



SUSTAINABILITY REPORT

2008



2 OUR GEOGRAPHIC PRESENCE

5 EDISON'S SUSTAINABLE DEVELOPMENT POLICY

6 WHO WE ARE

18 ECONOMIC RESPONSIBILITY

20 SHAREHOLDERS AND FINANCIAL COMMUNITY

21 ENVIRONMENTAL RESPONSIBILITY

26 EDISON AND CLIMATE CHANGE

28 SOCIAL RESPONSIBILITY

29 EMPLOYEES

34 CUSTOMERS

36 SUPPLIERS

37 PUBLIC INSTITUTIONS

38 COMMUNITIES

41 A NOTE ON METHODOLOGY

42 AUDITORS' REPORT

GRI INDEX



Edison has decided to renew its Sustainability Report, focusing on the main socio-environmental themes (identified at page 15) and underlining the achieved results in those ambits. Other corporate communication tools are available on the internet portal www.edison.it, to which we specifically ask you to refer for further information, in relation to the "Guidelines for the Sustainability Report" published by the Global Reporting Initiative (GRI), which application level is B+.

SUSTAINABILITY REPORT

2008

OUR GEOGRAPHIC PRESENCE



FACILITIES AND INFRASTRUCTURES AT ITALY'S SERVICE

ELECTRIC POWER

- 27** thermoelectric power plants
- 68** hydroelectric power plants
- 28** wind farms
- 12,070** MW of installed capacity, including 2,024 MW in capacity from renewable sources*

*Installed capacity data include those of Edipower at 50%

HYDROCARBONS

- 59** concessions and exploration permits in Italy
- 24** concessions and permits for natural gas and crude oil exploration and production outside Italy
- 2** storage centers in Italy
- 35** billion m³ in hydrocarbon reserves

MAIN CORPORATE OFFICES





EDISON'S SUSTAINABLE DEVELOPMENT POLICY

Sustainability 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 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 Responsibility: 4 Challenges and 11 Commitments for Sustainable Development

The Environment

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

- Positioning 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;
- Aiming to play a leadership role in the field of renewable sources in Italy;
- Operating with the utmost respect for the environment and biodiversity.

Employees

Foster the development of our employees by providing healthy and safe work environments:

- Strengthening programs that empower our employees by helping them develop competencies and finding an optimum work-life balance;
- Strengthening and improving our management system for occupational health and safety prevention and monitoring (already one of the most advanced in Europe); attaining 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:

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

Local Communities

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

- Communicating 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, supporting social, educational and sports initiatives that benefit the community;
- Establishing and maintaining stable, transparent and collaborative relationships with our suppliers;
- Maintaining an effective system of Corporate Governance capable of steadily value creation for our shareholders.

Milan, February 11, 2009

Umberto Quadrino
Chief Executive Officer



WHO WE ARE

DIRECT ECONOMIC VALUE GENERATED

2007 **9,040** mln euros
2008 **11,935** mln euros

NUMBER OF EMPLOYEES (*)

2007 **3,573**
2008 **3,559**
(*) Net of IWH

PLANTS WITH HSE MS HEALT, SAFETY & ENVIRONMENT MANAGEMENT SYSTEM

Electric Power **100** %
Hydrocarbons **79** %

CAPITAL EXPEND. AND EXPLORATION INVEST.

2007 **489** mln euros
2008 **607** mln euros

NO. OF EMPLOYEES ACCIDENTS

2007 **24**
2008 **19**

ENERGY PRODUCED FROM RENEWABLE SOURCES

2007 **5,572** GWh
2008 **7,218** GWh

DIVIDEND PAYOUT

2007 **268** mln euros
2008 **268** mln euros

TOT. TRAINING HOURS PER EMPLOYEE

2007 **40**
2008 **41**

CO₂ EMISSIONS AVOIDED USING RENEWABLE SOURCES

2007 **3.2** mln t
2008 **4.2** mln t

CHARITABLE CONTRIB. AND SPONSORSHIPS

2007 **2.5** mln euros
2008 **3.3** mln euros

SALES OF "GREEN ENERGY"

2007 **16** GWh
2008 **176** GWh

SPECIFIC CO₂ EMISSIONS

2007 **535** g/KWh
2008 **514** g/KWh



Edison is one of Italy's top energy companies, with operations in every aspect of the electric power and natural gas industries, from procurement to production and sales of electric power and natural gas.

The Company builds its business based on respect for the environment, concern for safety, delivery of high quality services, and transparency and fairness in dealings with employees, partners and the market

In 1992, Edison was the first company in Italy to adopt the combined-cycle technology for gas-fired power plants, which is the most efficient power generation technology and has the lowest impact on the environment.

During the last 10 years, Edison completed a program of investments in energy production that has no match in Europe, bringing on stream about 7,000 MW of new production capacity.

In the hydrocarbon area, Edison was the first company in Italy to develop an offshore natural gas regasification project, providing Italy with access to an infrastructure of strategic importance for the reliability and diversification of natural gas supply sources.

The Rovigo offshore regasification terminal, operational in 2009, will make it possible to import 8 billion cubic meters of natural gas a year from Qatar.

ELECTRIC POWER – SOURCES (GWh)⁽¹⁾

	2006	2007	2008
Net production of the Edison Group	51,923	53,404	50,151
Thermoelectric power plants	35,990	37,985	33,992
Hydroelectric power plants	3,050	2,966	3,860
Wind farms	458	510	524
Edipower ⁽²⁾	12,425	11,943	11,775
Imports	1,471	1,174	431
Other domestic purchases and swaps⁽³⁾	12,006	9,195	16,871
Total sources	65,400	63,773	67,453

(1) One GWh is equal to one million kWh; in terms of physical volumes.

(2) Data consolidated at 50%.

(3) Net of line losses.

GAS – SOURCES (millions of m³)

	2006	2007	2008
Natural gas production	1,068	928	973
Production in Italy	712	674	662
Production outside Italy	356	254	311
Pipeline imports	7,705	6,093	7,554
LNG imports	62	25	-
Domestic purchases and other sources⁽¹⁾	4,804	6,771	5,281
Total sources	13,639	13,817	13,808

(1) Includes inventory changes and pipeline leaks.

OIL – SOURCES (000 of barrels)

	2006	2007	2008
Crude oil extracted	2,168	2,628	1,729
Production in Italy	2,168	2,628	1,729

(1) In 2008, production of crude oil in Italy was adversely affected by the unavailability of the Vega offshore platform.

Edison, the Italian Company with the Best Reputation in the World



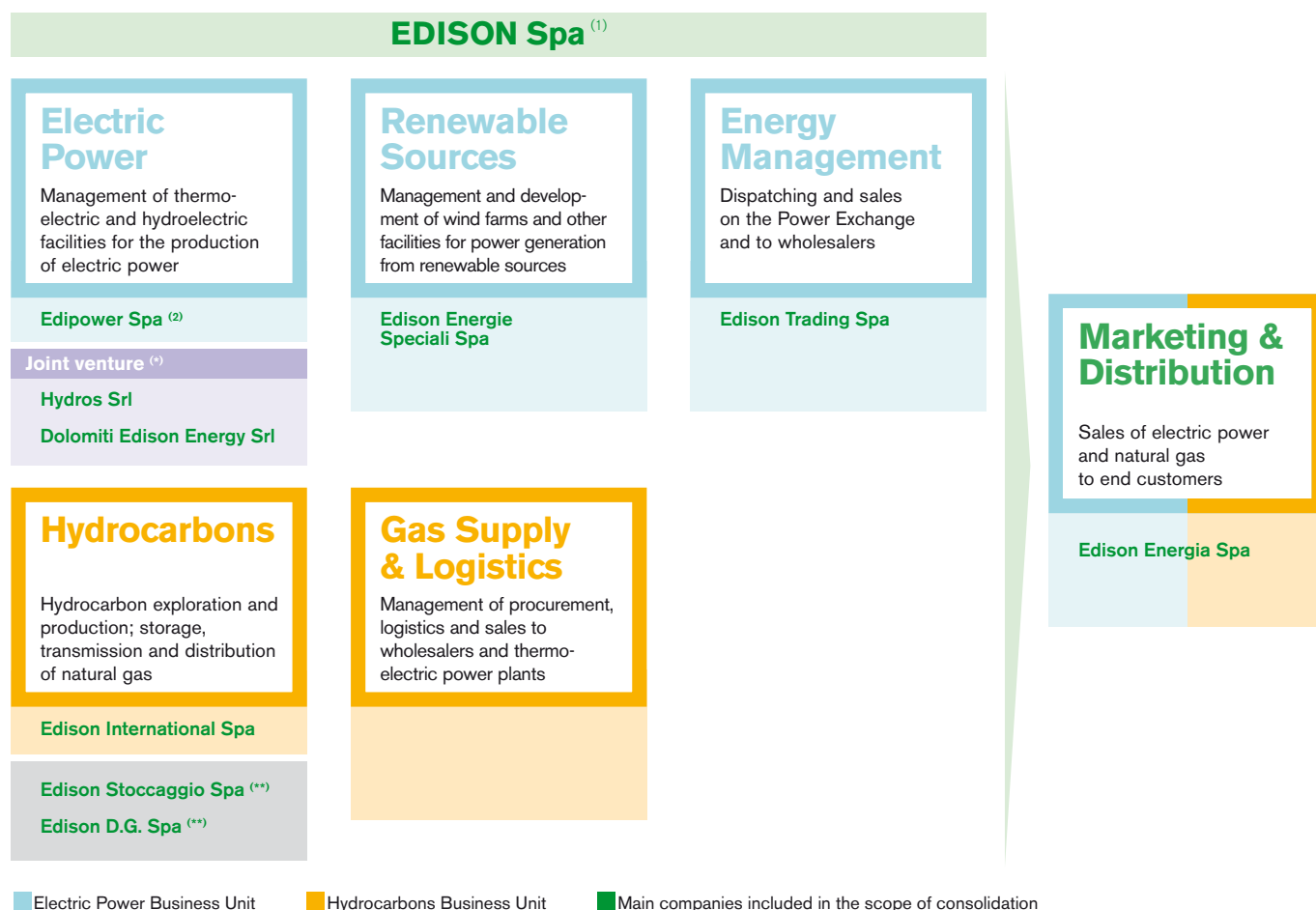
In 2008, Edison was ranked first in Italy in the listing of the “World's Most Admired Companies” published each year in the United States by *Fortune* magazine. In the global rankings, Edison finished second overall in the Energy industry and sixth in the Social Responsibility listing.

This prestigious mention comes on the heels of Edison's achievements in 2008 as the developer of such high profile international projects as the Rovigo regasification facility, the world's first offshore LNG terminal, and its success in winning the Abu Qir concession in Egypt.

EDISON GROUP'S CORPORATE STRUCTURE

The structure of the Edison Group is based on an integrated business model that enables it to operate in all strategic areas of the electric power and natural gas businesses; and to achieve the Company's future goals.

An expanded availability of natural gas supplies will enable Edison to generate electric power with a low environmental impact, and to offer energy at increasingly competitive prices, in the deregulated market for the benefit of its customers.

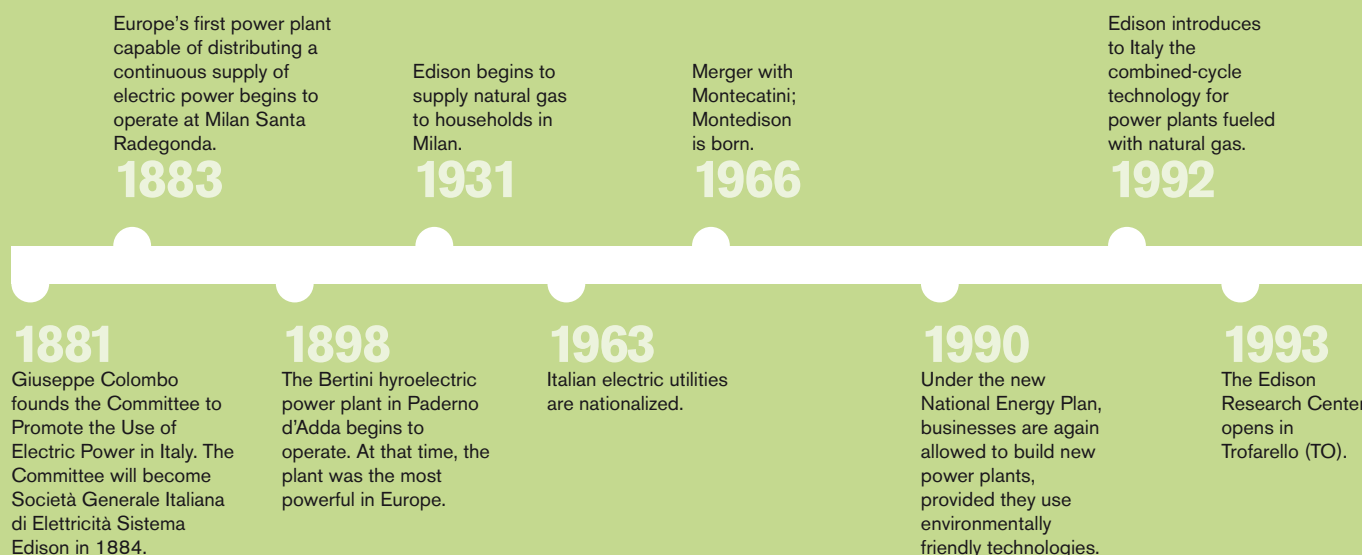


(1) In addition to the performance of corporate activities, Edison Spa is directly engaged in the activities of the Group's Business Units. Specifically, it produces electric power from hydroelectric and thermoelectric power plants and produces, imports and sells hydrocarbon products.

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

(*) Companies over which Edison does not have control and coordination authority.

(**) Company required to comply with unbundling requirements.



THE 2009-2014 PLAN

The 2009-2014 Industrial Plan, requiring investments totaling 7.2 billion euros, will provide strong momentum for the devolvement of all of Edison's businesses, with focus on areas with a high growth potential. A total of 1.8 billion euros will be invested to strengthen the Group's main businesses:

- Hydrocarbon exploration and production;
- Development of natural gas procurement infrastructures; while 5.4 billion euros will be used to develop activities in the areas of:
- International electric power generation;

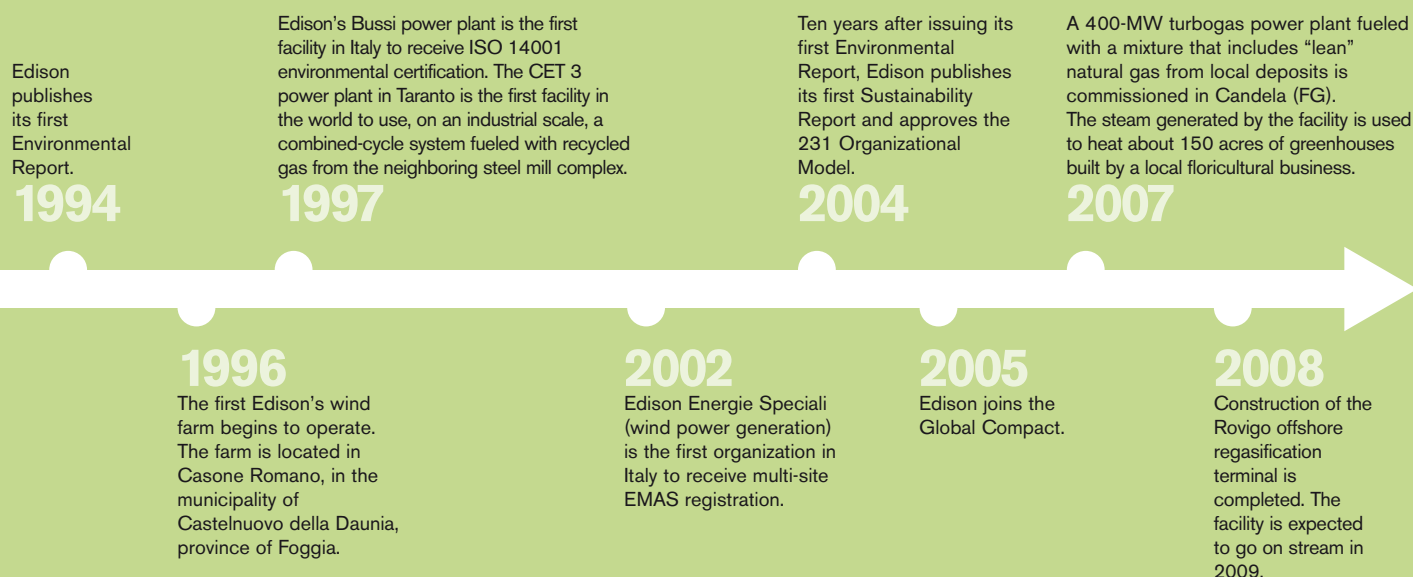
- Power generation from renewable sources in Italy and abroad;
- Natural gas storage capacity in Italy.

Electric Power Operations

The guidelines of Edison's strategy include developing new generating capacity, mainly outside Italy; streamlining the existing facilities; and significantly accelerating investments in renewable energy projects.

The Group will continue to streamline its CIP6 power plant portfolio with structural enhancement activities designed to make their deregulated-market generating capacity more flexible.

Outside Italy, Edison will invest about 1.1 billion euros in new



electric power generating capacity, mainly in Greece and Turkey. In Greece, the Group will consolidate its joint venture with Hellenic Petroleum, which includes T-Power's 390-MW facility and a 420-MW combined-cycle power plant that Edison is building in Thisvi. In Turkey, the Group will focus its efforts on the thermoelectric and hydroelectric areas.

Edison is strengthening its commitment to renewable resource generation with investments that will total about 1 billion euros over the next five years. Specifically, new projects in Italy and abroad will raise the installed capacity of the Group's wind farms from the current 304 MW to 810 MW in 2014. In the hydroelectric area, the emphasis will be on upgrading existing facilities to increase their generating capacity and the production of green certificates. Lastly, a major effort will be made to develop photovoltaic systems. Overall, installed capacity based on renewable sources is expected to reach 2,900 MW by 2014.

Hydrocarbons Operations

In the hydrocarbon area, the focus will be on the development of natural gas infrastructures that Edison is planning and building for the entire European market.

Three major projects are scheduled for completion by 2014:

- The Rovigo offshore regasification terminal, which will be operation in 2009, making it possible to import 8 billion cubic meters of gas a year from Qatar, 6.4 billion cubic meters of which will be available to Edison.
- The GALSI gas pipeline linking Algeria with Sardinia and Tuscany, which should be completed in 2012. Under existing contracts with Sonatrach, an Algerian company, the Group will have access to sufficient transmission capacity to import 2 billion cubic meters of natural a year from Algeria.
- The ITGI gas pipeline, which will link Italy with the Caspian Sea by way of Greece and Turkey. The Greece-Italy segment will have a transmission capacity of 8-9 billion cubic meters of natural gas a year, 80% of which will be available to the Group.

CIP6 power plants: Facilities fueled with renewable sources and equivalent. Because of their nature these facilities can sell the electric power produced at subsidized prices, as allowed by Resolution No. 6 issued by the Interministerial Committee on Prices (abbreviated as CIP in Italian) in 1992.

In addition, Edison plans to expand its hydrocarbon exploration and production activities in North Africa and in other areas with a high exploration potential, with the goal of increasing both its reserves and annual production. More than 2.4 billion euros will be invested in these activities, including about 1.5 billion euros earmarked for the Abu Qir concession.

Lastly, in order to improve the stability of Italy's natural gas system, the Group will increase its natural storage capacity, which it plans to expand to a total of 2.2 billion cubic meters (more than 10% of Italy's total capacity) by 2014, with investments amounting to about 700 million euros.

This objective will be achieved by expanding the Group's two existing storage centers and developing new concessions.

MAIN ACHIEVEMENTS OF 2008

Electric Power Operations:

- Entry into the residential market and expansion in the microbusiness segment;
- Launch of a joint venture in Greece and development of projects for the use of renewable sources;
- Commissioning of the Lucito wind farm, in the Molise region;
- Completion of a 3.3-MW photovoltaic pilot facility at the Altomonte power plant;
- Streamlining the portfolio of CIP6 facilities, with the sale of seven thermoelectric power plants to Cofathec Servizi and Seci Energia.

Hydrocarbons Operations:

- Completion of construction work at the Rovigo regasification terminal, which is scheduled to go on stream in 2009;
- Beginning of imports of natural gas from Algeria via pipeline;
- Award to the Group of the Abu Qir concession in Egypt, which has an annual production of about 1.5 billion cubic meters of natural gas and 1.5 million barrels of oil and proven reserves of 70 billion cubic meters of gas equivalents, 40% of which is attributable to Edison;
- Progress in the development of the IGI (Greece-Italy interconnection) and Galsi (Algeria-Sardinia-Tuscany interconnection) infrastructural projects, with completion planned for 2012-2013.



OUR RESPONSIBILITY

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 employees are required to follow.

Edison supports the Global Compact, an initiative launched by the United Nations by which companies

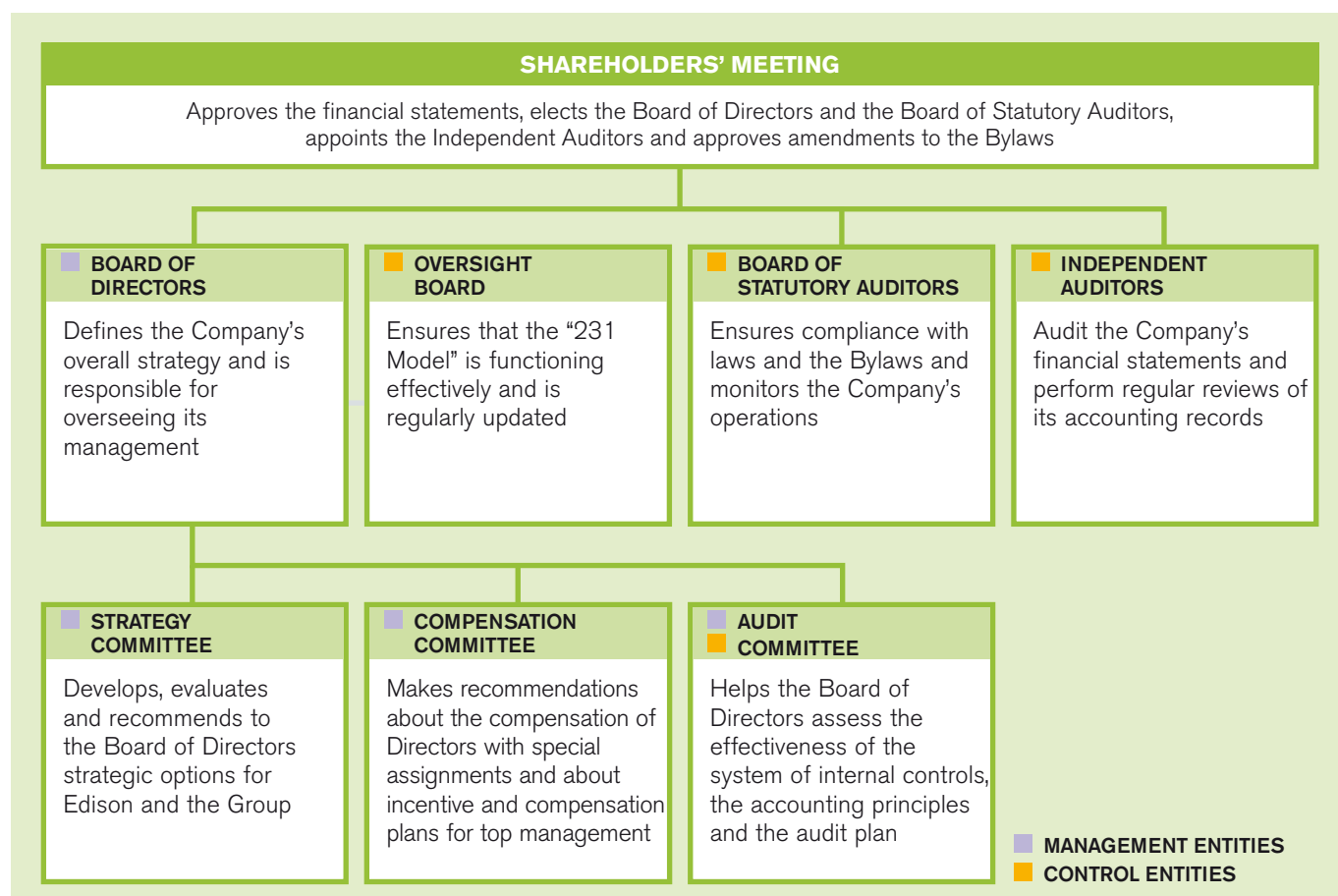
agree to uphold and publicize ten universal principles that cover human rights, labor standards, environmental protection and anti-corruption. Edison's Mission, Code of Ethics, Company Values and its new Sustainable Development Policy are the key elements that help define the Group's strategies and guide the daily conduct of all of its employees.



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 its system of internal controls, its Code of Ethics and its system to powers and proxies.

The Corporate Governance system adopted by Edison defines and regulates a series of activities reserved for the Board of Directors, 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 interests.

More information is provided in the "Corporate Governance – Report on Corporate Governance and on the Company's Ownership Structure" available on the company website (www.edison.it).

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

- Strategy Committee;
- Compensation Committee;
- Audit Committee.

CORPORATE GOVERNANCE	2006	2007	2008
Total number of BoD members	12	12	13
Number of executive Directors on the Board of Directors	2	2	1
Number of independent Directors on the BoD	2	2	3
Number of women on the BoD	-	-	-
Number of BoD meetings	8	9	8
Average percentage attendance of BoD meetings by Directors	92.7	92.6	97.1
Average percentage attendance of BoD meetings by Statutory Auditors	87.5	85.2	83.3
Number of meetings by the Audit Committee	5	5	6
Number of meetings by the Compensation Committee	4	5	4
Number of meetings by the Strategy Committee	5	5	4
Number of meetings by the Board of Statutory Auditors	6	8	11

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

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, operating, statutory and regulatory compliance, and fair and transparent internal and market disclosure objectives.

Operations audits covered all of the Company's businesses, including issues with a social and environmental impact. Work carried out in this area in 2008 included six major audit engagements that concerned mainly occupational safety, CO₂ management strategies and projects for the development of renewable source facilities, wind farms in particular. In 2009, the Company plans to perform an equal number of audits focused mainly on customer relations and continuing the monitoring of renewable source projects. In addition, most audit engagements will include specific modules to assess compliance with the Code of Ethics. In 2008, training concerning topics covered by Legislative Decree No. 231/01 and concerning fraud prevention was provided to 51 employees with important positions in areas with exposure to such issues.

MANAGEMENT TOOLS FOR THE PREVENTION OF CRIMES

In 2004, in order to prevent the occurrence of unlawful conduct by Group employees in the performance of activities related to the Company's business, Edison adopted an Organizational Model compliant with Legislative Decree No. 231/2001. According to the decree companies can be held liable mainly for crimes against the public administration (corruption, extortion, etc.), corporate crimes (e.g., false corporate communications) and market abuse. The Model adopted by the Group is a set of general principles, rules of conduct, control tools, organizational procedures, training and information activities and disciplinary rules designed to prevent the occurrence of the crimes covered by the above mentioned Decree. The Board of Directors appointed an Oversight Board for the specific purpose of monitoring the Model's effective implementation. By a resolution adopted on December 5, 2008, the Model was updated to cover new crimes added to the "231 system" (crimes against individuals, transnational crimes, receiving stolen property and money laundering) and take into account changes in Edison's business activities. This updating process is currently being implemented by the main Group subsidiaries. The operation audits carried out in 2008 included 10 engagements specifically focused on these issues.

Sustainability Governance

Edison has adopted the tools needed for an effective and efficient governance of its corporate social responsibility, with the goal of managing the Company consistent with a sustainable development approach and with the goal of creating value not just for its shareholders but for all of its stakeholders. Early in 2009, the Company adopted a Sustainable Development Policy, which provides a more comprehensive and systematic coverage of sustainability issues formerly addressed in part by the Environment, Safety and Quality Policy and the Code of Ethics.

Management Systems and Audit Process

Traditionally, management systems provided Edison with a key tool to monitor and manage environmental, safety and quality issues affecting its operations. The Company's electric power operations were the first businesses in Italy to receive ISO 14001 and EMAS environmental certification.

Currently, 100% of the electric power operations' locations¹ are covered by environmental and safety management systems and certification of the three hydrocarbon locations that still lack coverage has already been planned.

The objectives achieved in 2008 include the following:

- Verification of the quality management system (ISO 9001) of the Marketing and Distribution Business Unit;
- Full coverage of the environmental (ISO 14001) and safety (OHSAS 18001) certification by Edison Distribuzione Gas;
- Launch of a project to implement a Health, Safety & Environmental (HSE) integrated management system at Italian locations and foreign branches of the hydrocarbons operations, in accordance with the HSE guidelines adopted in 2008.

Edison believes that the auditing process plays a key role in the continuous improvement of its performance and management practices. As a result of the maturity achieved by the management systems adopted by the Group and their steady development from single-site to system-wide application, the Company also adopted methodologies increasingly planned on the basis of the level of risk. Consequently, the number of audits decreased, but the review level became deeper.

HSE AUDIT PROCESS	2006	2007	2008
Internal audits	173	167	119
External (third-party) audits	34	25	19
Total number of audits	207	192	138

Risk Management

Edison uses 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 a significant tool to exploit the full range of development 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 risks 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.

1. Insofar as Edipower is concerned, 100% coverage applies only to environmental certification in accordance with the UNI EN ISO 14001 standard.



Enterprise Risk Management

Edison has 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 actions.

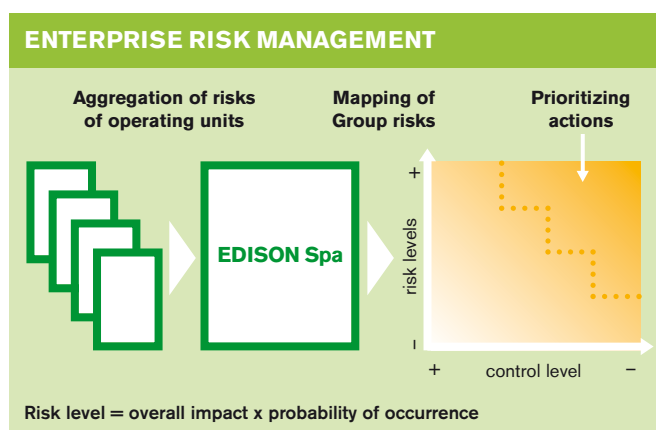
For this purpose, Edison adopted a Corporate Risk Model that covers all types of risks inherent in the Group's businesses and applies a risk scoring method that assigns a relevance index to each risk, based on an assessment of its overall impact, probability of occurrence and level of control.

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

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 prices and rates. In addition to the risks inherent in the Group's core businesses, process risks include such risks as those related to ethics, social responsibility and environmental issues, human resource management and litigation. 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.

Lastly, a significance and priority analysis is applied to the mapped risks to define the appropriate mitigation plans, consistent with an integrated risk management approach.

Type of risk	Risk area	Examples
Risks related to the external environment	Institutions and society	Reputational risks, regulatory risks, risks of conflicts with local communities, etc.
	Market	Risks related to market prices, etc.
	Weather events and natural disasters	Risks of business interruption, unavailability of materials, etc.
Process risks	Interdepartmental	Ethics, sustainable development, etc.
	Core businesses	Failure to achieve objectives, etc.
	Human resources	Risks related to occupational safety, losing qualified personnel, etc.
	Finance	Credit rating and financial credibility, liquidity, etc.
	Other support processes	Information systems, etc.
Strategy and planning risks	Strategy	Business model, etc.
	Management of return on investment	Performance monitoring, etc.





IDENTIFICATION OF RELEVANT CSR ISSUES

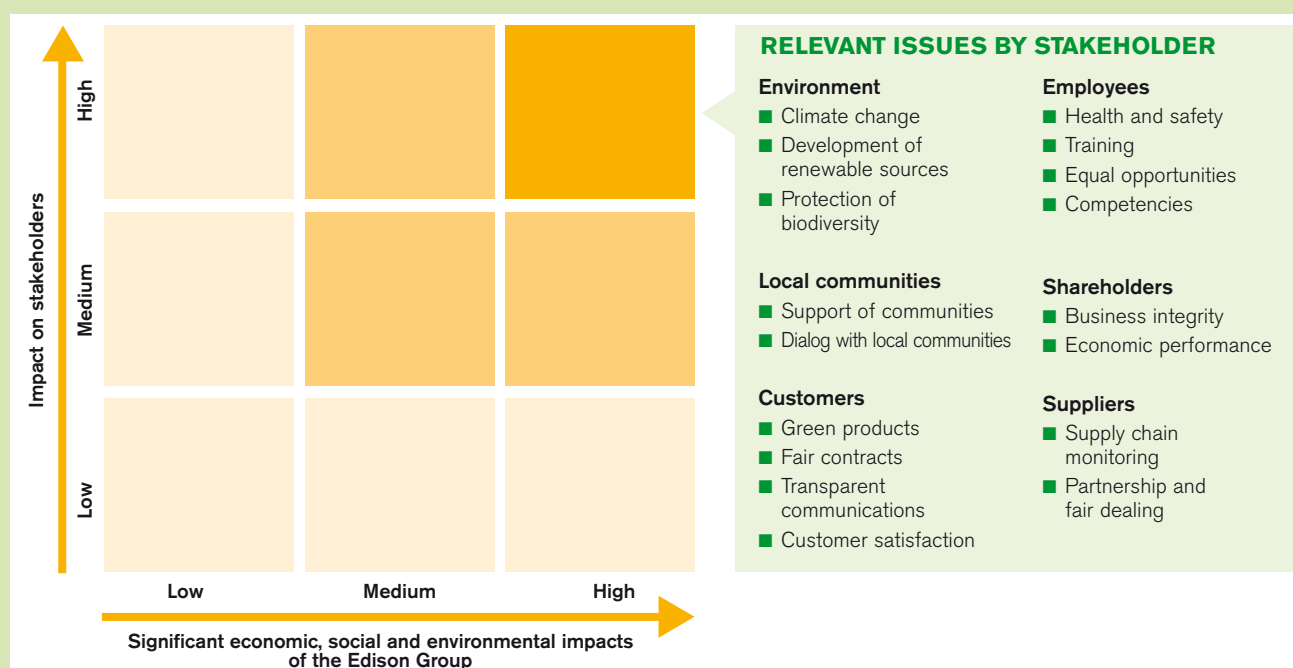
A process that included interviewing management, assessing the input of stakeholders and analyzing the main sustainability issues that appear to be relevant to the energy industry, as discussed in the main national and international media, was used to identify social responsibility issues that are relevant to Edison, which could then 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 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.

The analysis performed this year should be viewed as an initial exercise that will be expanded and improved as part of the ongoing dialog with the Group's stakeholders.



Listening and Dialoging with Our Stakeholders

Consistent with Edward Freeman's classic definition, Edison identifies as its stakeholders "all individuals and clearly identifiable groups that are instrumental to the Company's survival: shareholders, employees, customers, suppliers and public institutions. In a broader sense, a stakeholder is any clearly identifiable individual who 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 (see diagram of the main stakeholders) both internally (employees and shareholders) and externally (customers, suppliers, financial community, public administration, 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 Edison interacts.

Dialoging with the various parties that for different reasons interact with Edison is an ongoing practice that occurs daily with different modalities. The publication of the Sustainability Report provides each year an important opportunity to communicate

with the different categories of stakeholders and provides an overview of the main activities carried out as part of the dialog and involvement process. These activities are the embodiment of a commitment to learn the stakeholders' opinions and conduct an open, ongoing and constructive dialog with them.

In 2008, Edison continued to broaden its efforts to dialog with its stakeholders. In October, representatives of the main stakeholder categories (local authorities, financial community, NGOs, universities and the media) were brought together in a focus group to express their needs and expectations. The purpose of this event was to discuss the strengths and weaknesses of the Sustainability Report, so that it could be steadily improved and made increasingly responsive to the expectations of its intended users.

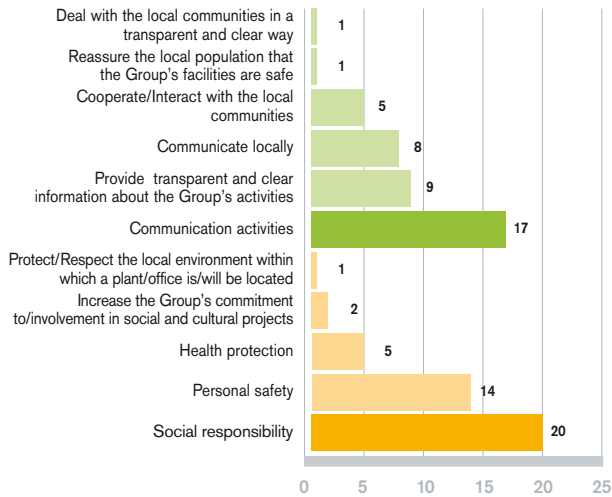
An important issue raised was the request for greater disclosure of the strategies that underlie the Group's decisions and of the progress made toward achieving corporate objectives. Issues brought up in the sustainability area included impact on climate change, development of sustainable products and services, social and environmental impacts on communities and communication of the activities carried out by the Group locally. This project is part of a broader and structured program of activities that Edison carries out as part of the dialog and involvement process.



Stakeholder category	Stakeholder engagement activities
Employees	Meetings with employees and engagement activities (Sustainable Development Trophy, Edison per te)
Customers	Customer satisfaction surveys and focus groups with consumer associations
Shareholders	Meetings with the financial community (investors and analysts)
Communities and Environmental Organizations	Annual survey performed by Eurisko, discussion panels and focus groups
Public Administration	Discussion panels, direct interaction with public entities, focus groups



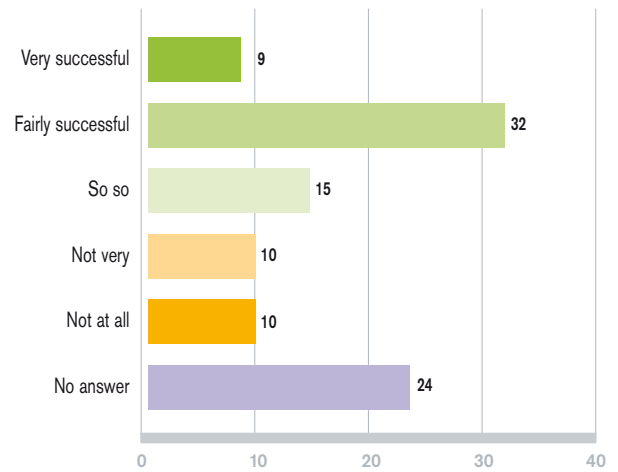
WHICH ARE THE PRIORITIES OF EDISON'S STAKEHOLDERS? (*) (**)



(*) Source: Eurisko data.

(**) The data were processed using a weighing method that takes into account the relative weight of population at each location.

HOW SUCCESSFUL WAS THE GROUP IN LOCATING ITS FACILITIES WITHIN THE LOCAL ENVIRONMENT? (*) (**)



(*) Source: Eurisko data.

(**) The data were processed using a weighing method that takes into account the relative weight of population at each location.

The survey carried out by Eurisko to assess how Edison's activities are perceived by the stakeholders outside the Group continued in 2008, with the objective of monitoring the quality of the relations between Edison and its key counterparties. In addition, the Group carried out a study focused on the communities that reside in areas near the Group's facilities (City of Bolzano, the Adda River basin, the Daunian Apennines, and the towns of Simeri-Crichi, Marghera, Rovigo and Otranto) to analyze the Company's reputational profile and assess the impact of its activities on its local communities.

The survey showed that Edison is viewed favorably and provided important indications about the social and environmental issues that local communities view as priorities.

Social responsibility issues that were perceived as priorities included the health and safety of the population. In the area of communications, the survey showed a desire for greater focus on providing transparent and clear information.

Lastly, the presence of the Group's activities within the local community was perceived favorably, particularly in terms of their impact on economic activity and new job creation.

However, some potentially negative issues for the communities were also raised, particularly with regard to the potential effects of the Group's activities on the environment and the health of the population.

In view of these findings, Edison will redouble its efforts to strengthen its relationships with its local communities.



ECONOMIC RESPONSIBILITY

SALES REVENUES

2007 **8,276** mln euros
2008 **11,066** mln euros

EBITDA

2007 **1,605** mln euros
2008 **1,643** mln euros

EBIT

2007 **896** mln euros
2008 **861** mln euros

GROUP INTEREST IN NET PROFIT

2007 **497** mln euros
2008 **346** mln euros

NET BORROWINGS

2007 **2,687** mln euros
2008 **2,920** mln euros

DEBT/EQUITY RATIO

2007 **0.33**
2008 **0.36**



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. Starting with this Report, Edison computes the economic value it generates and distributes in accordance with the method provided in the Sustainability Reporting Guidelines developed by the Global Reporting Initiative (GRI) in 2006 (G-3). In 2008, the total economic value generated by the Group amounted to 11,935 million euros. Edison retained 8.35% of this amount and distributed the remaining 91.65% to its stakeholders. More specifically:

- **Revenues**, which totaled 11,750 million euros, include "sale and service revenues" and "other revenues and income" and, therefore, reflect the impact of measuring at fair value outstanding physical contracts and derivative commodity and commodity-based currency contracts.
- **Financial income** includes "financial income," "currency translation gains" and "income from equity investments", consequently, it includes the impact of measuring at fair value outstanding derivative contracts that hedge the effect of changes in interest rates and currency translation rates, which amounted to 185 million euros.

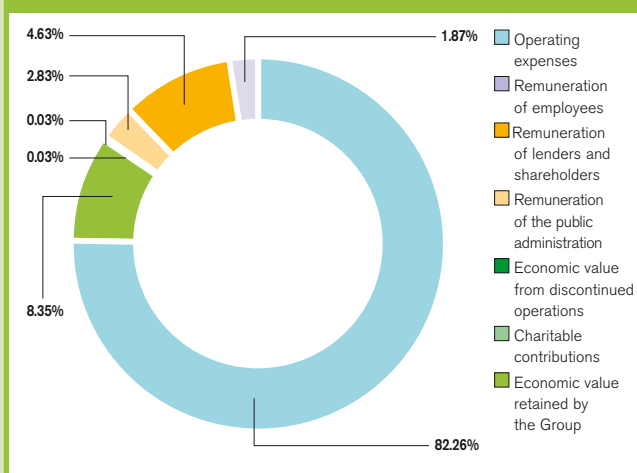
A breakdown of the economic value distributed to stakeholders includes the following items:

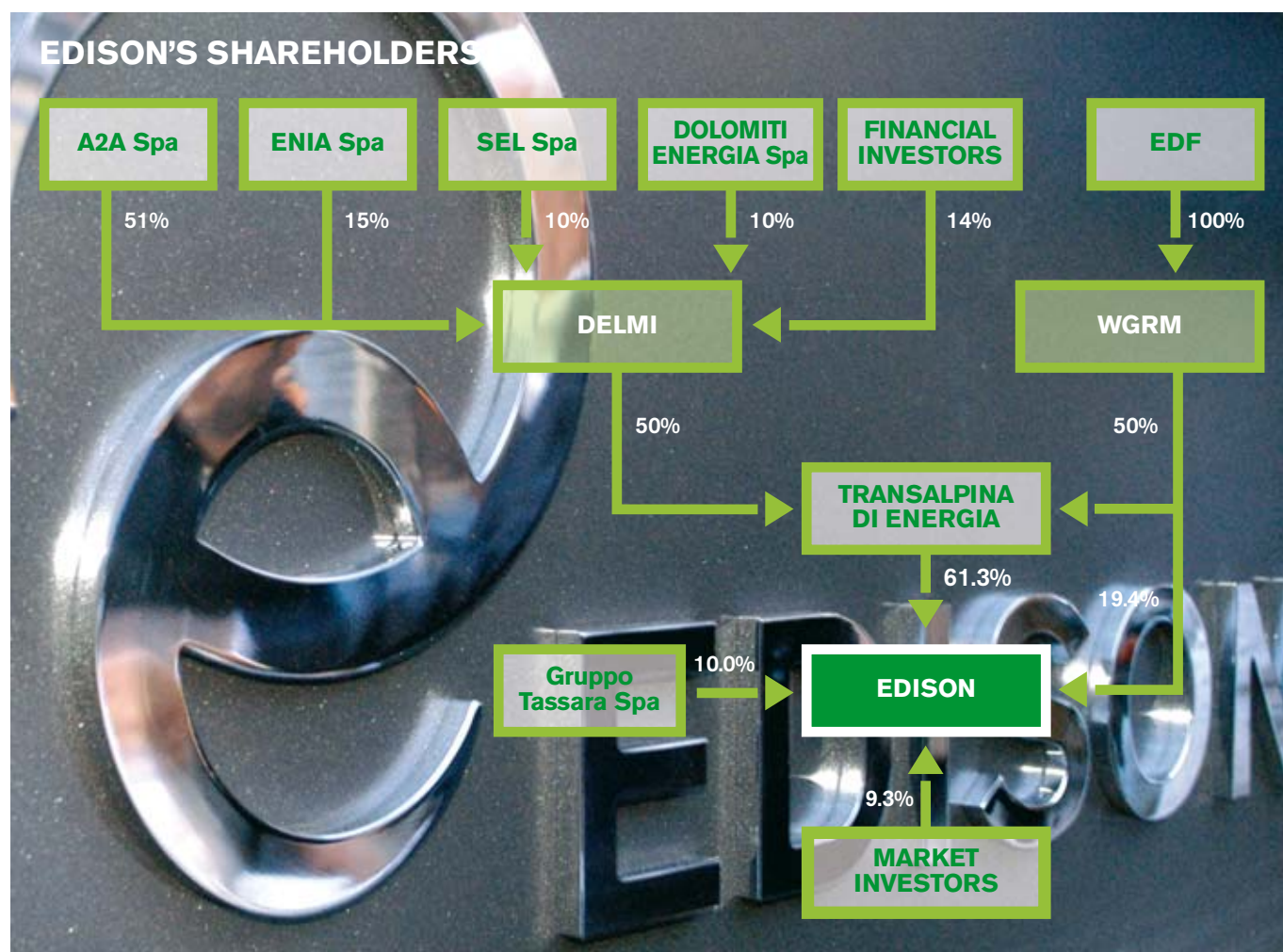
- **Operating expenses**, which totaled 9,818 million euros, includes "raw materials and services used" but does not include "additions to provisions," "writedowns of receivables," "indirect taxes" and "charitable contributions and sponsorships." Consequently, it reflects the impact of measuring at fair value outstanding physical contracts and derivative commodity and commodity-based currency contracts.
- **Remuneration of employees**, which is the same as "labor costs" in the financial statements, amounted to 223 million euros.
- **Remuneration of lenders and shareholders**, which totaled 553 million euros, includes the dividends distributed to shareholders and, for lenders, "financial expense," "currency translation losses" and "expense on equity investments." Consequently, it reflects the impact of measuring at fair value outstanding derivative contracts that hedge the effect of changes in interest rates and currency translation rates.
- **Remuneration of the Public Administration**, which includes "current taxes" and "indirect taxes," amounted to 338 million euros.
- **Charitable contributions and sponsorships**, which includes 2,820,000 euros in sponsorships and 442,000 euros in charitable contributions.
- The 2008 breakdown includes **economic value from discontinued operations** of 4 million euros, which corresponds to "net result from discontinued operations" in the consolidated financial statements of the Group.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED BY EDISON (in millions of euros)

	2007	2008
Economic value generated by the Group	9,040	11,935
Revenues	8,859	11,750
Financial income	181	185
Economic value distributed by the Group	8,158	10,939
Operating expenses	6,957	9,818
Remuneration of employees	219	223
Remuneration of lenders and shareholders	664	553
Remuneration of the public administration	316	338
Charitable contributions and sponsorships	2	3
Economic value from discontinued operations	-	4
Economic value retained by the Group	882	996
Depreciation and amortization	709	782
Additions to provisions and reserves	173	214

DIRECT ECONOMIC VALUE DISTRIBUTED





SHAREHOLDERS AND LENDERS

In the course of conducting its business, Edison engages in an ongoing dialog with its shareholders, with the goal of fully complying with the relevant laws and regulations and safeguarding their right to receive the accurate and timely information they need to make informed investment choices. Specifically, Edison is committed to putting the interests of the Company and of the community of its shareholders ahead of the special interests of individual shareholders or shareholder groups. The chart provided above shows a breakdown of Edison's shareholder base at April 2, 2008.

Transparency and Timeliness of Financial Communications

Edison makes available relevant information about any action or decision that could have a material impact on the investments of its shareholders by publishing it on its website (www.edison.it) and through a dedicated e-mail address and toll-free number. Moreover, Edison makes available to its shareholders the documents prepared for the Shareholders' Meeting and ensures that its Directors routinely attend Shareholders' Meetings, respecting the right of each shareholder to ask questions about different items on the Meeting's agenda and express his or her opinion. On the occasion of the announcement of its annual, semiannual and quarterly results, the Company organizes special conference calls (five in 2008) with institutional investors and financial analysts that are also open to the financial press.

Edison is committed to providing the market with information that makes it increasingly simple to assess the Company's operating and financial performance and its growth outlook. Activities in this area are designed to maintain an ongoing dialog both with buy-side counterparties — one-on-one meetings, roadshows and conference calls — and sell-side counterparties — meetings with financial analysts to discuss corporate strategies — and include the daily availability of the Investor Relations team.

Lastly, Edison is in constant contact with the main rating agencies through conference calls and special meetings, such as the Management Review, an annual event where the rating agencies are provided with access to the Group's top management as part of their effort to monitor the Company's performance on an ongoing basis.

At the end of 2008, Moody's expressed a positive opinion about the Abu Qir transaction and the feasibility of the 2009-2014 Industrial Plan, confirming Edison's 2007 rating.

RATING	2007	2008
Standard & Poor's		
Medium/Long-term rating	BBB+	BBB+
Short-term rating	A-2	A-2
Medium/Long-term outlook	Positive	Stable
Moody's		
Medium/Long-term rating	Baa2	Baa2
Medium/Long-term outlook	Stable	Stable

ENVIRONMENTAL RESPONSIBILITY

ENERGY USED		2006	2007	2008
Natural gas	millions of Sm ³	9,688	10,484	9,302
Coke-oven gas	millions of Nm ³	505	558	594
Blast-furnace gas	millions of Nm ³	8,748	9,213	8,763
Steel-mill gas	millions of Nm ³	344	71	68
Fuel oil	thousands of t	1,550	1,419	1,226
Gasoil	thousands of t	7	8	8
Coal	thousands of t	1,376	1,481	1,428
Tree bark	thousands of t	50	44	55
Mud	thousands of t	27	24	21

Energy usage data are those for the electric power operations and the hydrocarbons operations.

MATERIALS USED				
Process chemicals	t	64,575	53,554	38,174
Dielectric lubricant and coolant oils	t	472	385	485

WATER RESOURCES USED				
Sea water	thousands of m ³	3,233,382	3,432,406	3,802,585
Water from rivers and canals	thousands of m ³	1,912,626	1,909,878	1,825,718
Water drawn from the aquifer	thousands of m ³	19,780	6,238	5,419
Industrial water	thousands of m ³	8,370	9,646	7,703
Other water resources used	thousands of m ³	5,386	5,599	3,878
Total water resources	thousands of m ³	5,179,544	5,363,766	5,645,303

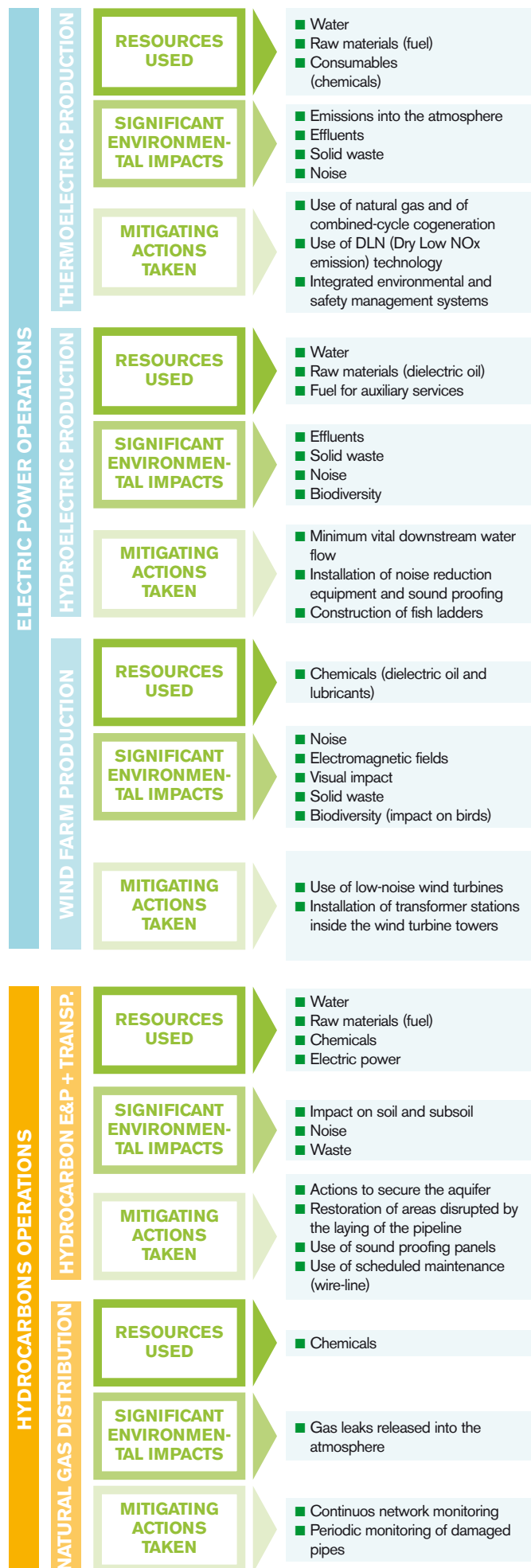
EMISSIONS INTO THE ATMOSPHERE				
SO _x	t	20,355	19,002	13,767
NO _x	t	22,191	20,106	16,036
Particulate matter	t	701	730	512
CO	t	2,804	2,934	2,175
CO ₂	t	37,635,892	37,252,344	33,584,459

The emissions data are those for the electric power operations and the hydrocarbons operations. The CO₂ amounts include equivalent emissions for natural gas leaks.

WASTE GENERATED				
Special non-hazardous waste	t	155,253	159,231	143,179
Special hazardous waste	t	9,324	5,481	8,537
Total waste generated	t	164,576	164,711	151,716
Recycled waste	t	106,518	101,455	97,823

Includes waste from regular operations and from one-time projects.

INSPECTION TO LOCATE NATURAL GAS LEAKS				
Pipelines inspected	Km	1,686	1,924	2,000
Total pipelines	Km	3,221	3,363	3,404
Total number of leaks located		2,050	1,902	1,056
Total volume of leaks	thousands of m ³	1,179	1,684	999



In the environmental area, Edison has chosen to go beyond mere compliance with current regulations, adopting a virtuous environmental management model that can help it achieve a continuous improvement of its performance.

This goal is pursued by:

- Decreasing the Company's environmental impact with tools that include promoting the use of renewable sources;
- Adopting certified environmental management systems;
- Increasing management's awareness and providing continuous training to employees;
- Cooperating with public institutions and with the regulatory and control authorities;
- Maintaining a dialog about environmental issues with the community and all other stakeholders;
- Using the best technologies available;
- Using prequalified suppliers on environmental issues.

Significant Environmental Issues

The use of natural resources, emissions into the atmosphere and waste generation are the most significant environmental issues faced by Edison's activities. In 2008, the Company opened and managed 26 construction sites in Italy, where it built new production facilities and infrastructures, carried out environmental remediation projects and revamped/repowered power plants with the support of numerous contractors working alongside Group employees. The main environmental issues at construction sites are noise pollution and the production of solid waste, generated mainly by excavation work carried out for site preparation purposes.

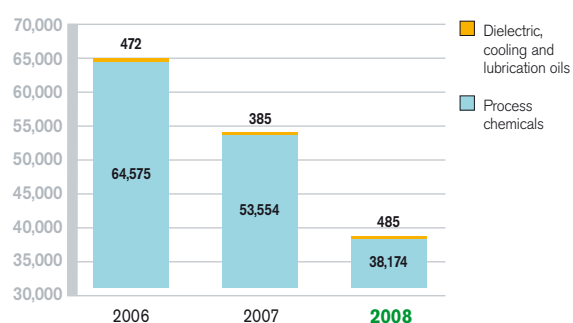


The Candela (FG) power plant, a high-performance facility with a reduced environmental impact that uses "lean" gas available locally reached full capacity in 2008.

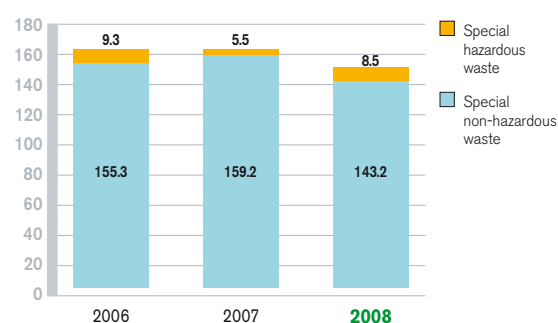
The technology used includes a 400-MW high-efficiency (75% counting heat recovery) and low-emissions turbogas system with CO₂ emissions that are 50% less than those of conventional systems. In addition to generating electric power, by exploiting its heat recovery system, the power plant uses steam to heat about 150 acres of greenhouses for the cultivation of roses, avoiding 185,000 tons in annual CO₂ emissions.

This project, which Edison pursued aggressively and was supported by local public administrations, not only uses local resources with a minimum environmental impact, but also represents an example of how public-private cooperation can be used to overcome the Not-in-My-Backyard (NIMBY) syndrome and create growth opportunities for local economies.

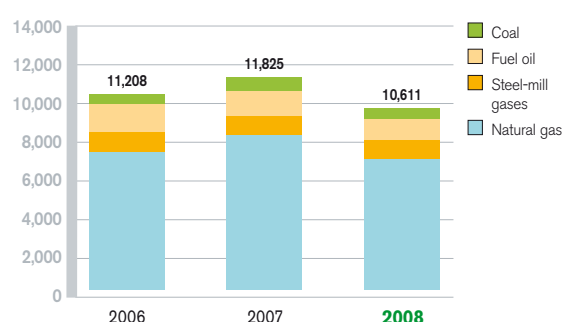
MATERIALS USED (in tons)



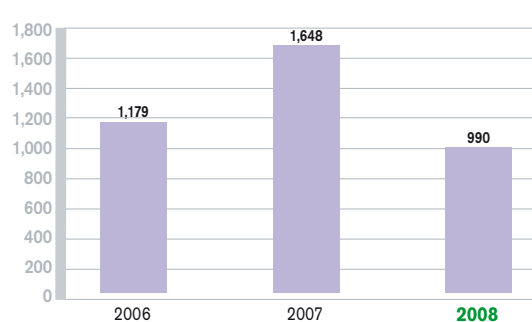
WASTE GENERATED (in thousands of m³)



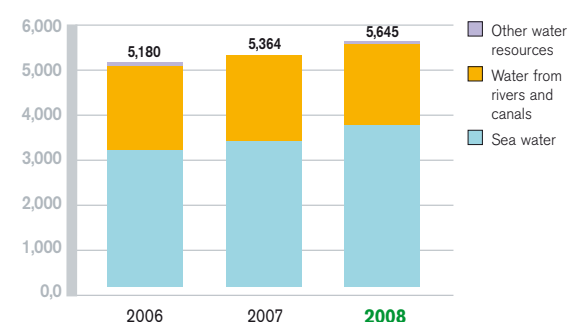
ENERGY CONSUMPTION (in thousands of TEP)



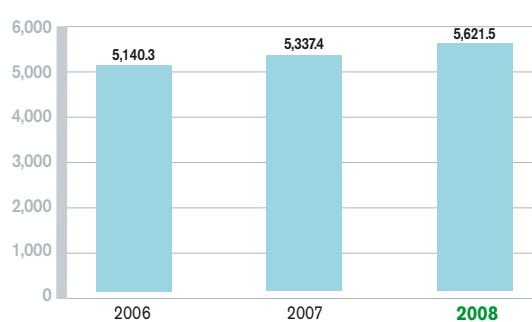
NATURAL GAS LEAKS (in thousands of m³)



USE OF WATER RESOURCES (in millions of m³)



EFFLUENTS GENERATED (in millions of m³)



Extraordinary Environmental Events

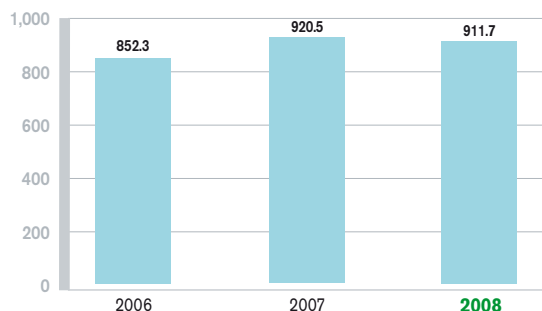
The only extraordinary environmental event that occurred in 2008 affected Edison Distribuzione Gas. During the removal of two underground tanks that were no longer in use, the soils showed signs of hydrocarbon contamination caused several years earlier by activities that predated Edison's presence at this location and was not caused by an accident. The Company immediately filed the report required by Article 242 of Legislative Decree No. 152/06 and took emergency action to secure the site by excavating the contaminated area and testing the sides and bottom of the excavated area. After removing the contaminated soil, which, as required, were disposed of as hazardous waste, new tests were performed, which showed that the actions taken had been successful.

A Commitment to Biodiversity

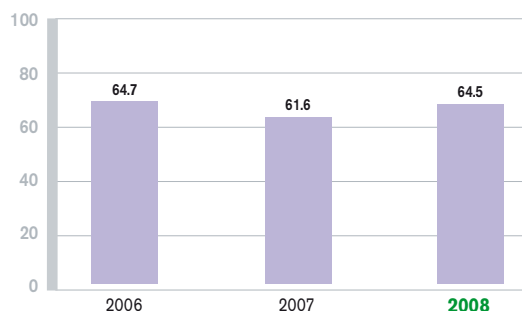
In 2008, consistent with its awareness of the importance of protecting and valuing biodiversity, Edison continued the collaborative relationship that it established in 2006 with the Abruzzo, Latium and Molise National Park for the protection of the Marsican bear and its habitat. The radio collars purchased with Edison's support are now being used to track the distribution of these mammals within the park and to analyze and actively manage critical information about its presence. In addition, the University of Rome cooperated in the production of an educational monograph about the Marsican bear designed to provide new information about this animal and increase awareness about its importance among the public in general and the local communities in particular.

MINIMUM VITAL DOWNSTREAM WATER FLOW (mln m³)

(Edison data)



RECYCLED WASTE (as a % of the total)



Remediation of Industrial Sites

In 2008, projects involving the characterization, remediation and securing of 10 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. Most of these sites 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. Edison's commitment to the remediation of its properties is demonstrated by its ongoing effort to identify the best technologies offered by the market for the environmental remediation of the affected sites.

Sm³:	Standard m ³ , a volume of gas at 15.0° C and 1.01 of absolute bars of pressure.
Nm³:	Normal m ³ , a volume of gas at 0° C and 1.01 of absolute bars of pressure.
SOx:	Sulfur oxides, gases produced by the combustion of fossil fuels containing sulfur.
NOx:	Nitrogen oxides (primarily NO and NO ₂), gases produced by the combustion of fossil fuels.
Particulates:	All solid microscopic particles generated by the combustion process that are dissipated into the atmosphere.
CO:	Carbon monoxide, toxic gas coming from incomplete combustion of the carbon present in fossil fuels.
CO₂:	Carbon dioxide, a natural gas component of the atmosphere and a gas produced by the combustion of fossil fuels.

Emissions into the Atmosphere

The downward trend in emission levels continued in 2008 for all pollutants generated by the Group. This positive performance is the combined result of a decrease in gross production of electric power compared with 2007, with an attendant reduction in the use of fossil fuels, and of a change in the mix of Edison's portfolio of thermoelectric power plants that resulted from the disposal of facilities using less efficient technologies. Specifically, direct emissions of CO₂, which are one of the main culprits of the greenhouse effect, continued to trend down compared with previous years. This year's data were again significantly affected by the performance of the Taranto and Piombino power plants, which use exhaust steel-mill gases to produce energy. This choice of generating system, while it increases the Group's specific emissions, also delivers significant energy savings because, otherwise, the steel-mill gases that Edison uses would be released directly into the atmosphere.

CO₂ emissions avoided through the use of renewable sources (hydroelectric and wind power mainly) rose to 4,169,039 tons in 2008, or about 30% more than in 2007.

Environmental Accounting

The environmental expenses incurred by Edison have been rising steadily over the past three years, reaching 80 million euros in

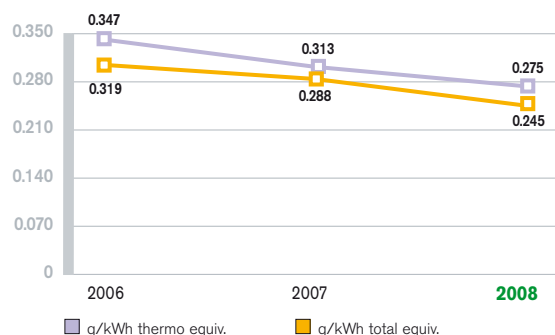


2008. Expense items included in environmental accounting are only those used for projects devoted to protecting the environment. They do not include those used for projects that, while beneficial for the environment, are designed primarily to address other needs, such as increasing the efficiency of production facilities (e.g., converting power plants to combined-cycle technology) or reducing the use of natural resources (e.g., building new power generation facilities that use renewable sources). Excluded expenses also include fees paid for licenses to draw and divert water. The main capital investments carried out in 2008 included the installation of systems to reduce SO_x (Desox) and NO_x (Denox) emissions at two 160-MW units of the San Filippo del Mela power plant (Edipower), at a cost of about 45 million euros, and the decommissioning of a coal fired power plant operated by Caffaro at the Torviscosa site, for a total cost of 4 million euros.

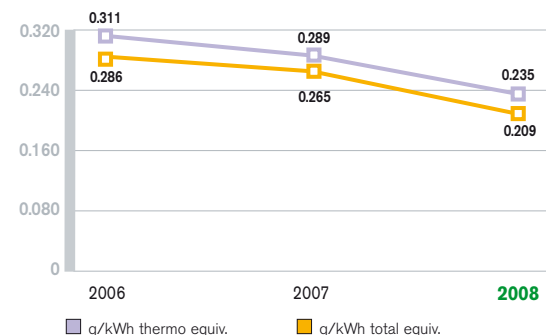
MORE USE OF MASS TRANSIT, MORE RESPECT FOR THE PLANET

To live in an environmentally sustainable way also means respecting the environment when we travel. In Italy, automobile traffic is responsible for releasing each year into the atmosphere about 70 billion kg of CO₂ and other substances harmful to health and the environment. By choosing to use mass transit, every one of us can make an important contribution to protecting our planet. Accordingly, Edison renewed for another year a special agreement with Atm Milano and Ferrovie Nord Milano that will enable its employees to obtain yearly passes for these mass transit systems.

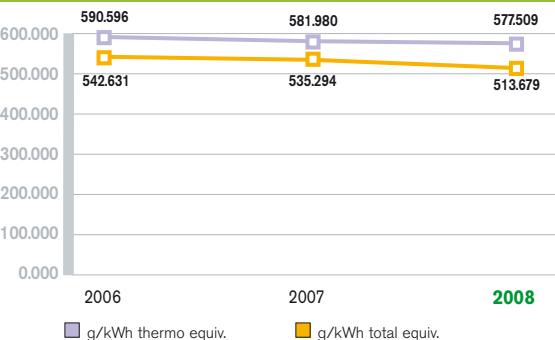
NO_x TREND



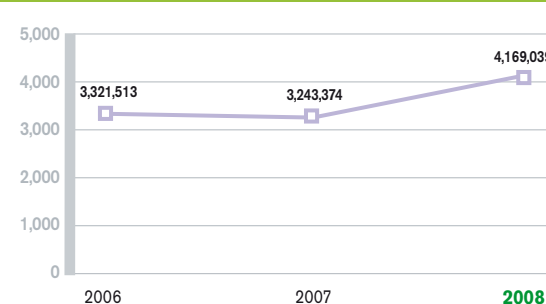
SO_x TREND



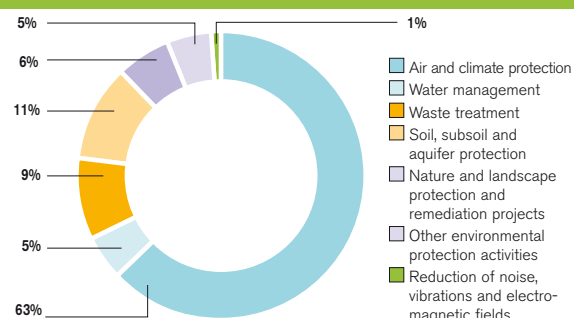
CO₂ TREND



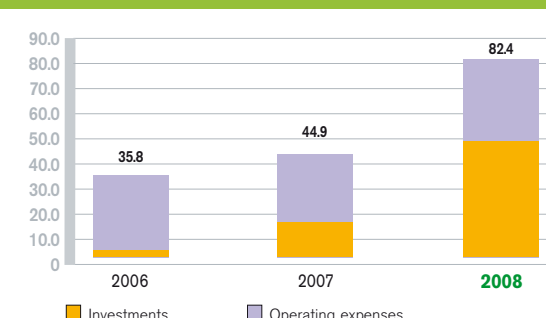
AVOIDED CO₂ EMISSIONS (t CO₂)



BREAKDOWN OF ENVIRONMENTAL EXPENSES AND INVESTMENTS IN 2008



ENVIRONMENTAL EXPENSES AND INVESTMENTS (in millions of euros)



EDISON AND CLIMATE CHANGE

CO₂ EMISSIONS^(*)

2007 **30.9** mln tons

2008 **27.4** mln tons

(*) Edison + Edipower consolidated at 50%

NUMBER OF CDM/JI PROJECTS

2007 **2**

2008 **16**

AMOUNTS INVESTED IN CARBON FUNDS

2008-2012 **50** mln euros

HYDROELECTRIC CAPACITY IN ITALY

2008 **1.7** GW

2014 **1.9** GW

WIND FARM CAPACITY

2008 **304** MW

2014 **810** MW

PHOTOVOLTAIC CAPACITY

2008 **3** MWp

2014 **25** MWp

RESEARCH AND INNOVATION COSTS

2007 **3.1** mln euros

2008 **3.5** mln euros

RESEARCH AND DEVELOPMENT STAFF

2008 **24** employees

STAFF INVOLVED IN DEVELOPING INNOVATIVE AND RENEWABLE TECHNOLOGIES

2008 **83** employees



Edison uses different approaches to pursue its commitment to fighting climate change: it chooses the best available technologies for its facilities, invests in renewable sources, researches and develops technologies with a low environmental impact and promotes sustainable development in developing countries through the implementation of low emission technologies linked with the flexible mechanisms of the Kyoto Protocol.

Emissions Trading and Carbon Management

Edison was one of the first utilities in Italy to take concrete action toward the achievement of the Kyoto objectives, creating as early as 2004 a team specialized in the development of emissions reduction projects based on the so-called flexible mechanisms provided in the E.U. emissions trading regulations.

CDM (Clean Development Mechanism) and JI (Joint Implementation) projects are chosen based on strict internal guidelines concerning technologies, target countries and prices. When choosing technologies, preference is always given to renewable sources (hydroelectric, wind power, solar, biomasses, etc.), projects to increase energy efficiency in industries with production of electric power and processes that involve switching to lower impact fuels. The first projects were undertaken in China and the Group is currently considering other areas in India, South America, Russia, the Ukraine and Southeast Asia to diversify and optimize its portfolio of projects. Other opportunities are also being assessed in countries in the Mediterranean area, leveraging existing partnerships in North Africa and the Balkans.

Each chosen project undergoes a preliminary analysis based on environmental, social and sustainability criteria over both short-term and long-term horizons. Projects planned in proximity of protected areas or requiring population relocation are excluded. The full assessment process also looks at technical, legal and financial issues to evaluate the environmental and social sustainability potential and risks entailed by each transaction. After completing this process, Edison may decide to purchase any CER/ERU credits that a project is expected to generate, assuming responsibility for supporting the entire registration and credit issuance process.

Development of Renewable Sources

Edison has always been active in the field of renewable sources because it is convinced that they can play an important role in fighting climate change. An expanded use of renewable sources makes it possible to diversify the energy mix and increase the environmental compatibility of production facilities. Edison plans to invest over 1 billion euros over the next five years to build new wind farms in Italy and abroad, develop new small-size hydroelectric power plants (mini-hydro) and install photovoltaic systems, adding a total of about 900 MW of generating capacity.

As part of this effort, the Melissa/Strongoli wind farm, in the Calabria region, will be on operation early in 2009, bringing to 354 MW the Group's total wind power capacity in Italy. In addition, installation of a 3.3-MWpeak photovoltaic system at the Altomonte power plant is nearing completion. This facility is the first system in a plan that calls for the development of up to 25 MW of photovoltaic capacity. In the hydroelectric area, work continued on repowering and upgrading Edison's and Edipower's

historical power plants, with investments estimated at about 380 million euros. As a result, installed capacity will increase from the current 1,700 MW to 1,800 MW by 2014.

Activities involving other renewable sources included the start of a project to overhaul the Castellavazzo solid biomass power plant. As part of this project, Edison and Confagricoltura (an organization that represents Italian farmers) signed a protocol of understanding concerning the design and construction of biomass power plants by sufficiently large and carefully selected agribusinesses.

Research and Innovation of the Environment

Edison's contribution to fighting climate change also includes a commitment to the development of innovative technologies.

Specifically, the Group focused its research and development activities on three main areas:

- technologies for power generation from renewable sources (solar, photovoltaic, wind, biomasses);
- technologies for low-impact power generation to reduce emissions;
- efficiency and services related to energy efficiency and energy conservation.

Other projects in this area included research activities in cross-functional areas concerning advanced energy materials and the development of proprietary technologies.

Experimental activities are carried out mainly at the Edison Research Center in Trofarello and at the IENI Institute operated in Lecco by the CNR, with which Edison has a collaborative relationship.

Lastly, the Group built a testing facility at the Altomonte power plant where conventional and next-generation photovoltaic modules and systems can be tested.

The establishment of collaborative relationships with highly prestigious organizations provides Edison with a privileged position in monitoring change in the technology scenario, which is an indispensable condition to identify the best solutions in the environmental field.

Accordingly, Edison's R&D Department has established over the years a network of cooperation agreements with many of the main research centers in Italy and abroad. Lastly, Edison works closely with the EDF Research Center, sharing and developing their respective competencies.

Edison and Italy's Nuclear Program

Edison is currently carefully assessing the use of nuclear energy as a technology for the production of electric power that generates no CO₂ emissions and provides better diversification of supply sources than conventional technologies.

Consequently, it has carried out detailed feasibility studies about the use of advanced third-generation nuclear systems and is ready to contribute to the development of nuclear projects in Italy once the legislative and regulatory framework is decided.

CDM: An international cooperation mechanism provided under the Kyoto protocol for the development of greenhouse gas reduction projects in developing countries that generate credits (CER) that can be used in part by a company to achieve its reduction objectives.

JI: An international cooperation mechanism provided under the Kyoto protocol for the joint development of greenhouse gas reduction projects in countries with transition-phase economies that generate credits (ERU) that can be used in part by a company to achieve its reduction objectives.

SOCIAL RESPONSIBILITY

TOTAL NUMBER OF GROUP EMPLOYEES

2007	3,573
2008	3,559

(*) Net of IWH

NUMBER OF EMPLOYEES HIRED

2007	198
2008	324

FEMALE EMPLOYEES (%)

2007	15.6 %
2008	16.9 %

No. OF EMPLOYEES TRAINED DURING THE YEAR

2007	3,025
2008	3,055

TRAINING HOURS PER CAPITA

2007	40
2008	41

AVG. PRODUCTIVITY BONUS PER CAPITA

2007	1,467 euros
2008	1,530 euros

TRAINING AND DEVELOPMENT COSTS

2007	3 mln euros
2008	3 mln euros

(*) Only teaching costs

EMPLOYEE ACCIDENT INJURY RATE

2007	3.90
2008	3.18

(*) Excluding injuries in transit

EMPLOYEE LOST DAY RATE

2007	0.16
2008	0.05

(*) Excluding injuries in transit





OUR EMPLOYEES

Edison's people, traditionally the engine that drives the Company's growth, are a significant factor in the achievement of the Group's objectives by reliably delivering top level performance.

Equal opportunity, awareness of employee 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 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. Specifically, Edison does not tolerate any type of irregular work, off-the-books employment and, especially, child or forced labor.

Employee Recruitment Methods

Edison hires new employees both to acquire in the market competencies and professional skills that are not available internally and to recruit young people in whom it can invest to support the Group's growth and development. Recruitment and selection activities are used to fill line staff requirements and to hire recent college graduates, professionals and managers needed to fill positions in growing businesses within the Group's operations. An internal databank that interfaces in real time with the Edison website stores employment applications submitted to the Company and makes them permanently available for open searches. Special attention is paid to college seniors and recent graduates, to whom Edison offers numerous internship 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.

Employee Development

Edison manages its staff leveraging the aspirations and professional expectations of individual employees to achieve its business and organizational development objectives. Employee development is based on a **Management Model** used to identify, guide and develop the management skills required of Company managers to achieve the Group's objectives. Edison also developed a **Performance Assessment** process that was applied to 873 employees in 2008. This process, which targets executives, middle managers and college graduates, is designed to promote the achievement of business objectives and foster personal development in accordance with merit-based criteria, within an objective and transparent interaction framework. Lastly, it recently finalized a project to **Define and Assess Competencies** within professional families and role classifications with the objective of increasing key competencies for the development of the Group's businesses. Edison also provides recent college graduates with a special development, training and compensation path to support them during the first three years they spend at the Company.

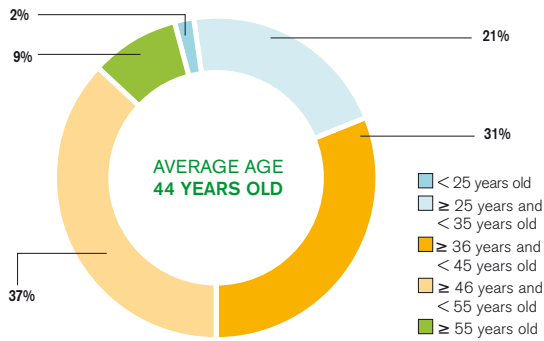
Compensation and Incentive System

Edison compensates its employees based on merit-based criteria, related to the results of the management review process, which provides an integrated assessment of achievements, development potential and professional skills, systematically benchmarked against market standards.

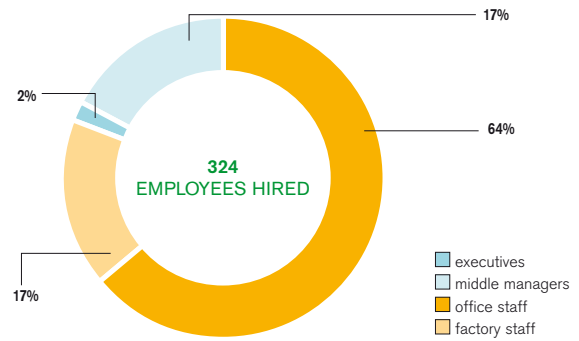
The compensation system for all employees, with the exception of executives, includes collective incentives (result bonus) based on the achievement of profitability and productivity targets and is designed to foster a more direct involvement of the staff in the pursuit of the Group's objectives.

In addition to a fixed amount, the compensation system for executives and professionals includes a specially designed system of variable incentives based on the achievement of annual and multi-year targets.

AGE OF EDISON'S STAFF IN 2008



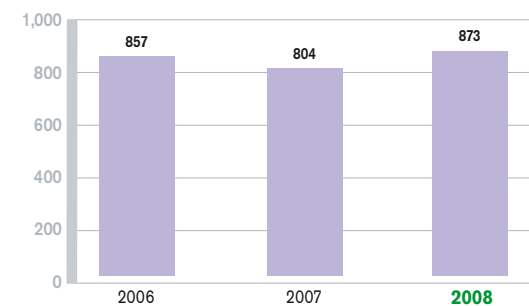
EMPLOYEES HIRED IN 2008 BY STATUS



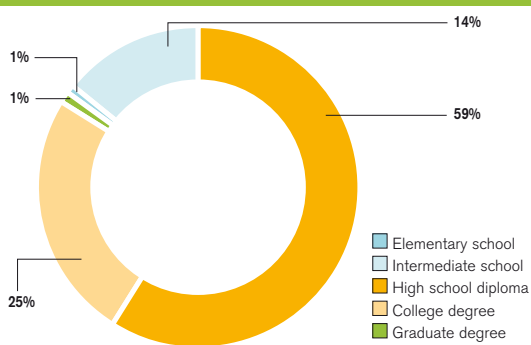
FEMALE EMPLOYEES (%)



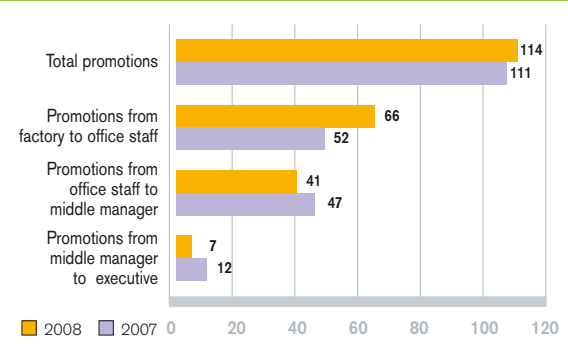
EMPLOYEES WHO UNDERWENT AN ANNUAL PERFORMANCE ASSESSMENT



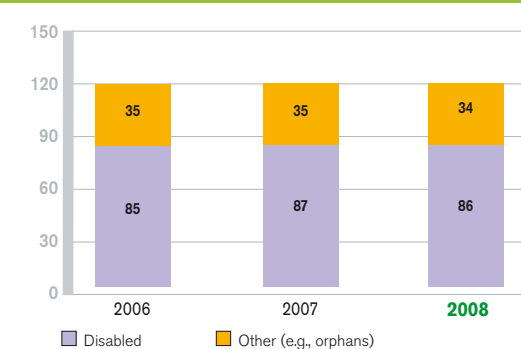
EMPLOYEE EDUCATION LEVEL IN 2008



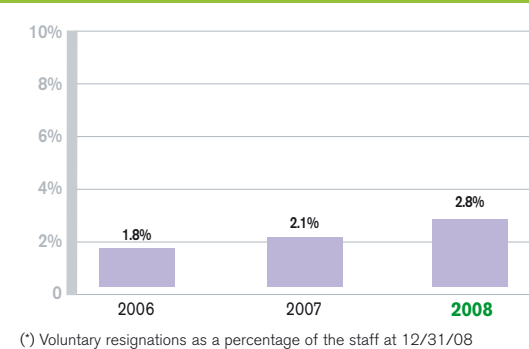
CAREER ADVANCEMENT DURING THE YEAR



EMPLOYEES IN PROTECTED GROUPS



GROUP EMPLOYEE TURNOVER (*)



For this group of employees, Edison has developed a three years program called "Long Term Incentive", based on the achievement of targets, which measure the Company's profitability growth, benchmarked against top Italian and European competitors. Since 2007, Edison has been holding its annual *Edison Group Award* event to honor teams involved in special strategic Group projects. The 2008 awards went to power plants that performed particularly well in the area of injury prevention, the team that handled the construction of the Rovigo regasification terminal and the operational management team of Edipower's Euclid program.

Training and Empowerment of Human Resources

Based on the findings of a structured process designed to determine the Group's training needs, the Personnel Department defines extensive training programs to address the dual needs of developing specific technical competencies and strengthening management competencies, which benefit the entire staff.

A total of 145,848 training hours were provided in 2008, at a cost of 3 million euros.

The main issues covered included team leadership management and motivation of employees. Other programs developed for specific professional families included trading activity training.

In addition, extensive training was provided on the new Occupational Health and Safety Act, including a professional development plan for Prevention and Protection Services Officers.

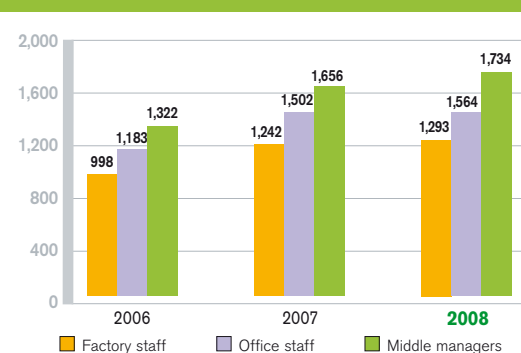
Lastly, 2008 marked the conclusion of the assessment phase of the "Edison Professional System" project, which defined the trade competencies of the main professional profiles within the Company and the subsequent assessment of 800 employees.

Occupational Health and Safety

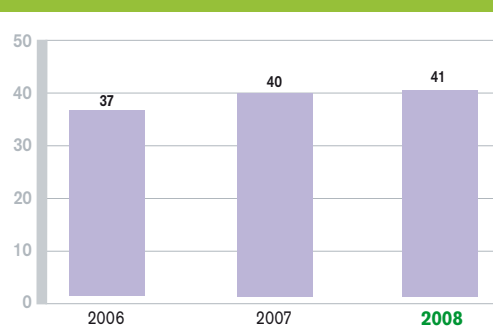
Occupational health and safety has always been a core concern for Edison because of fundamental role it plays in protecting the integrity of all working people, including both employees and outsiders who contribute to the Group's activities. The adoption of health and safety systems that comply with 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 prevention with the goal of fostering the development of a culture of safety at all levels of the organization. For this reason, Edison's main focus in this area has been on the empowerment and involvement of its employees. Awareness raising programs included the "Objective: Zero Risk" annual contest, in which children of employees compete by submitting artistic works on safety issues, and the **Safety Day** event, which is held to emphasize that the protection of the environment and of human health and safety requires a commitment that must be pursued every day.

Occupational injuries situation, both for Company and contractor employees, shows that, after a significant reduction in injury rates achieved in earlier years, the Group's performance has stabilized at

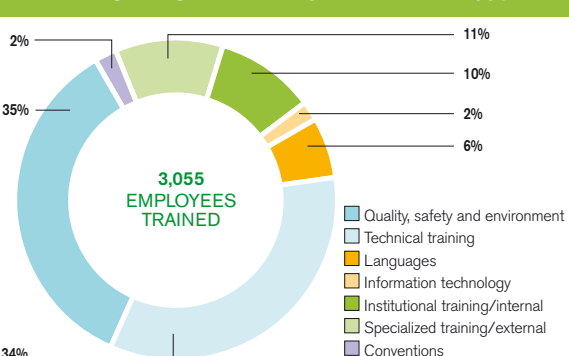
AVERAGE PER CAPITA PRODUCTIVITY BONUSES PAID



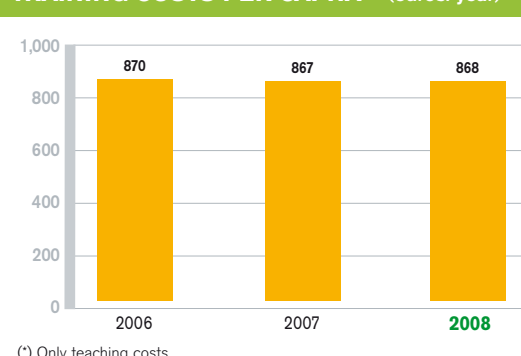
PER CAPITA TRAINING HOURS



BREAKDOWN OF TRAINING BY TYPE IN 2008



TRAINING COSTS PER CAPITA (*) (euros/year)



excellence levels, compared to Italian and International scenario. A reduction in the number of hours worked, rather than the increase in the number of injuries (32 compared with 29 in 2007), is the main reason why the injury rate for employees of contractors was up slightly. This indicator will be monitored in 2009 to identify specific areas where action is required. However, an improvement in the lost day rate for contractors shows that the injuries that occurred in 2008 had limited consequences. In 2008, the Group carried out a complete assessment of its currently organizational safety model and took action to comply with the new provisions concerning the risk evaluation and contractor management process. The development of a new Interference Risk Assessment Document, applied to contractor companies that work at Edison locations, made it possible to improve the field coordination process applied to these companies, while the adoption of a uniform and controlled process to identify safety costs enabled the Group to achieve full compliance with the requirements of the new Uniform Occupational Safety Code.

Industrial Relations

Edison shares with the labor unions a system of industrial relations based on an ongoing constructive dialog, carried out with the utmost respect for the fundamental principles that

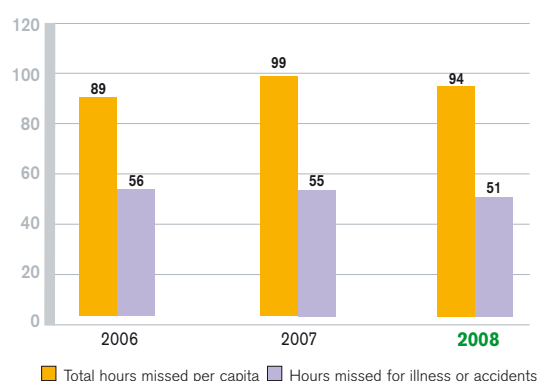
underpin the main relevant collective bargaining agreements. Early communication, consultation and debate and dialog between the parties are the essential tools to maintaining a systematic approach to union relations and, consequently, deploy positive solutions for the Company and its employees and avoid the occurrence of personal and collective conflict.

The most significant events of 2008 included the following:

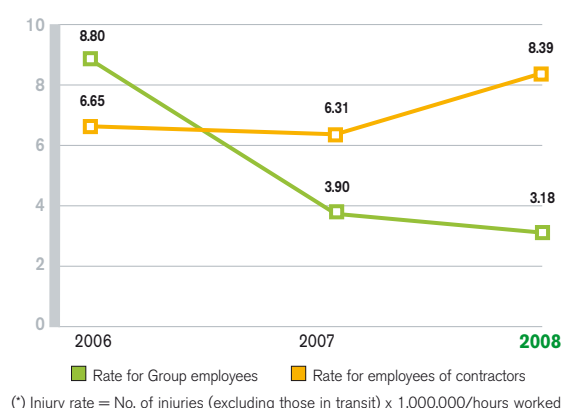
- signing of an agreement with the labor unions for the electrical industry that regulates weekly work schedules and the compensation portion of the Result Bonus for 2008 and revises the reimbursement levels provided under the Supplemental Health Benefits Program;
- sale of 7 thermoelectric power plants to Cofathec Servizi S.p.A. and Seci Energia, resulting in the transfer of 93 employees to the buyer companies;
- sale of hydroelectric facilities in the provinces of Trent and Bolzano to Dolomiti Edison Energy S.r.l. and Hydros S.r.l., respectively, resulting in the transfer of 64 employees to these newly established companies.

In recent years, the Company has been virtually free of collective work stoppage events. Most strikes, which lacked significant support among Edison's employees, were called at the industry level in pursuit of industry-wide objectives or, more in general, for purposes related to national political issues.

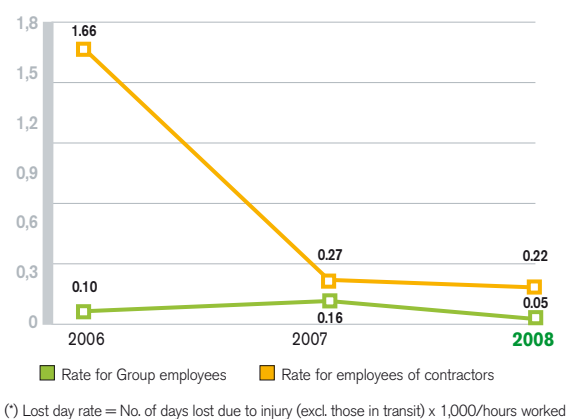
HOURS OF WORK MISSED PER CAPITA



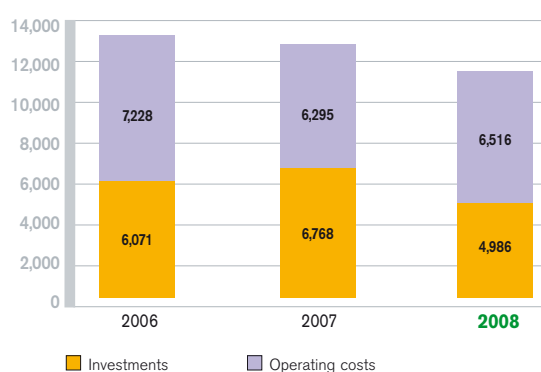
INJURY RATE (*)



LOST DAY RATE (*)



OCCUPATIONAL SAFETY COSTS AND INVESTMENTS (in thousands of euros)



Internal Communications About Sustainability Issues

The main event of 2008 was the launch of the “**Ri-evoluzione**” project, as an opportunity for reflection, discussion and dialog about issues that are important for the Company’s businesses, such as energy conservation and sustainability. This internal communication campaign publicized models of daily conduct that can be followed both at the office and at home to conserve energy.

The objective of this project is pursued with three actions: recycle, respect and conserve. In June 2008, all Edison employees received a “**Ri-evoluzione**” kit that specifically addressed water and energy conservation, followed, in July, by the launch of the “**Sustainability Shots**” photography contest for employees on energy conservation and sustainability. The 12 pictures that received the most votes on the Intranet were used to illustrate the 2009 Edison Calendar, the theme of which is sustainability and energy conservation.



The **Edison +** Company intranet portal was activated in 2008. This increasingly useful and interactive tool, which can be used to obtain work-related information and keep up to date on facts, events and projects concerning the Company, enables employees to share data, documents, photographs and videos. The launch of the new portal was accompanied by the birth of the Edison + monthly newsletter, which reports on the main developments in the Edison world. Lastly, MondoEdison, the magazine distributed to all employees that provides more detailed presentations of issues concerning the Company, was revamped and special issues were published, including one on the Beijing Olympics and Edison’s partnership with the Italian Olympic Committee.

In order to foster and strengthen employee cohesion, the Company provided several regular meeting opportunities and organized corporate, sports and team-building events, which included:

Working Parents Day, which enabled the children of employees to see for one day their mothers and fathers at work; the **Summer Feast**, which marked the conclusion of the Eleventh Company Tournament of Arena Soccer; and the **Managers and Executives Convention**, which was held concurrently with the unveiling of the EdisonCasa sales package for the residential market.

The closing event of 2008 was the annual **Christmas Party** for the Milan metropolitan area, which featured entertainment and music and saw the debut of the **Edison Band**, a new team-building idea based on the notion that music is an agent of change and that it is the employees who are the true protagonists of change. The Christmas party also provided a venue for the **Edison Group Award 2008**. Lastly, the first phase of the *Enlightened Conservation* project, which started in 2007 at the initiative of a group of employees in connection with the Sustainable Development Trophy, was completed in 2009, resulting in the installation of about 400 square meters of photovoltaic panels on the rooftop terrace of the Company’s historic Foro Buonaparte headquarters in Milan. This system will generate about 30 MWh of power a year, avoiding the emission of about 18 tons of CO₂. This project will be gradually extended to all Edison field offices and power plants in Italy.

LISTENING TO THE NEEDS OF EMPLOYEES AND BALANCING WORK AND PRIVATE LIFE: EDISON PER TE

In April 2008, the Company launched *Edison per te*, a program designed to help employees reconcile their personal needs with their professional obligations by providing services and activities that covered four support areas: Health and Wellness, Family, Personal Time, and Savings Opportunities.

This program is the result of an analysis and survey process that included the following phases:

- analysis of the practices in use at Edison and benchmarking with companies in the energy sector and other industries in Italy and internationally;
- survey of employee needs and expectations;
- development of activities and services for activation in areas identified as requiring support.

The **Health and Wellness** area includes medical prevention services, which in 2008 were provided in cooperation with the Italian League for the Fight Against Tumors; online medical consultations; information about medical facilities and hospitals; and wellness programs designed to promote physical activity. The **Family** area includes pediatric assistance services, summer camps, online information technology and foreign language courses for the children of employees, information about facilities and services for children and teenagers, and babysitting contacts and reservations.

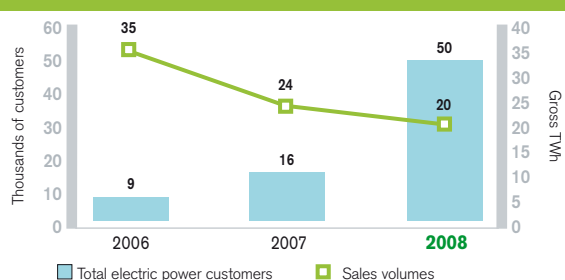
The **Personal Time** area offers to employees in the Milan area support by specialized personnel in dealing with the public administration and to employees at all locations online support for private and personal legal and tax issues.

Starting 2009, the programs previously handled by the Edison Recreational Association will be gradually shifted to *Edison per te* and new initiatives will be added in the **Savings Opportunities** (conventions and discounts) and **Leisure Time** areas. In addition, the programs promoted by the Edison Seniors Group will be strengthened and new leisure time activities added, which will also be open to former employees who are members of the Recreational Association.

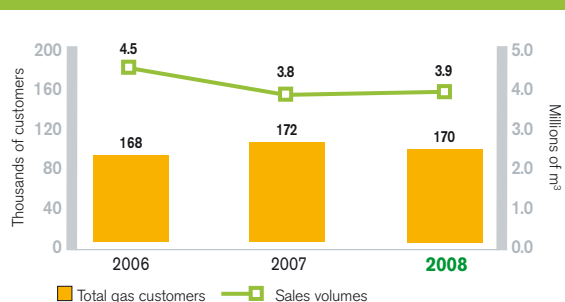
A satisfaction survey of this program, which is open to all employees, including part-time and temporary staff, showed that 96% of the people surveyed were aware of the program and 85% of them found it useful. In January 2009, *Edison per te* was awarded the **FamilyWork Prize**, promoted by the Region of Lombardy and ALTIS, having placed first in the “Best Program of Integrated Employee Services” category.



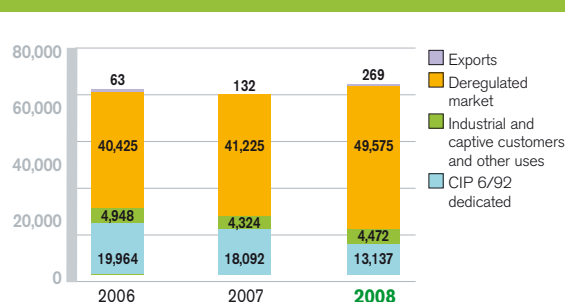
ELECTRIC POWER CUSTOMERS SERVED AND SALES VOLUMES



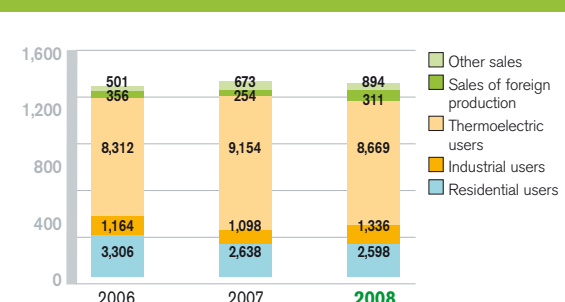
GAS CUSTOMERS SERVED AND SALES VOLUMES



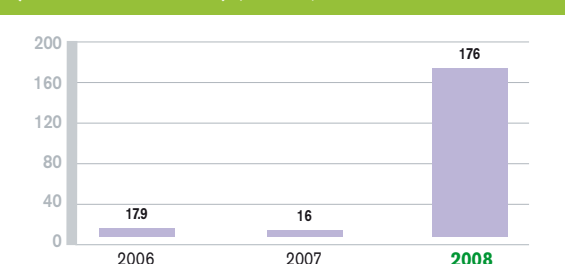
USES OF ELECTRIC POWER (in GWh)



USES OF NATURAL GAS (in thousands of m³)



ENERGY SOLD THROUGH "GREEN" PRODUCTS (RECS CERTIFIED) (in GWh)



OUR CUSTOMERS

A significant event that characterized 2008 was Edison's entry in the residential market. The Group targeted the home user market with a direct sales program, choosing to transfer to consumers the value of its production, generated from high efficiency power plants and renewable source facilities. As part of this effort, Edison is committed to delivering to its customers high quality services through innovative and competitive sales packages, tailored to the consumption profiles and needs of each consumer.

Services for Intelligent Energy Consumption

Energy efficiency and the rational use of energy sources are important issues not only in terms of seizing opportunities to reduce energy costs, but also with regard to increasing our industry's environmental sustainability. One of Edison's goals is to help its customers use energy carefully and rationally. For this purpose, it has developed a portfolio of services capable of meeting the needs of different types of customers, based on the characteristics of their equipment, their production processes and consumption levels, and the requirements of the buildings where they are located.

The **Energy Check** service can be used to pinpoint areas where consumption of electric power, heat and water can be reduced, both at production facilities and in residential and office buildings. Services that help boost energy efficiency include **Rephasing**, **Power Quality**, **Cogeneration** and **Maintenance of Transformer Stations and Natural Gas Substations**. In addition, Edison offers to customers in the Business Segment the construction of photovoltaic systems on a turnkey basis, which it provides through agreements it has executed with top technical partners.

A Sustainable Product Line

In 2008, Edison activated a new sales channel for Eco3business and Eco3family, two products through which it offers RECS (Renewable Energy Certificate System) certified renewable energy. Both sales packages are now distributed by the Metro sales outlets, providing Edison with a direct contact with the market of small and medium-size businesses. Thanks to the Eco3business currently in effect, "green energy" is being delivered to more than 18,000 manufacturing locations. In addition, the partnership established with Lifegate in 2008 enabled the Company to launch two new products based on the supply of renewable energy in combination with a program to offset the effects of power plant construction and contract management activities by supporting reforestation programs in Italy and abroad. The two sales packages that carry the Edison Lifegate name are ZeroEpeople and ZeroEplanet.

Customer Satisfaction and Service Quality

Edison operates a Customer Relationship Management (CRM) system that uses a broad array of channels to communicate with customers. This system was activated in January 2007 for electric power customers in the Microbusiness Segment and has since been expanded to handle sales campaigns and aftersale activities for electric power customers in the Residential Segment. A total of 189,000 service requests were opened and handled through the CRM system, including 152,000 service requests that were resolved directly by the Contact Center with a one-call

solution. The remaining 37,000 service requests were resolved either by Contact Center personnel or by Edison's Customer Service Department within an average of less than seven days. Calls to the Contact Center were fielded with a level of service of 84.2% (calls answered within 30 seconds) in the Small Business Segment and a level of service of 80.1% in the Residential Segment.

In 2008, Edison received about 4,500 requests of sales service information and complaints from electric power customers and 900 from natural gas customers and, in 96% of the cases, it succeeded in meeting the objective of resolving the issue in less than 20 business days, as required by the Energy Authority. Also in 2008, Edison Energia was awarded ISO 9001:2000 quality certification for its operations that market electric power, natural gas and services.

Edison Energia's quality management system provides greater

control over the process of delivering products and services by monitoring on an ongoing basis the activities in this area through the use of detailed monthly reports.

The process used by Edison to prepare sales and advertising material is compliant with the regulations that govern the management of personal information. As of December 31, 2008, the Company had received no complaints and had not been the target of an investigation with regard to these issues.

Lastly, the Electric Power and Natural Gas Authority (AEEG) fined Edison Energia for the incorrect application of the M coefficient (as set forth in Resolution No. 237/00, Section 17.1) to three final customers out of a total of about 167,600 customers. Edison Energia refunded to the three customers the modest amounts that they had been improperly asked to pay and was required to pay the minimum statutory administrative fine of 25,822.84 euros, pursuant to Law No. 481/95.

EDISONCASA AND THE AMICABLE RESOLUTION SYSTEM: BOTH CREATED BY LISTENING TO AND DIALOGING WITH CONSUMERS

From the moment the electric power market was deregulated in July 2007, Edison began a long process of listening to Italian consumers and analyzing their needs. The Company ran a series of focus groups to test different options concerning products, pricing and advertising media.

This effort resulted in the development and launch, in September 2008, of EdisonCasa: an electric power sales package for the residential market that includes a 20% discount on the cost of energy (equal, on average, to 65% of the entire bill). This formula is a strong indication of Edison's commitment to help families in their daily struggle with rising prices, while providing concrete support for the deregulation of the electric power market.

Concurrently with its entry into the residential market, Edison, working with the support of the Italian Association of Electric

Power Companies and the AEEG, began to carry out some activities in cooperation with Italy's main consumer groups.

One such activity was an information campaign on the deregulation of the electric power market and the opportunities that this created for residential users.

In addition, thanks to an agreement between Edison and 11 consumer groups, the amicable resolution system was activated on an experimental basis in 2009. This system can be used to resolve disputes between the Company and its customers amicably, voluntarily and free of charge.

Lastly, Edison is discussing with the AEEG options that could be applied to simplify the current regulations governing invoicing issues, in order to produce customer bills that are clearer and more readily understandable by end customers.



OUR SUPPLIERS

Edison is aware of the role played by its suppliers in ensuring and increasing the Group's overall competitiveness. Accordingly, it defined in its Code of Ethics the basic principles for building and maintaining stable and quality relationships with its commercial partners.

Cooperation, transparency, lack of discrimination and compliance with contract terms are the fundamental principles adopted by the Group to deal fairly with its suppliers.

When purchasing products and services Edison follows a policy based on maximum transparency, impartiality and open competition, dealing with suppliers who, in addition to meeting the Company's needs, are also able and willing to apply the best organizational and work methods in the areas of safety, protection, workplace hygiene and ethics.

Edison's procurement procedures guarantee compliance with

social and environmental requirements and include control systems and the use of corrective actions.

Accordingly, the supplier qualification process (before ordering) and the assessment of their performance (after delivery) ensure that suppliers meet the requirements of technical, commercial and financial reliability and ethics needed to enable the Company to achieve its growth and development objectives.

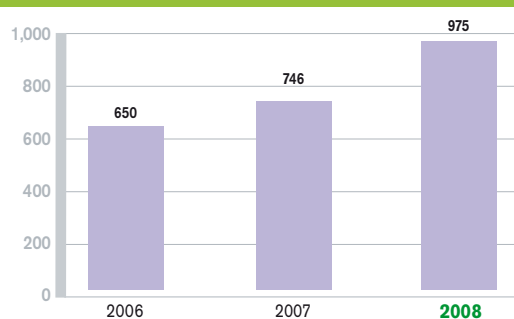
Lastly, Edison promotes relationships with local businesses in the areas where its facilities are located to foster their economic development and consolidate its relationship with the community.

Qualification and Selection Systems

Each supplier of goods or services can ask spontaneously to be qualified on Edison's or Edipower's Web portal, applying for the relevant merchandise and service categories. Depending on the strategic significance of each category, the process follows the path required for inclusion in the Vendor List or the Supplier Register. In the case of the latter, after an initial prequalification phase, the Supplier Qualification Team (SQT) decides whether a company should be asked to proceed with the actual qualification process. The SQT has expertise in multiple areas and, depending on the merchandise categories involved, may use specialists to provide opinions on technical, conduct, economic and financial issues.

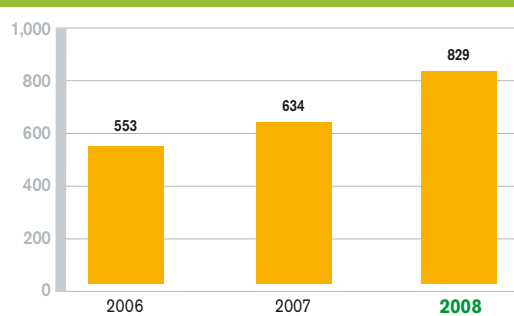


VALUE OF PURCHASES OF GOODS AND SERVICES (in millions of euros) (*)



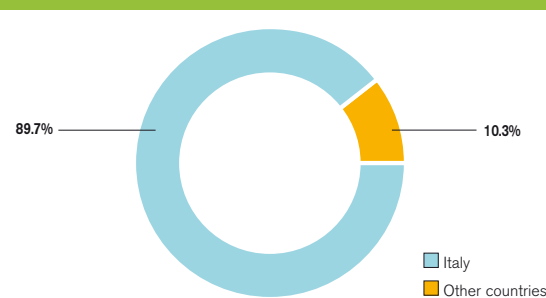
(*) These amounts include the data for Edipower.

VALUE OF PURCHASES FROM QUALIFIED SUPPLIERS (in millions of euros) (*)



(*) These amounts do not include the data for Edipower.

GEOGRAPHIC BREAKDOWN OF PURCHASES OF GOODS AND SERVICES – 2008 (*)



(*) These amounts include the data for Edipower.

Qualification for inclusion in the Supplier Register is valid for three years. Active suppliers undergo performance reviews and negative findings can require the adoption of improvement actions or cause changes in the qualification status.

When selecting suppliers who work at Edison locations, in addition to assessing their technical and financial capabilities and reputation, special attention is paid to occupational safety issues and the corresponding preventive measures and to compliance with employee compensation and benefit standards.

In 2008, 85% of the value of Edison's purchases was provided by suppliers who underwent the qualification process. In the case of Edipower, 91% of the orders for major merchandise categories was issued to qualified suppliers. In the case of repetitive purchases of non-strategic items, Edison has been steadily increasing the use of framework agreements, encouraging the placement of orders by means of online catalogs via dedicated software accessed through the B2B system instead of managing orders through the SAP/R3 system. The Edison Group has neither been a plaintiff nor a defendant in legal disputes with a supplier since 2006.

PUBLIC INSTITUTIONS

The Group's 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 the public administration to monitor and manage the process of securing authorizations, permits, concessions and public grants and financing. Relationships with public officials are carried out in full compliance with the requirements of the Organizational Model adopted pursuant to Legislative Decree No. 231/01.

Edison maintains an ongoing dialog with the Italian government and Parliament, regulatory agencies, E.U. institutions, local governments and trade associations, actively collaborating with these entities and making available to them the Company's knowhow in specific areas. The Institutional and Regulatory Affairs Department monitors daily developments in Parliament, providing support during the bill drafting process and developing "corporate position papers" that best represent the

interests of the Group.

At the E.U. level, Edison follows the proceedings of the Council of Europe and the European Parliament. Consistent with its commitments in this area, the Group was the first Italian business to join the Lobbying Transparency Register established by the European Commission. Edison's inclusion in the Register, which is not mandatory, ensures that Commission officials are being provided with transparent communications about the Group's activities in Brussels and will constitute a hallmark of the credibility and knowledge of its corporate and professional spokespersons.

Inclusion in the Register requires a commitment to comply with the Commission's Code of Conduct governing relationships with E.U. officials when engaging in direct lobbying within E.U. institutions and, at the same time, to agree to respect the requirements set forth in the Parliament's Code of Conduct for permanent access to the Parliament's facilities. Because of its inclusion in the Register, Edison will be automatically contacted as part of any public consultation carried out by the Commission. Lastly, Edison is actively involved with industry associations (Confindustria, Assoelettrica, Assomineraria, Federestrattiva, Eurelectric, Unice, etc.) and associations that support broad-based interests (environmental associations, trade associations, consumer associations, etc.)

ROVIGO: EUROPE'S FIRST OFFSHORE REGASIFICATION TERMINAL IS AN EXAMPLE OF SUCCESSFUL COLLABORATION WITH PUBLIC INSTITUTIONS

In September 2008, ten years from the project's beginning, the Adriatic LNG terminal, the first of its kind in the world, was positioned offshore the Veneto coast and is expected to go on stream during the first half of 2009.

The success of this project is the result of an intense activity that included an ongoing dialog with local, national and E.U. institutions focused on identifying the best possible solutions for the construction of an infrastructure of strategic importance for Italy's modernization and development.

The Italian energy and antitrust authorities have defined this project as a development of fundamental importance

to improve the competitiveness of Italy's natural gas market.

Currently, Italy imports natural gas through four pipelines, each of which is physically tied to one of the producing areas (Russia, Algeria, Libya and Northern Europe). On the other hand, the supply of liquefied natural gas (LNG) provides greater procurement flexibility and access to distant markets where competitively priced products may be available.

Produce more energy but reduce emissions. Natural gas, a valuable and "clean" energy source, is by far the best solution to meet both of these requirements.



OUR COMMUNITIES

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 a dialog with local communities and transparent communications. During the past 10 years, Edison completed an investment plan in the electric power area that is unmatched in Europe, adding about 7,000 MW of new generating capacity. The process that made such an achievement possible requires a unflagging commitment by the people involved over periods of time that could last several years and an effort to achieve a broad involvement of the local communities.

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.

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

IGI, AN EXAMPLE OF TRANSPARENT AND CONSTRUCTIVE DIALOG WITH THE LOCAL COMMUNITIES



A significant example of Edison's success in involving all stakeholders in the decision-making process is the IGI project for the construction of a pipeline across the Strait of Otranto that will link Italy with Greece and allow importation of natural gas from the Middle East.

The local communities in the region of Apulia that are affected by the arrival of the gas pipeline have been involved to a very significant extent in the development of this project through a process of contact and dialog that spans five years. Edison's contact with local authorities began in 2004, when the project was unveiled at an event attended by the national representatives of Legambiente, a major environmental association. A number of events that included meetings with local environmental associations, local institutions and the local population were held during the ensuing four years until, in 2008, the local City Council approved an agreement establishing Edison's obligations toward the local community. Subsequently, additional initiatives were planned to involve local communities and increase their awareness of key issues, including a project for the local schools designed to make students more aware of the importance of energy conservation and sustainability issues.



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.

The work done by Edison alongside local institutions enabled the Candela (Fg) municipal administration to win the Pimby (Please In My Backyard) award *"for having contributed to show infrastructure and local development can be reconciled when there is a willingness to involve local players in a shared development project."*

A Commitment to Education, Culture and Sports

Edison views partnerships with entities, nonprofit associations and institutions an integral part of its corporate responsibility strategy because they represent effective tools to dialog with civil society and its stakeholders. The Company has chosen to focus its efforts on a few priority issues: first of all, culture and the environment, particularly in the areas where it operates, but also sports, both locally and at the national level. The methods it uses to pursue these objectives always include targeted investments to support specific projects and the community achieved through collaboration with public institutions.

Edison is keenly aware of the needs of the **younger generations**, which it addresses with projects involving environmental and social education, energy conservation and children support services. Programs in these areas included:

- **"Happy at School,"** a collaborative project with Sodalitas promoted for the second year in the Milan school system on the issue of "bullying" that in 2008 trained 95 teachers at 38

schools on how to prevent youth violence;

- **"Soft Rugby,"** a project offered in partnership with ASRugby through which 600 children with symptoms of physical disabilities were enrolled in a sports program that helped them achieve better integration;
- **"L'Ovale al Beccaria,"** also a project in partnership with ASRugby, offered to young men held at Milan's Beccaria juvenile detention center, giving them an opportunity to participate in sports activities and welcoming them at ASRugby at the end of their detention;
- **"Edipower per la scuola,"** a project on energy and sustainability for elementary, intermediate and high school students in the areas where Edipower's facilities are located.

Edison has been collaborating with Legambiente for over 10 years on programs about environmental education and energy conservation. In addition to promoting a culture of energy conservation, the 2008 edition of the **"Kyoto anch'io – La scuola amica del clima"** contest encourages the implementation of programs to reduce energy consumption at the schools enrolled in the contest. The school with the best environmental and energy building requalification project won a photovoltaic system as a prize. Activities carried out in connection with the contest included Italy's first survey of the energy efficiency of school buildings, which covered 2,035 schools. The data collected covered such issues as the energy usage of buildings, from lighting to heating, and including waste management and security.

In the area of **culture**, Edison supports directly or through sponsorships the implementation of culturally significant initiatives and activities. One such project is the ongoing design work to transform the decommissioned **Emilia Power Plant** in Piacenza into a museum center that will host art exhibits on an ongoing basis. Art shows that Edison supported in 2008 included **Canova at the Tsar's Court** at Milan's Palazzo Reale and **From Titian to Pietro di Cortona: Myth, Poetry and the Sacred** at Museum of Cycladic Art in Athens. Other initiatives included a project for the preservation of collective memory that involved digitizing over 4,200 images from Edison's photography and film archives (www.lombardiabeniculturali.it). Lastly, Edison honored the

EDISON – CHANGE THE MUSIC: THE FIRST MUSICAL PROJECT WITH A LOW ENVIRONMENTAL IMPACT

In 2008, Edison launched **Edison – Change The Music**, a project that used three initiatives – Community, Green Music Book and Contest – to cover all areas of the music business, from event organization and promotion to recording studios, logistics and transportation at event locations, and waste management. The project's objective, which enjoyed the support of major artists, record companies, event organizers, music promoters and the media, was to obtain concrete and measurable results in terms of energy conservation and environmental impact reduction through music and all related activities. Over 300 bands from all over Italy competed in the Contest's part of the project. The 12 semifinalists performed at three cities that are home to facilities of the Edison Group: Otranto, Piacenza and Milan. The greatest

possible number of activities and technical solutions that favored energy conservation and respect for the environment were adopted during these concerts. On MySpace, the Community welcomed anyone who subscribed to the project's principles and wanted advice and information on energy conservation in music.

The Green Music Book is an evolving guide on energy conservation and emissions reduction in music developed by members (406 entries) of the Community.





filmmaker and former employee Ermanno Olmi with the publication of a DVD entitled **Ermanno Olmi. The Edison Years** on the occasion of his selection as the winner of the Golden Lion Lifetime Achievement Award at the 65th Venice Film Festival.

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 2008, the Group supported sports initiatives both locally and at the national level. Edison is the official partner of the **Italian Volleyball Federation** and its Men's and Women's National Teams and of the **Italian Rugby Team**. In addition, under an agreement with the Italian National Olympic Committee, it is sponsoring all Italian Olympic athletes from 2008 to 2010. As the main sponsor of the **Italian Olympic Team** at the Beijing Olympics, Edison organized at Casa Italia a series of informational events on environmental sustainability and energy conservation. In addition, its **Row for a Minute Like a Champion** project and the **It's a Whole New**

Energy contest raised 65,000 euros for the Telethon. Lastly, Edison was the main sponsor of the 2008 Italian Track and Field Championships.

Edison is also involved in the **social services** area with the **Siticibo** and **Missione Sogni** projects and the support it provides to AMREF. **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. **Missione Sogni** is a charitable organization supported by Edison that, working with the utmost confidentiality and the approval of a scientific board, helps children between 5 and 18 years old suffering from serious chronic diseases or disabilities realize their dreams. Lastly, Edison helps **AMREF** build water wells in Kenya (4 in 2008) and educate the local tribes about the importance of a sustainable and shared use of water resources. In 2008, Edison was again present at the fourth edition of **Dal dire al fare**, the corporate social responsibility show that provides it with an opportunity to interact with its stakeholders. In 2008, Edison distributed a total of 2,820,000 euros in sponsorships and 442,000 euros in charitable contributions.

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, and by sponsoring projects that are consistent with the purposes stated in its Bylaws. Recent important initiatives and

publications in which the Foundation was involved included the promotion of a convention entitled "Foreign Investments and International Trade. The Geo-economics of Development," which was held in Rome in March 2008, and preparation together with Accademia dei Lincei for a symposium entitled "Environmental and Energy Innovation in Economic Dynamics," which is scheduled for May 2009. Publications included a new volume in the Foundation's institutional series entitled "Local Banks, Industrial Clusters and Small and Medium-size Businesses," a book entitled "The EU and the Economies of the Eastern European Enlargement," and several other studies and research works, and a newsletter about the Foundation's activities.



A NOTE ON METHODOLOGY

The 2008 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 Electric Utilities Sector Supplement, 2007 Pilot version. 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 2008, the Group applied the B+ level of the Guidelines.

Edison views its Sustainability Report as a tool to communicate how the Group manages its corporate 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.

Edison was one of the first companies in Italy to prepare an environmental report. Since 1994, the year when it published the first document of this kind, it has been steadily expanding the scope of the report, moving from a strictly environmental focus to the coverage of health and safety issues and, starting with the first Sustainability Report in 2004, all areas of Corporate Responsibility.

The Sustainability Report is published each year and is 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 (electric power and hydrocarbon production, installed generating capacity) shown in the Report must be consistent with the consolidated 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), with Edipower consolidated at 100%, consistent with the previous year. Edison is Edipower's majority shareholder and chooses to fully include in its report the data of Edipower's environmental and social performance.

The scope of the environmental data includes all of the industrial facilities of the electric power and hydrocarbon operations, but only the Bolzano, Sambuceto and Trofarello complexes insofar as offices are concerned. In addition, the following disclosures are being provided in the 2008 edition of the Report:

- the 2008 environmental data for the seven thermoelectric power plants sold to Cofathec Servizi S.p.A. and Seci Energia are limited to the period from January 1 to March 31;
- the 2008 environmental data for the hydroelectric power plants sold to Dolomiti Edison Energy S.r.l. and Hydros S.r.l. are for the entire year.

Any additional reductions in scope are disclosed within the document and discussed in special notes.

In 2008, the data collection process was systematized, particularly with regard to social data, which made it possible to improve the quality of the final qualitative and quantitative information provided in this document.

As was the case in previous years, the 2008 Sustainability Report was audited by Independent Auditors to certify its compliance with the Guidelines defined by the GRI - Global Reporting Initiative. This process was completed successfully with the issuance of a certification of compliance, which has been annexed to this Report (page 42).

Auditors' Report
(Translation from the original Italian text)

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

1. We have carried out the compliance procedures and analyses on the Sustainability Report of Edison S.p.A. as of December 31, 2008, described in paragraph 2 of this report.

The procedures were carried out to evaluate the Board of Directors' statements, included in paragraph "A note on Methodology" of the Sustainability Report of Edison S.p.A. as of December 31, 2008, that such report has been prepared in compliance with the "Sustainability Reporting Guidelines" established by GRI - Global Reporting Initiative. The preparation of the Sustainability Report is the responsibility of Edison S.p.A.'s management.

2. In order to evaluate the Board of Directors' statements mentioned in paragraph 1., we have performed certain procedures as recommended by the Research Document n. 1 issued by GBS - Gruppo di Studio per il Bilancio Sociale - and in accordance with the criteria stated by the Audit Standard "International Standard on Assurance Engagements 3000", issued by the International Auditing and Assurance Standards Board ("IAASB"), which are summarized as follows:
 - verified that the financial data and information are consistent with those included in the separate and consolidated financial statements as of and for the year ended December 31, 2008, approved by the Board of Directors. The responsibility of the audit performed on the separate and consolidated financial statements as of December 31, 2008 is of other auditors who issued their opinion on February 20, 2009;
 - analyzed the operation of the processes underlying the generation, recording and management of quantitative data. In particular, we have performed the following procedures:
 - interviews and discussions with management and personnel, to obtain an overview of the activity of Edison S.p.A., to gather information on the information technology, accounting and reporting systems used in preparing the Sustainability Report, and to document the processes and procedures used to gather, combine, process and transmit data and information to the function responsible for preparing the Sustainability Report;
 - sample-based analysis of supporting documentation used in preparing the Sustainability Report to confirm the reliability of the interview-derived information, the effectiveness of processes and their adequacy in relation to business objectives, and the operation of the internal control system in managing the data and information.

- analyzed the completeness and consistency of the qualitative information included in the Sustainability Report. This activity was carried out in line with the above-mentioned guidelines;
 - verified the process of stakeholders' involvement, in terms of the methods used, completeness of the stakeholders and analysis of data of significant findings in this respect, compared to the information reported in the Sustainability Report;
 - obtained the representation letter signed by the legal representative of Edison S.p.A. on the compliance of the Sustainability Report with the guidelines indicated in paragraph 1. and on the reliability and completeness of the information and data contained therein.
3. For our opinion on the Sustainability Report of the prior year, which data and information are presented for comparative purposes, reference should be made to our report dated March 14, 2008.
 4. Based on the procedures performed, we believe that the Sustainability Report of Edison as of December 31, 2008 complies with the guidelines and principles which form the basis of preparation and which are described in the paragraph "A note on Methodology" of the Sustainability Report. Moreover, the financial data included in the Sustainability Report are consistent with the data and information included in the Group's consolidated financial statements and the other data and information are coherent with the documentation and meet the content requirements established by the guidelines and principles governing the preparation of the Sustainability Report.
 5. We draw your attention to the paragraph "A note on Methodology" which describes the method of consolidation of Edipower S.p.A..

Milan, March 16, 2009

Reconta Ernst & Young S.p.A.
signed by: Ettore Abate, Partner

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GRI INDEX

	Page	Global Compact
1 Strategy and Analysis		
1.1 Statement from the Chairman and the Chief Executive Officer	5	
1.2 Key impacts, risks, and opportunities	13-17, 22-24, 27	
2 Organizational Profile		
2.1 Name of the organization	7	
2.2 Primary brands, products, and/or services	7	
2.3 Operational structure	8	
2.4 Location of the organization's headquarters	ibc	
2.5 Countries where the organization operates	3	
2.6 Nature of ownership and legal form	20	
2.7 Markets served	34	
2.8 Scale of reporting organization	2-3, 6, 18, 28	
2.9 Significant changes	41	
2.10 Awards received	33	
3 Report Parameters		
3.1 Reporting period	41	
3.2 Date of publication of previous report	41	
3.3 Reporting cycle	41	
3.4 Contacts and addresses for report information	ibc	
3.5 Process for defining report content	15	
3.6 Scope of the report	41	
3.7 Limitations on the objective or scope of the report	41	
3.8 Information about affiliated companies	41	
3.9 Data measurement techniques and bases of calculations	41	
3.10 Restatements compared with previous report	41	
3.11 Significant changes from previous report	41	
3.12 Reference table	46	
3.13 Independent certification	42	
4 Governance, Commitments, Engagement		
4.1 Governance structure	12	
4.2 Indicate whether the Chairman is also an executive officer	12	
4.3 Independent and non-executive Directors	12	
4.4 Mechanisms for shareholders to provide recommendations	20, CG p. 279	
4.5 Linkage between compensation for Directors and top management and performance	CG p.263, 265-266	
4.6 Conflicts of interest	CG p. 272-273	
4.7 Qualifications of Directors	CG p.262-263	
4.8 Mission, values, codes of conduct, and principles	11, CE	
4.9 Procedures to identify and manage economic, environmental and social performance	13-15	
4.10 Process for evaluating the Board's performance	CG p.261	
4.11 Method for applying the precautionary principle or approach	13, 27	
4.12 Adoption of external economic, social and environmental codes and principles	11,12	
4.13 Memberships in industry associations	37	
4.14 List of stakeholders engaged by the organization	16	
4.15 Basis for identification of stakeholders with whom to engage	16	
4.16 Approaches to stakeholder engagement	16-17	
4.17 Key topics and concerns raised through stakeholder engagement and actions taken	16-17	
ECONOMIC PERFORMANCE		
DMA EC Disclosure on Management Approach	19-20, CFN, Site, RO p.4-21	
EC1 Direct economic value generated and distributed	19	
EC6 Policy, practices, and proportion of spending on locally-based suppliers	36	

	Page	Global Compact
ENVIRONMENTAL PERFORMANCE		
DMA EN Disclosure on Management Approach	13, 22-24, 27	8°
EN1 Raw materials used	21, 23	
EN3 Direct energy consumption by source	21, 23	9°
EN5 Energy saved	22	
EN6 Energy-efficient or renewable-energy-based products and services		
EN7 Initiatives to reduce indirect energy consumption and reductions achieved	33	9°
EN8 Water consumption by source	21, 23	
EN12 Description of significant impacts on biodiversity	22	
EN13 Habitats protected or restored	23, 24	
EN16 Greenhouse gas emissions	21, 24-25	
EN18 Initiatives to reduce greenhouse gas emissions	22, 25, 27	7°, 9°
EN20 Other air emission	25	
EN21 Water discharge	23	
EN22 Waste production and disposal methods	23-24	
EN23 Total number and volume of polluting spills	23	
EN26 Initiatives to mitigate environmental impacts of products and services	34	7°, 9°
EN28 Fines for non-compliance with environmental laws and regulations	CFN, p.126-133	
EN30 Environmental protection expenditures and investments	24-25	7°, 9°
SOCIAL PERFORMANCE		
DMA LA Disclosure on Management Approach	29-31	
LA1 Breakdown of workforce by employment type, employment contract, and region	30	
LA2 Turnover by age group, gender, and region	30	
LA4 Collective Bargaining Coverage	32, CBA applied to 100% of contracts	3°
LA5 Minimum notice period for operational changes	32, required by CBA	3°
LA7 Injuries and occupational diseases	32	1°
LA8 Training programs concerning prevention and risk control to assist employees regarding serious conditions or diseases	31-32	
LA10 Employee training	31	
LA12 Percentage of employees receiving performance and career development reviews	30	
LA13 Breakdown of employees by gender and other indicators of diversity (e.g., disability)	12, 30	1°
HUMAN RIGHTS		
DMA HR Disclosure on Management Approach	29, 36	
HR1 Transactions that have undergone human rights screening	11, 36, CE	2°, 4°, 5°, 6°
IMPACTS ON SOCIETY		
DMA SO Disclosure on Management Approach	37-39	
SO1 Management of impacts on communities	16-17, 38-39	
SO2 Monitoring of the risk of corruption	13	10°
SO3 Employees trained in preventing corruption crimes	13	
SO5 Positions on public policy and lobbying	37	2°
PRODUCT RESPONSIBILITY		
DMA PR Disclosure on Management Approach	34-35	
PR5 Customer satisfaction	34-35	
PR8 Complaints regarding breaches of privacy	35	
PR9 Fines for non-compliance with laws and regulations	35	

Legend

CFN: Consolidated Financial Statements – CG: Corporate Governance Report – Site: Edison's website – CE: Code of Ethics – RO: Report on Operations – ibc: inside back cover – CBA: Collective Bargaining Agreement

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