employee safety representatives and maintenance managers) with regard to the requirements of the Uniform Occupational Safety Code (Legislative Decree No. 81/08) was completed. In addition, training continued for newly hired employees and a project to provide online training about the risks entailed by the different tasks performed by Company employees was started. The training provided to employees of Edison Spa on environmental and safety issues required a total of 30,198 hours (27,632 hours exclusively for safety), equal to 35% of the total training hours (83,087) provided in 2010.
- The Company developed and tested at its Foro Buonaparte head office a pilot project based on observing and reporting risky behavior. This project, which requires the involvement and participation of all head office employees, is designed to promote an informal culture of safety and help reduce accidents. The project will be completed in 2011.
- As part of the preventive and management activities concerning health and safety at the Group's international operations, specific audits and inspections were carried out at the Abu Qir Branch, in Egypt, and at the construction site for the new Thisvi thermo-electric power plant in Greece. In addition, a project to ensure proper management of health, safety and environmental issues by ElpEdison was started with the support of a local consultancy.
- Lastly, activities concerning the handling of construction contracts and contractor companies were further strengthened. Specifically, special attention was paid to the qualification process for contractor companies and the assessment of interference risks involving Group employees and employees of contractors, identifying the corresponding safety costs, as required

by Legislative Decree No. 81/08. Contractor employees were also provided with educational and training courses to increase their awareness of such topics as emergency regulations, construction site risks, interference risks, specific risks (high elevation jobs, excavating and excavation protection, lifting of loads, road work), approved conduct and training in the use of protection devices and special equipment. As a rule, initial training is provided at the start of all construction sites.

Edipower, an Edison subsidiary, also implemented various solutions to prevent and minimize risks to the health and safety of its employees, including:

- guidelines and procedures to manage critical processes;
- regular tests of compliance with regulatory requirements and company standards;
- analysis of accidents and identification of corrective actions;
- communication of significant occurrences and resolutions to all production units;
- training of all employees on health and safety issues.

Specific programs implemented in 2010 included:

- European OSHAS campaign on safety in maintenance activities;
- OHSAS 18001 for the Brindisi power plant and the Udine Hub;
- preparation and joint review of operating instructions for the prevention of interference between operating, maintenance and construction activities carried out in common areas;
- safety audits at construction sites and production facilities;
- review and assessment of the performance of supplies;
- optimization of the process for the development of Safety and Coordination Plans.

In addition, Edipower is actively engaged in the adoption of an effective Occupational Health and Safety Management System that will help develop an improved occupational safety culture.

## Industrial Relations

Edison shares with the labor unions a structured system of industrial relations based on an ongoing constructive dialog, carried out with the utmost respect for the fundamental principles that underpin the main relevant collective bargaining agreements. Early communication, consultation and debate and dialog between the parties are the essential tools to maintaining a systematic approach to union relations and, consequently, deploy positive solutions for the Company and its employees and avoid the occurrence of personal and collective conflict.

The most significant events of 2010 included the following:

- An agreement renewing the National Collective Agreement, which expired on June 30, 2009, was signed on March 4, 2010 with the labor unions representing workers in the electrical industry. Consistent with the terms of the agreement signed by all unions on April 15, 2009, which implemented a reform of the contractual stipulations that govern the Italian system of industrial relations, the contract will be in effect for three years (i.e., until December 31, 2012) with regard both to benefits and economic issues.
- Likewise, an agreement with the labor unions representing workers in the energy and oil industry renewing the National Collective Agreement, which expired on December 31, 2009, was signed on April 23, 2010. The new agreement will be in effect until December 31, 2012.
- On March 26, 2010, the Company and the Unified Union Representatives for Edison's central offices signed an agreement governing the shift from a 39-hour workweek to a 38-hour workweek. The agreement reached by the parties adjusted the provisions of the National Collective Agreements for workers in the energy and oil industry in order to take into account the operating needs of the central offices, achieving a substantial balance between the Company's technical and organizational requirements and the personal needs of employees working at those offices.
- Other agreements reached with the unions in 2010 concerned the use of resources available in the "bilateral" funds (*Fondoimpresa* and *Fondirigenti*) to create funded training programs for eligible companies, consistent with the adopted Management Model and with specific interfunctional professional development needs, through the development of transversal competencies.

In 2010, as has been the case in recent years, Edison was free of collective work stoppage events related to specific Company issues.

## Employee Involvement

In 2010, Edison+, the Company's Intranet portal, consolidated the services and functionalities added mainly with the 2009 restyling, confirming its function as a constantly updated space where employees can find news, recent developments, information about the Company and their colleagues, work tools, detailed information about ongoing projects and employee services.

The Intranet serves the dual purposes of providing an effective tool to share information and simplify work, while creating a homogeneous company culture and reinforcing employee identification with that culture.

In 2010, internal communications addressed the issue of the growing popularity of Web 2.0, testing new tools, like blog and chat, understanding full well that their use could lead to a higher level of user interaction. This issue was also addressed in the annual Intranet Survey of employees. Blogs specifically designed to give a voice to the community and increase the possibility of dialog were developed in 2010. Quizzes and mini-surveys were carried out for the same purpose.

The publication of *MondoEdison*, a paper magazine, continued with the release of "specials" providing in-depth coverage of individual issues, such as *MondoEdison Speciale Sicurezza*, published in connection with Safety Week.

Activities to promote awareness of energy conservation and sustainability and promote positive practices in these areas included a continuation of the Re-evolution Project, which is carried out through three types of actions (Re-cycling, Re-specting and Reducing energy use). In addition, Biodiversity was the theme chosen for the third edition of the Photography Competition.

The following internal events that involved all employees were held during the year:

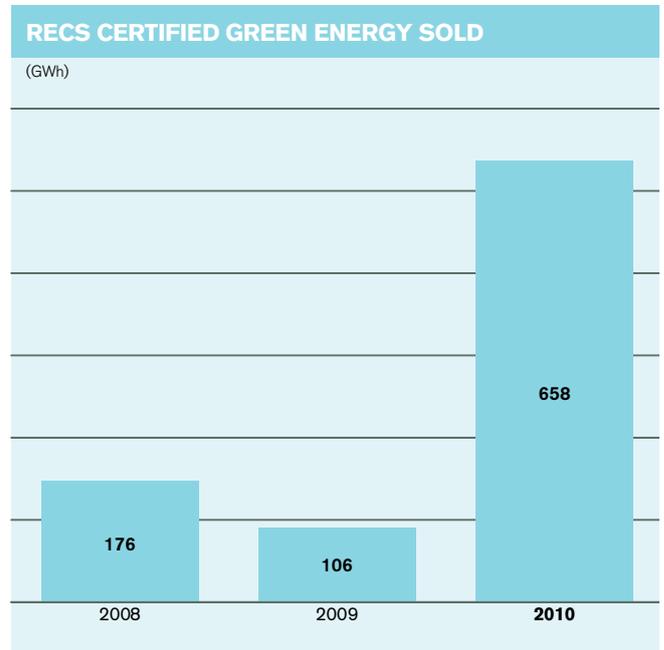
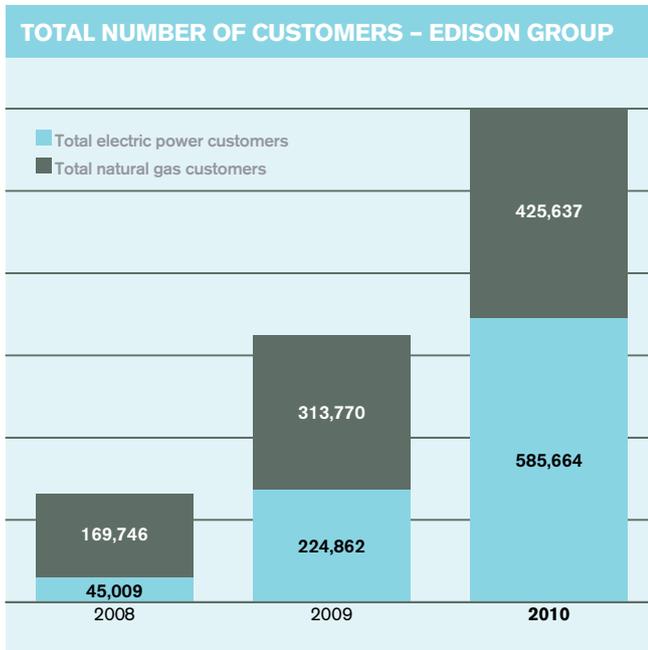
- Parents at Work Day, when the Company opened its doors to the children of its employees;
- Diversity Day, which included a luncheon based on ethnic foods and a seminar on diversity aimed at emphasizing the benefits of the Group's cultural diversity;
- The Summer Festival, which marked the conclusion of the thirteenth edition of the annual Company Tournament of Arena Soccer;
- The traditional Christmas Party, during which awards were the winners of internal competitions and project contests were honored with awards. The party also featured a performance by the Edison Band, a group of musically gifted employees.

The closing event of 2010 was the Managers and Executives Convention, a corporate event that provided an opportunity to share the results achieved during the year and the objectives for the future.

## OUR CUSTOMERS

In 2010, just two years after entering the residential electric power market, Edison reached the milestone of one million end customers. The key factors that made this important achievement possible were affordability, simplicity, transparency and quality of service. Working with its attention focused on customer satisfaction, Edison continues to offer its customers a portfolio of innovative and transparent sales offers. By holding focus groups with a diverse mix of consumers before the launch of each sales offer, the Company was able to best address customer needs. It was specifically by listening to and collaborating with its customers that Edison developed, in 2010, its successful EdisonWeb sales package, which customers can sign up for simply and quickly online to take advantage of the most affordable prices available for electric power during evenings and weekends, which is when more than two-thirds of electric power consumption by households is concentrated. To enhance the benefits of the speed and ease of use of these services, the support provided by the existing 24/7 telephone customer service was augmented with a simple and complete online aftersale service that enables customers to resolve independently and quickly their daily support requests.

Edison's goal for 2011 is to continue growing its retail business, both in the electric power sector and the natural gas sector, while always making customers the focus of its attention, seeking to offer opportunities to help them make informed and sustainable buying decisions. In addition to offering green energy sales packages, always part of the Group's portfolio, online offers, which, in combination with electronic billing and interbank payments minimize paper use, will become increasingly important. In addition, Edison will continue to monitor regulatory changes and technological innovations, such as developments in smart grid and electric car technologies, so as to be always in the forefront, ready to seize new opportunities and provide its customers with increasingly complete and innovative services. This approach, supported by a highly effective advertising campaign, is the reason why every day in 2010 more than 2,000 households chose Edison as their supplier of electric power and natural gas.



## Transactions That Can Be Executed Online

In 2010, the online channel broadened its sales offer portfolio with the launch of an exclusive sales offer for internet-savvy residential and micro-business users. EdisonWeb, for electric power and natural gas, is the sales offer that guarantees for Edison Energia customers the best price available in Italy, plus the simplicity of paying by direct interbank transfer and receiving bills directly by e-mail.

This sales offer is particularly innovative for the micro-businesses, a segment in which Edison was the first company in Italy to invest, using the internet as an alternative contract-closing channel. EdisonWeb was also designed for technologically sophisticated small businesses and professionals who choose to switch to Edison for ease of use and affordability. Because of the type of target, differently than in the case of residential users, micro-businesses can sign up for the EdisonWeb sales package either by filling out the online form, or through the call-me-back service that enables customers who are surfing the Edison Energia website to be called back by an operator and receive the required support.

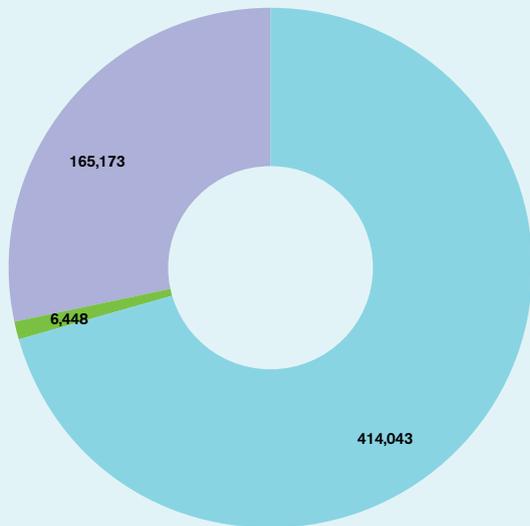
The purpose of the [edisoncasa.it](#) and [edisonbusiness.it](#) sites is to increase Edison Energia's customer base for the sale of electric power and natural gas in the residential and micro-business segments. For this reason, the key element that defines the structure of these websites is their ease of use. By using clear images, color codes that identify different products or segments and dividing pages into different sections, these websites enable customers to quickly identify the main features of the sales offer and the path required to accept it.

Another important factor in pursuing the objective of these websites is the clarity of the information provided to customers. We have gradually and steadily improved the type of information we provide, the manner in which it is provided and the level of additional details. In 2010, the self-care functionalities available to customers were significantly expanded. They include: online billing, updating bank payment information and switching to direct interbank transfer payment, credit card payments, checking payment status, changing bill mailing address and application to change sales offer, switching from a dual hourly rate to residential usage. New services were added to those available with the sales offer, including "Comodità più", for the maintenance of the heating system's boiler, and "Tetto d'Oro," for the construction of a photovoltaic system.



## ELECTRIC POWER CUSTOMERS

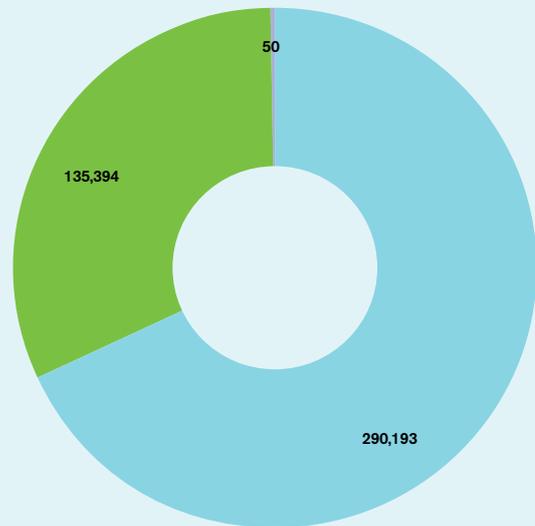
(number)



■ Residential ■ Business ■ Small businesses SOHO

## NATURAL GAS CUSTOMERS

(number)



■ Natural gas sector, total for Edison Energia ■ Natural gas sector, total for AMG Palermo ■ Other sales

Edison continues to interact with its industrial customers as an operator that views energy efficiency as a sustainability tool that can increase competitiveness and minimize the environmental impact of business activities. Specifically, a rational use of energy

sources makes it possible to benefit from opportunities to reduce energy costs and increase the economic and environmental sustainability of Italy's entire economic system.

## A Sustainable Product Line

**ZeroE People**, the sales offer available to Edison's residential customers is a package with zero environmental impact. This sales package, created in partnership with Lifegate, is the first offer of Zero Impact® renewable energy certified by RECS International (Renewable Energy Certificate System). In addition to the lack of CO<sub>2</sub> emissions, as is usually the case for energy produced from renewable sources, the CO<sub>2</sub> emissions produced from the construction of the generating facility and the emissions caused by administrative, billing and customer service activities are computed and offset by creating new forests.

To its Business segment customers Edison offers the "Green Energy" option, with the use of a RECS certificate to offset emissions. In addition, Edison Energia licenses the use of its "ECODOC - Energia elettrica dalla natura" trademark, which was created

to promote a culture of sustainability among Italian businesses, based on three key clean-energy concepts:

- Production of electric power using exclusively renewable sources available in nature;
- Respect for the environment;
- Audited certification of DOC production provided by an independent guarantor (RECS International).

In 2010, as was the case in 2009, the demand for RECS certified energy was small, compared with the total volume sold, due to the continuing impact of the economic crisis, which caused consumers to focus on the price variable instead of sustainability. In any case, RECS certified sales offers for retail customers were also promoted in partnership with business in other sectors, like Garnier and Ikea, who share our concern for environmental and sustainability issues.

## Managing Energy Efficiency Issues

### Answers by Antonio Gaudio, Deputy General Secretary of CittadinanzaAttiva

***What are Cittadinanzattiva's issues, priorities and expectations with regard to the Edison Group in terms of managing energy efficiency issues?***

"An effort should be made to ensure that the pursuit of these benefits, thus far focused mainly on business customers, begins to address also the needs of consumers, the end users in particular. In this area, it is generally easier to deal with business customers, because, in the case of large, energy consuming entities, once an incentive is introduced to change consumption patterns and make them more efficient, due to their size, an equal percentage change can produce a very large impact in absolute terms. On the other hand, from a culture standpoint, having an increasingly well informed public that behaves in a manner consistent with energy efficiency goals is a signal of fundamental importance in persuading future generations to make concrete investments in their future. Because Edison has a steadily growing customer base, it should direct its efforts in this direction, focusing on end users and households, and become a reference point for other companies in its industry.

At the operating level, Edison could involve consumer associations with two types of activities: upstream activities, through communication tools and better and more efficient use of Company commercials to reach households with messages about these issues, and downstream activities, developing programs that involve both Edison's customers and the public at large. I am thinking, for example, of programs that could be carried out within the school system using Edison employees as spokespersons. It would be interesting to see the Company invest energy and resources in communication activities in this area. I also believe that focusing on households and individual consumers is of fundamental importance."

***Is Cittadinanzattiva aware of successful practices in this area that it believes the Edison Group should consider incorporating in its activities?***

"A number of different approaches have been used in this area, including some by other companies, but, generally, none of them can qualify as a good practice. In my opinion, programs carried out thus far by different parties, such as handing out informational material in the street, when not implemented within the framework of a campaign that targets the public directly, are not good practices worth noting and using as a reference point."

***How does Cittadinanzattiva define the concept of "fuel poverty" within the context of Italian society and what does it believe that public institutions, first, and companies, second, should do about it?***

"From the standpoint of Cittadinanzattiva, "fuel poverty" is, unfortunately, no longer an issue that affects only those groups of people that we can all imagine as being indigent (e.g., retirees living on social security pensions). It now affects a large number of families. Paradoxically, customers who are large energy users are often large families that naturally consume more energy.

From this point of view, we believe that what is needed is an innovative approach both by public institutions and businesses. Insofar as businesses are concerned, it would be significant if they could attempt to develop sales offers increasingly tailored to meet the needs of special types of customers, offering them differentiated rates. As for public institutions, they could be doing much more. For example, the way we see it, the idea of the "social bonus," the way it was conceived, was not satisfactory because it is carried out in the form of solidarity among consumers, when, instead, public institutions should decide to intervene using general tax revenues to support this category of people who are faced with increasing hardships. As I said, it is a numerous category, particularly now that international tensions are causing the market price of energy to increase."

## The Value of Energy

In 2010, the Energy Efficiency and Sustainable Development Business Unit helped its industrial customers use energy resources rationally and produce energy from renewable sources through a new regulatory model called "Efficient User System." Edison installs high efficiency systems fueled with renewable sources and/or with a low environmental impact that are used exclusively to meet the site's needs, from plant to buildings. Edison understands that the main obstacle to the development of energy efficiency is the inability of customers to allocate resources to non-core activities (especially during an economic crisis). With the model it is proposing, Edison invests directly, makes its technical expertise and its knowhow in the areas of occupational safety, quality and the environment available to the customer and offers economic terms that are more competitive than any of the better alternatives

available for the supply of electric power from the grid. The types of situations to which this model can be applied depend on the actual needs of individual customers (production and distribution of heat/refrigeration, compressed air, installation of motors and inverters, indoor and outdoor high-efficiency lighting, etc.), based on a process that starts with an energy audit and includes support in offsetting the carbon footprint. Edison undertakes to achieve an efficiency target and helps the customer communicate to its target markets the work done and the environmental benefits achieved. The projects started in 2009 and completed in 2010 included numerous analyses of energy resource usage patterns, defining virtuous processes to reduce costs and the environmental impact and the construction of photovoltaic systems of sizes suitable to meet the energy needs of customers and located inside production facilities.

## Customer Satisfaction and Service Quality

Edison adopted a Quality Management System in November 2007 and was the largest energy wholesaler, in terms of revenues, active in the deregulated market to become ISO 9001:2000 certified, receiving its certification in 2008. The certification received the following year was in accordance with the new ISO 9001:2008 standard. In addition, the Company defined a new quality program that conformed with the principles and objectives adopted by Edison upon its entry in the residential market, which are consistent with the basic principles of its Quality Policy. These principles are: focus on customers, continuous improvement of processes and dissemination of a culture of quality within the Company.

In 2010, the certification agency again confirmed that Edison Energia's Quality Management System was in compliance with the ISO 9001:2008 standard and that there were no instances of non-conformity for the second consecutive year. Consistent with a continuous improvement approach, the objective of zero non-conformity has thus become an established achievement, but is also a challenging target for 2011, particularly in view of the degree to which the company has evolved, in terms of the size of its customer base.

The organization's focus on customers, which Edison continues to view as a strategic element of fundamental importance, is maintained through detailed customer satisfaction surveys. The annual in-depth customer satisfaction survey was carried out in 2010. This survey provides an important tool to assess the performance of the services provided by the different divisions and functions, identify existing weaknesses and make the improvements necessary to meet customer needs. In 2010, in addition to the annual customer satisfaction survey, the Company deployed quarterly activities to monitor customer satisfaction and review the implementation of programs introduced to resolve problems identified by the customer satisfaction survey and, if necessary, plan additional remedial actions. Other activities carried out with the aim of increasing customer satisfaction and learning how to improve it included performing an analysis of the reasons why some customers decided to leave Edison and, starting in June, launching monthly prevention campaign that measure the level of satisfaction of customers believed to more at risk.



## The Edison Observatory – Italians and Energy

The idea of establishing for the first time an “Edison Observatory – Italians and Energy” developed concurrently with Edison's entry in the residential market, following market deregulation. It was in 2008, with the launch of an electric power and gas sales offer for households, that Edison addressed for the first time a type of consumers significantly different from the customers it was historically accustomed to.

Italy is a country with many contradictions, based on the findings of the Edison Observatory on Italians and Energy, which was carried out in 2010 in collaboration with the sociologist Enrico Finzi, who, based on a representative national sample (1,071 interviews, corresponding to a universe 34.1 million people 25 to 65 years old), studied the deeper reactions and the behavior of Italians with regard to energy, understood in its broadest meaning, with the aim of developing archetypes representative of how Italians deal with energy issues. While there is a growing awareness of the importance of sustainability and energy conservation, Italians continue to be major energy users, with a behavior that is inconsistent with their stated concern for the environment and its future, and lack sufficient information to fully understand the peculiarities of the different energy sources.

## The Importance of Dialoging and Interacting With Consumers

In view of the fundamental role played by citizens/consumers, whose needs and expectations are inevitably reflected in the choices they make and, consequently, in the marketing strategies of businesses, Edison understood to what extent it was necessary and important to interact and dialog directly with consumer groups, provided they are members of the National Council of Consumers and Users and are recognized by the Ministry of Economic Development.

These groups represent an important listening tool to understand the true needs of consumers and the reasons for dissatisfaction. From the very moment it entered the residential market in September 2008, Edison understood that a close, ongoing collaborative relationship between consumers and businesses would produce a dialog between equals, through which the parties can pursue the difficult process of balancing their respective interests. Over these years, important knowledge was acquired and a valuable collaborative relationship was established through a series of projects and initiatives that enable Edison to monitor and continuously improve the level of customer service.

The first of these projects dealt with the issue of disputes by trying to offer an alternative solution to the judicial system that would be less costly and faster both for consumers and businesses: the conciliation.

Thanks to an agreement between Edison and the consumer groups of the National Council of Consumers and Users, the Joint Conciliation tool was activated in 2009. This tool can be used to resolve disputes amicably, voluntarily and free of charge, contributing to the improvement of the services provided to the public. In January 2010, after an initial six-month testing phase in two regions (Piedmont and Molise), Edison extended the use of the conciliation tool to all of Italy and to all customers who have a contract with Edison to supply electric power and natural gas to their homes. Differently from other industry protocols, Edison agreed to accept requests for conciliation for any type of dispute.

On the heels of this project and to foster a better understanding of the rights of the public and consumers, Edison agreed to cooperate with Cittadinanzattiva on the publication of a Conciliation Guide. In 2009, consistent with its commitment to foster the empowerment of consumers, Edison began a collaborative project with Adiconsum and some of Assoelettrica's member companies to develop a campaign to educate the public about issues related to the deregulation of the electric power market and the opportunities it created for residential customers. This campaign included numerous local events, where participating companies were able to advertise their sales packages. This educational campaign was extremely well received and was repeated in 2010. In its second edition, it addressed such issues as complaints and conciliation, reading and understanding utility bills, dual hourly rates for electric power and energy conservation. Also in 2010, Edison worked with Adiconsum to publish the ENFORCE Guide – Energy Conserva-

tion and Efficiency in Buildings, which was developed as part of the European *ENFORCE – European Network for the Energy Performance Certification of Building* project. Italy, Spain, Portugal Slovenia and Greece joined this project, which was approved and partly funded by the European Commission. The project calls for the establishment of a network of energy auditors, who will provide consumers with qualified and independent energy diagnoses listing the best activities to improve the energy efficiency of their homes, thereby motivating them to make the necessary investments ([www.enforce-een.eu](http://www.enforce-een.eu)).

In February 2011, Edison launched its Quality Charter Service, which is an actual "pact" with its users/customers and constitutes a communication and information tool with which customers can understand the services offered to them and the promised delivery methods and standards, verify that commitments made are respected and register their assessment. The Charter will be updated periodically to consolidated the quality levels achieved and record the changes made.

Lastly, consistent with the goal of improving the understanding of contractual and sales documents by customers and providing greater consumer protection, Edison, working with the Cittadinanzattiva consumer association carried out a critical review of its contracts, flyers, bills, FAQ and other documents, which produced the following results: some contract terms were amended, flyers were made more readily understandable, a bill reading guide was developed, FAQ were expanded and a series of tools to help customers make informed choices were developed.

Edison is also a member of the Consumers' Forum, an independent association that includes the most important consumer groups and many industrial and service companies and represents the first permanent venue for consultation between businesses and consumer representatives. It is a place for discussion and joint analysis, designed to facilitate mutual understanding, overcome the challenges of a dialog and jointly promote an evolution of consumer policies. The goals of the Forum include improving the quality of life of consumers; carry out studies, research, training activities and any other initiative aimed at promoting, developing and disseminating a culture of responsible consumption; support the establishment of venues for interaction; and improve the level of information and transparency about the quality and safety of public and private products and services and about the applicable national, E.U. and international regulations.

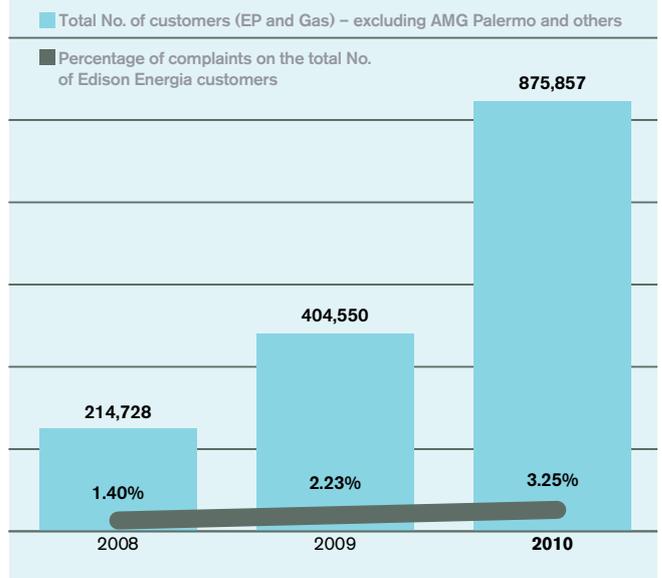
In order to assist the people affected by the flood that struck the Veneto region this past fall, Edison Energia agreed to extend the due dates of gas bills, for the November 2010 - April 2011 period, in the towns where its Edison DG subsidiary owns the distribution network.

## Management of Complaints and Disputes

The number of complaints increased in 2010, reflecting the impact of a large increase in the number of residential customers. More specifically, the number of complaints to number of customers ratio increased from 2.2% in 2009 to 3.3% in 2010, following a sharp rise in the number of customers (+115.3%). In order to ensure the transparent handling of any problems with its customers, Edison, consistent with the relevant regulation (AEEG No. 04/08), defined a procedure to handle payment reminders that protects equally the interest of the Group and that of its consumers. The procedure calls for a sequence of three payment reminders. After the third reminder, Edison sends a registered letter demanding payment. After five business days have passed from the delivery of the letter without receiving a response from the customer (challenging the bill or providing proof of payment), Edison physically cuts off the supply of power (or reduces it, when so required). The supply of power is reactivated only when a fax with evidence of payment is received or an application for an installment payment plan is received and approved. Customers at the third reminder level are contacted by registered letter.

By Resolution AEEG VIS111/10, the Electric Power and Gas Authority fined Edison Energia for issuing electric bill that did not conform with the format provided in Resolution 152/06, which defined the format and information of invoices for customers with protected status, i.e., residential customers and independent professionals receiving low voltage power. Edison Energia, in designing the layout of its invoices, focused on clarity and consistency with the terms of the sales offer chosen by the customer, thereby

## COMPLAINT INDEX AND NUMBER OF CUSTOMERS



causing the Authority to impose a fine of 315,000 euros (72,000 euros for the invoice for residential customers and 143,000 euros for the invoice for other types of customers).

Edison Energia acknowledged the fine and refrained from pursuing a dispute with the Authority, even though it is certain that it did not cause any damage its customers and believes that it acted in the utmost good faith, always with the aim of providing its customers with the best service and maximum transparency, including through its invoices. The Electric Power and Gas Authority also fined Edison Energia in the amount of 370,800 euros, following an inspection performed in June (Resolution AEEG VIS 28/10), for the portion concerning the obligation to provide detailed answers to written complaints.

## The Service Charter

Answers by Antonio Gaudio, Deputy General Secretary of CittadinanzaAttiva

### **What are Cittadinanzattiva's issues, priorities and expectations with regard to the Edison Group in terms of managing customer relations?**

"It is essential to link this issue with that of Corporate Social Responsibility. We believe that a company is socially responsible when it operates fairly and successfully in the marketplace, with an approach focused on involving its stakeholders, who include consumers. We understand that, this year, Edison continued to implement the Conciliation process launched last year, improving it by making its sales offers simpler and more transparent. We also believe that this is important because one of the ways in which consumers can be helped when making a choice is to offer simple and clear services, with all of the information needed to make an informed decision and, most importantly, that are best suited to meet the needs of their families. While the path chosen by the Company is positive and there has been an improvement compared with the previous year, there is still room for improvement, which could be achieved by transitioning from a collaborative relationship to a partnering relationship. It would be

desirable to collaborate on campaigns addressed to consumers and the public, in pursuit of the common objective of launching an effective message that is also clear, simple and transparent and eliminates the risk of misunderstandings."

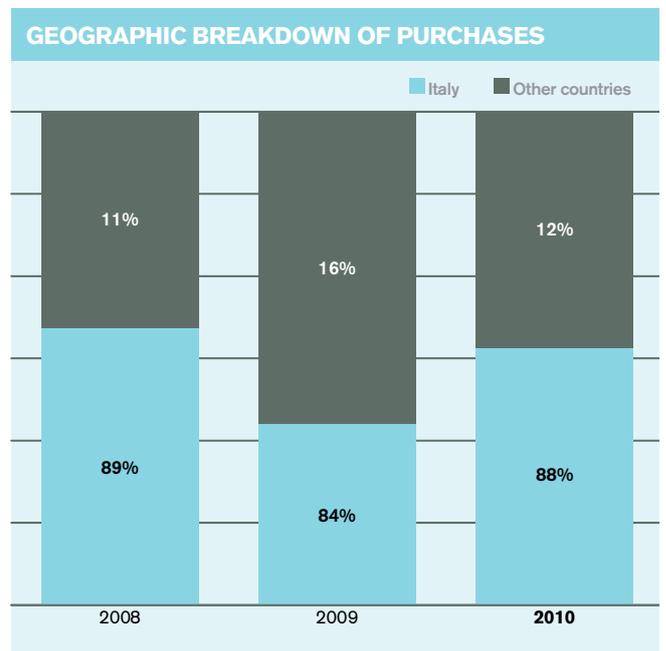
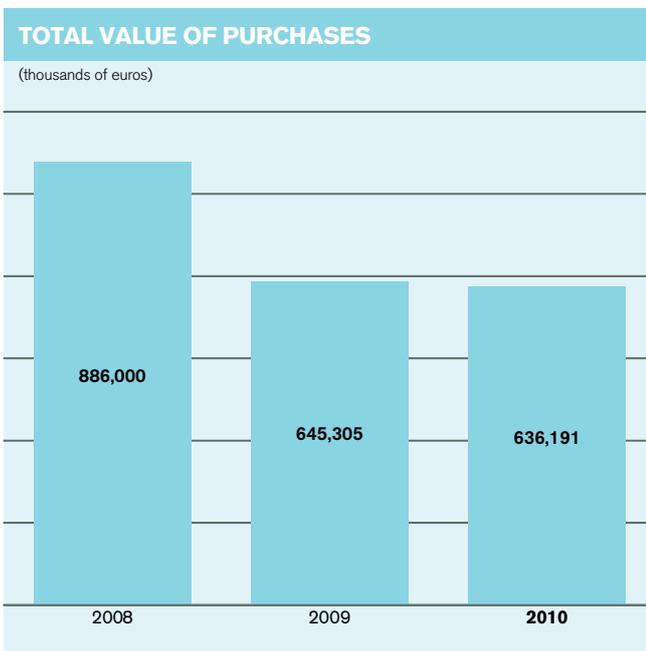
### **How does Cittadinanzattiva rate the policies and strategies adopted by the Edison Group and the projects it implemented in managing relations with its customers?**

"I believe that a lot has been accomplished. This is clearly related to a specific intent that is reflected in most of the activities carried out by Edison. Usually, we tend to believe that, within a corporate entity, initiatives are the reflection of the good intentions of individual managers. What we hope is that Edison is guided by a more unified and comprehensive approach, as we have indeed found this to be the case. Some of Edison's competitors are also following this approach, but their programs are still limited, with wide margins for improvement in the future."

## OUR SUPPLIERS

Edison fully understands that it is only by sharing its expertise and its best resources with its suppliers that it can accelerate the process of positive communication required to catalyze the energies of all of the parties involved in a project. For an initiative to be successful, it must produce a fair and lasting benefit also for the supplier. This simple, yet fundamental, paradigm is rooted in the style of the relations that Edison promotes with its suppliers.

In other words, Edison is aware that its suppliers play a central role in every phase throughout the development of a project, an idea and the Company's own image. The suppliers with whom the Company does business are asked to embrace Edison's system of values because they represent an effective and reliable vehicle for successful business transactions.



## The Supplier Qualification System

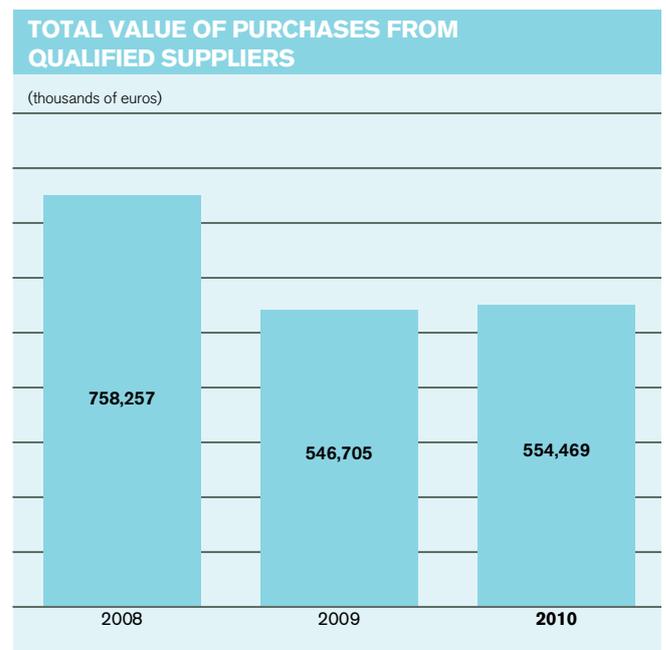
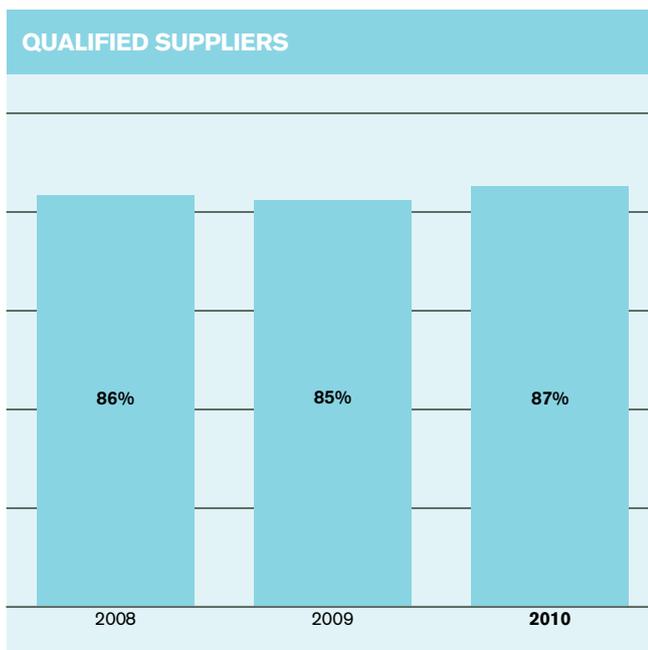
A particularly intense activity was carried out in 2010 concerning supplier qualification. A major campaign targeted both non-qualified supplier, urging them to apply for qualification, and qualified suppliers, asking them to update the relevant questionnaires. As a result of this effort, the percentage of total purchases supplied by qualified vendors grew from 84.7% in 2009 to 87.2% in 2010. All of the players within the Company's organization who play a part in the qualification process provided a very active contribution. The average length of the qualification process was 54 calendar days in 2010 (for the Suppliers' Register and Vendors' List). The new Qualification Portal is providing an increasingly decisive contribution in conveying to all users the sensitivity the Edison developed with regard to such issues as sustainability and social responsibility. Specifically, any supplier who begins the qualification process is required to agree to the binding conditions that it will adopt our 231 Organizational Model, our Code of Ethics and our Human Rights Policy. These conditions are repeated as binding contract clauses when an order is awarded.

Today, the qualification of a supplier has grown into a structured process that enables Edison to assess a supplier's overall "quality." To help the "qualifiers" assess a new candidate's true beliefs with regard to CSR issues, special emphasis has been placed on the section of the questionnaire that deals with safety, certifications, permits and awards by international organizations received by the

Supplier. The rating received with regard to these issues has the same weight for qualification purposes as the ratings for technical, commercial and financial issues.

New functionalities aimed at managing a supplier's life cycle are currently being developed for inclusion in the vendor qualification system. The final result will be a comprehensive IT architecture characterized by a high level of integration and the convergence of multiple collaborative processes, ranging from vendor's rating to subcontractor management, from the electronic exchange of safety information in the order award phase to internal audits, and including the automated gathering of information about suppliers published by the main rating agencies, including those concerning human rights issues.

In accordance with the qualification process, any supplier of goods or services can spontaneously submit an application, through the suppliers' qualification portal, for the relevant merchandise and service categories. The qualification process proceeds in the manner required to enter the applicant either in the Vendors' List or the Suppliers' Register, depending on the strategic nature of each merchandise category. In the latter's case, once the prequalification phase is completed, the application is submitted to a Supplier Qualification Team (TQF), which decides whether proceeding with the qualification phase is warranted. The TQF is cross-functional and, depending on the merchandise categories involved, can ask outside professionals to render an independent technical opinion.



## Vendor Rating

The vendor's rating process, which is the assessment of the delivery of ordered goods and services, has been the focus of a major effort by the personnel responsible for contract management. The purpose of this process is maintain a natural alignment between the Suppliers' Register and the actual capabilities of the Group's suppliers. The evaluation process focuses mainly on safety issues, the quality of goods or services and the vendor's reliability. Each evaluation produces a positive or negative change in the vendor's rating for the merchandise category that corresponds to the order being evaluated. The rating change is determined based on the evaluation's outcome, the amount of the order and historical evaluation data.

Data of negative evaluations are collected and analyzed every six months by a homogenization committee, which decides what actions should be taken with regard to suppliers. These actions can range from confirming the rating to requiring the vendor to take corrective action to suspension of the vendor's qualification.

## Contract Award Criteria

In the selection process, in addition to a supplier's rating, which summarizes Edison's opinion about the supplier's technical capabilities and reputation, special attention is paid to historical data about accident incidence rates and to whether the bidding contractor is compliant with regard to employee compensation and benefits. In the case of contracted construction work, the vendor is required to resubmit updated documents about employee benefits and occupational safety when work begins at the jobsite. These documents must be reviewed by an Edison project representative.

All subcontracting arrangements are authorized only after an evaluation of the subcontractor's technical capabilities, an algorithmic assessment of accident incidence rates and a review of the subcontractor's paperwork regarding social security contributions and insurance.

For repetitive purchases of non-strategic items, Edison has been gradually increasing the use of framework contracts, which can be used by individual users through online catalogs, supported by dedicated software. Generally, both when a facility is being built and when it is in operation, the technical and financial conditions being equal, Edison tends to favor local companies to have better control and continuity in the procurement process and contribute to the market development of the area where its new facility is located.

The negotiating policies and the selection and order award criteria applied are the same both in Italy and outside Italy.

## Procurement Planning

Since 2009, the activities of the Purchasing Department have been supported by the Group Order Placement Plan. Planning purchasing needs over a three-year horizon makes it possible to develop a new strategic vision to guide negotiating activities, which are carried out not only for the purpose of making purchases more efficient, but also, and more importantly, to develop more stable, responsible and sustainable commercial partnerships.

In 2010, the planning of procurement needs carried out through the Purchasing Department was characterized once again by an excellent coverage index, based on the Company's budget. This process is becoming established within the Group's culture and is becoming increasingly popular as a tool to manage relations with internal customers.

It is also thanks to this tool that Edison is able to pursue the following objectives as part of its procurement process:

- Satisfaction of internal customers with regard both to the quality of purchased goods/services and on-time delivery;
- Reduction of the Company's exposure to risks related to Legislative Decree No. 231/01, occupational safety and compliance with ethical principles;
- Identification of a more economically advantageous and sustainable solution that maximizes benefits also for the supplier;
- Establishment of stable relationships with the most reliable suppliers with an impeccable reputation.

## Disputes and Human Rights

In 2010, there was only one instance of legal proceedings filed in a civil court in connection with 12,336 orders handled and awarded to 3,225 different suppliers. A total of two civil lawsuits were pending at December 31, 2010.

Concern for and respect of human rights were strengthened by the inclusion in the vendor's qualification process of the acceptance and compliance with the rules of the 231 Organizational Model, the provisions of the Code of Ethics and, most importantly, the principles of the Group's Human Rights Policy. With this approach, the Company intends to disseminate outside the Group ethical principles that it believes are of fundamental importance in the conduct of business activities.

## PUBLIC INSTITUTIONS

Environmental protection, sustainability and the challenges of climate change continue to be strategic issues that dominate national and international political agendas, with an undeniable and highly significant economic impact.

For this reason, Edison has been following closely developments in these areas, becoming increasingly actively engaged in the dialog between national and European institutions and all stakeholders. The Code of Ethics states that: *"Edison engages in relationships with political organizations only for the purpose of gaining insight into issues that are relevant to the Group and of transparently promoting the positions it supports. The Group neither finances nor supports political parties or their representatives and takes a strictly neutral stance toward contending political groups during election campaigns or events involving political parties."*

Edison interacts on an ongoing basis with central and local public administrations to monitor and manage the process of securing authorizations, permits, concessions and public grants and financing. This process entails establishing discussion groups and transparent and constructive relationships, always carried out in compliance with the Organizational Model pursuant to Legislative Decree No. 231/01.

Besides presenting the Company's positions to the outside world, the Institutional and Regulatory Affairs Department also focuses on picking up any tentative signals emanating from the political, administrative and social system in order to anticipate and redirect

relevant strategic choices by the Company. Accordingly, Edison is also in contact with government entities, the Parliament, independent Authorities (AEEG, AGCM, Privacy Authority), actively collaborating with these parties and making available to them its knowhow in specific areas.

Through an ongoing dialog with these institutions, Edison provides valuable support to the drafting process of bill and other legislative measures, collaborating in developing "corporate position papers" that best represent the interests of the Group.

Today, the monitoring process has been expanded to the regional level: through the Regional Energy Observatory, the Institutional Affairs Department monitors regulatory developments in 13 regions, organizing each region's activities and initiatives into a single database, so as to support the Company within the context of the current federalist approach to energy and environmental issues. This monitoring process, combined with a careful identification of the main institutional counterparties at the local level, makes it possible to begin a transparent, effective and informed dialog with the involved stakeholders.

Edison is also actively involved with national and European industry associations (Confindustria, Assoelettrica, Assomineraria, Federestrattiva, Eurelectric, Eurogas, Unice, etc.), through its contribution to various work groups, and associations that support broad-based interests, such as environmental associations, consumer groups and labor unions.



## OUR COMMUNITIES

### Developing New Projects Through Constant Dialog with the Community and Institutions

The building of a new facility, the construction of a gas pipeline or the development of a major infrastructure constitute activities that have a major impact on the territory and local communities. Edison's responsibility is to develop its projects identifying shared solutions through dialog with local communities and transparent communications.

The key elements that characterize Edison's interaction with the local communities include:

- Presence – Constant contact at the local level to listen, understand and meet the needs and expectations of the local community;
- Trustworthiness and Reliability – Willingness to be held responsible for the consequences of one's actions;
- Communication – Establishment of a team at the local level capable of providing clear, complete and transparent information; activation of dedicated websites; implementation of informational and educational programs.

The use of discussion forums, an ongoing dialog with the opposition and a lasting relationship with the local authorities are the tools used in this process, within which Edison has been playing a leading role in Italy in terms of its willingness to listen to and dialog with local communities for the shared development of new projects. The success of this process can be measured with the following quality indicators:

- The project's actual implementation;
- The development of economic initiatives tied to the project's implementation;
- Widespread support among political groups and the population;
- A strong relationship with local players based on trust and ongoing collaboration;
- Administrative continuity at the local level as evidence of a constructive approach to managing local relationships.

Among other projects, Edison is one of the founders of the "Vajont October 9, 1963" Foundation, which was established to promote studies and scientific research for the prevention of hydro-geological risks, and organize research and study projects and scientific, cultural and promotional activities designed to prevent an imbalanced use of natural resources from producing in the future disasters similar to what occurred in the Vajont district in 1963.



# STRATEGIC PROJECTS FOR ITALY AND EUROPE

## Edison and the ITGI Project

Edison is engaged in promoting the development of the ITGI (Interconnector Turkey- Greece-Italy) gas pipeline that will link Italy and Europe, by way of Turkey and Greece, with the Caspian Basin and the Middle East. The European Union recognized the ITGI pipeline as a Project of European Interest and included it in the European Recovery Plan. This pipeline, by handling imports of up to 10 billion cubic meters of natural gas a year, will be one of the main arteries of the Southern Corridor. As part of this project, Edison and DEPA are building jointly the IGI (Italy Greece Interconnector) gas pipeline.

This gas pipeline will have a total length of about 800 km, including an onshore segment in Greece (590 km) and an underwater segment (210 km) called IGI Poseidon. The construction of the ITGI gas pipeline, with its branch line to Bulgaria (IGB), will help diversify natural gas sources for Italy and Europe, increase the reliability of gas supplies for Southeast Europe (by way of Greece and Bulgaria) and other countries in Europe (by way of Italy). It will also make it possible to implement solidarity mechanisms in Eastern Europe, in the event of supply interruptions, by providing a link to Italy's many gas importation routes and the abundant storage capacity for these markets. In the Apulia region, the local community was involved in the development of this project through a process of intense contacts, discussions and education programs over a period of five years.

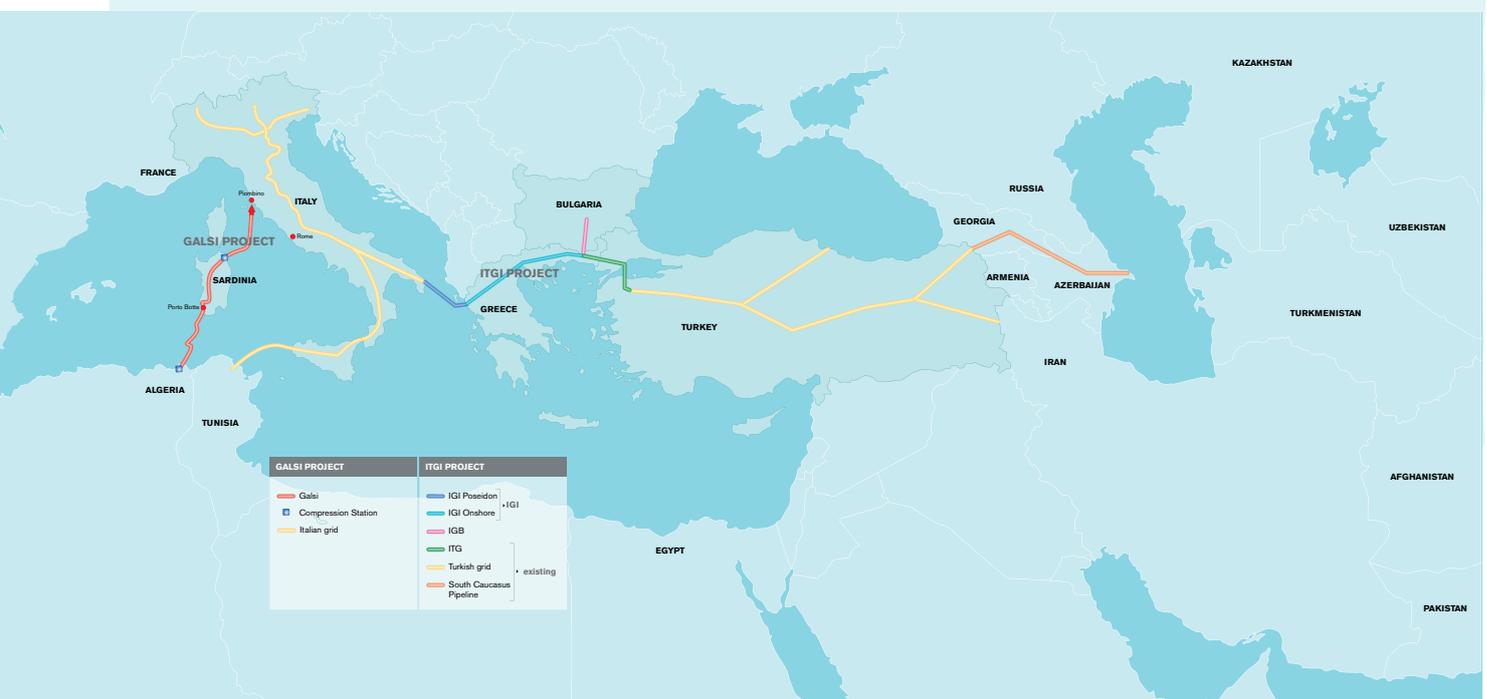
## Edison and the GALSI Project

The Galsi pipeline, which will link Algeria and Italy by way of Sardinia, is a major project made possible by the joint efforts of Italy and Algeria: it will be deepest underwater pipeline ever built (sea depth of 2,885 meters) and will run for about 900 km, from the east coast of Algeria to the south of Sardinia and from there to Tuscany. Edison participates to this important project together with other major energy industry players, all as shareholders of Galsi SpA, the company responsible for designing and building the pipeline. The European

Union included the Galsi pipeline in the list of priority projects for the development of the Trans European Energy Network and in the European Recovery Plan.

Galsi's mission is to provide a new natural gas supply source to the Italian and European markets, contributing to the economic progress and well being of the community by guaranteeing the reliability of energy supplies. Galsi is aware of the potential environmental impact of a major construction project such as this pipeline. Consequently, it is making every possible effort to protect the environment, with a view to minimizing any interferences between the infrastructure and the surrounding ecosystems and achieving a harmonious coexistence. For this reason, it has already completed an environmental impact study specifically based on geotechnical and geomorphological analyses of the seabed, carried out with the most advanced technologies, and will adopt precautions to mitigate the impact of construction activity: no excavation will be done in the open sea segment to avoid interaction with the marine environment and, in the segments close to the shore and on land, the pipe will be buried without interfering with the surrounding ecosystems and, when necessary, restoring any natural habitats disturbed by the project. Once construction is completed and the project is commissioned, the Galsi pipeline will represent a precious resource for the Italian market, by providing the following benefits:

- Increased reliability of the country's entire energy system: the pipeline will provide a cost-competitive alternative to supply sources from Eastern Europe;
- Lower energy bills for families and businesses in Sardinia: natural gas will replace more expensive fuels currently used in that region (LPG, propane-air mixes, diesel fuel, etc.), with the resulting savings providing a significant boost to Sardinia's economy, specifically benefiting businesses that are high energy users;
- Lower environmental impact: natural gas produces less polluting emissions than coal and oil, currently the fuels most frequently used in Sardinia.



## The Edison Foundation

The Foundation carries out scientific research projects and studies of the economic, cultural and social issues concerning local manufacturing systems and industrial clusters, focusing on relationships between small/medium-size businesses and large enterprises and between communities and local development, as well as of issues relating to the infrastructure and services offered by a civil society, particularly in light of the globalization process.

The foundation also promotes studies, surveys, publications and events both on its own and in cooperation with research entities and institutes, other foundations, associations, businesses and individuals. It also sponsors projects that are consistent with the purposes stated in its Bylaws.

During the decade since its founding, through publications, books, news bulletins and conventions, the Edison Foundation showcased the areas of excellence in the Italian economy, in a context dominated by theories about the alleged decline of Italy's manufacturing system, helping sustain the debate about the strengths and weaknesses of Italy's industrial system, both among economists and in the political and media communities. A tangible sign of the appreciation of the manufacturing community for the work carried out by the Edison Foundation is the support of a steadily rising number of members.

The Edison Foundation pursued numerous projects in 2010.

Among numerous cultural initiatives, the main conventions and publications are especially noteworthy. In October, the Foundation organized, in collaboration with Accademia Nazionale dei Lincei, an international convention entitled "*The structure of economic system through input-output applications*," which benefited from analyses contributed by many Italian and foreign academics and experts. The subject of this convention, the seventh since the Foundation began to collaborate with Accademia Nazionale dei Lincei, was Input-Output analysis, which is one of the most important tools that the economy can provide to researchers and policy makers interested in the true structure and interdependence of the economic system.

In addition to publishing volumes on economic and energy-related issues for the Edison Foundation Series, published by Il Mulino, in November, to celebrate the tenth anniversary of its founding, the Edison presented at an event in Milan a volume entitled "*La Fondazione Edison. Dieci anni per l'economia italiana in Europa*," edited by Marco Fortis and Alberto Quadrio Curzio. This event was attended by Umberto Quadrino, the Foundation's Chairman, the editors of the volume, Alberto Meomartini, Chairman of Assolombarda, and Professor Romano Prodi.

Among collaborative projects with other foundations and institutions, the most important, specifically for the relevance of joint analyses of areas of excellence in Italy's manufacturing system, included those with Aspen Institute Italia, the Italiadecide Foundation, Symbola Foundation and the Energy Lab Foundation, which

supports research, development and innovation in the energy and environmental sectors, and the dissemination of a better understanding of energy and environmental issues and problems among individual citizens, institutions, private entities, the media and the public in general.

Among the laboratories organized by the Energy Lab Foundation in 2010, Edison participated in the "Access to Energy" laboratory to discuss the problems of access to energy faced by underdeveloped countries and by the ever-present connection between energy, development and the struggle against poverty.

## Partnerships and Projects for the Community

Edison views partnerships with nonprofit associations, charitable organizations, NGOs, foundations, cooperatives and socially minded entities as an integral part of its corporate responsibility, because they represent effective tools to dialog with civil society and its stakeholders. In 2009, Edison established a Committee to evaluate socially useful projects, with the goal of addressing the need for specific guidelines, and adopt a proactive approach in seeking out such projects and making their development process transparent. Consistent with this approach, the Company selected projects for implementation at the locations where it operates, which require the direct involvement of its employees and focus on priority issues, such as the promotion of sustainable development and energy efficiency, sports and culture (<http://www.edisongeneration.it>).

Particularly important projects carried out in 2010 included "Together for Haiti" and "It's my right. It's my life!", a project selected in 2009 by the Social Committee that deals with the rights of children and vulnerable women in Egypt (see special article).

In addition, Edison supports the "Sodalitas Social Innovation" project aimed at facilitating partnering between for profit entities and non-profit institutions..

## EDISON AND HUMAN RIGHTS

During this phase of international expansion and as part of the process of integrating social responsibility into its business model, Edison, in collaboration with the Italian Network of the UN Global Compact, began a strategic review of the issues related to human rights, the first result of which was the adoption of a specific policy. The Human Rights Policy, the implementation of which is monitored by the Human Resources Department, is based on the ten principles of the UN Global Compact and is consistent with the main international guidelines and conventions.

At the end of 2010, also in collaboration with the UN Global Compact, the Company established a work group that includes representatives of several companies. Its purposes are to provide input about human rights, identify new areas for review, define operational methods for cultural training and develop tools for dealing internally with these issues.

One of the commitment that Edison has undertaken towards the UN Global Compact is to go beyond merely respecting and protecting human rights and actively promote them within its host communities.

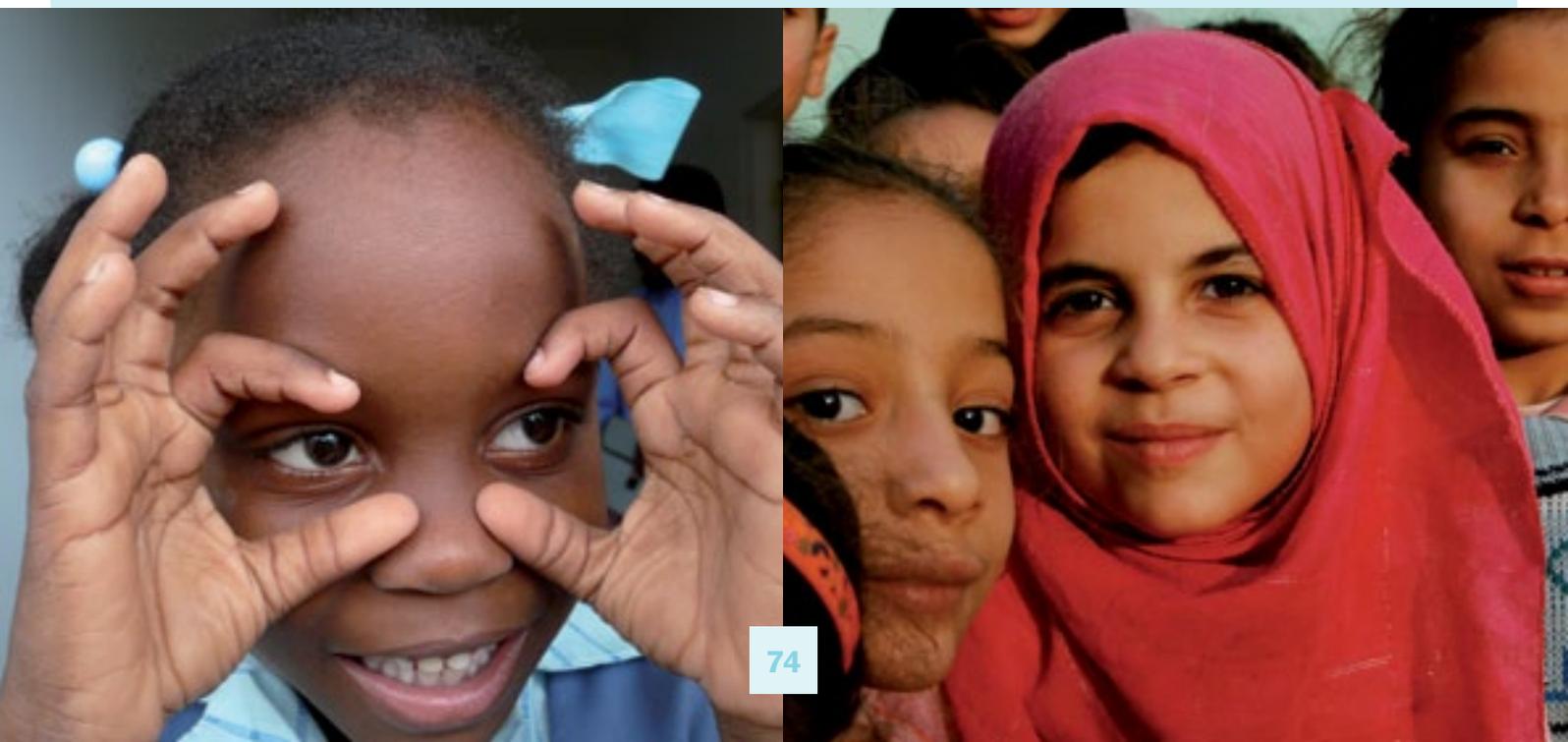
In January 2009, Edison, acting through its Edison International subsidiary, signed a twenty-year contract with Egyptian General Petroleum Corporation (EGPC) acquiring the exploration, production and development rights for the Abu Qir offshore concession, located north of Alexandria, in Egypt. By establishing a presence in this area, the Company was confronted with issue of honoring its commitment to protect human rights, some of which are not always protected in a developing country.

In Egypt, even today, there are many children who are still exposed to the risk of mistreatment, psychological and physical abuse, malnutrition and, in the case of girls, genital mutilation and early marriage. Especially in rural area and slums, where poverty makes the situation worse, many of them are child laborers (about 2.7 million), mostly 6 to 14 years old.

Children represent about 40% of Egypt's population and are the most vulnerable and marginal group in the scale of social priorities, despite being protected by the UN Convention of 1989 and a **National Child Law (Law No. 126 of 2008)**.

Despite the impressive strides made in this area in recent years, in Egypt, most of the provisions of the Child Law are ignored every day. There is still a great deal of work left to do to ensure that the rights of children are protected, particularly with regard to such fundamental rights as the right to education, health and non-discrimination.

Fundamental factors for the protection of these rights is the effort to increase knowledge and awareness of them (possessing a right that we are not aware of makes that right virtually non-existent) and the delivery of the services needed to ensure that these rights are protected. Most often, it is the NGOs and local associations that take action to fill this gap.



## It's my right, it's my life!

Edison, who has had a presence in Egypt for more than 10 years, agreed to join COSPE ([www.cospe.it](http://www.cospe.it)) in developing the "It's my right. It's my life!" project.

IT'S MY RIGHT, IT'S MY LIFE! is a project on human rights launched in Egypt by Edison and COSPE to promote the social and economic development of four communities in Cairo and support the initiatives carried out by local associations (Community Development Associations – CDAs) to deliver services and facilitate access to their rights by children, young people and women. This project was chosen by the Committee established by Edison in 2009 to evaluate social projects because it is perfectly compliant with Edison's guidelines regarding social investments. More specifically, on the one hand, it is carried out in a country where the Company has been established for several years and, on the other hand, it is focused on children and the younger generations. Moreover, the project is consistent with the goals of the strategic review started by Edison a year ago with the publication of the Human Rights Policy in collaboration with the UN Global Compact.

Thanks to IT'S MY RIGHT, IT'S MY LIFE! four school centers became facilities where educational and training courses for children, teachers and parents are being taught, with special emphasis on women. The school centers also provide a venue for family consulting activities, education about the "Charter of Children's Rights" and for the inclusion of at-risk and disabled children.

To perform this function, the centers are being equipped with technologies specific to the psychological and physical rehabilitation of children and will carry out the following activities:

- Training and education for teachers and parents;
- Training and education for children;
- Handling of equipment to establish and operate school centers;
- Literacy courses for women;
- Promoting and increasing awareness of the "Charter of Children's Rights."

In addition, the project will finance a campaign to increase awareness of the UN "Charter of Children's Rights" through cultural events, the mobilization of the community and the production of material by the children themselves.

This Edison initiative for the rights of children and women is part of a COSPE program called "Fight Against Poverty for Social Inclusion," which is cofinanced by the Italian Foreign Ministry and the European Union.

It is estimated that 500 disabled children and their families will be helped by the centers, plus 3,00 preschool children from the economically disadvantaged communities of Helwan and "October 6," including 2,000 girls at risk of genital mutilation. About 5,000 children will be involved in awareness raising campaigns and activities and about 600 will be officially registered with the Bureau of Vital Statistics. In addition, 600 women will attend literacy courses to earn an elementary school diploma. Indirectly, over 60,000 people will be reached by various programs and initiatives in different communities.





## Together for Haiti: a Corporate Volunteering Project

Following the earthquake that struck Haiti, Edison launched an awareness raising campaign addressed to its employees to finance the urgent relocation of homeless Haitian children, in collaboration with ANPIL.

In just a few weeks after the earthquake, Edison and Edipower employees has raised sufficient funds to relocate 100 children from the tents in the refugee camps of Port au Prince to ANPIL's Hospitality Center in Port de Paix, where the children can receive education and love. In addition, the children received a thorough medical visit and were vaccinated against cholera.

By investing about 100,000 euros, Edison gave its employees an opportunity to serve as volunteers at the Hospitality Center (in June, teams of properly trained volunteers traveled to Haiti every 15 days; the period of volunteer service was treated as special paid leave and the Company paid all expenses). The volunteer teams worked alongside the local staff in all of the activities needed to care for the children and operate the Center and are the authors of the "Together for Haiti" blog ([www.edisongeneration.it](http://www.edisongeneration.it)), created to record the impressions of the volunteers and provide a venue for sharing such an important human experience.

Within the context of the **European Employee Volunteering Awards**, **Fondazione Sodalitas** (Italy's partner for the awards) selected Together for Haiti as Italy's project in the Innovation category. The **European Employee Volunteering Awards** is organized by **Business in the Community**, an English organization that serves as a reference point for corporate sustainability, in collaboration with the European Commission.

In March 2011, the Together for Haiti project was relaunched with the establishment of a work group for the construction of a renewable-source system that will make the Center energy independent.



## **Edison Changes the Energy: Promoting Sustainable Development**

Energy conservation and renewable energy sources can provide significant momentum to the recovery of the global economy. Therefore, the dissemination of a culture of awareness and concern about these issues is important, particularly at a time of crisis, such as the one we are facing now, when the climate emergency risks fading into the background, justifying the use of more polluting technologies. For this reason, Edison, traditionally committed to creating a widespread culture about climate and energy conservation, has focused for the past few years on the younger generations with projects in schools and the world of music.

## **Eco-Generation – Your School is the Climate's Friend**

Eco-Generation – Your School is the Climate's Friend is the natural development of 10 years of collaboration by Edison and Legambiente to promote sustainable development.

The purpose of this project is to create actual environmental monitoring stations, consisting of a network of pilot schools that will be able to transfer to all the other schools in their district knowhow about energy conservation, sustainable housing and renewable sources.

In 2010, this campaign, which has a three-year duration, involved 10 schools (lead schools) in 10 Italian cities (Milan, Monza, Pioltello, Varese, Padova, Verona, Ravenna, Scerni, Foggia and Palermo). The project got under way with a thermographic survey to assess the energy efficiency of pilot schools distributed throughout Italy, with the aims of detecting the presence of any thermal anomalies that could affect building efficiency and comfort.

The survey performed in January and February 2010 showed that action was required at all of the surveyed schools to achieve energy savings from 50% to 70% compared with the existing situation. In addition, at each of the pilot schools, energy consumption meters were installed on all existing energy devices and a program of ad hoc activities was organized to promote good sustainability practices (educational courses, theater performances, laboratories for young energy managers, comic strips in support of energy efficiency, technical experiments, training for teachers, etc.).

At the completion of this process, each class will produce a Sustainable School Handbook, as a tool for revamping their school building. The best handbook will be selected as the Charter of Quality Objectives for Sustainable Schools, which all the other schools will be urged to use as their guide. Under the project, the pilot schools will be asked to test and concretely implement the activities listed in the Charter.

The final objective of Eco-Generation is to present to all schools in Italy the Charter of Quality Objectives for Sustainable Schools, which was developed and field tested by the pilot schools, and award "Efficient School Stamps."

The schools that participated in this project created a blog on Facebook, establishing a shared space where all the schools involved can publicize the projects they are pursuing and communicate to other schools good practices of energy conservation. The goal, in this case, is to be ready to receive suggestions from technicians, students, local institutions and private individuals, while encouraging an active participation that creates a network of shared competencies.

## **Edison Change the Music: Music Delivers the Message of the Value of Energy Conservation**

After the success of last year's second edition, Edison Change the Music ([www.edisonchangethemusic.it](http://www.edisonchangethemusic.it)), Italy's first project for the development of culture of sustainability and energy conservation in the music world, ran for its third season in 2010, with growing support from the Italian music community. With this program, Edison intends to strengthen its commitment to environmental sustainability, broadening its activities to include the music world. The purpose of this project, supported by famous artists, record labels, event organizers, music promoters and the media, is to achieve important and measurable results in terms of energy conservation and reduced environmental impact through music in all of its manifestations.

In addition to organizing a musical context, Edison helped establish an "Observatory of CO<sub>2</sub> Emissions" associated with musical events that provides a useful tool to monitor emissions at live concerts held in Italy. The Observatory's latest report shows that, even though the overall level of CO<sub>2</sub> generated increased due to the higher number of music events held, the emissions generated at each event have been decreasing, particularly at large-scale events, because artists, organizers and the fans themselves are increasingly adopting eco-compatible technological and logistic solutions and behaviors, such as using renewable-source facilities to supply electric power and lighting, public transit and carpooling instead of individual cars, printing advertising material on recycled paper, etc.

Another initiative in this area is the Sustainable Music manifesto, where the contribution of the online community is presented (spaces on the web dedicated to this project, where anyone can support the project's principles and find suggestions and technical information on energy conservation in the music world). It constitutes a veritable handbook of best practices for a zero impact concert, through activities in such areas as transportation, energy consumption and use and disposal of materials.

## The Cres.Co Project and the Virtuous Circle of Sustainability

Edison joined 23 other companies in supporting the “Cres.Co” Project about sustainable development promoted by the Sodalitas Foundation to encourage the adoption of environmentally sustainable behaviors in four cities in Lombardy (Abbiategrasso, Carugate, Morbegno and Calusco d’Adda) involving representatives of local institutions, the public in general, students and businesses in the development of a model of virtuous and replicable territories,

known as Cresco Islands.

This project focuses on three areas: energy and water, recovery-recycling and sustainable mobility. Its aim, pursued with training courses, seminars and theater performances, is to transfer good business practices to sensitive districts by fostering the creation of a network on individuals who follow eco-compatible practices.

## Communicating and Interacting Through Social Networks: Edison Generation



The Web provides an ideal venue to disseminate the new culture of sustainability and social media are particularly suited for developing new ideas and allowing discussions and exchanges of opinions. It was with this in mind that we established the “Edison Generation” community, to report up-close and in real time about Edison’s main social responsibility projects and exchange information and research about issues concerning the environment, energy conservation, biodiversity, social commitments and human rights ([www.edisongeneration.it](http://www.edisongeneration.it)). At the heart of Edison Generation is a multi-author blog, a log book about all projects, updated in real time with inputs by outside authors. It also includes a section devoted to sustainable events and another one for conversations about sustainability taken in real time from the main social networks that enables viewers to follow the latest developments about social responsibility.

Edison Generation was honored with the Aretê Award 2010 ([www.premioarete.com](http://www.premioarete.com)) sponsored by Confindustria for Responsible Communications, for the internet category.

# EDISON GENERATION

## The Power of Positive Energy

Edison is keenly aware of the needs of the younger generations and is committed to protecting their fundamental rights to life, education, family and, in simple words, the right to grow up.

The aggressiveness of adolescents is just energy, which, when properly channeled in a “positive” direction, can help them grow and develop their personalities, as they learn to interact with others and society in general. This is the common thread that runs through some important programs developed to help young people: “*Il senso di una meta*” in collaboration with AS Rugby Milan, “*Essere felici a scuola*” with the Sodalitas Foundation and “*Sportivi Dentro*” at the Opera correctional facility.

### “Il senso di una meta”

“*Il senso di una meta*” includes two programs called “*L’ovale al Beccaria*” and “*Soft Rugby-Psicomotricità*,” which share rugby as their common denominator, viewed as a tool for growing, sharing and belonging in accordance with the ethics of sportsmanship. The goal of “*L’ovale al Beccaria*,” now in its third year, is to teach and convey the values of rugby to youngsters of different ages, social backgrounds and nationalities (South Americans, North Africans, Eastern Europeans and Italians) who are inmates at the Milan juvenile detention facility, and welcome them to the clubhouse when they are released. About 40 boys, 16 to 20 years old, entered the program, including three who joined the AS Rugby Milan, training and playing with boys of their age who were already members of the club.

Six hundred students from schools in Milan participated in the “*Soft Rugby-Psicomotricità*” program, which applies interpretative categories and psychomotor techniques to mini-rugby (7-13 years old). The goal is to eliminate any form of discrimination arising from the ability of more precocious children, accommodating different paces in the developmental process. This makes it possible to use a “softer” approach to rugby and creates an opportunity to involve a larger number of teachers and parents.

## Happy in School and Learning to Dialog to Prevent Bullying

The purpose of this project, which was completed in 2010, was to create, through training and support programs, a network of qualified and skilled intermediate school teachers who know how to strengthen communications and interpersonal relations and incentivize the development of social and emotional components in educational relationships, with the aim of preventing bullying. At the intermediate school level, it is still possible to intervene before violence among minors and other dysfunctional behaviors reach extreme levels. This project required the involvement of all of the parties who interact in a school environment, from managers to teachers and from students to parents, showing them that a school is a place where they all can come together. In the 2009-2010 school year, 30,000 students and 100 teachers from 60 schools in Milan were involved in this project.

### “Sportivi dentro”

To bring the positive values of team sports to the Opera maximum security prison, consistent with Edison’s commitment to sports for all categories of stakeholders. This is the basic sense of the “*Sportivi dentro*” project, which involved creating a volleyball team at the Opera correctional facility, with the aim of helping the inmates understand the importance of teamwork and the commitment and determination that required to achieve the common objectives that are inherent in sports activities.



## Employee Volunteering: Together for a Common Goal

Edison is convinced that corporate volunteering projects help motivate employees and strengthen their identification with their company. The involvement of employees in social projects helps develop teamwork, gain understanding of social responsibility issues and build a strong corporate identity. It is with these aims that projects like "Together for Haiti" (see special article) and "Siticibo" were developed.

In addition, Edison is a participant in the laboratory on "Employee Volunteering" promoted by Fondazione Sodalitas.

### Siticibo

Siticibo is a project in which a large number of employees at the Foro Buonaparte headquarters volunteer during business hours to collect surplus food from the Edison cafeteria for donation to soup kitchens in Milan. More than 4,000 food portions and over 70 kg of bread were collected and distributed in 2010.

## Missione Sogni – Make Dreams Come True to Fight Illness

For the past three years, Edison supported Missione Sogni, an association that helps 5 to 18 years old boys and girls suffering from serious diseases or disabilities realize their dreams.

It is scientifically proven that pain an illness-induced anxiety lower our organism's natural defenses, while anything that brings joy and serenity has a beneficial effect and undoubtedly helps the healing process. As part of its collaboration with "Missione Sogni," Edison supports the "A Dream Pediatrician" project, specifically

designed to make the 1,000 pediatricians who work in Lombardy and the 783,200 families who visit their offices aware of the association's existence. Thus far, 65 of the 85 dreams brought to the association's attention have been realized.

In November, Edison provided its support to Missione Sogni in connection with a concert by Ludovico Einaudi organized to raise funds to support the Association's projects. Also in 2010, the Company helped Antonio, a seven-year old suffering from diabetes mellitus who wanted to visit and discover the land of the ancient Egyptians, and Marco, and eight-year old affected by psychomotor retardation who wanted to meet TV personality Gerry Scotti, make their dreams come true.

## Edison Supports Culture

Edison supports directly or through sponsorships the implementation of culturally significant initiatives and activities.

Consistent with Edison's long-standing involvement in the film world and the close relationship that exist between Edison and the director Ermanno Olmi ([www.edisongeneration.it](http://www.edisongeneration.it)), the Company agreed to coproduce a new film on immigration by this famous director, with the temporary title "The Cardboard Village." Ermanno Olmi began his career at Edison, filming the construction of power plants, the people involved and their hard work, and producing numerous documentaries.

This new collaboration with Ermanno Olmi is a confirmation of the extraordinary bond that still exists today, after more than 50 years, between Edison and this famous filmmaker and is consistent with the strategy of supporting cultural development pursued by the Group.

Olmi's documentaries are included in the Edison Fund, stored at



the National Corporate Film Archives, in Ivrea. The fund includes about 300 films, produced by the film production units of Edisonvolta, Montecatini and Montedison, that depict the histories of these three companies from the 1920s to the 1980s.

In addition, the project for the preservation of entrepreneurial memory that involved digitizing over 5,000 images from Edison's photography and film archives, which can now be viewed on the [www.edison.it](http://www.edison.it), is continuing.

Edison, the company that first brought the electric light to Teatro alla Scala in 1883, "illuminated" the December 7 Opening Night with renewable energy, making the performance that marks the start of the opera season environmentally sustainable.

Edison was also present at the Rimini Meeting, providing full off-sets for the meeting's emissions, where it organized a photography exhibit and showed a film, entitled "The responsible soul of a business, history and innovation," on Edison's social responsibility today and in the past.

Also in 2010, Edison was a participant in the sixth edition of "Dal dire al fare" [Walking the Walk], an Italian event about corporate social responsibility, where it collaborated in presenting a special section devoted exclusively to students that featured various programs to increase awareness of sustainability issues among young people.

Edison, which has always been aware of the importance of a culture based on respecting nature, history and traditions, has been a supporter of the Italian Environmental Fund (FAI) for a number of years.

## Edison Supports Sports

Edison supports sports because it fully shares the values of integrity, team spirit and respect. In addition, support for amateur, youth or "minor league" programs, which always have a significant local following, have traditionally been one of the tools with which Edison interacts with local communities. In 2010, the Group supported sports initiatives both locally and at the national level. Edison is the main sponsor of the Italian Basketball Federation and official sponsor of the Italian Volleyball Federation and of the Italian Rugby Team. In addition, under an agreement with the Italian National Olympic Committee, it was the main sponsor of the Italian Olympic Team at the Vancouver Winter Olympics.



## PROJECTS FOR THE COMMUNITY

Edison decided to provide an accounting of the projects for its host communities, showing not just the amount of resources it provided, but also the types of projects involved (sponsorships and charitable contributions.) In 2010, numerous contributions were again provided to social projects to support the cultural and economic development and, ultimately, the prosperity of the communities where Edison operates. Edison's activities in favor its host communities consisted mainly of contributions provided in the form of:

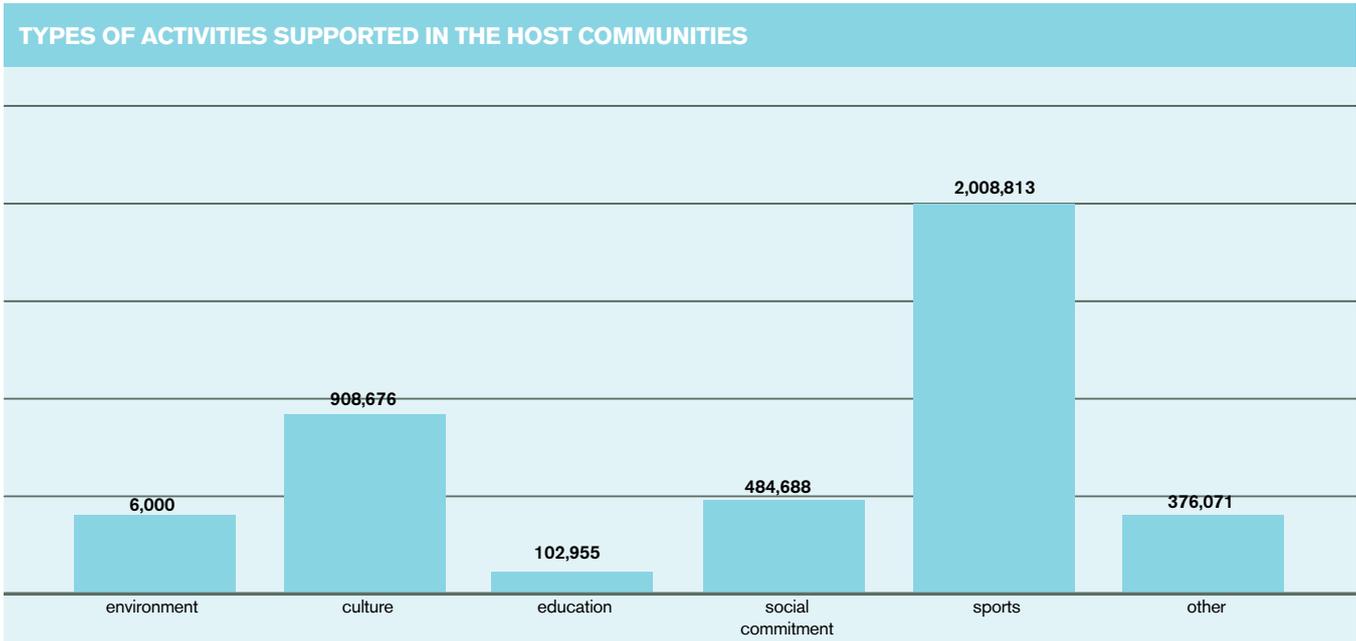
- charitable contributions, i.e., occasional gifts provided with a charitable intention;
- sponsorships, i.e., commercial initiatives with a social impact.

The initiative pursued in 2010 were valued at about 4 million euros, with sponsorships receiving the lion's share (84%).

### TYPE OF ACTIVITY

	euros	%
Sponsorships	3,273,226	84%
Charitable contributions	613,976	16%
<b>Total</b>	<b>3,887,202</b>	<b>100%</b>

The initiative supported in 2010 concerned mainly the promotion of sports and culture, as well as other activities requiring less financial resources in such areas as social issues, education and the environment.



## SOCIAL AND ENVIRONMENTAL ACCOUNTING – A NOTE ON METHODOLOGY

Edison views its Sustainability Report as a tool to communicate how the Group manages its social responsibility and provide a complete and balanced presentation of its values, strategies and performance during the reporting period. The Report is also a management tool that can be used to monitor the Group's sustainability performance and set improvement goals for the future.

The 2010 Sustainability Report was prepared in accordance with the Sustainability Reporting Guidelines developed by the Global Reporting Initiative (GRI) in 2006 (G-3), integrated with the additional disclosures required by the Electric Utilities Sector Supplement, as approved in 2009. This standard is internationally recognized as the best practice in sustainability reporting. Edison chose to follow a gradual approach in adopting the GRI Guidelines and plans to add to the Report new indicators of social and environmental performance each year. In 2010, the Group again achieved the A+ level in the implementation of the Guidelines.

The Sustainability Report is published each year and is distributed to the Board of Directors concurrently with the presentation of the Annual Report, which this year occurred February. It is also distributed at the Shareholders' Meeting

The consolidation method adopted requires the following:

- The operating and financial data and the data for the main performance indicators shown in the Report must be the consoli-

dated data of the Edison Group, computed in accordance with the IAS/IFRS International Accounting Principles, and must include Edipower at 50%;

- The social and environmental data must be those of Edison's core businesses (electric power operations and hydrocarbons and natural gas operations), stated in accordance with the abovementioned consolidation principles and, therefore, with Edipower at 50% and the other companies at the consolidation percentages used in the consolidated financial statements.

Insofar as the scope of the Report is concerned, the 2010 edition reflects the following peculiarities:

- The environmental data and information do not include those of the Thisvi power plant;
- Unless otherwise specified, data and information about the performance with customers refer to Edison Energia.

As was the case in previous years, the 2010 Sustainability Report was audited by Independent Auditors to provide our stakeholders with the assurance that the information it contains is accurate and reliable. This process was completed successfully with the issuance of a certification letter, which is annexed to this Report (page 96).

## COMMITMENTS FOR THE FUTURE

Area	2009 Objectives	2010 Results
<b>Climate change</b>	Expand the information about issues related to climate change, developing, when possible, analyses of the main financial implications, risks and opportunities entailed by these issues.	We expanded the section on climate change, providing more information about issues related to managing risks from climate change.
<b>Biodiversity</b>	Develop a more specific and systematic approach to monitoring the impact of the Group's activities on biodiversity, also for the purpose of mitigating any risks that could affect the Group's operations. Subsequent to this activity, the monitoring process will cover the impact on biodiversity in areas undergoing environmental remediation or selected to satisfy offsetting obligations.	In 2010, Edison developed a method to analyze the sensitivity of its operating sites in terms of biodiversity (assessment ranking of the sites). A new section with more detailed information on Edison's protection of biodiversity was added.
<b>Human rights</b>	The Group is committed to providing its employees with training about issues related to the respect of human rights. In addition, Edison will be developing an operating procedure to monitor any failure to comply with the Human Rights Policy recently adopted by the Group.	The implementation of audit procedures for compliance with the human rights policy is still being studied. Training sessions on this issues are being planned. A work group on this issue has been established with the Global Compact. The It's My Right, It's My Life project for the promotion of human rights in Egypt has been activated.
<b>Dialog with the stakeholders</b>	In 2010, the Group will define a structured program to encourage the involvement of its stakeholders and will begin to carry out the projects developed for this purpose.	A stakeholder involvement plan, based on interviews, workshops and web forums, was defined and launched. It will be completed in 2011.
<b>Impact on the community</b>	Over the next two years, the Group will further refine the system used to monitor its activities within the local communities and their impact, with special emphasis on sponsorships and charitable contributions.	A method to monitor the resources provided to the local communities and their effectiveness was submitted in 2010.

Area	2011 Objectives
<b>Defining sustainability objectives</b>	Develop a structure process to define corporate objectives regarding sustainability issues that involves the entire corporate organization and allows a more effective integrations of sustainability issues into the corporate governance process.
<b>Biodiversity</b>	Describe the results of the Action Plan that will be developed in 2011 and provide an accounting of the results obtained by mapping sensitive areas for biodiversity.
<b>Human rights</b>	Begin internal and external communication and training activities on biodiversity.
<b>Impact on the community</b>	Organize training sessions on this issue.
<b>Stakeholder engagement</b>	Describe in quantitative terms the scope of community projects, specifying the types of programs, the issues involved and the geographic locations.  Intensify stakeholder engagement activities (e.g., by organizing meetings with local stakeholders, new workshops, activities on Edison Generation, etc.)



# PERFORMANCE INDICATORS

AREA	Unit	2008	2009	2010	% change	GRI reference
<b>ENVIRONMENT (DATA AT 12/31)</b>						
<b>Energy produced</b>						<b>EU 2</b>
Total thermoelectric power	Gwh	44,606	35,646	35,361	-0.8%	
Total hydroelectric power	Gwh	5,021	5,398	5,734	6.2%	
Total electric power from wind energy	Gwh	524	556	683	22.9%	
Electric power from other renewable sources	Gwh	-	5	47	779.0%	
<i>Total net electric power</i>	<i>Gwh</i>	<i>50,151</i>	<i>41,604</i>	<i>41,825</i>	<i>0.5%</i>	
Total thermal energy	Gwh equiv.	1,024	811	845	4.2%	
<i>Total energy produced</i>	<i>Gwh equiv.</i>	<i>51,175</i>	<i>42,415</i>	<i>42,669</i>	<i>0.6%</i>	
<i>Electric power produced from renewable sources</i>	<i>%</i>	<i>11.1%</i>	<i>14.3%</i>	<i>15.5%</i>	<i>8%</i>	
<i>Electric power produced abroad</i>	<i>Gwh</i>	<i>n.a.</i>	<i>236</i>	<i>943</i>	<i>299.6%</i>	
<b>Efficiency of the thermoelectric power plants</b>						
<i>Average yield of the thermoelectric power plants</i>	<i>%</i>	<i>44.8%</i>	<i>43.0%</i>	<i>44.0%</i>	<i>2.3%</i>	<i>EU11</i>
Availability factor for the thermoelectric power plants	%	86.7%	89.5%	91.6%	2.3%	
Availability factor for the hydroelectric power plants	%	92.0%	92.5%	92.7%	0.2%	
Availability factor for the wind farms	%	95.3%	95.3%	94.9%	-0.4%	
<i>Average availability factor</i>	<i>%</i>	<i>91.3%</i>	<i>92.5%</i>	<i>93.1%</i>	<i>0.7%</i>	<i>EU 30</i>
<b>Energy used to produce electric power</b>						<b>EN3</b>
Natural gas	millions of Sm3	7,828.9	6,538.4	6,697.7	2.4%	
Coke-oven gas	millions of Nm3	594.1	437.0	566.0	29.5%	
Blast-furnace gas	milioni di Nm3	5,725.7	4,368.0	5,324.7	21.9%	
Steel-mill gas	millions of Nm3	68.2	75.7	66.2	-12.5%	
Blast-furnace and steel-mill gas mixture	mmillions of Nm3	3,610.7	888.5	1,939.5	118.3%	
Fuel oil	thousands of t	717.2	645.4	311.2	-51.8%	
Gasoil	thousands of t	6.1	5.9	1.9	-68.1%	
Coal	thousands of t	714.0	398.0	333.3	-16.3%	
Bark	thousands of t	55.5	48.7	50.1	2.8%	
Mud	thousands of t	21.2	17.9	22.8	27.4%	
Wood chips	thousands of t	-	1.4	52.8	-	
<i>Total energy used</i>	<i>thousands of GJ</i>	<i>360,409</i>	<i>288,148</i>	<i>277,844</i>	<i>-3.6%</i>	
<b>Energy used for ancillary services**</b>						
Natural gas	migliaia di Sm3	4,757.1	42,838.8	49,891.8	16.5%	
Gasoil	t	5,119.8	4,486.2	5,293.6	18.0%	
Fuel oil	t	2,005.0	7,766.0	6,405.0	-17.5%	
Purchased electric power	MWh	102,750	100,955	104,092	3.1%	EN 4
<b>Materials used</b>						<b>EN1</b>
<i>Total process chemicals</i>	<i>t</i>	<i>31,205</i>	<i>30,893</i>	<i>25,736</i>	<i>-16.7%</i>	
<i>Dielectric oil used as a lubricant and coolant</i>	<i>t</i>	<i>444</i>	<i>357</i>	<i>49</i>	<i>-86.1%</i>	
<b>Water resources used</b>						<b>EN 8</b>
Sea water	thousands of m3	2,751,025	2,048,515	1,591,863	-22.3%	
Water from rivers and canals	thousands of m3	968,063	744,245	655,385	-11.9%	
Water drawn from the aquifer	thousands of m3	4,508	3,317	4,750	43.2%	
Purchased demineralized water	thousands of m3	2,075	1,662	1,717	3.3%	
Other water resources used	thousands of m3	250	324	3,407	952.1%	
Recycled water – thermoelectric operations	thousands of m3	1,252,064	870,494	1,044,468	20.0%	EN 10
<i>Recycles industrial water</i>	<i>thousands of m3</i>	<i>7,165</i>	<i>7,068</i>	<i>6,486</i>	<i>-8.2%</i>	
<i>Water from condensation and purchased steam</i>	<i>thousands of m3</i>	<i>1,244,899</i>	<i>863,426</i>	<i>1,037,982</i>	<i>20.2%</i>	
Total water resources used	thousands of m3	4,977,984	3,668,556	3,301,589	-10.0%	
<i>Recycled water – thermoelectric operations</i>	<i>%</i>	<i>25.2%</i>	<i>23.7%</i>	<i>31.6%</i>	<i>33.3%</i>	
<b>Flow-through water and biodiversity – hydroelectric operations</b>						<b>EN 12</b>
Turbine powering water	thousands of m3	18,621,583	21,064,597	21,772,784	3.4%	
Minimum vital water flow	thousands of m3	961,917	1,254,953	1,363,892	8.7%	
<i>Minimum vital water flow releases</i>	<i>%</i>	<i>5.2%</i>	<i>6.0%</i>	<i>6.3%</i>	<i>5.1%</i>	

AREA	Unit	2008	2009	2010	% change	GRI reference
<b>Effluents</b>						
<b>EN 21</b>						
Industrial effluents generated	thousands of m3	30,661	29,871	28,249	-5.4%	
Reinjected water (hydrocarbons operations)	thousands of m3	17	19	19	-	
Cooling water	thousands of m3	3,692,596	2,760,571	2,560,229	-7.3%	
Residential waste water	thousands of m3	116	160	158	-1.2%	
<i>Total effluents</i>	<i>thousands of m3</i>	<i>3,723,375</i>	<i>2,790,622</i>	<i>2,588,655</i>	<i>-7.2%</i>	
<b>Greenhouse gas emissions</b>						
<b>Electric power operations</b>						
CO2 emissions – thermoelectric operations	t	27,726,181	20,796,734	21,518,201	3.5%	EN 16
<i>Specific CO2 emissions – thermoelectric power plants</i>	<i>g/Kwh equiv.</i>	<i>590.9</i>	<i>558.2</i>	<i>587.4</i>	<i>5.2%</i>	
<i>Specific CO2 emissions – all power plants</i>	<i>g/Kwh equiv.</i>	<i>523.6</i>	<i>486.0</i>	<i>484.5</i>	<i>-0.3%</i>	
SF6	t of CO2 equiv.	191	845	454	-46.3%	
<i>Emissions rights allocated</i>	<i>t</i>	<i>-</i>	<i>19,190,650</i>	<i>18,161,361.1</i>	<i>-5.4%</i>	
<i>Level of compliance with the Kyoto Protocol (rights allocated/emissions generated)</i>	<i>%</i>	<i>-</i>	<i>92%</i>	<i>84%</i>	<i>-8.5%</i>	<i>EU 5</i>
<i>Emissions avoided by using renewable energy sources</i>	<i>t</i>	<i>3,276,545</i>	<i>3,323,665</i>	<i>3,796,407</i>	<i>14.2%</i>	
<b>Hydrocarbons operations</b>						
CO2 emissions – hydrocarbons operations	t	29,065	108,707	128,016	17.8%	EN 17
<b>Natural gas distribution operations</b>						
CO2 emissions from pipeline leaks	t of CO2 equiv.	16,544	16,544	23,764	43.6%	
<b>Indirect emissions*</b>						
Emissions attributable to consumption of purchased electric power	t	47,368	46,540	47,986	3.1%	EN 18
<b>Emissions of gases harmful to the ozone layer</b>						
<b>EN19</b>						
CFC-11 equivalents	t	-	0.5	1.8	-	
<b>Emissions into the atmosphere</b>						
<b>EN 20</b>						
SOx	t	10,320	5,953	4,456	-25.1%	
NOx	t	13,072	10,158	10,466	3.0%	
CO	t	1,833	1,255	1,901	51.5%	
Particulate	t	419	229	264	15.3%	
<b>Waste generated</b>						
<b>EN 22</b>						
Special non-hazardous waste	t	109,674	107,246	88,037	-17.9%	
Special hazardous waste	t	6,800	4,200	4,277	1.8%	
<i>Total waste generated</i>	<i>t</i>	<i>116,474</i>	<i>111,446</i>	<i>92,314</i>	<i>-17.2%</i>	
Recycled waste	t	108,386	100,138	86,682	-13.4%	
Waste sent to landfills	t	8,089	11,307	5,632	-50.2%	
<b>Inspections to locate natural gas leaks</b>						
<b>PR 1</b>						
Pipelines inspected	Km	1,965	2,110	2,366	12.1%	
Pipelines existing at the beginning of the year	Km	2,461	2,510	2,549	1.6%	
<i>Network inspected</i>	<i>%</i>	<i>80%</i>	<i>84%</i>	<i>93%</i>	<i>10.4%</i>	
Total number of leaks located	No.	1,056	1,363	1,234	-9.5%	
<i>Total volume of leaks</i>	<i>thousands of Sm3</i>	<i>999</i>	<i>999</i>	<i>1,435</i>	<i>43.6%</i>	
<b>HSE management systems</b>						
Sites covered by ISO 14001 management systems						
<i>Electric power operations</i>	<i>%</i>	<i>100%</i>	<i>100%</i>	<i>97%</i>	<i>-3%</i>	
<i>Hydrocarbons operations</i>	<i>%</i>	<i>79%</i>	<i>89%</i>	<i>93%</i>	<i>4%</i>	
Sites covered by EMAS management systems						
<i>Electric power operations</i>	<i>%</i>	<i>99%</i>	<i>99%</i>	<i>88%</i>	<i>-11%</i>	
<i>Hydrocarbons operations</i>	<i>%</i>	<i>11%</i>	<i>11%</i>	<i>14%</i>	<i>29%</i>	
Sites covered by OHSAS 18001 management systems						
<i>Electric power operations</i>	<i>%</i>	<i>95%</i>	<i>95%</i>	<i>68%</i>	<i>-29%</i>	
<i>Hydrocarbons operations</i>	<i>%</i>	<i>67%</i>	<i>89%</i>	<i>93%</i>	<i>4%</i>	
<b>Audit Process</b>						
Internal audits	No.	108	102	138	35.3%	
External audits (third-party audits)	No.	16	18	20	11.4%	
<i>Total audits</i>	<i>No.</i>	<i>124</i>	<i>120</i>	<i>158</i>	<i>31.8%</i>	

AREA	Unit	2008	2009	2010	% change	GRI reference
<b>Inspections – Italy</b>						
Performed by local governmental entities	No.	6**	19	33	-	
Other	No.	1**	17	10	-	
Total inspections	No.	7**	36	43	-	
<b>Environmental accounting</b>						
						<b>EN 30</b>
Protection of air and climate	€/000	26,485	24,381	6,253	-74.4%	
Water management	€/000	2,711	4,021	3,860	-4.0%	
Waste management	€/000	5,385	4,991	7,958	59.5%	
Soil, subsoil and aquifer protection	€/000	6,809	1,723	2,036	18.2%	
Protection of nature and landscape and remediation projects	€/000	5,046	2,022	1,119	-44.7%	
Other environmental protection activities	€/000	3,399	4,033	4,776	18.4%	
Noise and vibration reduction, CEM	€/000	463	513	364	-29.0%	
<b>Total outlays</b>	<b>€/000</b>	<b>50,296</b>	<b>41,683</b>	<b>26,366</b>	<b>-36.7%</b>	
Investments	€/000	25,636	21,861	8,999	-58.8%	
Operating expenses	€/000	24,661	19,822	17,367	-12.4%	
<b>Material environmental events</b>						
Spills	No.	1	0	0	-	EN 23
Fines	€	0**	0	5,682	-	EN 28
Other non-cash penalties	No.	0**	0	0	-	EN 28

\* The data do not include Edipower and the Group's international operations.  
\*\* The data do not include Edipower.

AREA	Unit	2008	2009	2010	% change	GRI reference
<b>PERSONNEL (data at 12/31/)</b>						
<b>Personnel breakdown by classification</b>						<b>LA 1</b>
Executives	No.	157	189	192	1.9%	
Middle managers	No.	532	629	656	4.3%	
Office staff	No.	1,652	2,154	2,186	1.5%	
Production staff	No.	621	952	905	-4.8%	
Total	No.	2,962	3,924	3,939	0.4%	
<b>Personnel breakdown by type of contract</b>						<b>LA 1</b>
Permanent employees	No.	2,945	3,832	3,847	0.4%	
Temporary employees	No.	16	91	92	1.1%	
Total	No.	2,961	3,923	3,939	0.4%	
<b>Personnel breakdown by geographic region</b>						<b>LA 1</b>
Italy	No.	2,870	3,012	3,000	-0.4%	
International	No.	92	911	939	3.2%	
Total	No.	2,961	3,923	3,939	0.4%	
<b>Presence of female employees</b>						<b>LA 1</b>
Executives	%	10%	10%	9%	-1.8%	
Middle managers	%	24%	24%	25%	3.1%	
Office staff	%	24%	23%	23%	1.0%	
Production staff	%	1%	1%	1%	5.1%	
Average	%	19%	17%	18%	3.1%	
<b>Women/Men compensation ratio</b>						<b>LA 14</b>
<i>Top management</i>						
Women/Men % compensation ratio	%		n.a.	n.a.		
Women/Men age ratio (average year differential)	No.		n.a.	n.a.		
<i>Management</i>						
Women/Men % compensation ratio	%		105.7%	111.9%		
Women/Men age ratio (average year differential)	No.		< 2.6	< 2.4		
<i>Professionals</i>						
Women/Men % compensation ratio	%		92.6%	96.2%		
Women/Men age ratio (average year differential)	No.		< 5.7	< 3.5		
<i>Office staff</i>						
Women/Men % compensation ratio	%		89.3%	89.2%		
Women/Men age ratio (average year differential)	No.		< 3.7	< 1.3		
<i>Production staff</i>						
Women/Men % compensation ratio	%		n.a.	n.a.		
Women/Men age ratio (average year differential)	No.		n.a.	n.a.		
<i>Note: Gross annual compensation, including collective and personal fixed components, but excluding any indemnities.</i>						
<b>Training-work</b>						
Apprentices	No.	9	20	53	165.0%	
Interns	No.	30	32	26.5	-17.2%	
<b>Part-time employment</b>						
Employees with part-time contracts	%	2.2%	1.7%	1.7%		
<b>Employees belonging to protected categories****</b>						<b>DMA LA</b>
Disabled	No.	78	85	86.5	1.8%	
Other (e.g., orphans)	No.	31	30	28	-6.7%	
Total	No.	109	115	114.5	-0.4%	
<b>Personnel breakdown by educational level</b>						
Elementary school	%	1%	2%	2%	-13.0%	
Intermediate school	%	14%	16%	16%	1.2%	
High school diploma	%	56%	49%	49%	-0.5%	
College degree	%	28%	31%	32%	1.6%	
Other (Masters, PhD, etc.)	%	1%	1%	1%	18.9%	

AREA	Unit	2008	2009	2010	% change	GRI reference
<b>Personnel breakdown by age group</b>						
Younger than 25 years of age	%	2%	3%	2%	-31.2%	
Between 25 and 35 years of age	%	24%	25%	26%	3.2%	
Between 36 and 45 years of age	%	33%	31%	31%	0.3%	
Between 46 and 55 years of age	%	34%	30%	30%	-0.7%	
Older than 55 years of age	%	9%	10%	11%	6.2%	
<i>Average staff age*</i>	No.	44.7	44.5	44.8	0.8%	
<b>Average length of service at the Company*</b>						
Executives	No.	13.9	15.1	14.7	-2.7%	
Middle managers	No.	14.4	14.6	14.0	-4.2%	
Office staff	No.	19.4	19.7	18.8	-4.7%	
Production staff	No.	19.8	19.8	19.1	-3.7%	
<i>Average</i>	No.	16.9	17.3	16.7	-3.9%	
<b>New hires by classification</b> LA 2						
Executives	No.	5	2	1	-50.0%	
Middle managers	No.	50	21	27	28.1%	
Office staff	No.	200	147	104	-29.6%	
Production staff	No.	45	58	50	-13.1%	
Acquisitions (Abu Qir, AMG, CEB)	No.		880	-	-100.0%	
<i>Total</i>	No.	299	1,108	182	-83.6%	
<b>Separations by reason*</b> LA 2						
Resignation	No.	95	45	67	49.4%	
Retirement	No.	75	66	80	20.5%	
Death	No.	1	1	2	50.0%	
Termination/Divestment of business operations	No.	18	5	-	-100.0%	
Other	No.	106	31	19	-39.3%	
<i>Total</i>	No.	294	147	166	13.3%	
<b>Employee turnover</b> LA 2						
<b>by classification</b>						
Executives	%	0.2%	0.0%	0.1%	200.0%	
Middle managers	%	1.1%	0.3%	0.5%	33.3%	
Office staff	%	1.7%	0.7%	0.8%	21.2%	
Production staff	%	0.2%	0.1%	0.4%	250.0%	
<i>average</i>	%	3.2%	1.1%	1.7%	49.4%	
<b>by gender</b>						
Women	%	1.0%	0.4%	0.6%	50.0%	
Men	%	2.2%	1.1%	1.6%	49.2%	
<b>by age group</b>						
Younger than 30 years of age	%	0.6%	0.2%	0.2%	-5.9%	
Between 30 and 45 years of age	%	2.3%	0.6%	1.1%	78.0%	
Older than 45 years of age	%	0.3%	0.3%	0.4%	27.3%	
<b>by length of service at the Company</b>						
Less than 3 years of service	%	1.1%	0.5%	0.5%	0.0%	
Between 3 and 10 years of service	%	1.8%	0.5%	1.0%	82.9%	
More than 10 years of service	%	0.3%	0.2%	0.3%	83.0%	
<b>Employees who received training</b>						
Employees who attended at least one training course	No.	2,478	3,025	2,658	-12.1%	
<i>Employees who received training</i>	%	83.7%	77.1%	67.5%	-12.5%	
<b>Hours of training provided</b> LA 10						
Executives	No.	8,259	8,069	8,457	4.8%	
Middle managers	No.	17,741	19,372	23,676	22.2%	
Office staff	No.	56,086	68,881	66,781	-3.0%	
Production staff	No.	29,762	27,548	29,316	6.4%	
<i>Total</i>	No.	111,848	124,935	128,229	2.6%	
<i>Average hours per capita</i>	No.	37.8	31.9	32.5	2.2%	

\* The sum of the components does not match the total shown for Separations by reason due to the rounding out that occurred when consolidating the data for Edipower at 50%.

AREA	Unit	2008	2009	2010	% change	GRI reference
<b>Training hours and costs by type</b>						<b>LA 8</b>
Quality, environment and safety	No.	36,072	44,275	45,596	3.0%	
Technical training	No.	35,215	23,477	25,466	8.5%	
Institutional training – internal	No.	14,231	29,690	18,235	-38.6%	
Institutional training – external	No.	11,958	10,484	10,197	-2.7%	
Language courses	No.	8,100	12,317	18,801	52.6%	
Computer training	No.	4,587	2,420	7,579	213.2%	
Conventions	No.	2,911	2,258	2,356	4.3%	
<i>Total hours</i>	<i>No.</i>	<i>113,073</i>	<i>124,920</i>	<i>128,229</i>	<i>2.6%</i>	
<i>Total cost</i>	<i>€/1000</i>	<i>2,303</i>	<i>2,081</i>	<i>2,321</i>	<i>11.5%</i>	
<b>Occupational safety</b>						<b>LA 7</b>
Accidents occurred to Group employees	No.	16	19	20	5.3%	
Injury incidence rate	No.	3.22	3.04	2.96	-2.4%	
Lost workday incidence rate	No.	0.06	0.07	0.11	56.4%	
<b>Health care support**</b>						<b>LA 7</b>
Medical examinations provided	No.	1,599	3,454	1,576	-54.4%	
<i>Average number of medical examinations per employee</i>	<i>No.</i>	<i>0.54</i>	<i>0.88</i>	<i>0.40</i>	<i>-54.6%</i>	
<b>Average number of hours worked per capita*</b>						
Regular hours	No.	1,557	1,571	1,601	1.9%	
Overtime hours	No.	126	94	86	-8.5%	
<b>Average hours of absence from work per capita****</b>						<b>LA 7</b>
Illness	No.	48.2	36.7	38.1	3.9%	
Accident	No.	1.0	0.9	2.0	124.1%	
Maternity	No.	12.2	11.0	10.0	-8.9%	
Strike	No.	0.1	0.0	0.1	172.7%	
Employee Assembly	No.	2.6	1.8	1.8	-1.9%	
Paid leave	No.	17.3	12.2	13.6	11.9%	
Unpaid leave	No.	7.9	2.7	2.9	7.4%	
<i>Total</i>	<i>No.</i>	<i>89.3</i>	<i>65.3</i>	<i>68.5</i>	<i>5.0%</i>	
<b>Occupational safety expenditures</b>						
Operating expenses	€/000	6,200	7,394	8,473	14.6%	
Investments	€/000	3,720	4,090	5,607	37.1%	
<i>Total</i>	<i>€/000</i>	<i>9,920</i>	<i>11,484</i>	<i>14,080</i>	<i>22.6%</i>	
<b>Employees who underwent performance review*</b>						<b>LA 12</b>
Executives	%	100%	100%	100%	-0.3%	
Middle managers	%	76%	76%	83%	8.8%	
Office staff	%	16%	17%	22%	29.5%	
Production staff	%	0%	0%	0%		
<i>Total</i>	<i>%</i>	<i>28%</i>	<i>29%</i>	<i>34%</i>	<i>16.9%</i>	
<b>Average productivity bonus per capita****</b>						
Middle managers****	€	1,598.0	1,600.0	1,677.0	4.8%	
Office staff	€	1,628.5	1,712.5	1,729.0	1.0%	
Production staff	€	1,295.5	1,350.0	1,408.0	4.3%	
<i>Average</i>	<i>€</i>	<i>1,507.3</i>	<i>1,554.2</i>	<i>1,604.7</i>	<i>3.2%</i>	
<b>Incentivizing bonuses*</b>						
Employees who received an incentivizing bonus, not counting the productivity bonus (MBO)	No.	318	376	427	13.4%	
Employees who received a non-cash incentivizing bonus (Award)	No.	38	61	85	40.5%	
<i>Incentivized employees</i>	<i>%</i>	<i>12.0%</i>	<i>11.1%</i>	<i>13.0%</i>	<i>16.7%</i>	
<b>Promotions*</b>						
Promotion from middle manager to executive	No.	7	11	7	-40.9%	
Promotion from office staff to middle manager	No.	39	34	39	14.7%	
Promotion from production staff to office staff	No.	53	30	44	45.0%	
<i>Total</i>	<i>No.</i>	<i>99</i>	<i>75</i>	<i>90</i>	<i>18.7%</i>	

AREA	Unit	2008	2009	2010	% change	GRI reference
<b>Collective bargaining and union membership***</b>						<b>LA 4</b>
Employees covered by national collective bargaining agreements	%	101%	99%	99%	1.0%	
Employees who are union members	%	39%	48%	47%	-1.2%	
<b>Disputes with employees</b>						
Outstanding at 12/31	No.		26	26	0.0%	
Occurred during the year	No.		5	2	-66.7%	
Closed during the year	No.		11	9	-18.2%	
<b>Employees of contractors</b>						<b>LA 1 EUSS</b>
Full Time Equivalent (FTE) average	No.	-	3,791	2,662	-29.8%	
<b>Days worked by employees of contractors*</b>						<b>EU 17</b>
Construction activities	No.	-	335,817	688,404	105.0%	
Maintenance activities	No.	-	497,325	470,383	-5.4%	
<i>Total</i>	<i>No.</i>	<i>-</i>	<i>833,142</i>	<i>1,158,787</i>	<i>39.1%</i>	
<b>Occupational safety of contractors</b>						<b>LA 7 EUSS</b>
Accidents occurred to employees of contractors						
Injury incidence rate	No.	8.22	3.55	3.43	-3.3%	
Lost workday incidence rate	No.	0.24	0.11	0.10	-9.9%	

\* Abu Qir is not included.

\*\* The data for Edipower refer only to administrative offices.

\*\*\* The data for Abu Qir do not include temporary workers.

\*\*\*\* The Group's independent contractors and the employees of AMG GAS, Sistemi di Energia, CEB, Sel Edison and Eneco are not included.

\*\*\*\*\* Edipower's middle managers receive only the portion of the results bonus tied to the Company's profitability (50% of the total bonus) and not the portion tied to productivity.

AREA	Unit	2008	2009	2010	GRI reference
<b>CUSTOMERS (data at 12/31)</b>					
Electric power and natural gas customers	No.	214,755	538,632	1,011,301	
<b>Total electric power customers</b>	<b>No.</b>	<b>45,009</b>	<b>224,862</b>	<b>585,664</b>	
	Gwh	20,054	24,978	27,203	
Residential	No.	4,991	155,199	414,043	EU 3
	Gwh	10	304	996	
Business	No.	4,971	4,389	6,448	
	Gwh	18,745	22,862	22,781	
Small-business soho	No.	35,047	65,274	165,173	
	Gwh	1,299	1,812	3,426	
<b>Total natural gas customers</b>	<b>No.</b>	<b>169,746</b>	<b>313,770</b>	<b>425,637</b>	
	million Sm3	3.9	4,716.5	4,593.4	
Edison Energia residential gas customers	No.	169,200	179,078	289,653	
	million Sm3	288	254	359	
Edison Energia industrial gas customers	No.	519	610	540	
	million Sm3	3,646	4,382	4,162	
Total natural gas operations, Edison Energia	No.	169,719	179,688	290,193	
	million Sm3	4	4,636	4,522	
AMG gas Palermo residential gas customers	No.		133,045	134,394	
	million Sm3				
AMG gas Palermo industrial gas customers	No.		1,000	1,000	
	million Sm3				
Total natural gas operations, AMG Palermo	No.		134,045	135,394	
	million Sm3		80	72	
Total sales to external thermoelectric customers	No.	6	17	19	
	million Sm3	988	1,813	3,801	
GASL sales volumes	No.	21	20	31	
	million Sm4	907	423	952	
<b>"Green" energy sold</b> RECs certified energy	Gwh	176	106	658	
<b>Interruptions of electric power service</b>					<b>EU 27</b>
"Interrupted" customers broken down by length of time between disconnection and payment					
< 48 h	No.		2229	1169	
48 h - 1 week	No.		150	1799	
1 week - 1 month	No.		125	1259	
1 month - 1 year	No.		0	270	
> 1 year	No.		0	0	
"Interrupted" customers broken down by length of time between payment and reconnection					
< 48 h	No.		2500	4317	
48 h - 1 week	No.		4	45	
1 week	No.		0	135	
<b>Failures to comply with codes and regulations on advertising and product marketing</b>					<b>PR6</b>
Electric power operations	No.	0	2	0	
Natural gas operations	No.	1	0	0	
<b>Contact center service</b>					
Total number of inbound calls	No.	165,000	691,685	1,350,525	
Total number of outbound calls	No.	285,000	490,000	684,000	
Number of calls answered within 30 seconds	No.	140,250	401,177	640,248	
% of calls answered within 30 seconds	%	85%	58%	47%	
<b>Number of complaints</b>					
Total number of complains for the electric power services (Edison Energia)	No.	2,091	7,749	23,299	
Complaints as a % of the total number of electric power customers (Edison Energia)	%	4.65%	3.45%	3.98%	
Total number of complains for the natural gas services (Edison Energia)	No.	907	1,257	5,164	
Complaints as a % of the total number of natural gas customers (Edison Energia)	%	0.53%	0.70%	1.78%	
<b>Total number of complaints (Edison Energia)</b>	<b>No.</b>	<b>2,998</b>	<b>9,006</b>	<b>28,463</b>	
<b>Complaints as a percentage of the the total number of Edison Energia's customers</b>	<b>%</b>	<b>1.40%</b>	<b>2.23%</b>	<b>3.25%</b>	

AREA	Unit	2008	2009	2010	GRI reference
<b>SUPPLIERS (data at 12/31)</b>					
<b>Breakdown of suppliers</b>					
Total number of suppliers	No.		3,860	3,627	
Total value of goods and services supplied*	€/000	886,000	645,305	636,191	
<b>Breakdown of purchases by geographic region</b>					
					<b>EC 6</b>
Italy	€/000	788,528	543,582	559,537	
	%	89%	84%	88%	
International	€/000	97,472	101,723	76,654	
	%	11%	16%	12%	
<b>Value of purchases from suppliers qualified by Edison (in thousands of euros)*</b>					
Total value of purchases from qualified suppliers	€/000	758,257	546,705	554,469	
as a % of total purchases	%	86%	85%	87%	
<b>Contract fairness</b>					
Average length of contractual payment terms**	days	60.26	78	84	

\* The amount includes purchases of goods, services and labor.  
\*\* The data for 2007 and 2008 do not include Edipower.

# GRI INDEX

	Profile	Coverage	Page No.	Notes
<b>1</b>	<b>Strategy and Analysis</b>			
01:01	Statement from the Chairman and the Chief Executive Officer	Total	6	
01:02	Key impacts, risks, and opportunities	Total	6, 13, 21, 29, 46	
<b>2</b>	<b>Organizational Profile</b>			
02:01	Name of the organization	Total	cover	
02:02	Primary brands, products, and/or services	Total	12	
02:03	Operational structure	Total	12	
02:04	Location of the organization's headquarters	Total	ibc	
02:05	Countries where the organization operates	Total	ic	
02:06	Nature of ownership and legal form	Total	31	
02:07	Markets served	Total	ic, 12	
02:08	Scale of reporting organization	Total	10, 12, 28, 34, 52	
02:09	Significant changes	Total	15	
02:10	Awards received	Total	26, 76, 78	
EU1	Installed capacity	Total	ic, 11, 42	
EU2	Net energy produced	Total	11	
EU3	Number of customers, broken down by type	Total	93	
EU4	Length of transmissions and distribution networks	n.a.		Edison does not provide electric power distribution and transmission services
EU5	Allocation of emissions rights and compliance with the Kyoto Protocol	Total	86	
<b>3</b>	<b>Report Parameters</b>			
03:01	Reporting period	Total	83	
03:02	Date of publication of previous report	Total	83	
03:03	Reporting cycle	Total	83	
03:04	Contacts and addresses for report information	Total	ibc	
03:05	Process for defining report content	Total	24	
03:06	Scope of the report	Total	83	
03:07	Limitations on the objective or scope of the report	Total	83	
03:08	Information about affiliated companies	Total	83	
03:09	Data measurement techniques and bases of calculations	Total	83	
03:10	Restatements compared with previous report	Total	83	
03:11	Significant changes from previous report	Total	83	
03:12	Reference table	Total	95	
03:13	Independent certification	Total	97	
<b>4</b>	<b>Governance, Commitments, Engagement</b>			
04:01	Governance structure	Total	18, CG Report	
04:02	Indicate whether the Chairman is also an executive officer	Total	CG Report	
04:03	Independent and non-executive Directors	Total	CG Report	
04:04	Mechanisms for shareholders to provide recommendations	Total	CG Report	
04:05	Linkage between compensation for Directors and top management and performance	Total	CG Report	
04:06	Conflicts of interest	Total	CG Report	
04:07	Qualifications of Directors	Total	CG Report	
04:08	Mission, values, codes of conduct, and principles	Total	17	
04:09	Procedures to identify and manage economic, environmental and social performance	Total	19	
04:10	Process for evaluating the Board's performance	Total	CG Report	
04:11	Method for applying the precautionary principle or approach	Total	21	
04:12	Adoption of external economic, social and environmental codes and principles	Total	17	
04:13	Memberships in industry associations	Total	70	
04:14	List of stakeholders engaged by the organization	Total	25, 26	
04:15	Basis for identification of stakeholders with whom to engage	Total	25, 26	
04:16	Approaches to stakeholder engagement	Total	25, 26	
04:17	Key topics and concerns raised through stakeholder engagement and actions taken	Total	25, 26	

# GRI INDEX

Profile	Coverage	Page No.	Notes	
<b>ECONOMIC PERFORMANCE</b>				
DMA EC	Disclosure on management approach	Total	29, 60, 82	Under Italian law, the handling of materials containing PCB is governed by Law No. 62 of April 18, 2005
EU6	Management strategy to ensure the availability of energy over the medium/long-term	Total	13	
EU7	DSM (demand-side management) programs	Total	13	
EU8	R&D activities and investments	n.a.	50	Edison does not own any nuclear power plants
EU9	Decommissioning of nuclear facilities	Total		
EC1	Economic value directly generated and distributed	Total	30	
EC2	Risks and opportunities due to climate change	Total	46	
EC3	Coverage of pension obligations	Total	Report on Operations	
EC4	Significant financing received from the public administration	Total	29	
EC6	Policy, practices, and proportion of spending on locally-based suppliers	Total	67, 94	
EC7	Hiring of residents from the locations where most of the organization's activities are carried out	Total	53	
EC8	Development of investment provided primarily for "publicly useful projects"	Total	73, 82	
EU10	Planned capacity vis-à-vis projected long-term energy demand	Total	29, 84	
EU11	Average yield of the thermoelectric power plants		86	
EU12	Energy losses during transmission and distribution	n.a.		Edison does not provide electric power distribution and transmission services
<b>ENVIRONMENTAL PERFORMANCE</b>				
DMA EN	Disclosure on management approach	Total	9, 35	
EN1	Raw materials used	Total	86	
EN2	Materials reused or recycled	n.a.		
EN3	Direct energy consumption by source	Total	86	
EN4	Indirect energy consumption	Total	86	
EN5	Energy saved	Partial	50	
EN6	Energy-efficient or renewable-energy-based products and services	Total	60	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Total	38	
EN8	Water consumption by source	Total	86	
EN11	Siting of facilities in protected areas or areas with high biodiversity	Total	40	The information will be available in 2011
EN12	Description of significant impacts on biodiversity	Total	40, 86	
EU13	Biodiversity of offset habitats compared with damaged habitats	Total		No area offsetting activities were carried out
EN13	Habitats protected or restored	Total	40	
EN14	Future strategies and plans to manage impacts on biodiversity	Total	40	
EN16	Direct greenhouse gas emissions	Total	47, 86	
EN17	Indirect greenhouse gas emissions	Total	47, 86	
EN18	Initiatives to reduce greenhouse gas emissions	Total	47, 48, 86	
EN19	Emissions of substances harmful to the ozone layer	Total	86	
EN20	Other air emission	Total	47, 86	
EN21	Effluents discharge	Total	86	
EN22	Waste production and disposal methods	Total	86	
EN23	Total number and volume of polluting spills	Total	86	
EN26	Initiatives to mitigate environmental impacts of products and services	Total	60	
EN27	Percentage of products sold and packing materials reused or recycled	n.a.		Indicator not reported because it is not significant for the type of business operated by the Group
EN28	Fines for non-compliance with environmental laws and regulations	Total	86	
EN30	Environmental protection expenditures and investments	Total	86	
<b>SOCIAL PERFORMANCE</b>				
EU14	Programs to ensure the availability of specialized personnel	Total	53	
EU15	Employees who potentially could be leaving the organization over the next 5-10 years	Total	54	Only qualitative information is available. Objective for the future: list the percentage of employees who potentially could be leaving the organization over the next 5-10 years
EU16	Policies concerning the health and safety of employees and contractors	Total	57	
DMA LA	Disclosure on management approach	Total	9, 53	
LA1	Breakdown of workforce by employment type, employment contract, and region	Total	89-92	
LA2	Turnover by age group, gender, and region	Total	89-92	

n.a.: not applicable  
 ibc: inside back cover  
 ic: inside cover

# GRI INDEX

	Profile	Coverage	Page No.	Notes
EU17	Days worked by contractors	Total	89-92	
EU18	Employees of contractors who received health and safety training	Total	57	Only qualitative information is available. Objective for the future: list the percentage of employees of contractors who received training on occupational health and safety
LA4	Collective Bargaining Agreements Coverage	Total	89-92	
LA5	Minimum notice period for operational changes	Total		Covered by current legislation: Legislative Decree No. 18/2001 and Law No. 223/1997
LA7	Injuries and occupational diseases	Total	57, 89-92	
LA8	Training programs concerning prevention and risk control to assist employees regarding serious conditions or diseases	Total	57	
LA10	Employee training	Total	89-92	
LA12	Percentage of employees receiving performance and career development reviews	Total	56	
LA13	Breakdown of employees by gender and other indicators of diversity (e.g., disability)	Total	18, 89-92	
LA14	Ratio of the base salary of male employees to that of female employees in the same category	Total	89-92	
<b>HUMAN RIGHTS</b>				
DMA HR	Disclosure on management approach	Total	53, 59, 67, 74	
HR1	Transactions that have undergone human rights screening	Total	17, 68	
HR2	Supplier and contractors who have undergone human rights screening	Total	57	
HR4	Occurrences of discrimination and actions taken	Total		
HR5	Activities in the course of which the freedom of association and the right to collective bargaining could be jeopardized	Total	74	Covered by current laws: Article 21 of the Italian Constitution
HR6	Transactions with a high risk of the use of child labor	Total	74	
HR7	Transactions with a high risk of the use of forced labor	Total	74	
<b>IMPACTS ON SOCIETY</b>				
EU19	Involvement of stakeholders in the decision making process for the development of new energy facilities	Total	71	
EU20	Approach adopted to manage the impact of decommissioning projects	n.a.		During the reporting period Edison did not carry out any decommissioning projects
DMA SO	Disclosure on management approach	Total	71	
SO1	Management of impacts on communities	Total	71	
EU22	People in the community who were physically displaced or economically compensated	n.a.		During the reporting period Edison did not carry out any decommissioning projects
SO2	Monitoring the risk of corruption	Total	19	
SO3	Employees trained in preventing corruption crimes	Total	19	
SO4	Actions taken in response to corruption cases	Total		There were no instances of corruption during the reporting period
SO5	Positions on public policy and lobbying	Total	70	
SO8	Fines and non-cash penalties for failures to comply with laws and regulations	Total	88, 93	
<b>PRODUCT RESPONSIBILITY</b>				
EU23	Programs to improve or maintain access to electric power	Total	64	
EU24	Information provided to customers about the safe use of energy and support services	Total	64	
DMA PR	Information about approaches to manage electrical networks	Total	60, 64	
PR1	Phases in the life cycle of services the impacts of which on health and services have been assessed	Total	35	
EU25	Number of accidents that affected the community and any resulting judicial proceedings	Total		There were no disputes outstanding against Edison in 2010
PR3	Information requested for the procedures and services subject to such disclosure requirements	Total	62, 64	
PR6	Programs to comply with laws and voluntary codes on marketing activities	Total	64, 65	
PR8	Complaints regarding breaches of privacy	Total	66, 93	
PR9	Fines for non-compliance with laws and regulations	Total	66	
EU26	Population not served in the distribution area	n.a.		Edison does not provide electric power distribution and transmission services
EU27	Disconnections from the network for non-payment	Total	93	
EU28	Frequency index of network interruptions	n.a.		Edison does not provide electric power distribution and transmission services
EU29	Length index of network interruptions	n.a.		Edison does not provide electric power distribution and transmission services
EU30	Average availability factor for all power plants	Total	86	



Deloitte ERS  
Enterprise Risk Services S.r.l.  
Via Tortona, 25  
20144 Milano  
Italia  
Tel: +39 02 83322611  
Fax: +39 02 83322612  
[www.deloitte.it](http://www.deloitte.it)

## REVIEW REPORT ON THE SUSTAINABILITY REPORT

To the Board of Directors  
of Edison S.p.A.

1. We have reviewed the Sustainability Report of Edison S.p.A. (the "Company") as of 31<sup>st</sup> December 2010. The Directors of Edison S.p.A. are responsible for the preparation of the Sustainability Report in accordance with "Sustainability Reporting Guidelines" issued in 2006 by GRI – *Global Reporting Initiative*, as stated in the paragraph "Socio-environmental Accounting – A Note on Methodology". The Directors are also responsible for the definition of the Company objectives regarding the sustainability performance and the reporting of the achieved results. The Directors are also responsible for the identification of stakeholders and of significant aspects to report, as well as for the implementation and maintenance of appropriate management and internal control processes with reference to data and information presented in the Sustainability Report. Our responsibility is to issue this report based on our review.
2. We conducted our work in accordance with the criteria for review engagements established by the "International Standards Engagement 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information" (ISAE 3000), issued by the *International Auditing and Assurance Standards Board*. That standard requires the compliance with ethical principles ("Code of Ethics of Professional Accountants" issued by the *International Federation of Accountants*), including independence requirements. A limited assurance engagement on the Sustainability Report consists of making inquiries, primary with company personnel responsible for the preparation of the information included in the Sustainability Report, analysing the Sustainability Report and applying other evidence gathering procedures, as appropriate. The performed procedures are summarized as follows:
  - comparing the economic and financial information and data included in the paragraph "Economic Responsibility" of the Sustainability Report with those included in the Company Consolidated Financial Statements as of 31<sup>st</sup> December 2010, on which another audit company issued the auditor's report dated 4<sup>th</sup> April 2011 pursuant to articles 14 and 16 of Legislative Decree no. 39 of January 27<sup>th</sup>, 2010);
  - analysing how the processes underlying the generation, recording and management of quantitative data included in the Sustainability Report operate. In particular, we have performed the following procedures:
    - interviews and discussions with delegates of Edison S.p.A., to gather information on the information, accounting and reporting systems used in preparing the Sustainability Report, as well as on the internal control procedures supporting the gathering, aggregation, processing and trasmittal of data and information to the department responsible for the preparation of the Sustainability Report;
    - analysis, on a sample basis, of the documentation supporting the preparation of the Sustainability Report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the Sustainability Report;

Bologna Milano Roma Torino Padova

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 17.449,00 i.v.  
Codice Fiscale/Registro delle Imprese Milano n. 00099250158 - R.E.A. Milano n. 1909693  
Partita IVA: IT 05059250158

Member of Deloitte Touche Tohmatsu Limited



- analysing the compliance of the qualitative information included in the Sustainability Report and its overall consistency in relation to the guidelines referred to in paragraph 1 of this review report, in particular with reference to the sustainability strategy and policies and the determination of significant aspects for each stakeholder category;
- analysing the stakeholder involvement process, in terms of methods used and completeness of persons involved, through analysis of the minutes of the meetings or any other available information about the significant features identified in the stakeholder involvement process;
- obtaining the representation letter signed by the Chief Executive Officer of Edison S.p.A. on the compliance of the Sustainability Report with the guidelines referred to in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with ISAE 3000, and, therefore, does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in an audit.

For the data and information relating to the Sustainability Report of the prior year presented for comparative purposes, reference should be made to the review report dated March 8<sup>th</sup>, 2010 made by another audit company.

3. Based on the procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report of the Edison S.p.A. as of 31<sup>st</sup> December 2010 is not prepared, in all material respects, in accordance with the "Corporate Social Responsibility Guidelines" issued by GRI – *Global Reporting Initiative*, as set out in paragraph "Socio-environmental Accounting – A Note on Methodology".
4. We draw attention to the relevant information referred to in the paragraphs of the Sustainability Report of the Edison S.p.A. as of 31<sup>st</sup> December 2010, suggesting for the next editions a better and more analytical comparison between the actions performed in accordance to the commitments taken and the results achieved.

Milan, April 4<sup>th</sup>, 2011

DELOITTE ERS – ENTERPRISE RISK SERVICES S.r.l.

**Franco Amelio**  
Partner

*This report has been translated into the English language solely for the convenience of international readers.*

# EDISON ONLINE



www.edison.it



www.edisongeneration.it



http://bilanciocrs2010.edison.it/

Edison decided to revamp its Sustainability Report, focusing in on the main social and environmental issues and highlighting the results achieved in these areas.

In addition to this document, the Company developed other corporate communication tools on its website [www.edison.it](http://www.edison.it), which are specifically cited here as a reference source for information about the "Sustainability Reporting Guidelines" published by Global Reporting Initiative (GRI) and the principles of the UN Global Compact.

Specifically, the sustainability report searchable online <http://bilanciocrs2010.edison.it/> and the website [www.edisongeneration.it](http://www.edisongeneration.it), also reachable from the home page [www.edison.it](http://www.edison.it), which is devoted to social responsibility issues and provides information and updates about Edison projects.



www.edisonchangethemusic.it





## **Edison Spa**

Foro Buonaparte, 31  
20121 Milan

Share capital: 5,291,700,671.00 euros, fully paid-in  
Milan Company Register and Tax I.D. No. 06722600019  
VAT No. 08263330014  
Milan REA No. 1698754

Published by

**External Relations and Communications Department –  
Corporate Responsibility**

Tel. +39 02 6222,1  
sostenibilita@edison.it  
www.edison.it  
www.edisongeneration.it

A thank you to all Edison Departments and colleagues who collaborated  
in creating this Report

### **In collaboration with**

KPMG Global Sustainability Services

### **Art Direction**

Message Srl - Milano

### **Photographs**

Edison Archives  
Valerio Catalani - Milestone  
Camera Chiara  
Renato Cerisola  
Eye Photography  
Jenny Zarins

A thank you to all Edison employees who took part in the Company  
photography competition on biodiversity and the volunteers of the "Together  
for Haiti" project, who took many of the photographs published in this Report

### **Printed by**

Grafiche Maggioni, Milan

Milan, June 2011

This publication was printed on ecological paper, with a low impact on the  
environment.





Edison Spa  
Foro Buonaparte 31  
20121 Milan  
Tel. 02 6222 1  
[www.edison.it](http://www.edison.it)



EDISON