



SUSTAINABILITY REPORT 2016



Contents

LETTER TO OUR STAKEHOLDERS	3	KEEPING CLOSE TO CUSTOMERS AND ENERGY EFFICIENCY	50
EDISON'S ROLE IN A CHANGING CONTEXT	5	<ul style="list-style-type: none"> The strategic approach 	51
<ul style="list-style-type: none"> A constantly-evolving story 	6	<ul style="list-style-type: none"> Energy and environmental services 	52
<ul style="list-style-type: none"> Edison's strategy 	9	<ul style="list-style-type: none"> The integrated commercial offer 	56
<ul style="list-style-type: none"> Creating sustainable value 	11	<ul style="list-style-type: none"> Quality, transparency and discussion 	60
<ul style="list-style-type: none"> Governance in the service of change and company values 	13	BEYOND THE BUSINESS: PEOPLE AND COMMUNITIES	63
<ul style="list-style-type: none"> Edison's role in the sustainability debate 	18	<ul style="list-style-type: none"> Skills and gainful employment 	64
<ul style="list-style-type: none"> The low carbon commitment to stop climate change 	23	<ul style="list-style-type: none"> Employees' and families' well-being 	70
<ul style="list-style-type: none"> Continuous improvement to reduce impacts 	25	<ul style="list-style-type: none"> Suppliers as drivers for development 	72
<ul style="list-style-type: none"> Relationships with stakeholders 	29	<ul style="list-style-type: none"> Social inclusiveness projects and the culture of sustainability 	74
SUSTAINABLE ELECTRICITY	32	COMMITMENTS AND ACTIONS	80
<ul style="list-style-type: none"> Strategic priorities: energy that is ever more sustainable 	33	<ul style="list-style-type: none"> Progress of 2016 targets 	81
<ul style="list-style-type: none"> Investing in renewable sources and a low carbon mix 	34	<ul style="list-style-type: none"> New targets for 2017 	86
<ul style="list-style-type: none"> Environmental protection and management 	37	APPENDIX	91
<ul style="list-style-type: none"> The drive towards innovation 	39	<ul style="list-style-type: none"> Data and indicators 	92
<ul style="list-style-type: none"> People and safety as a must 	40	<ul style="list-style-type: none"> Methodological notes 	111
<ul style="list-style-type: none"> Value for the community 	41	<ul style="list-style-type: none"> GRI correlation table 	113
LOW ENVIRONMENTAL IMPACT OIL & GAS INFRASTRUCTURE	43	<ul style="list-style-type: none"> Global Compact reconciliation 	117
<ul style="list-style-type: none"> The strategic approach 	44	<ul style="list-style-type: none"> SDG reconciliation table 	119
<ul style="list-style-type: none"> Innovation and safe operations 	47	<ul style="list-style-type: none"> Assurance letter 	122
<ul style="list-style-type: none"> Environmental management and protecting biodiversity 	48		
<ul style="list-style-type: none"> Plant citizenship and shared value in the local area 	49		

Letter to our stakeholders

Dear Readers,

We faced a challenging market scenario this last year, with gross electricity demand in Italy declining slightly compared to the previous year and natural gas demand remaining weak, while recovering by 5.2%. Due to climatic conditions, the hydro-electric power generated in 2016 was modest, whereas the positive trend in the other renewable sources continued, driven by the increase in wind power generated, which more than offset the slight drop in photovoltaic power generated.

Within this scenario, in 2016 we continued to create sustainable value with our assets by managing both of our lines of business flexibly and efficiently. Our strong operating results are proof that our company remains highly resilient.

Today the energy sector presents both new opportunities and challenges: power generation is more diversified and renewable; the market is increasingly de-centralised, committed to reducing carbon emissions and focused on digital innovation; and end customers have become informed participants who aim to save on energy costs by making use of all of the tools at their disposal to optimise their consumption. This profound transformation forms the backdrop for CAP 2030, the development plan adopted by EDF, of which Edison is a part. Drawing on this source of inspiration, during the year Edison focused on its own business strategy, centred on three key drivers: forming increasingly close relationships with its end customers and local communities; concentrating on low-carbon power generation, with an emphasis on renewables and efficient, flexible gas generation; and developing a portfolio of hydrocarbon projects, both exploiting production in the Mediterranean basin and contributing to supply security by developing new routes and negotiating flexible, competitive natural gas importation contracts.

Building a sustainable energy future together is the essence of Edison's restyled brand: rising to the challenges posed by the United Nations Sustainable Development Guidelines (SDGs), which will inform the global agenda from today until 2030. A new vision and a new mission,

a new position that focuses on the customer and sees sustainability as an integral part of the business, a driver for creating value, thanks to an approach based on constructive dialogue with stakeholders.

Edison's task is to put its ability to innovate and skills at its customers' disposal, supporting them in their daily activities and needs by creating intelligent energy solutions capable of optimising the benefits of sustainable energy.

Edison strives to be a key player in the Italian energy industry, taking an active role in the consolidation of the retail market and energy efficiency. Through Fenice, which it acquired during the year, Edison will also offer energy and environmental services, particularly to industrial businesses. The company is keeping step with the goal of reducing the reliance on carbon set at the international level by generating essentially all of its electrical power from natural gas and renewable sources, managed in synergy with E2i with regard to the wind power component, and by emphasising energy efficiency, an area on which Edison has decided to focus in order to combine development with a rational use of energy.

Edison works alongside its industrial customers to help them remain competitive, providing diversified solutions that range from energy optimisation to onsite energy generation and consulting, management and training.

To understand and rise to the challenges posed by a complex society, now more than ever before Edison must promote diversity by making the best use of its human capital and thus meeting the needs of today's new market in an innovative, effective manner by always focusing on individuals. To face this period of change, Edison has created a new unit, the Transformation Team, which works alongside the Executive Committee, which it supports with the reorganisation process by developing projects capable of triggering true, concrete change in the company's management style and operational model.

In this edition of the Sustainability Report, Edison has sought to rethink its approach to reporting and transparency towards its stakeholders by adopting an innovative working process involving the new Sustainability Network beginning with the document planning phase. The Network is a group that brings together people with specific skills from the various areas of the company with the aim of improving and expanding its sustainability profile.

As mentioned, there is a tendency towards increasing synergy between sustainability and business, and the Sustainability Report has evolved to best represent this trend, by describing performances related to key (material) issues for business areas and the main non-financial results achieved.

Our goal is to maintain our commitment to contribute to achieving the United Nations Sustainable Development Goals, in accordance with the Ten Principles of the U.N. Global Compact. We intend to do so using an open, innovative and inclusive approach that optimises the company's role in society by combining the production of goods, services and technologies with the promotion of a culture and values closely tied to the community's needs.

A handwritten signature in black ink, appearing to read "M. Benayoun".

Marc Benayoun
CEO



EDISON'S ROLE IN A CHANGING CONTEXT

A constantly-evolving story

Edison's strategy

Creating sustainable value

Governance in the service of change and company values

Edison in the sustainability debate

The low carbon commitment to stop climate change

Continuous improvement to reduce impacts

Relationships with stakeholders

A constantly-evolving story

Over 130 years of history: **Edison is the oldest energy company in Europe** and one of the leading energy companies operating in Italy. It boasts a long history of meeting the challenges and taking advantage of the opportunities that arise over time.

Today, Edison has made **sustainability** and **customer centrality** the focus of its activities and is increasingly pursuing renewable sources, a more sophisticated commercial offer and innovative energy services, all of which enrich the sustainability side of its business.

Operating in over 15 countries worldwide and employing nearly 5,000 people, Edison focuses on the following business areas:

- The production and sale of electricity with highly efficient power stations, with a diversified mix of production plants that include combined cycle gas turbine (CCGT), hydroelectric, wind, solar and biomass plants.
- The procurement, exploration, production and sale of natural gas and crude oil (hydrocarbons) in Italy, Europe and Mediterranean area with over 100 natural gas and crude oil exploration and production concessions and permits.

In April 2016, Edison expanded its energy services for the industrial sector and environmental services on a large scale with the acquisition of EDF Fenice. This transaction led to the creation of the Energy Services Market Division, whose aim is to contribute to the company's growth on the market by developing, selling and managing energy and environmental services. It integrates the activities of both Fenice and Edison Energy Solutions.

Edison has been part of the EDF Group since 2012. Saving shares are the only ones exchanged on the Borsa Italiana market.



EDISON: A NEW IMAGE TO REFLECT CHANGE

In 2016, Edison launched a new image initiative to reflect its new position and new strategy: **sustainability and customer centrality** underpin its new market role, with a focus on **renewable sources, competitive offers and innovative energy services**.

Rather than merely changing its image, Edison has visually transposed its new mission in keeping with the profound transformation of the energy sector, strengthening the **new values** that characterise its work: **respect, integrity and responsibility**.

Edison has consolidated its position as a leading operator in the country with a significant presence throughout the country, while strengthening its commitment to customers with smart, competitive and sustainable energy solutions for electricity, natural gas and services.

In this way, with the renown and reputation that it has earned in 130 years of history and innovation, Edison has combined its image with EDF's, beginning with its logo, and this also reflects the French Group's commitment to Italy and Edison's increasingly key role in the Group's international development strategy.

THE ACQUISITION OF FENICE TO GENERATE NEW SUSTAINABLE VALUE

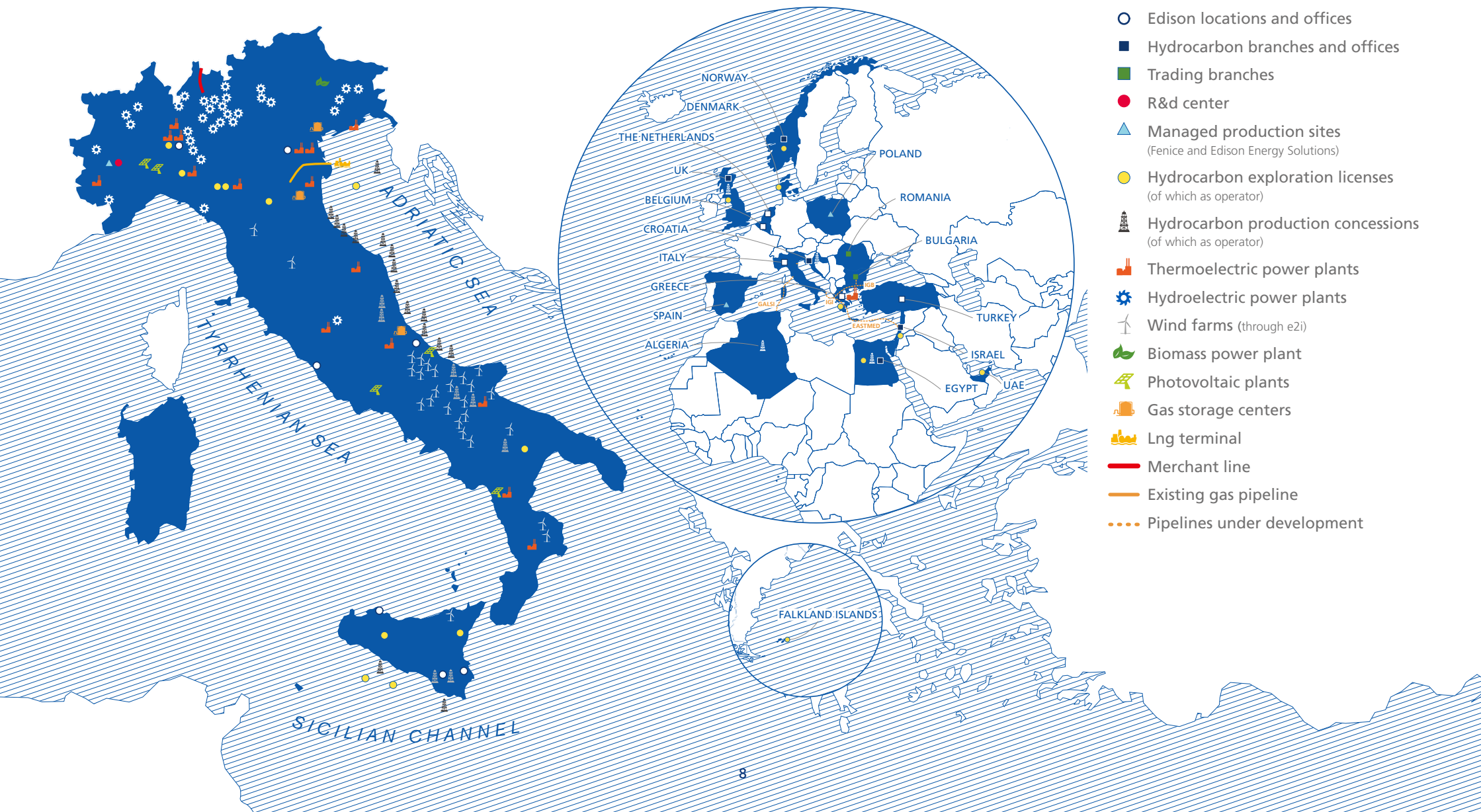
During the extraordinary shareholders' meeting on 22 March 2016, Edison Spa's shareholders approved the plan for Edison's controlling owner, Transalpina di Energia Spa, to contribute its 100% interest in Fenice Qualità per l'Ambiente Spa to Edison Spa.

Fenice is an energy service company (ESCO) specialising in energy efficiency solutions and environmental services mainly for large industrial companies. Specifically, Fenice boasts a consolidated position and expertise to offer a complete range of customised, integrated solutions to help its customers achieve energy savings and sustainability with an integrated offer that covers the entire value chain, including energy diagnostics,

environmental audits, designing, building and managing complex "turnkey" energy plants and low environmental impact energy solutions. Fenice currently operates in Italy and, through subsidiaries, in Poland and Spain.

This acquisition is part of Edison's strategy of becoming a key player on the Italian energy and environmental services market in line with its strategic objectives, strengthening and diversifying its offer. By drawing on the value of Edison's brand and its customer portfolio and by capitalizing on Fenice's position and expertise in its market segment, the Group will be able to develop and strengthen its position on the energy and environmental services market, while also expanding its offer of services to small and medium-sized companies, the service sector and the public administration.

Presence in Italy and around the world



Edison's strategy

The energy sector today presents a host of new challenges and opportunities: the energy production model is changing and increasingly includes decentralised systems, whose growth is partly due to the rapid development of renewable energies. The energy market is evolving towards configurations that entail both a new balancing of the various energy sources and rules for participation that are helping create a single European market. Carbon emission reduction targets and the impact of digital innovation are largely responsible for triggering this transformation. In this new context, customers are well-informed players who want to play an active and important role in demand & response dynamics, exploiting all innovative tools at their disposal for the supply of energy and the management of how they consume it. Edison has embraced the challenge of market transformation and is intent on taking on the difficult and increasingly competitive market with determination, staying ahead of the changes.

Edison's new strategy sets three key objectives:

- Ramp up **the development of the customer portfolio** through actions including **the development of energy services and innovative solutions**;
- Focus on **low carbon emission energy production by developing renewable energy sources**;
- Make the most of its position and expertise in the **natural gas business**, contributing to **the diversification and security of supplies to the Italian energy sector**;
- Optimise **E&P** activities by selectively **developing initiatives in Italy and the Mediterranean area** to integrate value chain.

CUSTOMERS AND SERVICES



Downstream development

- Triple customer base, currently 1 million, through organic growth, development of new initiatives and acquisitions.
- Develop the offer of high added value solutions for the retail market and of innovative energy services.
- Effective, top quality relationship with customers.

GENERATION AND ENERGY MANAGEMENT



Low carbon mix

- Over 40% of energy generated from renewable sources, with a focus on hydroelectric and wind power.
- Efficient and flexible thermoelectric generation, complementary to renewable sources.
- Integrated, optimised and innovative management of electricity and gas portfolios.

NATURAL GAS AND HYDROCARBONS



Safety and energy transition

- Flexible, competitive natural gas import contracts.
- Diversification of routes and sources of natural gas supply.
- Optimization of the value of hydrocarbon production and exploration portfolio with a focus on the Mediterranean area.

EDF'S STRATEGY

Since 2012, Edison has belonged to the **EDF Group (Electricité de France)**, which owns 97.4% of Edison's share capital. EDF is one of the largest energy companies in the world and is listed on the Paris Stock Exchange.

From energy generation to transmission, distribution and sale: EDF has created competitive solutions that combine customers' needs with sustainable economic growth focused on reducing environmental impact.

CAP 2030, EDF's strategy of reaching 40 million customers, has driven a profound transformation on the energy market in recent years. This strategy is focused on the production of low carbon emission electricity by developing nuclear energy and renewable sources, innovative solutions and services for customers and internally generated skills and expertise.

The CAP 2030 strategy can also be seen as a roadmap outlining the company's contribution to pursuing the sustainable development goals (SDGs), in line

with the Group's values. Indeed, six sustainability objectives have been identified and adopted:

1. Exceeding the objectives of the Paris Agreement defined during COP21 to limit global warming to less than 2°C, **drastically reducing carbon emissions**.
2. Integrating **best practice for the growth of people**: health and safety, diversity and internal development.
3. Offering all **vulnerable people** information and support on the use of energy and the related benefits.
4. Innovating through **digital energy efficiency solutions** to enable all consumers to use energy efficiently.
5. Setting up an **open dialogue and consultation process** for each new project around the world.
6. Taking a positive approach to **biodiversity** that is not limited to merely understanding and reducing the long-term impacts of activities, but also focuses on making a positive impact.

Edison's new strategy has entailed updating the corporate values, with a focus on **respect**, **integrity** and **responsibility** to employees, customers and all external stakeholders.

Edison has always been a responsible player in the industry, but the decision to adopt this corporate value demonstrates its desire to increasingly emphasise this commitment. In this respect, in 2016 Edison began revising its sustainability strategies, using United Nations' SDGs and the EDF Group's commitments as its point of departure and with the support of the Global Compact.

In particular, Edison's CEO participated in the Global Compact High Level Meeting in September 2016, where top management of leading companies discussed the role of SDG implementation.

In this way, Edison has begun a process to renew its sustainability policy and objectives in 2017, with the aim of increasingly integrating sustainability initiatives into its business.

Creating sustainable value

Building a low carbon future together: this is the essence of the values that Edison's new brand embodies. Edison's new vision and new mission put it in step with the dramatic changes in the energy sector and its new business positioning, in which customers are central and sustainability is integrated into the business as a value creation lever through an approach of constructive dialogue with stakeholders.

It is Edison's job to put its ability to innovate and its expertise at its customers' disposal, supporting their day-to-day activities and needs, building smart energy solutions that amplify the benefits attained through the rational and sustainable use of energy and by making the most of raw materials, the environment and the areas in which they operate.

Indeed, Edison aims to become a leading operator in the Italian energy sector, playing an active role in the consolidation of the retail market and energy efficiency. Through Fenice, which it acquired in 2016, Edison plans to develop its business not only through the sale of electricity and natural gas to customers, but also through energy and environmental services, beginning with large industrial companies, until it has progressively covered all market segments. Furthermore, it is firmly committed to increasing its customer base - it currently serves more than 1 million in Italy - threefold over the next few years, through internal growth and acquisitions.

The new business model is aimed at creating long-term value for all stakeholder categories by achieving objectives related to profitability and growth, efficiency, operating excellence and business risk prevention, protecting the environment and helping the communities where Edison operates, safeguarding people's health and safety, respecting human rights and upholding ethical principles and transparency. As a key player in the energy sector, Edison carefully considers the impacts it generates, aware of its role in supporting the country's energy economy.

VALUE ADDED

	2015		2016	
	In millions of euros	%	In millions of euros	%
Economic value generated by the Group	12,466	100.00	11,441	100.00
Total revenue	12,117	97.20	11,266	98.47
Financial income	349	2.80	175	1.53
Economic value distributed by the Group	11,194	89.80	11,022	96.34
Operating costs	10,303	82.65	10,399	90.89
Remuneration of workers	232	1.86	295	2.58
Remuneration of lenders and shareholders	416	3.34	262	2.29
Remuneration of the public administration	240	1.93	63	0.55
Donations and sponsorships	3	0.02	3	0.03
Economic value retained by the Group	1,272	10.20	419	3.66
Amortisation, depreciation and impairment losses	2,194	17.60	734	6.42
Provisions and allowances	-922	-7.40	-315	-2.75

Group revenue for 2016 totals €11,034 million, down 2.5% on the previous year. Results were affected by the performance of electricity revenue, which fell from €6,529 million in 2015 to €5,682 million in 2016 as a result of the drop in average sale prices mentioned earlier and the impact of lower sales to customers (-32% on 2015). Revenue from hydrocarbon operations increased 9.4% to €6,031 million (€5,512 million in 2015) thanks to the growth in volumes sold, which more than offset the drop in sale prices resulting from oil price trends.

The gross operating profit amounts to €653 million, down €608 million on the €1,261 million of 2015, when it benefited from the one-off impact of natural gas renegotiations.

Reference should be made to the directors' report published on the company's website for additional details and, in particular, for a more detailed analysis of the performance of the individual operating units.

HIGHLIGHTS (in millions of euros)

	2016	2015	Change %
Revenue	11,034	11,313	-2.5
Gross operating profit	653	1,261	-48.2
Operating loss	-260	-795	67.3
Loss for the year attributable to the owners of the parent	-389	-980	60.3

THE DRIVE TOWARDS INNOVATION

The Research, Development & Innovation (RD&I) Department operates according to changes on the energy market, working with the Group's business units and keeping an emphasis on environmental sustainability, which has always been a crucial aspect of all the issues it has developed.

In 2016, projects continued to **develop energy efficiency solutions and consumers' awareness** of how to use energy correctly, along with studies on how to **reduce the environmental impact** of industrial activities.

Key examples of Edison's research activities are studies and testing on **energy storage technologies**, not only in relation to the growing presence of renewable sources in the national energy generation mix, but also locally in connection with small photovoltaic plants. Activities were also carried out to develop advanced energy efficiency solutions and not only in residential settings.

Moreover, a **transversal work group** covering various business areas has pursued the objective of exploring the technical and economic aspects of energy storage systems and prepared proposals for pilot projects to identify the most interesting applications for Edison in the short and medium term. In the second half of November, a proposal was approved to trial the various uses of energy storage systems. The selected applications will be implemented and tested in 2017 and 2018.

To meet the challenges of a dramatically and rapidly evolving technological and market context, Edison has significantly ramped up projects to **increase digitalisation** and, accordingly, implement **data analytics techniques**.

With these rapid changes underway, Edison has taken a host of actions to **speed up the product and process innovation process and make it a structural part of its organisation**. These actions include the **Innovation Lab**, which in 2016 entailed a series of big data and machine learning initiatives.

Governance in the service of change and company values

Good governance is a key factor in achieving sustainability objectives. Governance systems are aimed at attaining ever greater inclusion and participation, giving all stakeholders a say in decision-making processes.

Edison's corporate governance model is based on this principle and, in line with the Group's strategy, combines the pursuit of economic results with mechanisms to improve and strengthen relationships with all stakeholders. Edison's model is consistent with the recommendations in the Code of Conduct endorsed by Borsa Italiana.

The Company's **main governance bodies** are the shareholders' meetings, the Board of Directors, the Board of Statutory Auditors, the independent auditors and the Supervisory Body set up pursuant to Legislative decree no. 231/2001 (the 231 Supervisory Body).

Edison's **Board of Directors** acts both through executive directors and directors with powers of representation. It is assisted by advisory committees for control and risks, remuneration and independence. **Marc Benayoun** is CEO.

Edison's governance structure is also supported by an **Executive Committee** chaired by the CEO and composed of the heads of the various divisions, managerial committees supporting top management and the Internal Audit Office, which reports directly to the Board of Directors.

THE TRANSFORMATION TEAM

A **transformation team** was created as part of Edison's reorganisation to flank the CEO and Executive Committee as they update and innovate internal company processes in terms of flexibility, efficiency, digitalisation, collaboration and customer services, which will prove crucial as the Company faces rapid market changes in line with EDF's CAP 2030 strategy.

The team kicked off its work by focusing on four working groups that represent key areas for the organisational transformation:

1. **Inclusion and plurality:** support the business performance innovation and improvement process by promoting diversity.
2. **Internal mobility:** establish rules and responsibilities that encourage and structure Edison's internal mobility process.

3. **In time on target:** simplify processes and cut down on time and costs without losing sight of customer needs.

4. **Entrepreneurship:** encourage a widespread business spirit, creating space and time for brainstorming with a defined budget and flexible, quick process.

The sites are currently preparing tangible proposals that can be monitored based on KPIs, and they will be presented and rolled out by the first half of 2017.

A second wave of working groups will propose new ideas to enhance transformation and evolution.

The keys to the success of this initiative are top management's support and all employees' involvement and feedback: the sites are open and work in close cooperation with the Company, with a finger on the pulse of the external context.

SUSTAINABILITY GOVERNANCE

The sustainability governance bodies are the Executive Committee and the Board of Directors. The former manages relationships with the **Sustainability and CSR (Corporate Social Responsibility) Office**, giving instructions, discussing projects and monitoring results, while the latter approves the **sustainability report**, published annually on accountability, strategic

governance, transparency and disclosures. The sustainability report is also shared with the shareholders and is subsequently published for all stakeholders online.

To better integrate sustainability in the business, the Sustainability and CSR Office collaborates with the various divisions and business units, also with the contribution of the **sustainability network**.

EDISON'S SUSTAINABILITY NETWORK

In the last few months of 2016, the Sustainability and CSR Office formalised the internal network of **focal points**, with the aim of making the most of individual contributions, stabilising the structure of contacts and more efficiently integrating sustainability in the Company's business by involving specific competencies.

The network's activities include:

- participating in the definition of the Sustainability and CSR Office's strategies (policy and objectives) and the action plan;
- periodically aligning with the divisions or business units on sustainability and CSR activities;
- gathering sustainability needs and incentives within the offices or business units;
- sharing with the Sustainability and CSR Office requests received from other stakeholders (especially external stakeholders) in the course of continuing activities;
- actively participating in the performance of specific projects and innovative actions.

The network's activities will make it possible to more consistently and effectively support the sustainability of Edison activities, increase the commitment of everyone in the company and reinforce the integration of sustainability issues in the business. The network's first work scope has been the co-design and preparation of this sustainability report.

At the same time, a work group was set up to update the sustainability policy. Indeed, the aim is to take advantage of the opportunities created by changes in the new energy context and in the organisational structure and to revise the policy to align it with the new context and the new corporate values

(Respect, Responsibility and Integrity), consistently with the CSR objectives expressed by EDF. The new sustainability policy will be a better representation of the Company's identity as much as it will combine the Company's current position on certain macro sustainability issues (the Paris Agreement, SDG, etc.) through its approach to listening to stakeholder's requests. Along with the new policy, which will be presented in 2017, certain strategic objectives will be set in collaboration with all business units, stakeholders and top management to support the Company's position.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Edison's internal control and risk management system consists of tools, organisational structures, procedures and rules for sound and proper company management in line with strategic and operating objectives. The system is compliant with applicable laws and regulations for proper and transparent reporting within the Group and to the market and prevents and limits the consequences of unexpected results. It is based on the code of ethics and organisational model pursuant to Legislative decree no. 231/01 (the 231 Model).

Edison's code of ethics contains the values and principles on which its corporate ethics are based and lays the foundation for more sustainable business management by establishing a code of conduct and implementation rules. The code of ethics was shared with the subsidiaries, which approved it, and is binding for everyone acting in the Company's name under specific mandates or proxies. It is distributed to all the Company's employees and contractors.

The code of ethics is an integral part of the 231 Model and the basis on which the model was designed. It is periodically reviewed and updated in order to, inter alia, reinforce the **principle zero tolerance** for fraud and bribery, by explicitly referencing the 10 principles of the United Nations Global Compact for the protection of human rights, labour rights and the environment and to combat corruption.

In December 2016, Edison Spa's Board of Directors adopted another update to the code of ethics, reflecting the new corporate mission and its new position as a responsible energy company committed to the development of sustainable energy. The new competitive position and the new external approach are summed up in the three corporate values that Edison has embraced: **Respect – Integrity – Responsibility**.

The recently proposed projects are a tangible expression of Edison's continuous focus on ethics and integrity and demonstrate how, over the years, the code of ethics has become an increasingly integral part of the Group's organisational culture and day-to-day operations.

The **organisational, management and control model pursuant to Legislative decree no. 231/2001** comprises the rules and organisational procedures to prevent the committing of crimes and the Company's consequent administrative liability. Edison adopted the 231 Model in 2004, following a scrupulous analysis of potentially at-risk activities and has constantly updated it over time to reflect changes in legislation and its organisation.

Activities to update the 231 Model and related protocols for conduct continued in 2016 to implement, in particular, the results of the assessment of environmental crimes recently introduced in the Italian legal system with Law no. 68/2015, which Legislative decree no. 231/01 has also been amended to cover. Furthermore, this entailed the adoption of an **updated version of the environmental risk management protocol**.

In addition, the Company completed activities to define the action plans for fraud risks classified as priorities as part of the fraud risk assessment (stage III) project. The risk indicators identified in the implementation of the action plan for accounts receivable and customer refunds may constitute the basis for specific fraud audits in the future, thereby extending ordinary audit to cover fraud prevention and fraud detection. A proposed text for anti-fraud guidelines was also prepared as part of this project.

The Board of Directors nominates the **Supervisory Body**, which is responsible for monitoring that the 231 Model functions properly and for updating it. The Supervisory Body reports half yearly on the 231 Model to the Board of Directors and to the Board of Statutory Auditors. It also monitors compliance with the code of ethics and the 231 Model in accordance with a specific

procedure for reporting potential violations and via internal audits covering all business areas and including environmental and worker health and safety aspects.

In 2016, the **new whistleblowing system** was launched, enabling employees and third parties to report irregularities and potential crimes and integrating the channels already set up for reports to the Supervisory Body. The system provides for the use of an online platform – which employees may access via the company intranet and others may access via the Company's website edison.it – hosted on a third party server using secure technology to protect whistleblowers and a pre-configured path so that the reports are as relevant and detailed as possible.

Alongside the new system launch, on one hand, the **whistleblowing policy** was published, governing in detail how the system works, how reports are handled and managed, how the whistleblower and accused party are protected. On the other hand, at the same time as the launch, an awareness campaign for employees and third parties was conducted with special news reports and a supporting tutorial video.

EDISON'S WHISTLEBLOWING SYSTEM

Whistleblowing is becoming one of the most effective weapons against illegal acts such as bribery, fraud, abuse of office and other serious crimes. A whistleblower is someone who sounds the alarm, calling an organisation's attention to a dangerous situation by making a detailed report. Whistleblowing is a way to **protect the common good and the company's integrity**.

This process helps overcome a cultural taboo and encourages conscientiousness in employees who, instead of looking the other way, can help fight dishonest conduct.

The Company is aware of the fact that its employees might be in the best position to notice irregularities and therefore play an active role in preventing them, reporting them and encouraging prompt action.

Precisely in order to prevent slander, defamation or unjustified reports, the online whistleblowing process that **Edison** has set up with **Transparency International Italia** using Globaleaks software guides the whistleblower through the reporting process, defining and correctly detailing the report. This process therefore helps sort reports of illegal acts or suspected acts of bribery, fraud, other crimes or other violations of the code of ethics.

Reports are made on a protected IT platform which is physically located on an external server and received by the company office responsible for compliance and ethics. The whistleblower may always report additional details or information anonymously. In this way, the whistleblowing report remains anonymous to protect the whistleblower. Since the whistleblowing platform was launched in July 2016, only one report was received in 2016. Following checks and investigations, it was found to be irrelevant and was dismissed.

INTERNAL CONTROL SYSTEM

Internal auditing	Unit of measurement	2014	2015	2016
Total number of audits conducted by business area				
- Corporate & IT	n	11	11	10
- Exploration & Production	n	3	5	2
- Gas Midstream, Energy Management & Optimisation	n	3	2	5
- Power Asset Management	n	1	2	1
- Marketing, Sales & Energy Services	n	4	4	3

ENTERPRISE RISK MANAGEMENT

Edison has developed an integrated risk management model based on the international enterprise risk management (ERM) principles and, in particular, the CoSO (Committee of Sponsoring Organizations of the Treadway Commission) framework, with the main objective of adopting a systematic approach to identifying key risks for the Company in order to assess their potential adverse effects in advance and take the appropriate action to mitigate them.

For this purpose, Edison has equipped itself with a **risk mapping and risk scoring methodology**, in which risks are scored based on an assessment of their global impact, probability of occurrence and level of control. It has also set up a **business risk model**, developed in accordance with international and sector best practices. The model consists of an integrated framework encompassing the various types of risk that characterise the Group's business. These aspects may be broken down into:

- **external environmental risks**, which depend on market conditions and the competitive context, as well as political legislative and regulatory developments;
- **operating risks** related to processes, assets, infrastructures and business management systems, with particular regard to production and marketing;
- **strategic risks** in connection with the definition and implementation of the Company's strategic guidelines.

Specifically, with the coordination of the Risk Office, the heads of the various business units **self-assess** the risks to which their units are exposed and provide an initial indication of the mitigation actions that could be taken.

The results of this process are then consolidated at central level in a risk map in which the risks are prioritised based on their score and aggregated to further the coordination of mitigation plans for integrated risk management.

Furthermore, for risks associated with new projects in Italy and abroad, with the Corporate Social Responsibility Office's direct involvement, the Company also assesses and analyses **environmental, health, safety and efficiency aspects**, which are key decision-making drivers in the evaluation of investments.

The results of the ERM process are included in periodic structured reporting to management, which evaluates the adequacy of the risk level assumed considering business objectives and the effectiveness of the control and mitigation measures adopted. Specifically, the main risks to which Edison is exposed are described in the "Risks and uncertainties" section of the directors' report and in the section of the consolidated financial statements on the "Management of the Group's financial risks".

Edison in the sustainability debate

The challenge of sustainability is an intrinsic part of the development model that we will implement in forthcoming years.

Edison has embraced this challenge and is doing its part to achieve the 17 Sustainable Development Goals that the UN announced in September 2015 to guide its global agenda until 2030, seeking to meet the most important emergencies of our time, like hunger, inequality, poverty and climate change.

Through individual projects and operations (including process activities), Edison actively pursues all the SDGs. Some are more closely related to the nature of its business and its operating approach, and it is precisely on these goals that Edison devotes the most attention.



End poverty in all its forms everywhere



End hunger, achieve food security and improved nutrition and promote sustainable agriculture



Ensure healthy lives and promote well-being for all at all ages



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



Achieve gender equality and empower all women and girls

EDISON COMMITMENTS

Edison is committed to ensuring health and wellbeing of its collaborators both internal and external, of partners and communities where it operates, with the aim to reduce accidents and minimise negative impacts. Edison promotes healthy lifestyles.

Renewable energies and energy efficiency, the reuse and recycling of materials, a sharing economy and sustainable lifestyles are the main themes on which Edison has decided to focus as it accompanies a generation of young people (and young entrepreneurs) in a more informed way to help them meet the challenges of the world to come.

Edison is committed to overcoming all gender and other differences, with the goal of attaining the greatest possible level of inclusion among its employees.

6 CLEAN WATER AND SANITATION  <p>Ensure availability and sustainable management of water and sanitation for all</p>	7 AFFORDABLE AND CLEAN ENERGY  <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	8 DECENT WORK AND ECONOMIC GROWTH  <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE  <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	10 REDUCED INEQUALITIES  <p>Reduce inequality within and among countries</p>	11 SUSTAINABLE CITIES AND COMMUNITIES  <p>Make cities and human settlements inclusive, safe, resilient and sustainable</p>
--	---	--	--	---	---


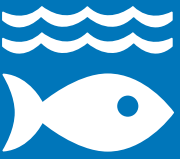

Water is one of the most precious resources on the planet today: Edison's commitment is to keep attention focused on the efficient and rational use of water, helping to protect and safeguard it.

Edison is committed to supporting families and communities near its plants, helping to make access to energy an increasingly universal right. It has set the ambitious goal of increasing energy production from renewable sources to 40% of its production by 2030.

The challenge of decoupling economic growth and environment deterioration and to promote projects for sustainable development is paramount for Edison, focusing on energy saving and low emission projects. Edison promotes economic growth and entrepreneurship sharing its knowledge throughout all the supply chain and with communities where it operates.

Edison, since its creation, have realised infrastructures which have contribute to progress and industrialization of the country. Even today with a pipeline of new projects of renewables, energy efficiency and small scale LNG, Edison wants to contribute to sustainable innovation of the sector.

Ever smarter cities with a lower environmental impact: Edison has developed energy efficiency solutions and services for both customers and companies.

<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>13 CLIMATE ACTION</p> 	<p>14 LIFE BELOW WATER</p> 	<p>15 LIFE ON LAND</p> 	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<p>17 PARTNERSHIPS FOR THE GOALS</p> 
<p>Ensure sustainable consumption and production patterns</p>	<p>Take urgent action to combat climate change and its impacts</p>	<p>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p>	<p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p>	<p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	<p>Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development</p>
<p>Edison is committed to raising awareness of more conscious energy use, and this includes unconventional means like music and film, to reach an ever greater number of people and increase the effectiveness of its actions.</p>	<p>Edison is active in key national and international contexts to promote the debate on climate change. This commitment has taken tangible shape in its strategic approach to business management and in awareness campaigns with its stakeholders.</p>	<p>Edison's approach to protecting biodiversity is proactive and focused on generating a positive effect. It is not limited to merely reducing the impacts of its operations on the ecosystem.</p>			<p>Edison is active in important multistakeholder contexts to work on innovative and concrete answers to sustainable development challenges; a real network that aims to promote the debate on key issues sharing best practices.</p>

NETWORKS FOR CHANGE

Edison is active in important multi-stakeholder groups and organisations seeking tangible, innovative answers to the challenges of sustainable development. These are genuine networks for change, fuelling the debate on the most crucial issues and promoting discussion, sharing best practices.

The main networks in which Edison participates are:

- *the UN Global Compact and Fondazione Global Compact Italia*, of which Edison is a founding member. The Global Compact consists of more than 10,000 companies worldwide committed to promoting a more sustainable economy.
- *IPIECA* (International Petroleum Industry Environmental Conservation Association), of which Edison is a member and on the executive committee. It oversees the environmental and social aspects of the oil & gas industry.
- *CSR Manager Network Italia*, a network of sustainability professionals involved in various organisations.
- *Fondazione Sodalitas*, of which Edison is a founding member. It is a foundation made up of over 90 companies and promotes sustainability and social responsibility in Italy.
- *The Centre for Business Culture*, a cultural association established by the Milan Chamber of Commerce to make the most of companies' historical heritage by, among other things, setting up local archives. It holds the photography archives of Edison, which is a member of the association's Board of Directors.

- *RES4MED*, founded in 2012, which promotes renewable energy solutions in the Mediterranean area with a specific focus on North Africa, the Balkans and the Middle East.
- *OME* (Observatoire Méditerranéen de l'Energie), founded in 1988, which brings together the largest energy companies in 14 Mediterranean countries. In 2016, OME sponsored a number of studies and initiatives on energy transition in the Mediterranean area, which were presented during COP 22 in Marrakesh. OME has also continued its collaboration with the EuroMed energy platforms endorsed by the Union for the Mediterranean (UfM), as both stakeholder and Secretary of the natural gas platform, acting as a neutral mediator in the discussion of issues concerning the gas market in the Euro-Mediterranean area.

Edison chairs the National Committee of the **World Energy Council Italia**. WEC is an international organisation bringing together over 90 countries and is accredited with the United Nations.

Edison contributes to energy studies and research and the organisation of meetings and seminars and also supports partnerships with international institutions and organisations. In 2016, it participated in the **World Energy Congress** in Istanbul, Turkey where it was announced that Milan would host the WEC's 2018 Executive Committee meeting. Within WEC, Edison participates in the Trilemma Study Group, the Rules of Trade & Investment Group and the Future Energy Leaders program (FEL-100). It has also coordinated the Italian section of the **Europe Task Force** created at the World Energy Congress in Daegu (South Korea) in 2013 to position WEC on issues and with EU institutions. Lastly, Edison coordinates the Market Design Task Force.

FONDAZIONE EDISON

Since the end of the 1990s, Edison has forged increasingly important relationships with **small and medium companies (SME) in Italy, local economies and industrial districts**. Fondazione Edison has become a place of open, active dialogue with experts and all players in this economy, through **scientific research** and the **study of local production systems**, exploring socio-economic, cultural and civil aspects and analysing the relationship between SMEs and large companies, local communities and the development of local areas.

The Foundation promotes studies, research, publications and events. It encourages partnerships with research entities and institutes, foundations, associations, businesses and individuals, and sponsors initiatives that are consistent with the purposes stated in its by-laws.

There are currently **27 active members** (sponsor members and ordinary members) consisting of Confindustria's trade and local associations representing key sectors and districts in the Made in Italy economy.

Three important books were published in 2016:

- "The Pillars of the Italian Economy. Manufacturing, Food & Wine, Tourism" by M. Fortis (Springer). This book contains a detailed analysis of the Italian economy's key sectors, with a focus on those in which it excels, such as packaging, pharmaceutical production, food and wine and tourism.
- "Riforme, ripresa, rilancio. Europa e Italia" by M. Fortis and A. Quadrio Curzio, published by Mulino as part of Fondazione Edison's own series. Dealing with reform, recovery and relaunch in Europe and Italy, this is the fifth book in the series since the start of the economic crisis and covers, through the authors' articles in the "Il Sole 24 Ore" and "Il Messaggero" newspapers, salient events from April 2014 to the start of September 2015.
- "Conti pubblici, credito, competitività. L'Italia a una svolta?" by M. Fortis, also published by Mulino as part of Fondazione Edison's own series. Dealing with the public finances, credit and competitiveness in Italy, it is the sixth book in the series about the economy since the start of the economic crisis. The author explores, through his articles printed in the "Il Sole 24 Ore" and

"Il Messaggero" newspapers from December 2015 to May 2016, three concerns that dominated economic debate in the first half of 2016: trends in the public finances, the changes in the credit sector and competitiveness.

Thirty-three issues of statistic reports were published on economic topics and the updating of the Fortis-Corradini index on Italian excellence in international trade continued. Furthermore, the "Rivista di Economia Politica. Journal of Analytical and Institutional Economics" continued to be published, with Fondazione Edison's sponsorship.

Four conferences were also organised in 2016, some of which independently and others in partnership with other bodies and associations. In March, the book entitled "Riforme, Ripresa, Rilancio. Europa e Italia" was presented in Milan with the participation of the authors and Franco Bassanini and Antonio Calabrò. In April, a book in the Fondazione Edison series was presented at the University of Catania, "L'Economia reale del Mezzogiorno" (The real economy of the South), published in 2014. In October, the annual meeting in collaboration with the Accademia Nazionale dei Lincei was held in Rome. This year it was about economic development, technology and

industry, for an Italo-European policy. Lastly, in November, the book "Conti pubblici, credito, competitività" was presented in Rome with the participation of the authors, the Italian Minister of the Economy and Finance Pier Carlo Padoan and the Chairman of Intesa San Paolo Gian Maria Gros-Pietro.

Fondazione Edison intensified its commitment by partnering with other foundations and institutions like the Aspen Institute Italia, Ambrosetti European House, Anima, Unindustria Bologna, Symbola, Associazione Industriale Bresciana and Gea.

In addition, it developed **sector focus groups** on the competitiveness of the following sectors: metal working, agro/food, pharmaceuticals, wood/furnishings and shipping.

Fondazione Edison was named the scientific partner in the "**La nautica in cifre**" study on shipping figures, with the Ucina partners. Research was also conducted on behalf of the industrialists' association of Novara, Vercelli and Valsesia Confindustria (the confederation of industrial companies) and Alessandria Confindustria on the economic importance of the Novara, Vercelli and Alessandria provinces nationally and regionally.

The low carbon commitment to stop climate change

2016 saw the international confirmation of the strategy to build and develop a low carbon economy: the **22nd Conference of the Parties (COP 22)**, held in Marrakesh from 7 to 18 November 2016 opened in the wake of the optimism generated by the Paris Agreement which had just taken effect.

The 196 countries participating in COP 22 committed to intensifying their efforts with the "**Marrakesh Proclamation**": a collective response to the global warming emergency. Solidarity with the communities most exposed to the effects of climate change, eradication of poverty, food security, greater ambition and more cooperation: these are the challenges.

First in Paris, then in Marrakesh, the countries definitely started on the path to a **low carbon economy** which requires a new vision and, especially, new production and consumption models.

EDISON AND ITS PURSUIT OF A LOW CARBON ECONOMY

In this context, Edison is in line with the international low carbon targets. Indeed, it has already begun a process to reduce carbon emissions, a process that EDF's CAP 2030 strategy has consolidated even further.

Edison's **electricity production is essentially based on renewable sources and the use of natural gas**. Natural gas powered combined cycle technology boasts lower specific carbon emissions than other thermoelectric power plants powered by fossil fuels and, at the same time, emits no fine particles (PM10 and PM2.5) or sulphur dioxide (SO_x).

Renewable sources are another key component in the electricity production mix and an indispensable asset in meeting the low carbon targets. Alongside its historic commitment to developing hydroelectric solutions, Edison has taken significant steps in the wind power sector, forging partnerships that have given rise to a company named e2i energie speciali (referred to as e2i) whose mission is to make the most of investments for the construction of new plants or to develop pre-existing sites by completely rebuilding wind farms in order to make them more efficient, reduce the amount of land used for farms and decrease the impact of wind power infrastructure on the landscape and environment.

Edison recently began a major project to **use liquefied natural gas (LNG)** for both heavy road transport (mainly long-haul extra-urban routes) and shipping. Small scale LNG also makes it possible to supply natural gas to areas that are not yet connected to the natural gas grid (e.g., Sardinia).

LNG is making an increasingly important name for itself on the market as a fuel that meets the greenhouse gas emission containment targets. Sweeping changes are underway in the shipping sector in particular, in connection with technological developments and new environmental restrictions (specifically in the northern seas), requiring players to rethink how ships are fuelled. In road transport, LNG is replacing diesel for medium hauls given its advantages in terms of prices and lower carbon emissions.

As for the areas not yet served by the natural gas grid, positive repercussions can be seen in terms of the environment (replacement of pollutant fuels like diesel and low sulphur diesel) and socio-economic aspects, creating more space for competitive energies.

Energy efficiency is another key pillar on which Edison has decided to focus to combine development and the rational use of energy. The inclusion of Fenice in the consolidation scope reinforces Edison's mission of strengthening energy services by offering customers in the industrial and service sectors integrated management and consumption solutions to achieve energy savings. Edison is also increasingly active in the residential business as well, with offers that bundle commodities with services.

Edison's pursuit of a low carbon economy also entails creating and spreading **skills and expertise** to increase community awareness of climate change. Edison has made it a priority to implement programs to develop skills in the areas where it is active in order to introduce good practices at local level while making the most of the expertise already in place.

DOCUMENTING CLIMATE CHANGE WITH PHOTOGRAPHY

A collection of 40 art photographs from seven countries: Italy, France, Germany, Great Britain, Belgium, Denmark and Turkey. **#WeAreTheClimateGeneration** is a collective photography show that opened during the Paris COP21 and toured the seven countries to continue spreading public awareness about climate change and its consequences.

Edison has supported this project since 2015 and in 2016 it donated a few of the panels to the Democrito Science High School in Rome and will sponsor meetings at schools in 2017 to support and spread awareness on climate change. This project is sponsored by the Globe Italia association and documents a collective commitment through photographic reportage.

Continuous improvement to reduce impacts

Edison's commitment to reducing environmental impacts is concentrated mainly in the operational management of its assets. Edison's approach is to continuously implement **mitigation, control and monitoring measures**.

The Group's **environmental and safety policy** highlights the principles that guide the work of its employees and contractors and is meant to further integrate sustainability into the business.

Therefore, Edison believes it is crucial to **manage and mitigate the environmental impacts of its plant infrastructure** while also increasing its drive towards a more sustainable use of natural resources and more efficient energy consumption. To this end, Edison applies environmental management systems (e.g., UNI EN ISO 14001 and EMAS) to monitor and manage environmental aspects, uses the best available techniques and strives to develop new technologies and environmentally-friendly sources. In addition, it is committed to training and informing its own employees and those of third party contractors about environmental issues and promoting transparent and ongoing communication with local communities.

The continuous monitoring of activities and full compliance with current legislation has led Edison to **adopt certified management systems**.

91% of Edison plants/operating sites are UNI EN ISO 14001 certified and some have also been registered with EMAS. In particular, in 2016, Edison Energy Solutions, a company operating in the Group's new Energy Services Market Division, earned UNI EN ISO 14001:2015 certification. This certification was extended to every operating site managed by the company.

Over the course of 2016, Edison met the environmental requirements of current regulations within the established deadlines. Accordingly, it reported on the management of water withdrawn and disposed of, waste production and the management of fluorinated greenhouse gases, transmitted data for the INES/E-PRTR (Italian emission and source register/European Pollutant Release and Transfer Register) on plants within its scope of application (with emissions

exceeding the thresholds established by law) and sent the reports required by emission trading legislation. Furthermore, Edison filed an application for integrated environmental authorisation and paid the fee for the Italian waste tracking system (SISTRI), while also consolidating the electronic tracking process for the transport of hazardous waste.

Throughout the year, all integrated management systems used at Edison sites were audited and updated. Specifically, 10 third party **audits** and 75 internal audits were conducted, mainly focused on maintaining and improving of operating practices. Unannounced inspections were also carried out in 2016 by public bodies and agencies.

Each year, a general review is conducted to ensure that the individual organisations' management systems are consistent. 2016 results were analysed, improvement projects were planned for forthcoming years, the 2017 targets were set and the internal audit plan and training plan for professionals were announced.

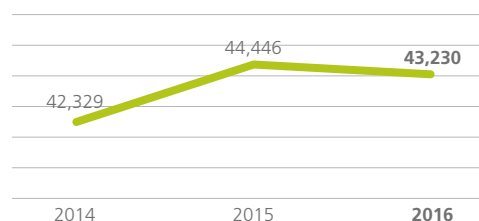
No equipment at Edison sites contains PCB (polychlorinated biphenyls). Routine tests are carried out at the sites with ozone depleting substances and specific plant handbooks have been included in the environment and safety management system.

Edison has reaped substantial environmental benefits, including energy saves, from **work on plants** carried out in recent years.

The trend in **environmental spending** has been substantially steady over the 2014 - 2016 three-year period.

There were no incidents in 2016 with an impact on environmental matrices (soil, subsoil, surface water and biodiversity). Moreover, two procedures were implemented to report the potential contamination of oil leakage from wind towers at the sites owned by e2i, which were concluded without any impacts on the environment. In addition, there were two fires that

TOTAL ENVIRONMENTAL INVESTMENTS AND EXPENDITURE (€/000)



affected part of the plant for the treatment of water from the water table at the Dogaletto reclamation site and part of the Castellavazzo biomass plant, without harming any people, land or the surrounding area.

To **prevent incidents and manage emergencies**, Edison has created management and operating procedures and routinely organises drills in which emergencies that could be harmful to the environment or people are simulated in order to identify the best possible way of containing potential damage.

The Edison Group's organisational structure underwent a sweeping change in 2016, and this entailed the revision of certain internal procedures, including the "**Crisis management guidelines**", to be even more effective in managing any kind of event in coordination with the EDF Group, as always.

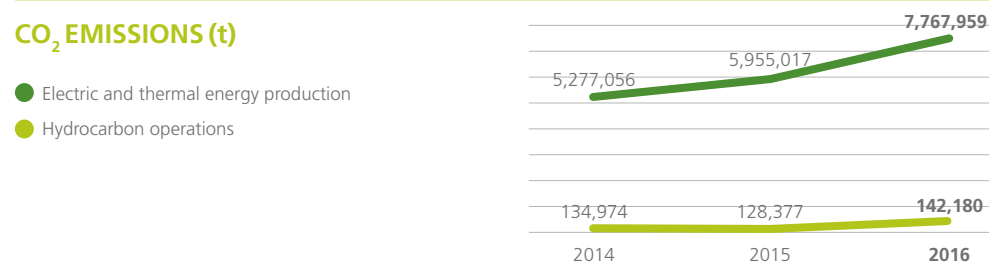
Lastly, activities continued to classify, update to safety standards and reclaim sites, most of which are located in highly significant industrial areas that could potentially be polluted by the Montedison Group's previous activities that have been sold and/or discontinued. Important projects in this respect were completed in 2016, including the completion of reclamation at the Muggia and Milan via Grazioli sites, while pending projects include the definitive certificate

for Porto Marghera Stazione Prima, along with the kick-off of the reclamation process through the biodegradation of contaminants at Nuova Alba's Dogaletto site. Furthermore, preliminary surveying activities were authorised in view of possible work on certain areas of the Bussi site, which is classified as being of national interest.

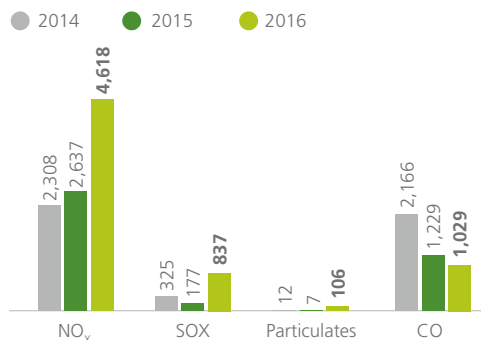
Edison uses the most innovative methods to minimise environmental impacts, such as ISCO (in situ chemical oxidation) systems or bioremediation, a technique that exploits the natural predisposition of bacterial communities to break down pollutant compounds for the reclamation and environmental restoration of contaminated sites.

Employee awareness and training on the environment are key gears in this process: Edison offers specific training and in 2016 it completed an environmental training program for the "professional family" of company experts in environmental protection. The program included courses on the new ISO 14001:2015 standard, waste management and artificial fibre glass, for a total of 16 hours.

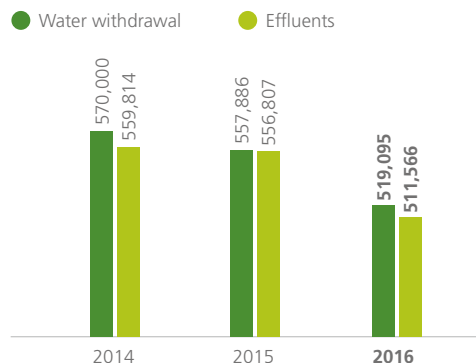
CO₂ EMISSIONS (t)



EMISSIONS INTO THE ATMOSPHERE (T) – ELECTRIC SECTOR AND HYDROCARBON OPERATIONS

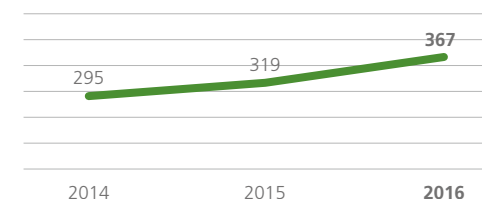


WATER WITHDRAWAL AND EFFLUENTS (thousands of m³)



SPECIFIC CO₂ EMISSIONS (gross g/Kwh)

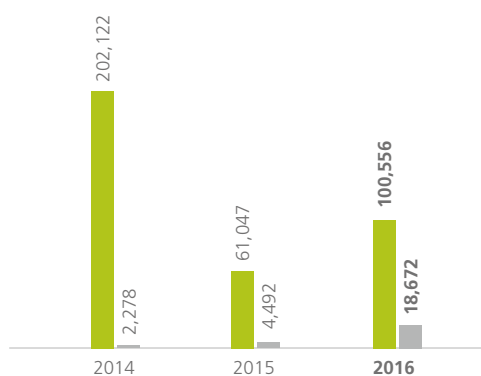
Electricity (including renewable sources)



Edison's carbon emissions increased in 2016 due to the growth in thermoelectric operations, as certain nuclear power stations in France were stopped, reducing energy imports from France. NO_x and SO_x atmospheric emissions rose following the inclusion of Fenice in the reporting scope. The sale of the thermal plants in Milazzo and Piombino affected indicators on water use and effluents, while the consolidation of Fenice was the main reasons for the increase in waste produced.

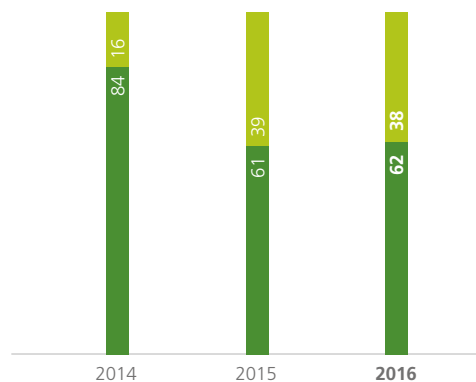
WASTE PRODUCED (t)

Non-hazardous waste Hazardous waste



WASTE DESTINATION (%)

Recycled Sent to landfill



PUTTING BIODIVERSITY FIRST

As part of Edison's complex environmental performance management, it devotes specific attention to the issue of biodiversity: in past years, it has assessed information on the use of soil, protected areas and the distribution of vertebrate species.

This information has made it possible to classify the sites on the basis of their sensitivity, above all by virtue of the fact that the authorisations for the realisation of new wind farms and photovoltaic power plants always include biodiversity monitoring for birds, bats and flora in general (considered as a habitat).

A SPECIAL FOCUS ON THE SAFETY OF COMMUNITIES

The Edison Group has conducted a **comprehensive risk assessment** of the activities performed at all its operating sites as part of the application of integrated health, safety and environmental management systems. In particular, atmospheric emissions, noise emissions and the management of hydroelectric basins are monitored in relation to complex weather events.

Collaboration with local communities is fundamental and often in the form of groups of people with specific interests in the areas where the Group operates, such as mountain communities, fishermen groups and local residents.

The most important activities carried out in 2016 concern:

- **The heart of energy. Discovering Edison's plants** (July 2016): organisation of an open-house

weekend at the hydroelectric power station in Meduno (Friuli), a press conference and VIP tour for local stakeholders. 2016 was the third year in a row that this event was held and it saw the participation of over 900 visitors who gained a better understanding of how the power station works by seeing it up close with guides. In collaboration with the local administrations of Meduno, Tramonti di Sopra and Tramonti di Sotto, during the two days of the open house, Edison proposed three energy redevelopment projects to be carried out in the local area, which visitors could vote on as part of a contest. The energy redevelopment project that garnered the most votes was a photovoltaic plant serving the multi-functional centre in Tramonti di Mezzo, with a public internet station, a medical clinic and blood donation offices.

- The **"Tracciolino"** trail was opened to the public. It is a 10-km long trail connecting the two dams Val Codera

and Val di Ratti owned by Edison, now granted to the Valchiavenna mountain community and the Verceia and Novate Mezzola municipalities for free use. The trail will continue to be improved in 2017 with the help of schools in the local district, which will make signs with information about Tracciolino's nature and history.

- The **"Edison, power for the heart"** project was made official. This project, in partnership with AREU, the regional emergency unit, will bring nine municipalities in the province of Sondrio into the network of sites with lifesaving cardiology equipment. Edison will donate 11 lifesaving automatic external defibrillators to the municipalities in Valchiavenna and Valtellina where it has hydroelectric power plants and to the provincial offices and Sondrio STER offices. It will also provide training on how to manage first aid outside the hospital.

Its years of experience with the Collalto seismic monitoring network is also

significant. The infrastructure was created to monitor natural seismic events and any micro-events caused in the area where the field used for the Collalto stocking station is situated, in collaboration with the National Institute of Oceanography and Experimental Geophysics.

As for the Collalto seismic monitoring, the Ministry of the Environment and Land Protection and the Veneto Region expressed their opinion with respect to the installations near the stocking station, agreeing with Edison's observations that no seismic micro events were recorded near the tank due to activities carried out at the stocking station. The Veneto Region also believes that the network of seismic micro-events tied to operations at the stocking station is correctly placed and sized considering its efficiency and functionality.

As a prerequisite for the concession renewal, in June 2016, a similar micro-seismic grid was built and rolled out at the Cellino site as well.

Relationships with stakeholders

Structured dialogue with its stakeholders is a crucial activity for Edison to strengthen its sustainability. The main objective is to integrate sustainability issues in business activities in an increasingly effective and innovative way, responding to external stakeholders' demands and highlighting the particularities of each business unit.

Stakeholder engagement is a systematic process in which the Company gathers feedback from stakeholders and engages them on material issues relating to sustainability. At the same time, it enables Edison to improve relationships that are already in place, listen to present demands and check the gap between expressed expectations and the path taken.

In 2016, Edison launched a listening campaign on two fronts. On the first front, within the company, **the directors and heads of the various business units were interviewed** in order to, by the end of 2017:

- develop EDF's strategic objectives for the Company's specific situation;
- formulate a set of identifying strategic objectives to support the business position;
- update the sustainable development policy and contextualize it within the framework of the new corporate values (Respect, Responsibility and Integrity), aligning it with EDF's CSR objectives.

The results of these activities made it possible to update the materiality analysis presented in this report and to gather ideas and suggestions for the development of Edison's sustainability. On the second front, outside the Company, following the interviews conducted in 2015 with

key opinion leaders, Edison began a process to set up a **permanent stakeholder panel**. The stakeholder panel is an innovative listening, discussion and engagement tool for key opinion leaders and Edison's contacts to improve the quality of relationships, kick off processes to hear and satisfy related demands and begin taking advantage of opportunities for development, competitive edge and innovation with respect to issues defined as material.

The priority objectives will be to:

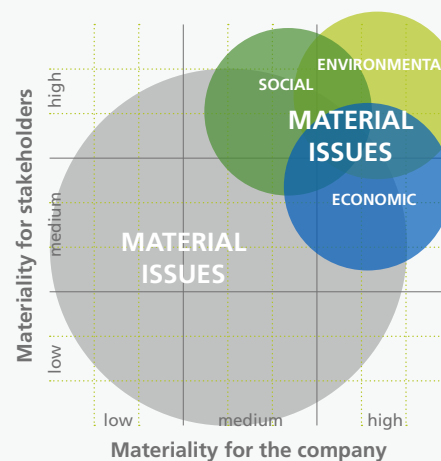
- integrate the stakeholder perspective in the decision-making process as part of a corporate governance approach, developing a community of thought around Edison;
- take an open innovation approach (for processes and services);
- identify material issues and support the preparation of specific policies;
- periodically prepare a proposal for projects for stakeholder engagement and initiatives to be carried out in collaboration with others to promote and improve Edison's sustainability.

EDISON'S MATERIALITY ANALYSIS

Edison has commenced updating its materiality analysis to focus on how to better report on its activities, performance and strategic objectives on issues that are important to its stakeholders and the Company as well.

The materiality matrix was updated following a structured process summarised below:

- A **benchmark** analysis was conducted on Edison's main competitors and integrated with an analysis of the **print and online press** to identify the aspects of interest for the sector and the issues on which public debate is focused, adding to and confirming the issues identified in 2015 through **interviews with opinion leaders**.
- These issues were updated for alignment with **EDF's CAP 2030 strategy and the strategic priorities that Edison has established in Italy**.
- The outcome of these steps was discussed with the **directors** of Edison's various business units to identify the **material issues** for the Company.



ECONOMIC

- Business development
- Responsible, transparent management and business integrity
- Effective, high quality customer relationships
- Generation of energy from renewable sources
- Fair marketing, communication and dispute resolution practices
- Open innovation
- Safety and operations reliability, business continuity and risk management
- Economic performance

SOCIAL

- Health and safety at work
- Diversity and inclusion
- Development and enhancement of human capital
- Dialogue and discussion with stakeholders
- Local content and value shared with the community
- Development and enhancement of human capital
- Access to energy in vulnerable areas
- Citizenship of plants and distribution of value
- Good employment and internal engagement

ENVIRONMENTAL

- Mitigation of climate change and transition to a low carbon economy
- Innovation and efficiency in production and distribution
- Energy efficiency

INSTITUTIONS: CONTACTS TO PROMOTE DISCUSSION

Dialogue with institutions is a **cardinal part of managing the market and sector**. Through the Institutional Affairs Office, which operates with offices in Rome and Brussels, Edison oversees relationships with government bodies, Parliament, the European Commission, European Parliament and the European Council and contributes to the Company's relationship with independent European and national authorities (electricity, natural gas and water authorities and the anti-trust authorities), diplomats and trade associations.

Edison supports processes to **prepare measures** by sharing its specific expertise and formulating "**corporate positions**" which define the Group's interests. Relationships between Edison and politicians are focused exclusively on exploring issues relating to the relevant activities, as provided for by the code of ethics; Edison is neutral in terms of political parties and does not finance nor support any parties nor their representatives. The **principle of transparency** also applies to relationships with the national and local public administrations, especially in terms of overseeing authorisation procedures, permits, concessions, contributions and public financing.

Through dialogue with the main associations and organisations, Edison participates in major national, European and international panels in which energy and environmental issues are discussed. Edison is a member of national and European business associations, such as Confindustria, Confindustria Energia, Assoelettrica, Assolombarda, Assomineraria, Assorinnovabili, IGAS, Unindustria, Eurelectric, Eurogas, etc. and takes part in their work groups.

In particular, it collaborates with Confindustria both locally where it has operations and through associations for specific categories or types of production. Furthermore, Edison's Institutional

Affairs Office takes part in the Unindustria Lazio technical work groups on issues relating to the energy sector, start-ups, digital transformation, human capital and association relationships. Edison is also active in Eurogas, an association that brings together companies and associations from 27 countries involved in the midstream and shipping in the European natural gas sector. Edison is on the Governing Board and participates in the Madrid Gas Forum for sector regulation, the Gas Coordination Group and the Citizens' Energy Forum. The company is part of Eurelectric – an association made up of electricity production and distribution companies in Europe – and is a member of its Board of Directors and many work groups. It also chairs the European Committee, the body through which Assoelettrica participates in Eurelectric activities.

In addition, Edison contributes to the European Federation of Energy Traders (EFET)'s activities. This federation is committed to improving market infrastructures for energy trading and market liquidity through dialogue with European institutions. Edison is also on the board of EFET Italy.

In this way, Edison plays an active role in the **most important think tanks** in Italy, Europe and around the world and **works with energy opinion leaders** to discuss research programs, surveys, events and seminars to encourage public debate.

Edison is on the Investors Advisory Panel of Energy Community, an organisation created to align European energy market regulations with the energy regulations of contracting parties in South-east Europe. In this role, it facilitates dialogue between private investors and the Energy Community and medium/large infrastructural investments.

Edison is also active in the Renewable Energy Task Force, which studies and proposes ways to extend European policies supporting renewable sources in the Energy Community Treaty.

SUSTAINABLE ELECTRICITY

Strategic priorities: energy that is ever more sustainable

Investing in renewable sources and a low carbon mix

Environmental protection and management

The drive towards innovation

People and safety as a must

Value for the community

Strategic priorities: energy that is ever more sustainable

Edison is one of the **top players in the production and sale of electricity** in Italy.



Hydroelectric power plants



almost

1.100_{MW}



Thermoelectric power plants



over

5.000_{MW}

including five plants with roughly
650 MW not currently operating

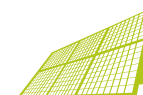


Wind farms



nearly

600_{MW}



Photovoltaic power plants



around

13_{MW}



Biomass plant



generating

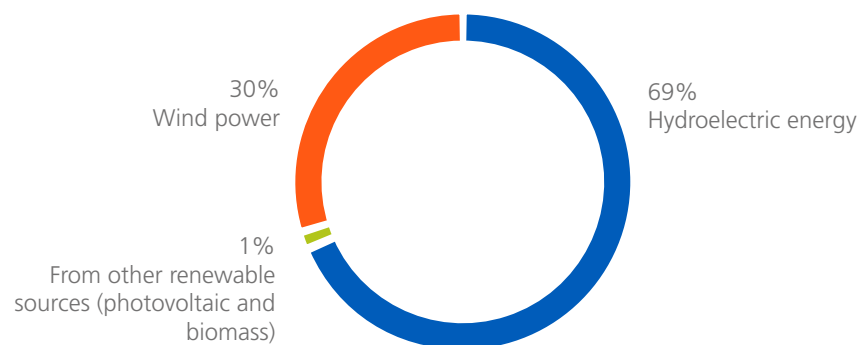
6_{MW}

e2i energie speciali, a company in which Edison Partecipazioni Energie Rinnovabili holds a 30% interest, has been assigned management of the wind farms. Edison has expanded its presence in Greece with Elpedison, a joint venture with Hellenic Petroleum and Ellaktor, which owns two large combined cycle plants in Thessaloniki (390 MW) and Thisvi (410 MW). Edison is also active in Brazil through Ibiritermo S.A., a 50:50 joint venture with Petrobras S.A. The joint venture owns a 226-MW combined cycle plant.

In addition, the Company has operations in Spain (thermoelectric power plants with roughly 24 MW and a photovoltaic plant transferred from Fenice) and in Poland (one 12-MW coal plant transferred from Fenice).

Investing in renewable sources and a low carbon mix

RENEWABLE SOURCE ELECTRICITY PRODUCTION MIX



Edison is moving towards the future of the energy market: in recent years, it has consolidated its significant **experience and expertise in renewable energies** and is now putting them to use for its continued growth.

Edison's new strategic plan reflects many of the sustainable development goals (SDGs) endorsed by the United Nations and, in particular, goal #7 "**Ensure access to affordable, reliable, sustainable and modern energy for all**". Indeed, Edison has decided to focus on renewable source power generation facilities and has set a target of 40% of total production by 2030.

Its strategy fits into the broader context of EDF's new CAP 2030 strategy of dramatically reducing emissions from energy production and of the strategy it began pursuing in previous years in which natural gas is considered a fundamental source of energy.

THE CHALLENGES OF THE HYDROELECTRIC SECTOR

Hydroelectric operations constitute a key sector in the Company's development strategy, especially at this time of profound change. In this context, Edison strengthened its position in 2016 with two acquisitions.

In May, it acquired 90 MW in the Friuli Venezia Giulia region (Cellina area): Edison and Alperia, the company resulting from SEL's merger with AEW, finalised the transaction by exchanging Edison's investments in Hydros and SelEdison and Alperia's investment in Cellina Energy, the company that owns the 90-MW hydroelectric power plants in Friuli Venezia Giulia. The hydroelectric complex in the Cellina area comprises 23 large and small intake plants, for total installed capacity of 90 MW.

In the same month, Edison increased the installed capacity of its mini-hydroelectric operations by 35%, bringing total installed capacity to 15 MW. It acquired seven power stations in the Piedmont region and two in Friuli Venezia Giulia for total annual average production of 70 GWh (equal to the consumption of about 25,000 households). These power stations, which previously belonged to IDREG Piemonte, have also enabled Edison to optimize plant management and maintenance synergies with its pre-existing operations in the two regions.

The Company's commitment to **developing new greenfield projects** in the mini-hydroelectric sector has also been significant. The regions on which it is focusing in particular are Piedmont, Lombardy and Calabria, where low and medium drop projects have begun authorisation processes.

Construction work continued in 2016 at the **Pizzighettone mini-hydroelectric site** in the province of Cremona. The plant will be on the Adda River with capacity of 4.5 MW and annual production of approximately 18 GWh. It is slated for completion in 2017.

During the work, the remains of a wall and water mill dating back to Medieval times were discovered. They will be restored in 2017. An explosive remnant of World War II was also discovered in the site. It was disarmed, removed and burned out in a protected area in collaboration with the 10th Engineering Regiment of Cremona. The area was evacuated and no pedestrians nor vehicles were allowed to transit, while railway, air and river traffic was also suspended to ensure the safety of people and things in the area, in agreement with the local authorities.

A focus on the environment while the site was being built is demonstrated by the constant interfacing with the oversight bodies to take advantage of possible synergies and recommendations arising from them. For example, at the same Pizzighettone site, cooperation with AIPO (the inter-regional agency for the Po River) enabled Edison to manage the environmentally sensitive stages of the project on the riverbed.

In 2016, Edison also took over management of two mini-hydroelectric projects in Cellina: Campolessi and Campagnola, for a total of 2 MW.

WIND POWER LEADER IN ITALY

Renewable sources are an essential factor in the future of energy, also considering the growing focus on fossil fuel consumption levels and in the light of the COP21 commitments. Edison has set the medium-term goal of becoming Italy's top wind power player through its partnership with F2i and EDF Energies Nouvelles and the development of **e2i energie speciali**. In this complex market context, characterised by a progressive reduction in incentives, whether the development of renewable energies is effective will largely depend on economies of scale and the ability to manage the energy market and its growing volatility. In this way, Edison, with e2i's critical mass (operating capacity of 600 MW for total production of 1.1 TWh) and its distinctive technical expertise, know-how and energy management skills, is now one of the leading operators offering reliability not only in the short term but in the medium and long term as well.

In 2016, e2i was the **third largest player in the renewable energy from wind power sector in Italy**.

In its second year of operation, e2i has grown stronger and is steadily committed to developing **greenfield projects and complete rebuilding projects**, while also increasing the number of authorisations obtained. It pursued its objective of increasing installed capacity by analysing various potential mergers and acquisitions which would make it a hub grouping together and consolidating small and medium players in the renewable energy sector.

e2i did not invest in new capacity in 2016: in November, it registered eight projects in **auctions for the assignment of 2015-2016 incentives**, all of which were admitted. In the meantime, it is focusing on maintaining and improving the performance of its existing plants in terms of availability and production.

INVESTING IN NEW WIND POWER

At the end of 2016, e2i energie speciali **won the incentive for 153 MW** of new wind power, which will join its production fleet.

Indeed, e2i participated in the auction called by GSE, the state-owned company that promotes and supports renewable energy sources in Italy, to obtain new on-shore wind farm production capacity and had all eight of its submitted projects included in the ranking of GSE auctions for a total of 153 MW out of the total contingent of 800 MW.

Specifically, **five greenfield plants** will be built in Campania, Puglia, Sicily and Basilicata, while **three complete rebuilding projects** will be carried out on operating wind farms in Abruzzo and Basilicata for a total of over 150 MW. The rebuilding projects will make it possible to exploit the technological development of wind turbines to boost the plants' productivity and cut the number of wind blades.

The new generation capacity is in addition to the approximately 600 MW already included in e2i's wind farm portfolio. e2i draws on the specific expertise of EDF Energies Nouvelles in plant operation and maintenance.

Edison set an ambitious business goal in 2016: **become, together with its partners in this sector, Italy's top wind power player.**

In forthcoming years, a large part of its installed wind power capacity will need repowering or complete rebuilding (over 2,000 MW in 10 to 15 years). e2i is also involved in this updating process, which will be based on transparency, reliability and sustainability.

2016 saw Edison involved in updating recently acquired assets to company standards.

Non-recurring activities in the field of renewable energies included the plant in Farigliano (Cuneo), which was affected by the exceptional overflow of the Tanaro River in November 2016: personnel managed the overflow in accordance with operating rules and plant emergency management procedures. The Division is currently involved in restoring the plant so operations can resume quickly. The photovoltaic plant in Altomonte (Cosenza) underwent extraordinary maintenance during the year, which consisted of technical improvements to boost productivity.

TRANSITION OF ENERGY TO RENEWABLE SOURCES

Edison's thermoelectric power stations, which run on natural gas, make up 82% of the Group's electricity production and 9% of the energy produced from national fossil fuels (sources: national data, Terna).

In 2016, in line with national production trends, Edison's **thermoelectric production grew by roughly 20%** on the previous year. This was due to the reduction in imports from abroad, weather conditions and low water levels in the period.

Since all of Edison's thermoelectric power plants run on natural gas, Edison sees **natural gas** as the **transition fuel towards an increasingly low carbon production model.**

Therefore, in order to make the most of new market opportunities, the main activities with respect to thermoelectric assets in the year consisted of **the optimisation of existing production plants** and the study and implementation of **technologically innovative solutions** to improve the performance of existing plants and their position on the power market.

During the year, the thermoelectric power plants in Torviscosa, Altomonte, Simeri Crichi and Marghera Levante received specific technical improvements to increase operating flexibility and efficiency. There was a fire at the Castellavazzo power plant owned by Compagnia Energetica Bellunese CEB Spa (also referred to as CEB) in the machine room, without any damage to people or the environment. The Division is currently focused on rebuilding the damaged sections of the power station, in order to quickly put it back into operation. Edison is also studying options for the **industrial reuse** of plants not currently operating.

In addition, in 2016, the Piombino and Milazzo power stations were removed from the Edison Group's scope of consolidation. These two power stations joined two leading industrial groups in Italy, which will ensure their production continuity and the re-employment of workers in the new groups.

Environmental protection and management

Edison's approach to an increasingly low carbon production model with an even larger share of energy from renewable sources has translated into an unwavering commitment to reducing environmental impacts and highlighting natural resources.

Edison's focus on the environment is confirmed by, among other things, the positive results of **audits on the integrated environment and safety system** in accordance with ISO 14001 and BSI OHSAS 18001 standards with respect to the Power Asset and Engineering Divisions. Indeed, all the scheduled inspections to monitor and/or update management systems were successfully completed. During the year, certification was also extended to the photovoltaic system in Piedimonte San Germano (Frosinone), an operating annex of the thermoelectric operations, and the photovoltaic system in Maleo in the hydroelectric sector. All plants in the division, except the new hydroelectric power plants acquired in the year, are certified.

In 2016, activities continued to classify, update to safety standards and reclaim certain sites, most of which are located in highly significant industrial areas that could potentially be polluted by the previous activities that have been sold and/or discontinued.

Environmental reclamation proceedings on soil and underground water contamination sites detected or commenced in previous years at certain thermoelectric and hydroelectric power stations continued in 2016 as well. In particular, they concern the Marghera Levante and Marghera Azotati production sites in Porto Marghera (Venice), Sesto San Giovanni (Milan), Bussi sul Tirino (Pescara), San Giuseppe di Cairo (Savona) and Pieve Vergonte (Verbana-Cusio-Ossola). At the thermoelectric plant in Simeri Crichi, the phyto-purification system to treat non-industrial effluents from the power station was put into operation, reducing the disposal of non-industrial effluents as waste.

As for new production plants, care for the environment begins as early as the **design** stage: experience gained over the years not only in development, but in plant operation and relationships with environmental protection bodies as well, has led to a wealth of knowledge currently serving all the production sources in which Edison operates.

To protect and best use water resources, Edison obtained authorisation to recover water from the water table for the Marghera Azotati power station: the project will be developed in 2017.

In the **wind power sector**, the path taken in 2015 with the preparation of the "**Charter for the renewal of sustainable wind power**" – sponsored by e2i and signed by leading players in the sector, together with ANCI and Legambiente – was consolidated in 2016 as another player signed the charter as well. The content of the charter was reported to local parties and operators in various initiatives and meetings. In 2016, a document titled "Implementation of the charter" was prepared and will be defined and discussed with the various players in 2017.

Parallel to this external process, e2i revised and consolidated its ethics and compliance tools, which earned it the highest possible "**Legality rating**" from AGCM (the Italian anti-trust authority).

e2i adopted an organisational and management model pursuant to Legislative decree no. 231/2001 which, together with the anti-bribery code, defines the company's governance rules. It also implemented and maintained a management system in accordance with UNI EN ISO 14001 and BSI OHSAS 18001 standards and EC 1221/2009 (EMAS) standards. In November 2016, the company's EMAS registration was updated and the ISO 14001 and OHSAS 18001 environmental and safety certificates were renewed.

The production of waste in the wind power sector is particularly important when the plants are built, due to the site activities. During plant management, waste is produced in normal ordinary and extraordinary maintenance on parts. Edison's goal is to **privilege recycling over disposal**, where possible. In 2016, no development sites were opened and only extraordinary maintenance was carried out.

Complete rebuilding projects that will be implemented beginning in 2017 were aimed at more **efficient ground use**. The fleet of wind power plants is being expanded with the installation of larger machines (in terms of power and size) that are efficient (more productive), without the additional use of ground space.

Certain electric equipment uses less sulphur hexafluoride (SF6): when used as an insulator, this gas is considered a greenhouse gas. In order to mitigate and monitor emissions, specific machine cards are created and the dispersion of SF6 is kept in check.

Preliminary assessments and electro-magnetic field measurements are conducted as a rule at the various wind farms when applying for authorisation and during the first months of plant operation: the findings are always under the legal limits. Only pre-assessment studies were carried out in 2016 on electro-magnetic fields for the wind farms that were taken to auction at the end of 2016.

As part of the integrated management system that went into effect in 2016, e2i has implemented a procedure known as "PTE 030 Noise Impact" which describes how the company assesses, starting with the initial design stages, the noise impacts of its wind farms and how it limits the effects of such noise. All the receptor records relating to projects taken to auction were updated and two noise impact forecast assessment reports were prepared for the Troia (Foggia) and Vaglio Basilicata (Pistoia) wind farms.

In 2016, three large **environmental restoration** projects were carried out at two operating wind farms in Calabria and Sicily following small landslides that made it necessary to carry out work to secure areas near the farms.

Activities continued to **monitor birds** near the wind farms in Calabria. These activities were also flanked by tangible work to protect biodiversity with the construction of feeders in certain periods of the year and installation and monitoring of nest beds for reproduction. Kestrels and jays, species of particular interest to conservationists, have been seen. 2016 was also the fourth year in which birds are tracked near the San Benedetto Val di Sambro (Bologna) wind farm. The study confirmed that the site was not an important location along the birds' migratory path. Information on the mating season has not changed with respect to previous surveys.

Activities were completed in 2016 to definitively restore the Baselice (Benevento) wind farm. All the areas used for the site were adequately replanted and the conditions in place before the construction were restored.

The drive towards innovation

Innovation is a crucial and strategic issue for the Company: the Power Asset & Engineering Division makes a daily commitment to this issue and mainly focuses on consolidated processes and systems; however, on certain occasions, the drive to innovate comes from outside the Division.

The installation of an innovative **energy storage system using 500 kW / 500 kWh lithium batteries**, integrated with the existing 3.3-MW Altomonte photovoltaic system, was proposed in 2016.

The supply and commissioning of the energy storage system will take place in 2017, while 2018 will see testing and the subsequent collection and analysis of data on use. It will therefore be possible to make the most of the role of energy storage with respect to the limitation of unbalancing in photovoltaic operations, arbitration and the optimisation of transfer to the grid, as well as to simulate the energy storage system's participation in the dispatching service market.

The results of tests conducted may also confirm the storage system's suitability for the supply of other services as a complement to Edison's thermoelectric power plants. Various external drivers make experimentation into energy storage systems particularly interesting: in addition to a constant reduction in the production cost of batteries worldwide, needs for grid services are growing due to the development of renewable energies, in particular those that are distributed and not programmable (i.e. residential photovoltaic power plants). The energy storage systems already provide particular network services on certain foreign markets (e.g., in the US and the UK) and expected developments in the regulatory context will, in the medium term, enable batteries to participate more extensively in electric markets in Italy as well. This project is part of a wider European debate on the impact of **non-programmable renewable energy sources** on electric grids and the role of batteries in facilitating these sources and increasing their integration.

People and safety as a must

The activities that characterised 2016 included the substantial completion of the **“social plan” for personnel at the thermoelectric power stations not currently operating** due to the need to remedy the recent production overcapacity in Italy.

2016 saw the completion of the **re-employment process** that began in late 2012 when employees affected by the discontinuance of operations of certain thermoelectric power plants signed the related agreement with the trade unions. The signing of the agreement with the trade unions, in which the latter were able to balance the Company's needs with those of the workers on a particularly complex issue is a good example of effective social dialogue in the field.

Approximately 150 workers were affected by the agreement: 70% of these workers were assigned alternative positions within the Group, 20% outside the Group through agreements with sound industrial companies in the local area and the remaining 10% were given incentives to begin their own business activities. The social plan – aimed at finding non-traumatic solutions for the personnel affected – entailed the Company's economic and operating commitment in line with the willingness of the concerned parties and with ongoing and constructive dialogue and discussion with national and local trade unions.

The focus on **people's health and safety** has been significant. During the year, many training sessions were held with internal and external personnel. Safety cross-checks were conducted at the various production sites and action was taken to improve/implement safety procedure for specific activities. In addition, tutoring was provided on worker safety.

Edison devoted particular focus on the **contractor firms** on which it conducts first level internal audits to check that they are applying safety standards in their documentation and on-site activities.

At the Pizzighettone site, a “reward system” called **“Safe conduct”**, was implemented for company personnel to motivate workers to follow work safety procedures in site activities. The Power Asset Engineering Division reported **no incidents involving company personnel** in 2016 and there were **no accidents involving company personnel** at the temporary or mobile sites managed by the Division.

Value for the community

Edison has changed its approach to its relationship with the areas in which it operates through its electric production plants. A number of different steps were taken in 2016, some of which were a continuation of previous steps while others were new.

In November 2016, Edison and Iniziative Bresciani - INBRE signed a partnership agreement for the joint development of **energy efficiency initiatives** and/or **electricity and natural gas supply bundling in Valle Camonica**. One of the purposes of this partnership is to evaluate whether to launch a potential future joint strategy to strengthen their mutual presence in the area, specifically in the hydroelectric segment.

Inspections at production plants continued in 2016. The third annual roadshow, **“At the heart of energy. Discovering Edison’s plants”** was an open-house weekend at the hydroelectric power station in Meduno in the Friuli region of Italy. Plant engineers accompanied visitors on a special tour to learn about electricity. In addition, confirming Edison’s commitment to the communities in which it operates, in collaboration with the local administration, it created a contest and proposed three energy redevelopment projects to be carried out in the local area. Visitors voted for their favourite project and Edison committed to building the project that won the most votes: a photovoltaic plant serving the multi-functional centre in Tramonti di Mezzo, with a public internet station, a medical clinic and blood donation offices.

To best recount the opportunities presented by the wind power sector, in July 2016, e2i energie speciali organised a conference with ANEV and assoRinnovabili in Bari on the renewal of existing wind farms. The name of the conference was **“The renewal of wind power plants: an opportunity for the local area”**. The main issue was the effectiveness and transparency of renewal projects involving existing wind power plants in Italy for a sustainability process focused on integrating with the landscape. The conference was held in collaboration with institutions, bodies and local associations in order to help simplify authorisation processes for the renewal of wind power plants and take advantage of all economic and environmental opportunities for the land in the Puglia region.

RELATIONSHIPS WITH ENVIRONMENTAL OVERSIGHT INSTITUTIONS

CEB, a company controlled by Edison, volunteered to take on ARPA Belluno’s proposal to make a plant available for sample testing and analyses of smokestack gas emissions. It will contribute to the experimentation and research undertaken by certain local partners. Accordingly, between September and October 2016, the “Qualitycheck - Emissions into the

atmosphere (Sampling)” inter-lab testing was carried out to enable testing labs to demonstrate their analytical competences to customers.

This inter-lab testing, the result of a partnership between ARPAV’s provincial department of Belluno and Qualitycheck Srl in Rome, saw the participation of 41 testing labs in both the private and public sectors and required an analytical calculation of the biomass station’s smokestack emissions.

EDISON REVITALISES ITS RELATIONSHIP WITH VALCHIAVENNA

Edison renewed its relationship with Valchiavenna and Valtellina through a new agreement with the local area. This virtuous collaboration and discussion between the Company and the local authorities led to the opening of the **“Tracciolino” trail** between Verceia and Novate Mezzola in October 2016 and Edison’s contribution of heart defibrillators to municipalities in the province of Sondrio through the **“Edison, power for the heart”** project.

Historically active and integrated in the Valchiavenna area with its own hydroelectric power plants, Edison plans to **create long-term value shared with**

the area; a role it plays by listening to and understanding needs and by providing tangible responses to material issues.

Ten kilometres long, Tracciolino is a trail created in the 1930s to connect the two dams situated in Val Codera and Val dei Ratti with a small Decauville train. At 920 metres above sea level, it is considered one of the most spectacular works of engineering in Valchiavenna with sections carved out of the rock, tunnels and awe-inspiring views. The trail leads from Novate Mezzola to Verceia, giving visitors a view of Mezzola Lake from above. It passes through San Giorgio, a village that can only be reached on foot, and through the woods behind the village.

Owner of the trail, Edison granted **“Tracciolino”** on free loan to the Valchiavenna mountain community and the Verceia and Novate Mezzola municipalities. The region financed the redevelopment and work to secure it, while the mountain community carried out the work. The result is the fruit of the understanding reached years ago and celebrated on 8 October 2016 with the opening of the trail in a ceremony with the institutions in attendance. The ribbon cutting was followed by an institutional event at the Edison Campo hydroelectric power station in Novate Mezzola. The event provided an opportunity for the Company to meet with the authorities and underscored the former’s interest in the local area and plans to continue working there, while also receiving the broadest possible support for its initiatives.

It was also an opportunity for Edison to illustrate the **“Edison, power for the heart”** project, which, in collaboration with AREU, the regional emergency unit, will bring nine municipalities in the province of Sondrio into the network of sites with lifesaving cardiology equipment. Edison will donate 11 lifesaving automatic external defibrillators to the municipalities in Valchiavenna and Valtellina where it has hydroelectric power plants and to the provincial offices and Sondrio STER offices. It will also provide training on how to manage first aid outside the hospital.

LOW ENVIRONMENTAL IMPACT OIL & GAS INFRASTRUCTURE

The strategic approach

Innovation and safe operations

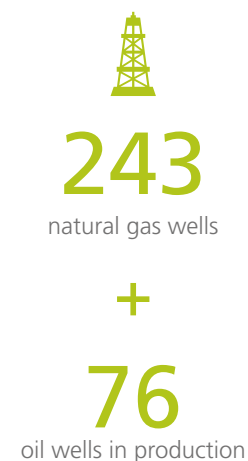
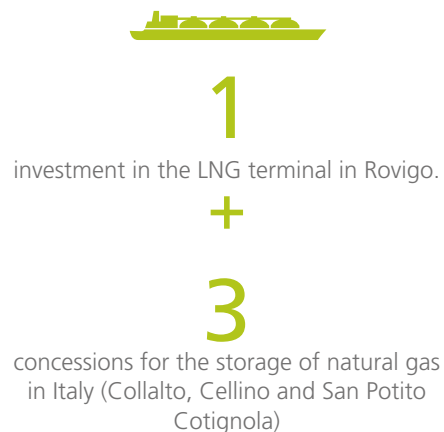
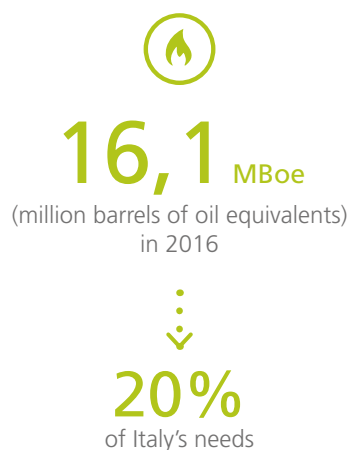
Environmental management and protecting biodiversity

Plant citizenship and shared value in the local area

The strategic approach

In over 130 years of history, Edison has taken on a number of challenges bringing it recognition as a reliable operator capable of giving rise to change with modernity and entrepreneurship, by acting sustainably.

Exploration and production activities are located in both Italy and abroad (Egypt, Norway, Algeria, the United Kingdom and the Falkland Islands, Greece, Croatia, Israel and the United Arab Emirates), where the respective national authorities consider Edison a qualified operator based on scrupulous financial soundness analyses and its focus on environmental issues and significant technical expertise.



Thanks to the experience it has gained, Edison is now the EDF Group's natural gas expert. In particular, Edison:

- is integrated in the hydrocarbon business;
- is committed to building new strategic infrastructures for the Italian and European energy system;
- contributes to the improvement of energy mix and the diversification of supplies.

Edison has **hydrocarbon reserves** amounting to 40.4 billion equivalent cubic metres.

It holds four long-term contracts to **import natural gas** from production areas (Qatar, Libya, Algeria and Russia) ensuring that supply sources are diversified.

To further diversify and secure European gas supplies, Edison is involved in the **design of certain natural gas importing infrastructures**. In particular, through IGI Poseidon, which is 50% owned by Edison and involved in the development of various projects to link Greece and Italy (IGI), Greece and Bulgaria (IGB, 50:50 partnership with Bulgaria). In addition, Galsi, in which Edison holds a 23.53% interest, will connect Italy and Algeria. Furthermore, other possible new infrastructures are being studied, like the pipeline linking Cyprus with Greece (EastMed) and small scale LNG storage facilities in Italy.

Total natural gas production (in Italy and abroad) fell by 3.5%, with a 4.8% decrease in crude oil production.

Investments totalled €224 million in 2016. The main investments in Italy related to completing the development of the north-west Clara field and developing the Ibleo offshore project. Investments abroad related to the Egyptian Abu Qir concession to upgrade assets and build the new NAQ PIII platform; the Norwegian Zidane concession and Polarled pipeline construction activities, which will link Zidane to the mainland; operations in Algeria to develop the Reggane concession; and production in Great Britain at the Scott and Telford fields acquired in 2015.

Exploration activities included furthering the mining potential assessment of the portfolio. In 2016, total exploration investments amounted to approximately €68 million.

In December, Edison confirmed its interest in the Dvalin (Zidane) concession, located in the Norwegian Sea. Edison will help fund the investment needed for the concession's future

development, while reducing its investment from 20% to 10%. These agreements will take effect on 1 January 2017 and are subject to government approval.

This project is part of Edison's strategy of achieving a meticulous definition of the priority of investments in the E&P sector. The development plan for the Dvalin project will be implemented by a very financially sound joint venture consisting of Edison Norge AS, Dea Norge AS (operator) and the state-owned company Petoro AS.

In February, Gazprom, Edison and Depa signed a memorandum of understanding to develop a project for a gas pipeline from Russia across the Black Sea to Greece and Italy for the development of a gas pipeline between Greece and Italy to open a new route for the supply of natural gas. The agreement highlights the parties' interests in a new natural gas transport route from Russia - crossing the Black Sea and through neighbouring countries - to Greece and from Greece to Italy. To this end, the parties intend to exploit, as much as possible, the work that Edison and Depa previously performed in connection with the ITGI Poseidon project.

In 2016, Edison signed agreements with its partner in Libya and Qatar - respectively ENI and RasGas - to review long-term natural gas supply contract prices.

To have its integrated health, safety and environmental management system certified, the Company began a comprehensive **context analysis** (required by ISO 14001 and by the future ISO 45001 which will soon replace OHSAS 18001) to identify the opportunities and risks of this new structure. In order for the analysis to be consistent and effective, not only must

the organisation's own needs be identified with respect to its various branches, but the key requirements of significant internal and external stakeholders must also be considered to grasp the interaction of dynamics between the external/internal context and the organisation. The aim is to define an effective management system that optimises time and resources in complete accordance with the health, safety and environment standards and in line with Group policies.

This entails the definition of measurement parameters to ensure control over the achievement, maintenance and improvement of levels considered adequate with respect to the performance of the management system.

EDISON'S ROLE IN THE DEVELOPMENT OF LNG

Edison is currently the largest and the only long-term importer of LNG in Italy and it manages an extensive, diversified portfolio. Its goal for the next few years is to position itself as one of the main market players through long-term investments in the development of the entire logistics chain, contributing, in this way, to narrowing Italy's infrastructural gap.

Edison's "Small Scale LNG" project falls into this context, which entails the

construction of on-shore storage LNG facilities. LNG is a fuel that can be used for both heavy road transport (mainly long-haul extra-urban routes) and shipping (bunkering).

This project will enable industrial users not currently connected to the distribution grid to use natural gas and will also provide a fundamental contribution to bringing natural gas to Sardinia, the only Italian region presently without any supply of natural, a cleaner, more competitive fuel than the sources that are currently available.

Innovation and safe operations

Ensuring high safety levels is a crucial requisite for the prevention of serious incidents in operations and limiting the potential consequences: the technological innovations introduced in recent years have raised Edison's awareness and led it to extend safety standards to all its infrastructures and activities even more effectively.

To this end, in 2016, Edison's joint venture in Egypt, AQP, was audited. During the follow-up process after the audit, in order to guarantee that the control and management systems with respect to the integrity of plants and structures in general are adequately effective and efficient, an **asset integrity study** was launched.

The purpose of this study was to perform a specific gap analysis to understand what actions to implement (operating/design/structural actions) in order to prevent the recurrence of failures that can affect not only production, and therefore strictly business aspects, but also health, safety and the environment. This study was completed in 2016 and follow-up activities will begin in 2017 in connection with the implementation of the actions identified in the study.

Again in keeping with upgrading new assets to Edison's high HSE standards and in order to ensure that safe practices in the way work duties are performed are "**positively contagious**", a project was kicked off within Italian Operations area involving contracting firms. The project includes a one-year observation period in which workers will be evaluated on the quality of their work. In practice, workers who stand out for showing initiative and/or safe conduct to improve working conditions (e.g., by providing recommendations for plant modifications and procedural or other changes) will be rewarded.

To replace the operating guidelines for well operations, the E&P Division's Well Operations Department developed an in-house "**Well Operation Management System**", i.e., a series of specific procedures to cover the range of activities that can be carried out. A gap analysis was carried out and completed at the end of 2016, enabling the Company to check that these procedures are in line with the highest standards and international best practices.

Edison innovated the system in 2016 to strengthen its safety characteristics and ensure an ever more rapid emergency response. In order to cut the time needed to mobilise the equipment needed for the emergency team's response to an environmental incident, a solution was created to minimise loading/unloading time and the **transport of oceanic barriers to supply vessels**, improving response times in the event of an emergency.

Pursuant to European directive 2013/30/EU, operators developed a **software to report potentially significant incidents** to control bodies. All EU countries will use the same IT tool, Syrio. To test the software's effectiveness and any improvements to optimise its functioning and utility, the Ministry of Economic Development asked Italian offshore operators and Assomineraria to test Syrio: Edison participated and sent comments and recommendations to help improve the system.

IMPROVING SAFETY AT FSO LEONIS

Following the acquisition of FSO Leonis (the Vega field south of Pozzallo in Sicily) at the end of 2015, the need arose to include FSO Leonis in the multi-site integrated management system of the E&P Division's Italian Operations Department. To this end, a gap analysis was conducted in 2016

to understand what is necessary for its inclusion in the scope.

Therefore, in order to ensure an increasingly higher level of safety for the environment and people, a series of **improvements** was carried out at FSO Leonis and specifically on, for example, cisterns, the installation of emergency lighting, forced ventilation systems, the positioning of gas detectors, etc.

Environmental management and protecting biodiversity

Edison is committed to preserving the natural capital affected by its activities through efficient environmental management.

During the year, portable equipment was acquired to **record** fugitive **emissions** and processing plant smokestack emissions to monitor and mitigate these aspects. Ozone depleting substances (from, for example, air conditioners, heat pumps and refrigerators) are monitored by specialised firms that handle plant maintenance as well and, where necessary, minimise any leakage.

Furthermore, the **restoration and reclamation** of the Codogno mining site were also carried out.

Between 2015 and 2016, at all Edison storage facilities, the rags used in maintenance were replaced with another type of rag that can be recycled and reused. To this end, an agreement was signed with a firm specialised in renting recyclable technical rags. This enabled Edison to reduce its production of hazardous waste and cut disposal costs.

At the Cellino power station, the “tool gas” system was replaced with a “tool air” system to move the plant valves: this modification led to a reduction in natural gas dispersion in the atmosphere.

During the year, **noise barriers** (barriers previously used for drilling) were installed on the air cooler perimeter of the Cellino 35 compressor. The result was positive and cut noise by about 12 dB, measured near the first receptor. Although this was not required because the site already complied with the legal noise limits, it was installed to maintain a good relationship with the surrounding area and was appreciated by local stakeholders.

Edison completed and continued to fuel restoration and **biodiversity** protection projects, especially in the areas surrounding its production plants and infrastructures.

In particular, the **BioVega project**, in partnership with experts from the Protected Marine Area in the Acitrezza Ciclopi Islands and the University of Catania, has helped transform the Vega A platform in a biodiversity workshop. The first stage of the project, i.e., the survey of species and algae living on the underwater structure and in the waters surrounding the platform, the analysis of flora and fauna and the continuous monitoring of certain vital parameters, was completed in 2014, demonstrating that the main residents of the jacket are molluscs (17 species) and detecting a significant presence of fish species, including species that would not normally be present, making it a fishing attracting device (FAD) for the species found. After technology scouting, the second step will entail the installation of specific devices to create habitats that can host this biodiversity (techno-reefs) and video cameras will be installed in the final stage to film marine life.

To make the most of the BioVega project and best repeat it on the future Vega B platform, Edison began an analysis to systematically document the new elements included in the environmental impact assessment application filed in July, with the aim of improving the project (without changing the scientific methodology) through open and constructive stakeholder engagement.

During the second half of the year, a “BioVega B” co-design process began to expand upon project knowledge while also maximising its value, organising it in accordance with stakeholders’ specific expectations, opening new channels for relationships with them.

The engagement process – for environmental issues only, and biodiversity more specifically – generated the following results:

- Stakeholder mapping and stakeholder relationship status evaluation;
- Identification of key issues and suggestions to improve/upgrade the BioVega project.

The final step in this project, which is currently underway, is to report back on results to the stakeholders, in order to then begin projects and operations to implement the shared solutions.

Furthermore, the Mosselmonitor biological monitoring of sea water on the Rospo Mare B platform is still in progress, in collaboration with the animal protection institute of Termoli (Campobasso).

Plant citizenship and shared value in the local area

In recent years, Edison has structured **a process of dialogue with its stakeholders**, paying particular attention to the **communities living near its plants**. These local stakeholder engagement initiatives have been implemented in the pursuit of transparency and dialogue and come ahead of the requirements established in EDF's CAP 2030 strategy.

On 25 January, the changes to the project for the regasification terminal for 8 billion cubic metres of gas in the Rosignano Marittimo (Livorno) industrial district were submitted to the Rosignano Municipality.

The changes to the project will make it possible to integrate the national transport grid's LNG regasification service with small scale LNG services, providing for LNG loading systems on liquefied gas tanker trucks and small tanker ships for the road and shipping transport market. The total investment was approximately €650 million and the Company is waiting to receive approval of its application for VAT exemption.

Alongside the authorisation process, a **socio-economic impact assessment** began to survey the site's main stakeholders and a plan to engage them. This made it possible to identify and analyse the socio-economic impact of the Rosignano LNG plant on the entire local and regional area, highlighting synergies with local producers and the project's potential role as an activator in the LNG distribution process for shipping and road transport.

In addition to its initiatives in Italy, Edison has kicked off a research project in Egypt in partnership with the Polytechnic University of Milan to finance the PhD studies of a student at the AUC (American University of Cairo) mainly focused on analysing the Egyptian energy market. In 2016, the Egyptian student completed his first year of research.

KEEPING CLOSE TO CUSTOMERS AND ENERGY EFFICIENCY

The strategic approach

Energy and environmental services

The integrated commercial offer

Quality, transparency and discussion

The strategic approach

One of the pillars of Edison's new strategy consists of **customer centrality and a commitment to customers**. In this way, Edison plans to continue being a benchmark in its sector with **an increasingly active role in both the consolidation of the retail market and the strengthening of the energy efficiency market**, which is currently very fragmented.

For Edison, "**customer centrality**" means offering increasingly competitive and integrated offers to meet and anticipate the needs of its customers. It also means focusing on the quality of relationships with its counter parties by offering a high service levels and putting simple, transparent tools at their disposal, while also devoting attention to particularly vulnerable customers.

Edison's focus on the environment and customers also translates into energy efficiency. **Energy efficiency** not only refers to the sale of special services and technological specifications, but it is a bona fide business model with the aim of forging partnerships with its customers.

This approach takes tangible shape in the provision of energy consultancy services focused on customer care, building and managing self-production plants and optimising energy use directly at its customers' sites. Indeed, all these elements directly benefit Edison customers.

Energy and environmental services

As part of the EDF Group's strategic development and management guidelines, in 2016, Edison created the **Energy Services Market Division** which aims to contribute to the Company's growth on the market by developing, selling and managing energy and environmental services.

This new Division integrates the activities of the two group companies already devoted to service development: Fenice and Edison Energy Solutions. Their solutions focus on developing **energy efficiency projects for large industrial customers, small and medium companies, the service sector and the public administration**. Environmental services complete the offer for customers and industrial areas.

In this way, while Edison strives to boost its business, it is also working to forge an ever closer, long-term partnership with its customers - companies, cities, local areas - shifting from a customer/supplier concept to jointly creating efficient, rational and sustainable energy solutions (and more) focused on improving quality of life.

To achieve this goal, Edison relies on a wide variety of competencies, proposals and business models based on a sharing of results. The business models are adapted to meet customers' needs and through its companies, the Energy Services Market Division provides diversified solutions in three different fields:

- **energy optimisation** to reduce consumption up to at least the output of production processes while improving service quality;
- **on-site energy production**, with low or no environmental impact systems, such as photovoltaic systems, other renewable energies, high yield co-generation, etc.;
- **energy consulting** in the field of energy management systems (ISO 50001), in the management of energy efficiency and environmental certificates and in in-house and external training for customers and partners.

The projects are developed in the form of **business partnerships or service agreements** with customers. The financial model is adapted to meet customers' needs and may range from a direct investment by Edison to lending from a financial institution to the customer.

To ensure high internal and external performance (with customers, communities and local areas), both Fenice and Edison Energy Solutions have obtained and maintained the **most important energy, environmental, quality and safety certification**. Both companies are certified ESCos in accordance with UNI CEI 11352 technical standards and hold environmental and quality management system certification in accordance with ISO 14001 and ISO 9001 standards (Edison Energy Solutions obtained it in 2016). Fenice has also certified its energy management systems in accordance with the ISO 50001 standard and has obtained an OHSAS 180001 safety certificate.

During the year, collaboration and synergy with other Edison Group divisions continued and grew, particularly with Research and Development, Institutional and Regulatory Affairs and the Hydroelectric and Renewable Sources Development Division, in order to monitor the technological development of innovative energy efficiency solutions and to implement a new common approach to the local area.

EDISON CUTS PLASTOTECNICA'S ENERGY COSTS

Plastotecnica, a leading manufacturer of plastic film, **will save 30 GWh per year** in its electric bill thanks to energy efficiency solutions provided by Edison Energy Solutions. This Edison Group company built a 4.4-MW tri-generation power plant that can produce 31,200 MWh of electricity per year and 31,000 MWh of thermal energy per year. The plant will **save an annual 5,700 tonnes of CO₂**, the equivalent of 2,400 vehicles.

With this business model, Edison covers the full cost of the energy audit, design, work and, finally, management and maintenance. Plastotecnica need only use the energy produced.

In 2016, Edison Energy Solutions also completed work to rehaul and improve the energy efficiency of its lighting plants, replacing them with next generation LED systems.

THE APPROACH TO THE LOCAL AREA

The Energy Services Market Division has a new market approach to the **local area in which the local area is considered a partner and key customer** and only by working together systematically with local stakeholders can the Company contribute to the economic, environmental and social development of both the Company and the areas where it is present. This Division operates by listening to needs, strategically analysing the local context and actively reaching out directly to stakeholders to **create value in the local area** with the help of shared and co-designed solutions for the local community and those in it.

A series of initiatives was carried out in 2016 in partnership with other Edison Group Divisions, particularly Research and Development and the Hydroelectric and Renewable Sources Development Division, which have adopted this approach. In particular, these initiatives included:

- Edison-InBre per la Val Camonica Agreement: on 23 November 2016, Edison and Iniziative Bresciane (a company with local roots) signed an

agreement to identify potential areas for joint projects in Valle Camonica to develop energy efficiency projects and/or the supply of electricity and natural gas bundles, as well as to evaluate whether to launch a potential joint strategy to strengthen their respective hydroelectric operations in the area.

- Energy Centre: in collaboration with Edison's R&D Division, a proposal was made to establish a Group site at the new institutional centre and the Turin Polytechnic dealing with energy, to be developed in 2017. Major Italian and European energy institutions and the leading industrial players will be present at the centre. The Group expects to be involved by organising multiple activities to implement innovation and create business lines in partnership with the local area, research and development projects and training/information sessions for promotion on the industrial, service sector and public administration markets.
- Fondazione Torino Smart City: the partnership with Fondazione Torino Smart City was renewed to expand upon and support the integration and investments in smart city and smart factories policies, making Turin

"smart", particularly in terms of the development of 4.0 technologies, with a dramatic impact on the city.

- Fondazione Teatro Stabile di Torino: to improve the sustainability of cultural efforts in the local area and to show its support for the area closest to the Company's stakeholders, Edison set aside a technical and economic contribution to help the foundation for a permanent theatre in Turin, Fondazione Teatro Stabile di Torino – Teatro Nazionale achieve its goal of creating the first sustainable theatre in Italy. This project will be finalised and developed in 2017.

As part of the work to make the most of young people and the Company's role in creating relevant operations that are sensitive to the issues and needs of local areas with respect to smart cities and smart factories, Edison sponsored **Confindustria's National Conference of Young Entrepreneurs** held in Santa Margherita Ligure and, within it, the **Workshop on "The Future of Smart Cities: energy efficiency and industrial sustainability"**, for a global vision of innovation from the perspectives of both entrepreneurs and the public administration.

FOCUS ON ENVIRONMENTAL ISSUES

As noted earlier, in 2016, Edison Energy Solutions implemented an ISO 14001 environmental system to strengthen the role and contribution of management systems as business management tools at a number of levels, and particularly with respect to the management of environmental issues.

As part of Edison's Energy Services Market Division, Fenice has set specific energy efficiency objectives as provided for by its UNI EN ISO 50.001 certified and compliant energy management system. The most significant initiatives carried out during 2016 were aimed at reducing primary consumption of thermal energy, improving the fuel efficiency of power stations and improving the energy management of buildings. For example, with respect to plants, inverters were installed on circulator pumps and aerators were installed on hot water circuits. These solutions led Fenice to **save roughly 4,000 TEP** in Italy in 2016.

Furthermore, in 2016, Fenice:

- increased the number of sites with UNI EN 50.001 certification (five certified sites);
- maintained its certification as an EScO pursuant to UNI CEI 11352:2014 standards.

Maintaining the UN EN ISO 50001 certification obtained and extending its scope of application (indeed, another three sites are slated for certification in the year to come), will be key objectives pursued in 2017.

Overall, in 2016 alone, Edison Energy Solutions plants helped **save approximately 5,321 tons of CO₂, equal to 1,724 TEP**. Specifically, these savings consisted of 264 TEP from photovoltaic plants and the other 1,460 TEP from high-yield co-generation plants.

Fenice Qualità per l'Ambiente Spa has been UNI EN ISO 14001 certified since 2002 and, by applying an integrated quality, environmental and safety management system, monitors and keeps in check the main environmental issues and impacts of its activities.

Over the course of 2016, DNV, an independent certification body, conducted periodic maintenance inspections in accordance with UNI EN ISO 14001, UNI EN ISO 90001 and OHSAS 18001 standards. The results of the inspections were positive and no non-conformities were found. DNV only made observations and suggested improvements.

Most of Fenice's plants are located in industrial areas and the only hydroelectric power station that it owns is small (1.5 Mwe). To help save natural resources, most of its operating sites were built downstream from waste water treatment plants, i.e. water circulation systems, and this enables both Fenice and customers to put water back into the industrial cycle for subsequent reuse. Furthermore, various projects are underway at a number of sites in Italy to reduce industrial and drinking water consumption, such as at the operating unit in Cassino.

COOPERATION BETWEEN FENICE AND DANONE

The environmental protection cooperation project at the multinational food giant's facilities in Morocco is governed by an agreement in which Fenice will handle the investment and complete management of the new project by designing and building the site with the management and maintenance of the new waste

water treatment plant (WWTP) at Danone's factory in Meknes, which will have a capacity of 76,500 m³ per year. The waste water treatment will generate biogas, which will in turn be used for steam boilers, producing energy to be entirely used by Danone. With this plant, Danone will minimise its environmental impact, while optimising its production process. Indeed, this project will cut greenhouse gas emissions by roughly 3,000 tons per year.

In 2016, quality and safety certification was also extended to some of Fenice's waste operation sites. Furthermore, in 2017 the certification scope will also be extended to comply with the UNI EN ISO 14001 environmental standard.

All Edison Energy Solutions plants are low environmental impact, being photovoltaic, compressed air optimisation-type and high-yield tri- or co-generation plants.

To **reduce carbon emissions**, in 2016 Fenice invested around €3.9 million in Italy to improve the performance of fuel systems (high-efficiency burners) at its stations. For NOx emissions specifically, ultra-low NOx burners were installed in 2016 to reduce the concentrations of pollutants by 20-25%. The investment amounted to some €1 million.

With respect to ozone-depleting emissions, plants are managed in accordance with Italian standards and European regulations. The integrated management system includes a specific procedure for managing, monitoring and controlling equipment containing greenhouse gases. In addition, Fenice holds F-Gas certification in accordance with EC regulation no. 303/2008.

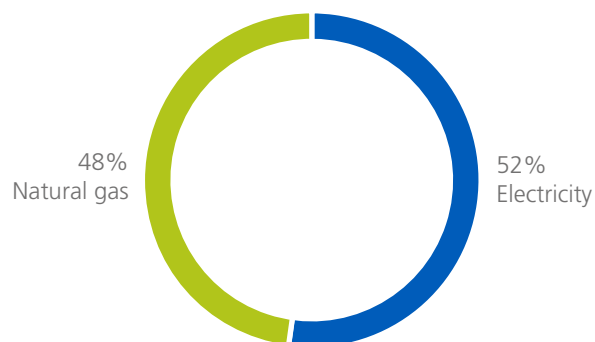
During the design stage and before all plants are commissioned, **noise and electro-magnetic levels are tested** to check that they meet environmental norms. Periodically, tests are conducted at Fenice's operating sites to measure noise emissions. In 2016, as part of its integrated management system, Fenice prepared a specific procedure to assess the noise impact inside and outside its plants.

In 2016, work was carried out at Fenice's water treatment plants, reducing the use of chemical products. At some sites, for example, iron chloride was replaced with a salt-based product, cutting chemical quantities by over 50%. These changes also helped reduce waste, particularly sludge from water treatment. Furthermore, the Fenton plant at other sites was streamlined, resulting in lower chemical consumption.

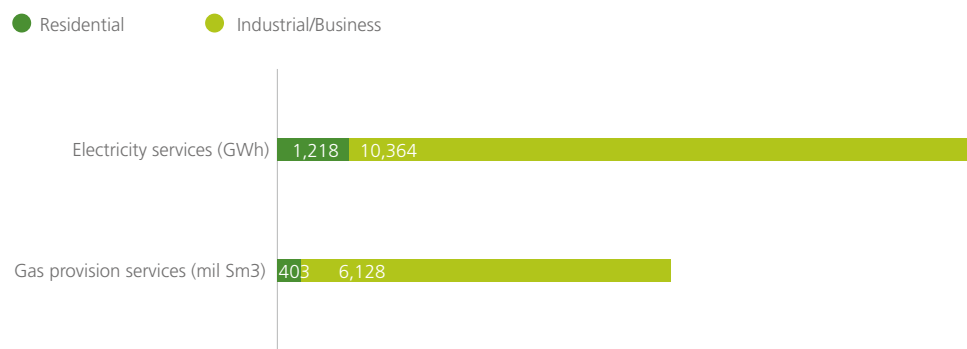
Finally, the company makes it a practice to offer its customers technical **employee training** emergency management, in order to make them aware of the risks and impacts of tri- and co-generation plants.

The integrated commercial offer

CUSTOMERS BY TYPE



SUPPLIES BY TYPE OF CUSTOMER



Edison manages the end market with three divisions responsible for the profitability, costs, development and management of the new contractual solutions offered to customers on the business market, SME market and residential market.

A network of Sales Account Managers and a supply management function manage and control **the business segment**. Tools were created for a simplified, real-time response to the needs of business customers, which are increasingly aware of energy market dynamics and opportunities to best combine service quality and cost savings.

In 2016, a specific function was launched to search for business opportunities in the creation of infrastructures and logistics for LNG sales for both industrial customers and transport fuel customers, thereby creating the opportunity to replace fuels with more environmentally friendly fuels (diesel and fuel oil) and laying the foundation for the creation of a new line of operations.

The SME segment has enhanced its market position by offering smart agents to manage customers from contract activation to expiration, alongside the channels already in place, such as door-to-door agencies, the internet and inbound / outbound telephone operators.

The residential segment has seen growth in the online channel, which now accounts for over 30% of sales. Both inbound and outbound telesales channels and agent sales remain in place, along with SME sales handled by select agencies to ensure the quality of the sales process.

In addition to selling electrical and natural gas consumption monitoring tools, tests have been conducted for the launch of new home automation and comfort tools on the residential market.

To expand and diversify the channels on which new customers are acquired, **partnerships have been forged with certain key players** on the Italian market in the real estate, consumer appliance and digital service sectors, with differentiated offers and services for customers.

Following incentives to use **e-billing** and **pay via interbank direct debit**, the quality of new customers in the residential and SME segments is extremely high. In 2016, the use of direct debit payments rose 5% on 2015 and the use of e-billing grew 14%.

Edison offers a **solidarity bonus**, in line with the provisions of AEEG (the Italian Regulatory Authority for Electricity and Gas), to around 12,500 customers. The solidarity bonus enables disadvantaged households and those with a member affected by a serious physical problem to save on their energy bills. Edison provides information about the bonus and how to apply for it on various active communication channels (edisonenergia.it, the service quality charter and customer service).

Edison also allows households with financial problems to pay their bills in instalments.

EDISON E-COMMERCE BEGINS

Edison began e-commerce operations in May 2016 to sell its products to customers and non-customers, separating the sale of these products from the sale of electricity and natural gas supplies. At present, the main product families available in the e-shop relate to energy savings and home automation. Its e-commerce goals are to ensure a **high-quality** customer experience while also helping customers **reduce their energy consumption and improve their environmental impact**.

The development roadmap for e-commerce entails new advertising campaigns already planned for the first few months of 2017, which will focus on the sale of new products in areas that are of increasing interest to customers, such as comfort at home, customer safety and wellness.

EDISON AND MEDIOCREDITO ITALIANO REACH AN ENERGY EFFICIENCY AGREEMENT

Edison Energy Solutions and Mediocredito Italiano, an Intesa Sanpaolo Group bank specialised in supporting the development of companies, signed an agreement to offer financial services to Edison customers planning to carry out energy efficiency projects.

This support targets companies that want to reduce their energy spending and the environmental impact of their activities by implementing efficiency solutions.

Edison Energy Solutions customers will therefore have access to Mediocredito Italiano's financial services and its Energy Desk specialists for investment assessment and the identification of the financial solutions best suited to their needs.

MANIFEST FOR THE ENERGY OF THE FUTURE

Together with other players in the sector and with the collaboration of a few consumer groups, Edison has sponsored the Manifest for the energy of the future, the aim of which is to **create the rules for a more open and innovative energy market**, more in line with the needs and requirements of domestic consumers and SMEs.

The Manifest proposes four fundamental principles that could guide and characterise the complete deregulation of the energy market: **Savings, Sustainability, Innovation and**

the Inclusiveness of All. This approach will enable residents and companies to benefit from a fully competitive market, according to simple, effective rules that help make consumers knowledgeable decision-makers.

In 2016, the Manifest was enriched by **meetings with stakeholders** to contribute to creating an innovative, competitive market that protects the parties with the greatest need for support. Edison intends to sponsor a new model centred around the customer and capable of meeting the needs of people and businesses by offering innovative services, considering their specific needs and lifestyles.

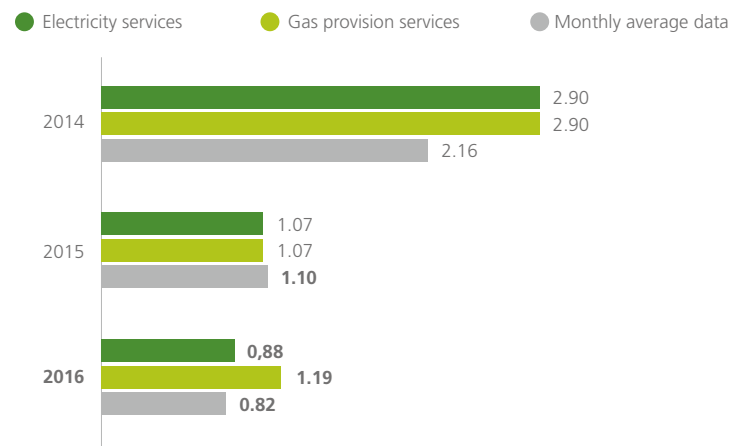
CUSTOMER SATISFACTION

Customer satisfaction is a priority for Edison and this is why it constantly monitors customer satisfaction to track service quality and pinpoint any areas that need work, as it strives for continuous improvement.

2016 saw further stabilisation of the positive effects of technological investments, process reviews and training carried out in 2014 and 2015 to increase service quality. The improved performance of the complaints rate confirms that the actions taken have been effective.

Surveys conducted during the year paint a positive picture: customers appreciate service quality, consider Edison a reliable operator that takes their needs into account and have positive expectations with respect to the innovations and advantages that Edison could offer the market (e.g., smart homes, energy efficiency services, etc.).

COMPLAINTS RATE (%)



Monthly monitoring of customer service shows that both households and businesses have a positive view. Customers who contact Edison for information and to request assistance are satisfied: even with the automatic charging of the government television fee directly in power bills, they recognise Edison's significant attention, professionalism and expertise.

In 2016, **Edison Energia's outstanding receivables were reduced further**, for a positive performance in the retail portfolio, whose outstanding receivables now account for 2.5% of turnover, while collection within three months of the due date is now up to 95%.

The collection process in the retail sector has been optimised through with more automation and credit recovery actions continued with better performances following the engagement of specialised credit recovery agencies for out-of-court procedures and court proceedings.

Outstanding receivables due from industrial customers in the business segment are also well under control and account for 1.5% of turnover. Outstanding receivables due from public administrations are also kept in check through factoring without recourse.

Development maintenance continued on the GDC project for the use of a specific application environment to monitor and execute payment reminders. Furthermore, in 2016, the Credit Management Division was involved in implementing the new government television charge directly in power bills.

In 2016, AGCM (the Italian anti-trust authority) issued a specific measure fining Edison Energia €1,725,000. The measure also alleges unfair commercial practices in post-sales services, particularly with respect to the invoicing of consumption, credit recovery and customer refunds. Edison Energia filed a specific appeal with the Lazio regional administrative court petitioning for the cancellation of the measure.

Quality, transparency and discussion

Edison is convinced that the transparency and correctness of its commercial practices strengthen its relationship of trust with consumers. Underpinning this relationship are clear contractual documentation, sales personnel training and the preparation of information necessary for the transition to the free market in accordance with the regulation pursuant to the **commercial code of conduct** updated by AEEGSI (the Italian Regulatory Authority for Electricity, Gas and Water).

Transparent, clear information and conduct are also key elements when dealing with the consumer groups recognised by the Ministry of Economic Development and registered with the CNCU (National Consumers and Users Council).

In this scope, Edison has sponsored and signed the **“Voluntary self-regulation protocol to prevent unrequested electricity and natural gas activations and contracts”**, which all CNCU consumer groups also signed.

The objective of the protocol is to increase consumer guarantees with respect to the stages of the new customer acquisition and new supply activation processes, surpassing the requirements of the legislation (Resolution 153/2012). The practice of “confirmation calling” has been strengthened, seller training has been improved, fines have been introduced for incorrect procedures and offers and customers may now make stop billing requests and claim refunds in the event of non-performance.

Edison’s **“welcome call”** is a tool created to ensure more effective and efficient control over the sales network and serves to double check the data in contracts and customers’ effective understanding.

Furthermore, Edison has created an email account exclusively for consumer groups, where they can send reports of unrequested contracts and service activations.

The **joint observatory between companies and CNCU consumer groups**, established thanks to the voluntary self-regulation protocol to prevent unrequested electricity and natural gas activations and contracts, monitors compliance with the established provisions: it meets at the parties’ request or every six months and is responsible for sharing training modules for the agencies, analysing the report sent to AEEGSI with the results of report monitoring, participating in the process to check the recognition of measures to be applied in the event of breach, updating the protocol and distributing the half yearly meeting reports and monitoring data with all the consumer groups that have signed the protocol.

Following the implementation of this tool, the number of unrequested activations is now extremely low.

DISCUSSION WITH CONSUMERS

An efficient and transparent market is based on an attentive and proactive relationship with institutions, consumers and the consumer groups under **CNCU (National Consumers and Users Council)**, recognised by the Ministry of Economic Development.

Through various discussion panels and a number of initiatives, such as the **“regional roadmap”** and the **“service quality charter”**, Edison listens to consumers’ needs, their comments and suggestions and promotes settlement as an effective tool in resolving disputes.

Settlement is an alternative to the ordinary justice system in the resolution of disputes, and is voluntary, rapid, free and friendly. It contributes to improving the quality of services provided to customers, who remain at the centre of Edison’s focus.

In September 2016, Edison signed a **protocol of understanding** with 19 CNCU associations to **establish the Alternative Dispute Resolution Body** made up of the same number of

Edison representatives as consumer group representatives. The signed protocol includes the requirements of Legislative decree no. 130/2015 implementing the European directive on ADR, seven years after Edison signed the agreement with consumer groups to establish fair settlement practices with customers. The ADR Body acts to rapidly manage any disputes, ensuring transparency and impartiality. The Body is made up of three units: the settlement office, the settlement commission and the joint guarantee body, which meets twice a year and is responsible for guaranteeing that the procedure functions well (<https://organismoadr.edisonenergia.it>).

This agreement is the next step in Edison's consolidated relationship with consumer groups and its customers, taking action before any critical issues can arise from the contractual relationship and readily and adequately meeting the new needs of consumers and continuously evolving consumption models.

Again with respect to settlement, Edison also participates in the **settlement service established by AEEGSI** with the Single Buyer to facilitate the settlement of disputes between customers and electricity and natural gas operators and is registered with the service white list for two years. Unlike the fair settlement procedure, the service entails the participation of a third party mediator to help the parties reach a solution acceptable to both. It is available online (www.conciliazione.energia.it) and is voluntary and free.

As from 1 January 2017, for disputes in the electricity and natural gas sectors, the customer and prosumer can try to resolve the problem with their operator, using settlement, which is a mandatory step before going before a judge, if necessary. The mandatory settlement attempt may be made with the authority's settlement service or, alternatively, with a ADR body included in the authority's ADR list.

LA EDISON MARKET ACADEMY

To ensure the best quality of the services it provides, Edison has organised the **Edison Market Academy (EMA)**: created in 2011 for an innovative development path of expertise and company culture based on "customer centrality" and "service quality", "cooperation" and "operating efficiency".

In 2016, EMA's range of action expanded, with the training scope extended to cover the customer care workers of contact centre outsourcers. Furthermore, the basis was laid for the commercial agent training project, which will be rolled out in the first few months of 2017 both to form and certify indirect sales structures.

Another innovation entailed the introduction of a **loyalty program** to encourage and foster active participation and the sharing of experiences, focused on the knowledge of each individual and actively sharing

it. The project, named "**Let's focus on knowing**" saw the increasingly greater involvement of professional experts in specific areas, training and testimonial champions, in Edison courses and, in particular, in e-learning courses.

Thanks to the 2016 activities, EMA has taken a step forward in the transition from a simple knowledge transfer process to a genuine tool for social collaboration. The platform is always being improved: its potential will also be extended to SME agents who, through specific training, will earn certification at the end of their training. The project began in 2016 and a pilot will be launched in spring 2017.

Over five years, EMA has provided over 32,000 hours of training, including 4,500 in 2016, with trainees rating their satisfaction 4.6 out of 5, for an improvement of 0.1 on 2015. In 2016, a total of 13 training programs were designed and completed, for a total of 56 sessions.

TRAINING AND SHARING EXPERIENCES: THE ENERGY EFFICIENCY CAMPUS

The Energy Services Market Division firmly believes that to achieve energy efficiency and sustainability goals, it is also necessary to take a cultural approach and share knowledge.

To make this sensibility tangible, in 2013 the Group company EDF Fenice (which is consolidated as part of the Edison Group since April 2016) established the **Energy Efficiency Campus**, a hub for training and sharing know-how with the market, institutions and internal resources with its own structures and organisation. In particular, the campus is an innovative answer to the

desire to listen to the local area and meet the needs of local and industrial communities, acting as a lever for development and inclusiveness. The campus draws on the expertise of the Group's technical staff and specific agreements with the Turin Polytechnic, as well as with some of the main institutional agencies in the area.

In its three years of operation, the campus has:

- held about 40 events and training seminars in myriad sectors and areas, directly reaching approximately 3,000 participants, including entrepreneurs, energy players, public administrators, legislative institutions and universities, and influencing public opinion through reporting in

the press on its work;

- reached an agreement with the Turin Polytechnic for the joint development of activities and training on the energy efficiency campus;
- created the first Level 2 European Master's decree on "Energy efficiency and sustainability in industry" with the Turin Polytechnic Master's Program, which began on 7 November 2016 and involved leading local manufacturing companies as partners and scholarship providers, about 20 Group employees as teachers and received nearly 100 applications, from which it selected 15 students.

BEYOND THE BUSINESS: PEOPLE AND COMMUNITIES

Skills and gainful employment

Employees' and families' well-being

Suppliers as drivers for development

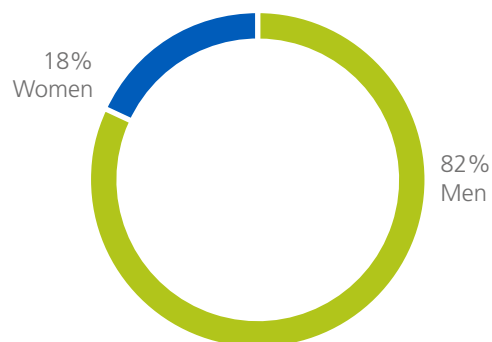
Social inclusiveness projects and the culture of sustainability



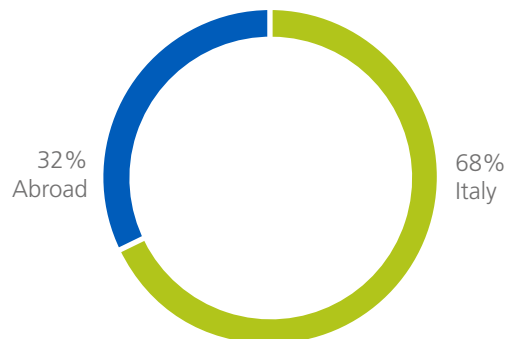
Skills and gainful employment

Edison undertakes to listen to the **needs** and **expectations of each individual** to encourage their **professional growth** and protect the health and safety of workers as much as possible.

EMPLOYEES BY GENDER



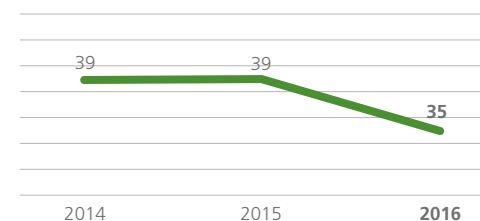
EMPLOYEES BY GEOGRAPHICAL AREA



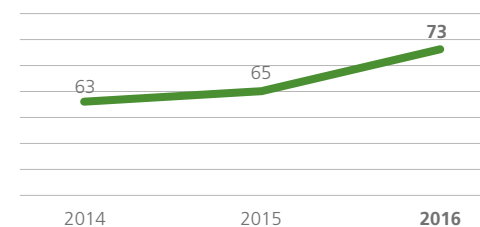
ENCOURAGING PEOPLE'S SKILLS

In recent years, Edison has developed **training programs** to meet individual training needs and identify the specific competencies particular to the business. Its aim is to pave the way to growth with the recognition of the achievement of objectives and performance, in order to recognise talent of all kinds and strengthen technical-professional, managerial and transversal skills.

AVERAGE TRAINING HOURS PER TRAINED EMPLOYEE



EMPLOYEES WHO RECEIVED AN ANNUAL REVIEW (%)



In 2016, Edison created a training plan of 125,205 hours, involving 3,626 people, equal to 73% of the company population, with expenditure of approximately €7.3 million, partly funded by the Fondimpresa and Fondirigenti interprofessional funds with a grant of €518 thousand for training. The average hours of training per trained employee in 2016 came to 35, slightly down on the previous year because of a reduction in the workforce and the activities at AQP's Egyptian company in particular. The **training program** was developed to improve professional and technical training in line with the usual focus on safety and the environment. In 2016, institutional training courses were created for new hires and professionals. Furthermore, management of the **talent management process** continued.

Market academy activities for the various "professional families" and employees of third party companies providing the contact centre service also continued.

In addition, certain specialised training programs continued as well, including the "**Nautilus**" program on geosciences and subsoil for Exploration and Production personnel and Research and Development personnel. 2016 saw the start of an extensive program on the development of projects using "Agile", a simplification and efficiency process for project management personnel in collaboration with CEFRIEL.

During the year, the **Energy Business Specialisation course** was launched in partnership with the Milan Polytechnic Business School (MIP), involving 28 professionals from different professional families within the Company. "Ecampusmanagers", the manager training platform also made economic and innovation content available.

The collaboration between Edison's training unit with **EDF's Corporate University**, which gives high potential resources the chance to participate in international managerial training is still ongoing. In particular, Edison has collaborated in designing and providing the "Gas & Hydrocarbons Fundamentals" course with SDA Bocconi and the Group's Corporate University. Finally, for the first time, a **women's leadership** development program was promoted for a group of women managers.

YOUNG TALENT

Edison also guides and develops young talent, equipping them with tools to better face the labour market: it is involved in this area through a structured partnership with major Italian universities and business schools, as well as certain technical high schools, with which it has consolidated partnerships to enhance students' school curriculum (for example, with information on sustainable professions - Green Job project). It also offers an **orientation service** to employees' children involved in short-term training as part of the school/work project.

A specific policy to develop, train and recognise young talent helps safeguard the development of the **community of young employees**, i.e., during their first three to four years with the Company.

Edison believes it is important to cultivate talent and offer opportunities to people preparing to join the workforce too. Accordingly, it sponsors **specialisation courses and master's degrees**: the Master in energy resource management, SAFE; the Master in Management and Technology of Energy, LUISS; the Master in Communications and Media Relations, Università Cattolica; the Master in Energy Management, MIP Polytechnic of Milan. Moreover, for the most deserving students, it funds colleges and institutions like the Milan College and the Engineering College of Turin. Partnerships continue with the Master's degree in Green Management Energy and Corporate Social Responsibility, Università Bocconi and the RIDEF 2.0 Renewable Sources and Energy Efficiency Master's at the Milan Polytechnic.

During the year, **Incompany Training** was held involving project work with Bocconi University's top students on the related environmental training held on 18 January 2016. In June 2016, the fourth edition of **Summer School** with the Aquila University was held on energy transition and the digitalisation of the energy sector.

During the year, the Company ramped up its commitment to orientation for young people in their choice of education and work. Edison supports students completing their university

and post-graduate studies in Environmental, Land and Infrastructure Engineering at the Turin Polytechnic who contribute to company research and development.

STRUCTURED LISTENING AS THE BASIS FOR EMPLOYEE INVOLVEMENT

MyEDF is the annual survey in which all Edison workers express their opinions. It is the main reference used by the Company to steer and define actions for the involvement of employees and contractors.

Consisting of 80 questions, the survey has workers rate their satisfaction on various elements and the most critical aspects of their professional activities, **working conditions and the management of day-to-day activities at the Company**. The results of the survey enable Edison to structure and share specific work plans (company-wide/transversal plans and individual plans for each individual area) for the management of any critical issues that arise.

In 2016, the Fenice Group joined the Edison scope. It also participates in the MyEDF survey, although in a specific way.

The main findings of the 2016 survey, now in its fifth consecutive year, were shared with employees and constituted important input for the continuous improvement process in the management of Edison's resources. Between September and October 2016, roughly 86% of Edison employees confirmed that they had received feedback on the results of the previous survey and about half said they were fully aware and/or involved in the action plans set forth. Fenice reported similar results as well.

In particular, through the 2016 survey, in which 80% of Edison employees and 81% of Fenice employees participated, the **engagement index** remained at high levels, confirming a good level of engagement overall.

For both Edison and Fenice, more than two-thirds of employees consider themselves fully **committed, involved and in line with company strategies**. The sense of belonging to their companies has remained at absolutely excellent levels: about 80% of employees would recommend that their friends join the company (78% for Edison and 85% for Fenice). Most employees also personally embrace the corporate values and culture and are proud to work there (87% for both companies).

Most Edison Group employees say they are absolutely satisfied with the overall services and welfare, health and accident-prevention coverage available. At Edison, in particular, 85% of employees now report their satisfaction in this area. Similarly, 94% of workers consider the services provided as part of the "Edison for you" program taken alone as useful. In addition, 78% of Edison workers say that they are happy to go to work and, with respect to Edison's many different initiatives, the perception of the Company's focus on innovation continues to grow. Over 70% of workers believe that the expanded use of electronic tools for their work is positive.

Employees' confidence in their direct supervisor and management of their organisational unit remained very high, with more than 70% of employees always reporting positive results in this category.

The survey naturally highlighted a few areas for improvement in order to make the most of diversity (age, gender and origin) within the company, awareness of professional opportunities available to employees and their satisfaction.

Edison will kick off **projects to work on these and other corporate issues**, along with transversal and common actions, again in 2017.

INDUSTRIAL RELATIONS AT EDISON

Industrial relations in the Edison Group are founded on the principles of **dialogue** and **preventive discussion** with the trade unions and workers' union representatives. Compliance with these values – now an integral part of the Edison Group - has enabled the Group to prevent situations of conflict from arising over the years and has encouraged the identification of **solutions, including innovative solutions** that reconcile the Company's needs given the increasingly competitive context with the legitimate demands of workers.

The implementation of the new "**Edison Group Representation System**" signed in July 2015 continued in the year. After the election of new workers' union representatives at all Edison Group sites in Italy in December 2015, the new members of the EDF Group's European Work Council were appointed and participated in all the council's work sessions. The trade unions are currently appointing the members of the new union body for the "Unitary Coordination of the workers' union representatives" (i.e., the representatives elected by the workers). This will give rise to the definitive and complete implementation of the agreement on the Edison Group's representation system.

In 2016, the sales of the Piombino and Milazzo production sites were finalised to entrepreneurs operating in the respective areas, ensuring the **continuity of employment** for all employees involved, as defined in specific understandings signed with the trade unions.

On 6 October 2016, an agreement was signed – between the institutions that set up the Fiprem Fund ("Fondo di Previdenza Complementare Montedison", the complementary Montedison pension fund) – beginning the process of winding up the Fund. With the resolutions passed during the extraordinary shareholders' meeting held on 21 December, the winding up process formally commenced on 1 January 2017. The decision to wind up the Fund was due to the need to ensure long-term sustainability and will be implemented with the priority of guaranteeing the maximum protection of fund participants' individual positions.

At year end, the **results/productivity bonuses** for the electric, hydrocarbon and natural gas/water sectors were renewed for 2016 with the signing of another agreement for all the various sectors. This understanding introduced elements unifying the different sectors, such as a new profitability indicator that is the same for all group companies (EBITDA) except for companies subject to unbundling regulations. It also unified payment dates. Furthermore, the agreement contains the **possibility of converting the amounts of bonuses into welfare services** through another specific understanding to be signed within the first few months of 2017, which will govern how the amounts are converted.

During the year, Cellina Energy S.r.l. and a business unit made up of a few mini-hydroelectric power stations from the IDREG Piemonte bankruptcy joined the Edison Group, strengthening its presence in the hydroelectric sector. Discussion panels were held with the respective local trade organisations in view of these transactions - after having guaranteed the first stage of employee assignment - in order to decide how to align their salaries and benefits.

The sale of the Piombino site marked the **successful completion of the re-employment** of workers at power stations where operations were discontinued. This positive – and innovative – long-term process entailed the job placement of nearly 150 people.

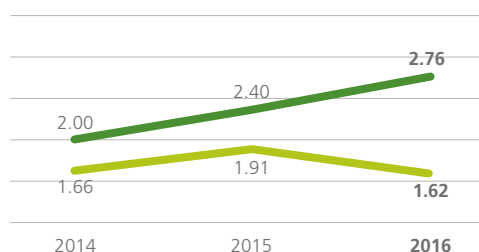
Negotiations continued throughout 2016 to renew the main national labour agreements that apply to the Group. The metal-workers agreement was renewed at year end for Fenice's Italian operations and the power sector and power/oil sector agreements were renewed in early 2017.

THE IMPORTANCE OF SAFETY ⁽¹⁾

Throughout all of 2016, Edison was involved in ensuring an **ever greater protection** of the health, safety and environment, not only for its employees working at the various company sites and offices, but also for the employees of third party contractors and its customers.

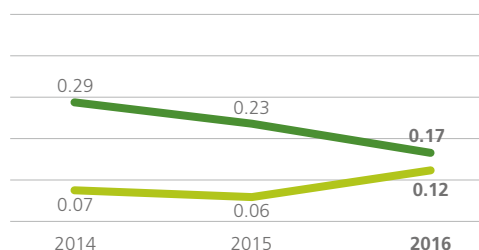
ACCIDENT FREQUENCY RATE

- Number of employees
- Number of employees of third party contractors



ACCIDENT SERIOUSNESS RATE

- Number of employees
- Number of employees of third party contractors



It completed activities to meet the requirements of current legislation with respect to updating the risk assessments and organising period safety meetings. These were opportunities to report back on the progress of training processes and the macro results of health monitoring.

During the year, all the **inspections to monitor** and/or **renew certified management systems** in accordance with UNI EN 14001 environmental standards, BSI OHSAS 18001 health and safety standards and UNI EN ISO 9001 quality standards were completed with positive results. In addition, where applicable, the scheduled audits were conducted to maintain EMAS environmental registration.

In February 2016, the overall review of the environment and safety management systems was carried out, in line with the organisational model and the specific 231 protocols. Objectives were set for the year and both the internal audit plan and the transversal training plan for the PASQ professional family were announced.

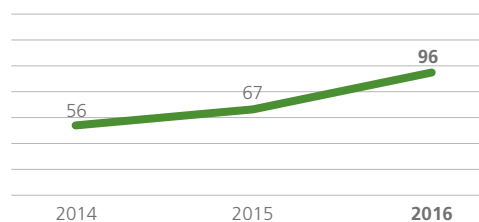
One of the significant commitments rolled out in 2016 is the launch of the **PASQ Academy**, which consists of workshops on specific issues supported by digitalisation tools. In particular, the first workshop was completed on the identification of guidelines for the implementation of the context analysis and approach to risks and opportunities in accordance with the new criteria dictated by UNI EN ISO 14001:2015 and UNI EN ISO 9001:2015.

Edison also participated in **European Safety Week** for the first time in 2016. The week was devoted to ageing actively: personnel received information and specific e-training as part of a larger training program funded by the Fondimpresa interprofessional fund. The various initiatives included two sessions of safe defensive driving on a special road set aside for employees in Edison's commercial and technical areas.

The **employees of third party contractors** working continuously at Edison's operating sites were involved in coordination meetings and training sessions on specific issues and on more generic health, safety and environmental issues, in order to reinforce their knowledge in these areas. Two of the main sites managed by the Engineering Division received recognition as part of special projects to reward suggestions for improving safety conditions.

(1) 2014 and 2015 data do not include Fenice operations. 2016 data include Fenice operations for all 12 months.

EMPLOYEES OF THIRD PARTY CONTRACTORS PARTICIPATING IN HEALTH AND SAFETY TRAINING (%)



As in previous years, Edison adoption of a **global and integrated approach to managing** the prevention and promotion of a culture of health and safety in the work place was consolidated, considering both Edison's and suppliers' personnel and assigning the entire management team objectives for the improvement of average results in the past three years.

With the integration of Fenice into Edison, overall accident indicators were consolidated considering the entire year and, therefore from January 2016, and restating the comparative 2015 indicator. Accordingly, 2016 ended with a total accident frequency rate for activities in Italy and abroad that came to 1.96, an improvement on the year-end 2015 figure (2.1) which only considered Edison and not Fenice's consolidated data. In detail, the frequency rate for company personnel was 1.62 (1.91 at year-end 2015) while for contractor personnel it was 2.76 (2.4 at year-end 2015) – the 2016 scope included Fenice operations for both.

The total seriousness rate was 0.14 in 2016, slightly up on 2015 (0.11).

Employees' and families' well-being

Edison has always been attentive to people. As part of the **Wellness@Work** program created in 2015, a new café was opened in 2016, demonstrating Edison's commitment to improving conditions at work and people's health and lifestyles.

The **Edison Café** reflects new ways of working and open, collaborative work spaces, considering people's well-being and promoting healthy eating habits with a varied range of healthful dishes designed with the support of leading nutritionists.

To improve sustainability and energy efficiency at the Milan offices, work sites have been set up to analyse and identify areas for improvement on the following issues:

- **sound-proofing spaces** with a high density of people (open spaces);
- increasing **sorted waste collection** for office waste by optimising logistics collection and disposal processes and by creating a communication and awareness plan;
- **energy savings**: the energy diagnosis conducted in 2016 highlighted new opportunities to improve efficiency, including the completion of the re-lamping (LED) project commenced in previous years. As part of **sustainable mobility**, a few additional actions were identified to be developed in 2017, such as including electric cars in the company car fleet.

In 2016, Edison played an important role in a large transformation project, which included various initiatives to involve employees.

One of the most significant projects was the launch of the **new company intranet**, equipped with more modern information management and collaboration instruments to make content more functional and optimise employees' routine work. The new portal's go-live was supported by an online and offline communications campaign involving employees in Milan and those at the plants and foreign branches.

In February, the annual **Management Convention** was held, in which the Group's results and objectives for the future are discussed.

2016 was a crucial year for **ASD EDISON PLAY**, a non-profit association to encourage sports as a source of well-being and a way for colleagues to spend time together. On 19 March, the first employee snow day was held at La Thuile ski resort in Valle D'Aosta: the highlight of the day was a ski race. One hundred people participated in the day, including PLAY member employees and their families and friends.

Also in collaboration with ASD EDISON PLAY, Edison organised its annual **Summer Sports Day** at the Milan Rugby association's sports centre, which usually ends the company football tournament. For the first time, teams from other sites and plants also participated in the final football tournament. During the day, a running race was also held, a four-way football play-off, a volleyball tournament, touch rugby for children and adults and table football and ping pong. In collaboration with the ASD EDISON PLAY sports association, other sports initiatives were sponsored for charity.

May is the month of **Parents who work** and Edison opens its offices to their children and grandchildren. In 2016, workshops and fun activities were held for children – managed by **MUBA** (Milan children's museum) – for the parents-who-work day, to promote a creative approach and teach them through play. A theatre performance, "**Once upon a time ... here it is**", was also put on by the Milanese Piccolo Teatro.

Again in 2016, Edison took part in the **intern "EDF PULSE" contest** for innovative ideas submitted by employees. Edison received a special award for Edison Pulse, which was recognised for being original and easy to replicate.

In December, the "**Kaleidos Christmas Party**" was held, an opportunity for employees to meet and celebrate the holidays.

Company volunteering includes the continuance of the **Siticibo project** in collaboration with the food bank, Banco Alimentare, to gather extra food from the company canteen for donation to Milanese food programs for the hungry. In 2016, Edison's commitment with Siticibo led to the collection of approximately 6,000 portions.

MEETING EMPLOYEES' NEEDS: EDISON FOR YOU

Edison for you: this program is organised to meet the growing and constantly changing needs of Edison workers to help them achieve a better work/life balance. This program comes in addition to previous benefits like insurance policies, healthcare coverage and company and contractual pensions.

In 2016, the program handled over 7,000 requests for services or expense reimbursements for 1,690 employees, equal to 68.7% of Edison's Italian workers (who used the program for at least one of its services). According to 2016 records (Source: IPSOS - My EDF survey), 85% of Edison employees are satisfied with the overall welfare benefits offered by the company, while 96% of employees described the "Edison for you" program as extremely useful, very useful or useful (results that are higher than any other EDF Group company and higher than the benchmark for Italy and for international energy companies). In this area, Fenice, which recently joined Edison, also offers pension, health and insurance welfare benefits that are appreciated by most workers. In 2017, Edison will evaluate and define the ways in which it will progressively extend additional work/life balance and welfare projects and services to Fenice personal as well.

The "Edison for you" program consists of services and support for:

Family, especially employees' children (paediatric consultations, recreational activities - summer camps in Italy, sleep-over and day programs, study/holiday experiences and inter-cultural exchanges abroad thanks to the partnership with Fondazione AFS - Intercultura Onlus - and initiatives to support learning like a small school loan. In 2016, the company financed two annual scholarships and 11 summer programs abroad with Intercultura. To assist the elderly or disabled family members, there is a help desk for the elderly. Workers at the Milan and Rome offices have also made a professional babysitter search service available and "nanny coupons" can be used. In addition, employees may request reimbursement for school and university expenses and for the attendance of day campuses for people who live outside Milan.

Health and well-being: medical prevention campaigns were held again in 2016, giving employees the choice of medical care, like general, cardiology, gastroenterology and men's and women's cancer prevention check-ups. Company experts on occupational health and safety organised information and training seminars on workers' posture at work. Furthermore, an online consulting service is available with the support of an independent professional for employees' mental health. In collaboration with AVIS, blood donation drives continued, managed directly at the Group's head office.

Time for yourself: with the aim of simplifying all time-consuming activities to manage paperwork and daily duties, legal and tax consultancy services are available online and over the phone. In addition, there is a service in Milan for bureaucratic, postal and bank paperwork. Furthermore, there are many offers and discounts for leisure time (theatre and cinema box office, theme parks, travel and cultural events). Employees at the Milan head office receive discounts in accordance with agreements reached with the local transport companies ATM and Trenord.

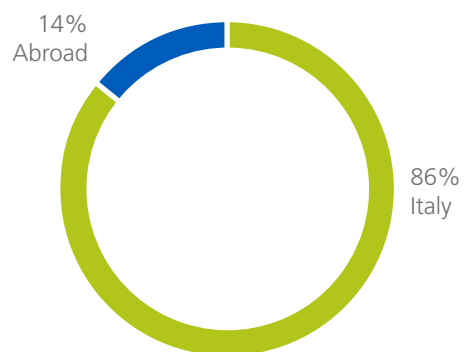
Savings: employees may buy exclusive goods and services on an interactive website at a discount. Many purchases are also combined with paybacks for additional discounts. Edison is part of leP, a network of companies and people that develops and spreads corporate welfare as a competitive lever for companies and a responsible contribution to improving company well-being.

The **online and on-site temporary shops** were managed again in 2016, in collaboration with non-profit associations to which 5% of sales proceeds were donated.

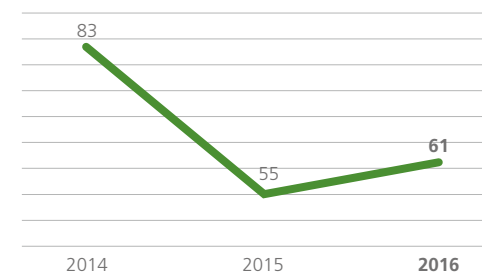
More in general, to facilitate and promote the use of the program, the website that employees use to access this program was completely redesigned. At the same time, following a special listening survey for feedback from employees, the program updated its brand and communication identity.

Suppliers as drivers for development

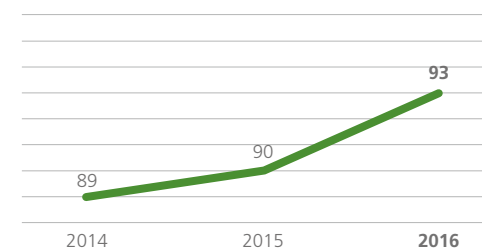
SUPPLIERS BY GEOGRAPHICAL AREA



AVERAGE VETTING PERIOD (days)



SUPPLIES SUBJECT TO VETTING OUT OF THE TOTAL VALUE OF SUPPLIES (%)



Edison has activated **a vast and widespread network of suppliers** with which it has, over time, forged transparent relationships based on mutual trust that look to the future by focusing on investments that can create long-term value.

Edison works with suppliers that guarantee the highest health and safety standards, respect for human rights, the fight against corruption and respect for the environment. They are **paid fairly** for their work and **on time**, in exchange for a commitment to ever higher quality and efficiency.

In 2016, Edison reduced the total value of orders by approximately 3.8% on the previous year: this was mainly due to the Group's reduction in operating costs.

All suppliers are **vetted**: suppliers and subcontractors, when they apply, commit to complying with the principles and values that are unwaiverable for Edison, reading and accepting the 231 Model, the code of ethics and the human rights policy (which they must sign as a binding condition to receive an order).

The percentage of purchases from qualified suppliers is around 93%, slightly up on the 2015 percentage. Tenders were held on the EDF Group's tender portal, which also helps reinforce cooperation and the exchange of information and operating methods with other EDF Group companies.

In addition to the **Sustainable Supply Chain Self-Assessment Platform**, which went live in 2014 as part of the **"TenP" (Ten Principles) project** promoted by Fondazione Global Compact Italia to spread suppliers' awareness of human rights, labour rights, the environment and the

fight against corruption, projects were planned to increase the collection of information for the purposes of assessing suppliers' sustainability policies during the vetting process, which in 2017 saw the updating of the supplier vetting portal.

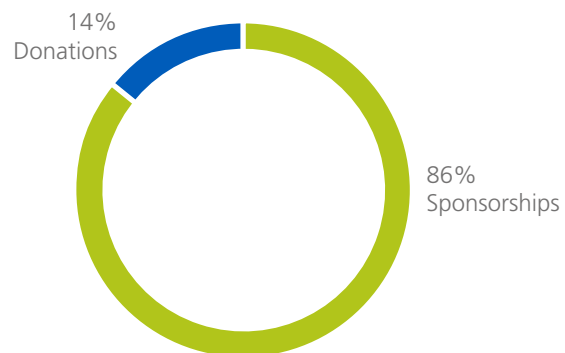
Edison believes it is crucial to continue training its personnel working in procurement to best develop their specific expertise. Training has provided not only a deeper knowledge of the market, but also led to the increased integration of sustainability issues in the management of the supply chain.

In 2016, the **financial monitoring process for suppliers** was updated, with the introduction of certain anti-money laundering indicators. With the **Business Integrity Forum of Transparency International Italia**, of which Edison is a member, the **SME Integrity Kit** was created to highlight the integrity, loyalty and responsibility of our suppliers and partners.

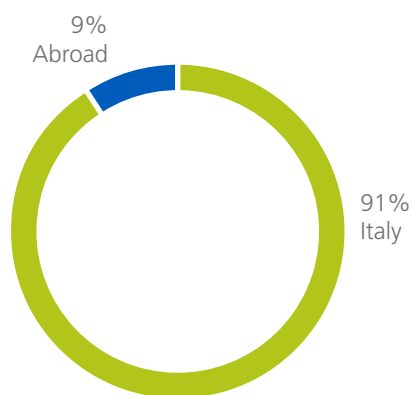
The kit, which includes the general charter of ethics, the whistleblowing system and integrity agreements, will be offered to small and medium supplier companies at no charge, in order to help them increase their contribution to integrity and transparency, with the aim of improving the private sector's reputation throughout the country, fostering a spirit of emulation and shared use of good practices.

Social inclusiveness projects and the culture of sustainability

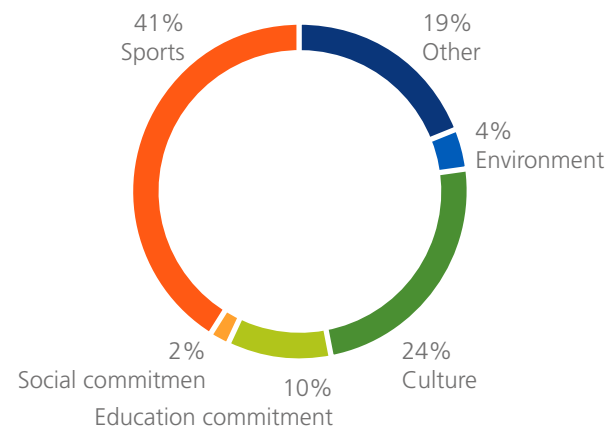
INVESTMENTS IN THE COMMUNITY



GEOGRAPHICAL AREA



AREAS OF ACTIVITY



Edison is an integral and active member of the communities in which it operates, putting dialogue and a sharing of experiences, knowledge, values and human development first.

The Company's goal is to act as a responsible citizen attentive to the needs of the community, through actions and projects that encourage sustainable lifestyles and business solutions and to promote social inclusiveness.

THIRD EDITION OF EDISON PULSE

Edison Pulse continued again in 2016, its third year: over 1,000 students, start-ups, non-profit organisations and research centres have participated over the course of the years, financing a total of eight start-ups with €700,000.

The 2016 edition focused on the promotion of business initiatives that, especially through digitalisation, innovatively meet requirements for efficiency, interconnection, sharing and a low carbon country to encourage more sustainable industrial and civil development.

There were over 400 participants from all over Italy. **Tooteko**, **Bike Bike** and **Sharewood** were the winning start-

ups. **Tooteko** (in the Internet of Things category) is a special ring for the blind or seeing impaired to see works of art through touch and sounds; **Bike Bike** (in the Low Carbon City category) is an electric engine to easily and quickly put on any bike to improve the quality of city transport while reducing environmental impact; **Sharewood** (in the Sharing Economy category) is a platform for putting sports equipment owners in contact with tourists interested in bikes, skis and surfboards, for example, so they can rent them at lower prices than traditional rentals, but above all it is a way of helping people share their sports experiences and passion by creating a dedicated international community.

Special mention: **Intoino** for its educational kit that introduces children

to technology and program coding; **Bringme JoJob**, the company carpooling service to share the daily commute with colleagues and employees of nearby companies; **Movieday**, a service that cuts out the intermediary in the cinema distribution process to help you organise independent film showings in Italian cinemas.

The **fourth annual Edison Pulse contest** was held in December, which in 2017 will award €200,000, a month-long support and incubation program at a business accelerator and a communication campaign. Participants may present their projects in any of the four different categories. The first three are: **Energy**, for innovative solutions in the scope of optimised electricity and renewable energy production, storage and consumer, energy efficiency or

smart cities; **Smart Home**, for intelligent home management projects; and **Consumer**, for innovative sales solutions, customer care and the involvement of B2B and B2C consumers or for advanced e-commerce solutions.

Following the earthquakes that unfortunately struck central Italy beginning in the summer of 2016, Edison decided to contribute to the recovery of the areas by setting up a special fourth award category, **Seismic Reconstruction**, specifically for projects to develop tourism, culture, the trades and the know-how of the beautiful areas in central Italy and to innovate the prevention service for disasters caused by earthquakes.

EDISON'S COMMITMENT TO THE AREAS AFFECTED BY THE EARTHQUAKES

In August and October 2016, various seismic events struck the heart of Italy and, in particular, the municipalities of Accumoli, Amatrice and Arquata del Tronto and the area bordering three regions: Umbria, Lazio and Marche.

Edison has therefore decided to take action, first to structure attentive, ongoing dialogue with the Lazio Region and Civil Defence to **support the areas in Central Italy** most affected by the earthquakes and ascertain what actions are the most useful in the short and medium term.

The Company has therefore organised a program that, for this emergency, consisted of the donation of three containers for use as housing to

the municipalities of Amatrice and Accumoli and the installation of lighting for Christmas trees in the municipality of Amatrice, Torrita and Sommati district. In addition, it provided food for hot meals at the food shelter and held an employee fundraiser for the educational and recreational centre in Amatrice.

Edison's contribution has helped manage the initial state of emergency and it will continue to provide assistance throughout all of 2017 with medium and long-term projects to **help rebuild** in close cooperation with active local institutions and the non-profits already operating in the area, by beginning company volunteering projects and, as noted earlier, by sponsoring business initiatives based in the areas affected and concerning emergency prevention and management.

COMMITMENT TO INCLUSIVENESS

Inclusiveness means creating a sense of belonging, welcoming and overcoming differences. For Edison, a commitment to encouraging social inclusiveness means doing something tangible to promote the active and complete participation of people.

In 2016, the transformation team created the "Inclusion and plurality" project to develop tangible solutions to fostering inclusiveness in the Company. The specific activities will be defined after having gathered feedback from external and internal stakeholders through interviews, focus groups and a survey that will be given to all employees.

In 2016, Edison made an EDF Energy its own, **Pretty Curious**: a campaign to spread awareness in order to encourage girls to study the sciences and to break down gender stereotypes. A film for the campaign was planned for the cinema and the web.

As part of this project, Edison - partnering with "**Women's turn**" - has brought its contribution to the Festival "27esimaOra-Corriere della Sera" with the "Energy is female" conference, which was held on 9 September 2016 at the Milan Triennale. Some of Italy's leading female scientists, young researchers working at renowned centres and an Edison employee spoke.

INCLUSIVENESS THROUGH SPORTS

Sports can be a vehicle for important values like respect, team spirit, loyalty and the generosity of sacrifice.

For several years, Edison has supported the **Milan AS Rugby Association** for various activities, including projects like "The sense of a try" at the juvenile detention facilities Beccaria in Milan and "Rugby Bol" at the Bollate prison.

The sense of a try has enabled young people at the juvenile detention facilities to play a team sport that is also a combat sport based on managing aggression and a system of technical and ethical rules, helping them in their rehabilitation process. Through **Rugby Bol**, the juveniles have founded a genuine "**Rugby Barbari Bollate**" team with routine practices and games at the facilities. In 2016, a document was prepared on the project and on 11 June 2016 the Barbari team played its second game outside the prison against AS Rugby.

Edison has also participated in the reopening of the Edison Rugby Village in Naples. This is a multi-functional space spanning 15,000 square metres to help bring sports and social activities back to the city. Edison Rugby Village in Naples is the new home of the Naples Old Rugby Association, which unites former players, fans and the amateur rugby team, Amatori Rugby Napoli, with around 450 members.

Fondazione Candido Cannavò per lo Sport continued its activities in support of prisons in Lombardy in 2016. Its initiatives focus on the Opera and San Vittore prisons. Over the years, at the Opera prison, the renovation of the inmates' gym – Edison Candido Cannavò Gymnasium – has been completed and exercise machines and equipment have been supplied. In addition, other prison structures have been updated. Moreover, specialised courses have commenced with certified instructors. Ten inmates received CONI (Italian National Olympic Committee) training and became instructors themselves. In 2016, Edison shared the know-how gained by some of its employees when they established the company sports association, Play, to set up a multi-sport association at Opera, the first of its kind at the prison.

Edison continues to support the ANPIL association, which improves the living conditions of children in underdeveloped countries. It has collaborated with the association since 2010 in projects like **Together for Haiti**, which two years ago was renewed with a solidarity sports challenge. **Through the Play sports association, again in 2016, a group of Edison employees ran in the Milan Marathon in April to raise funds for an energy autonomy project** at the Hibiscus mission, where many of the Haitian children that ANPIL hosts and cares for live. The project will provide a continuous supply of energy with inverters, solar panels and batteries, powering the computer lab, among other things.

PROMOTING A CULTURE OF SUSTAINABILITY

For Edison the promotion of the culture of sustainability takes the form of support for **initiatives to raise awareness and educate people** about the issues of climate change, energy efficiency, sustainable development.

This commitment entails spreading good practices with respect to environmental and social sustainability in collaboration with parties in various cultural fields, from schools to film, music and the theatre, also considering these fields' significant resonance and high capacity for engagement.

A collective film project about energy, mankind and nature through the eyes of each of us was the idea behind **Edison for Nature**, an initiative that Edison has sponsored and completed with the collaboration of two prestigious directors, Gabriele Mainetti (winner of seven David di Donatello awards with his film "Lo chiamavano Jeeg Robot") and Andrea Segre (director of films and documentaries for the cinema and television). The contest was announced in June during Edison Innovation Week, and 300 projects were submitted – including videos, scripts and images – in only two months. The ten best ideas were made into short films by their creators with the support of a team of professionals. The two directors will gather the shorts together for a medium-length film.

But Edison has not lost its focus on film production as well. Edison Green Movie continues to promote the best solutions for energy savings, environmental sustainability and social and economic issues as well in the preparation and filming of a movie. Indeed, by applying the guidelines promulgated in Edison Green Movie, processes are made more efficient and energy is saved, synergies are created at local level, with new experience gained and, obviously, a more knowledgeable use of energy and natural resources.

Considering the synergies that can be implemented at local level, in 2016, Edison continued the virtuous path it set out on in the previous year with Italian Film Commissions to spread good practices throughout Italy with the aim of improving the sustainability of film production: in November it signed **an agreement with the Turin Piedmont Film Commission**.

As a result of this agreement production houses making films and television shows with the support of the Turin Piedmont Film Commission may receive Green Set assistance resulting from the expertise gained with Edison Green Movie. This joint project also provides for the virtuous involvement of interested public and private parties.

While spreading the expertise it gained with Green Movie throughout Italy, the Company has decided to extend its focus to the sustainability of live concerts as well.

By gathering feedback from concert organisers and analysing activities and processes, Edison has written a series of specific guidelines – **Edison Green Music** – which it successfully tested during the Music Festival. Each year, when the Music Festival is held, in collaboration with the French Embassy and the Institut français, the Company organizes an extraordinary free concert. The 2016 shone the spotlight on the singer Carmen Consoli and French duo Le Brigitte. The Green Music guidelines led to a reduction in the concert's carbon emissions by approximately 75%.

The path to cultural sustainability that Edison has taken underscores how discussion, sharing skills and expertise and the active participation of all parties are crucial to achieving tangible, feasible results.

In this spirit, Edison kicked off **a project with the research centre ASK**, Art, Science and Knowledge within Bocconi University to create a work panel to share good practices and formulate proposals to submit to the relevant administrations.

EDISON FOR THE CITY OF MILAN

Since 2014, Edison has partnered with **MUBA, the children's museum of Milan**. A story of success and cultural excellence, MUBA is a museum that draws on, in the city of Milan, examples and formats of other major international museums. It is an exhibition space that focuses significantly on innovative didactics in which children enjoy quality cognitive and emotional experiences. Edison supports the museum's activities, workshops, shows and the lessons that it holds year-round. Edison also has a presence inside the museum with a permanent fun/educational installation on energy and energy efficiency.

For the sixth consecutive year, in collaboration with the Municipality of Milan, Edison has supported the **City Piano** initiative. It is a two-day, two-night event to the tune of a piano in the spaces that best tell the city's history. From the city centre to its outskirts, homes, courtyards, stations, streetcars, boats, museums, parks and markets held over 400 free concerts, workshops and lessons focused solely on music and the piano.

Edison has confirmed its brand's usual events again this year, everyone on board the **"Streetcar Piano"** (travelling concerts throughout the city centre, accompanied by the story of the origins of public transport in Milan) and **"Bicycle Plan"**, as well as Palazzo Edison, where visitors can go on a real musical journey through soundtracks, with a special tribute to Ennio Morricone.

On the other hand, Edison's commitment to supporting the city's cultural institutions stretches farther back. There is an indissoluble bond between Edison and the **Teatro alla Scala, which was first illuminated for the first time using electricity in the late 1800s**. Edison is still the **main partner of La Scala's Opening Night** in 2016, and has offset carbon emissions during the opening performance. Furthermore, the Company has sponsored, for the sixth year in a row,

the City Opening with the “**Madame Butterfly in the city**” initiative to bring the excitement of Opening Night at La Scala to the public at large. Over 50 free events designed by Edison were held together with the Municipality of Milan and Teatro alla Scala, which brought the magic of the opera to the neighbourhoods of Milan, with concerts, performances, conferences and workshops devoted to Puccini and the themes and emotions of Madame Butterfly. On 7 December 2016, the opera was broadcast live at 27 locations, all for free, giving the city the chance to participate in this important event, which each year spreads culture throughout the city. Palazzo Edison, located at Foro Buonaparte 31 in Milan, hosted two events again this year: on Thursday, 1 December 2016, the performance “From La Bohème to Madame Butterfly” was held with the solo musicians of La Scala’s Theatre Academy, who played the main arias of 19th-century Italian melodrama, devoting extensive space to Giacomo Puccini; while on Wednesday, 14 December 2016, the “East and West meet in the kitchen” even was held with Chef Okabe, officially closing the 2016 City Opening.

RELATIONSHIP WITH FRANCE

The aim of **Fondazione Nuovi Mecenati**, sponsored by the French Embassy in Italy, is to promote and strengthen Franco-Italian cultural relationships as part of contemporary art creation and to support the circulation of French works of art and artists in Italy.

Edison is an active member of this foundation and, with the collaboration of Italian artists and operators in the visual arts, theatre, music and dance, the circus, cinema and audio-visual arts, carries out many projects, including: Suona Francese, Festival de la Fiction Française, Rendez-Vous Cinéma, France Danse and PianO-, a Franco-Italian platform for artistic exchanges.

COMMITMENTS AND ACTIONS

Progress of 2016 targets

New targets for 2017

Progress of 2016 targets

- Completed in 2016
- Started in 2016, will continue in 2017
- Postponed to 2017

CORPORATE GOVERNANCE

	Commitments	Actions
Governance	Continuation of the fraud assessment project aimed at defining a fraud prevention and fraud detection model.	● The action plans for the risks selected at the end of the previous stage (accounts payable and customer refunds) were prepared. The action plans consist of defining specific risk indicators to be used to support future audits / targeted checks.
	The whistleblowing platform was launched for violations of the 231 Model and other crimes.	● The new whistleblowing platform was launched in July 2016. It can be accessed from both the company intranet and the edison.it website. The whistleblowing platform was launched with an information and awareness campaign for both internal users (employees and contractors) and external users (suppliers).
	Implementation of the 231 Model and results of the risk assessment for the new environmental risks.	● The new environmental risk assessment was completed with the preparation of the new protocol for the management of environmental risks, which applies to Edison Spa and its subsidiaries. The new protocol for the management of environmental risks was formally adopted by Edison Spa's Board of Directors on 15 May 2016.

ENVIRONMENTAL

Energy efficiency	Start-up of the business segment for SMEs and the service sector and implementation of the structure for certain regions.	● The new division redefined objectives and competencies for SMEs and the service sector, creating a specific department for the market.
	Agreements were reached with technical/commercial partners in different areas, framework agreements were signed with main technology providers and financial partners.	● Approximately 20 agreements were signed with technical, financial and commercial partners in the various areas, subject to their assessment within the scope of the definition of the new division's new strategies.
	Following the energy diagnosis at Edison sites, evaluation of the measures that arose during the various investigations for the implementation of energy improvement projects.	● The work and findings of the energy diagnoses were used to further commercial relationships with certain key customers. As planned, the dryer on the site air compressor was replaced at the Trofarello Research Centre.
	Consolidation and development of self-production plants at industrial customers' sites as an ESCo.	● Two self-production plants were commissioned with total capacity of 5.6 MW at the premises of key industrial customers.
	Development of the Energy Control service with new functions.	● Design of the new online platform improving the critical aspects found in the original. The system will go live in 2017.
	Development and promotion of new energy efficiency services to help families reduce their energy spending.	● Start-up of the project to create a home comfort system to be marketed in 2017.

Integrated management systems	Preparation of updates to the management systems already in place in order to upgrade the systems to the new standards on schedule.	●	Completion of the training for the specialists who coordinate the environmental management updates to align them with requirements of the new 14001 standards. The updating program was shared with the certification bodies so it can be completed on schedule.
	Update of the environmental risk assessment based on the risk based thinking approach introduced by ISO 14001:2015 and to cover the new environmental crimes introduced by Law no. 68/2015.	●	A company guideline was issued in 2016 defining the methodology to follow to update the environmental risk assessment, and will be adopted in accordance with the update plan for certified management systems. The risk assessment analysis required by Law no. 68/2015 did not show any needs for action. The context and environmental risk assessment analyses pursuant to UNI EN ISO 14001:2015 were completed at the Research Centre.
	After its scheduled issue in 2016, the new standards will be correctly applied throughout all company organisations and replace current certification under BS OHSAS 18001.	●	Although no new ISO standard has been issued on health and safety, based on the review drafts, a guideline has been created for the application of expected new requirements for risk assessments based on risk-based thinking.
Biodiversity protection	Consolidation and finalisation of the project for the monitoring of the state of biodiversity of the underwater species in collaboration with the Animal Health Institute of Termoli, through the assistance of a specialist biologist.	●	A preliminary agreement has been signed. Actual activities will begin in 2017.
Reduction of environmental impacts	Environmental restoration activities at sites where reclamation projects are underway. In particular, the bio-remediation project has commenced at the Dogaletto (Venice) site.	●	The bio-remediation project at the Dogaletto (Venice) site began and was inspected in 2016.
	Environmental restoration at the Maria a Mare hydrocarbon power station.	●	Postponed to 2017. Plant streamlining projects were scheduled to improve the process and environmental aspects.
	Consolidation and finalisation of the system to reduce odour at the Maria a Mare hydrocarbon power station.	●	The study is currently underway and the findings do not show that improvement action needs to be taken in this respect.
	Implementation of a system for continuous monitoring of the floating beams at the Maria a Mare hydrocarbon power station.	●	Postponed to 2017.
	Revamping and restoration of production and safety and environmental improvements with the upgrading of the measurement system at the Garaguso natural gas power station.	●	This activity was completed in 2016.
	Monitoring of the phyto-purification system installed at the Simeri Crichi thermoelectric power plant to evaluate the environmental benefits of installing the same system at other plants.	●	The system has begun operating, with a considerable decrease in waste produced.
	Implementation of an IT system through the Epic platform to gather operating data with the aim of optimising the E&P Italian production multi-site environmental and safety system.	●	This activity was completed in 2016.
	Following the energy diagnosis at Edison sites in 2015, an analysis will be conducted of the measures that arose to evaluate the steps to take.	●	As a result of the continuously evolving regulatory framework, a company work group was set up and is following the development of ENEA proposals for their application at Edison.

MARKETS

Quality of the offer and relationships with customers

Incentives to use e-billing and to join the loyalty program to encourage customers' ever greater use of online channels.	●	The number of customers registered with the loyalty program has reached a total of 150,000 and the percentage of customers with e-billing rose 14% on 2015.
Increase customer acquisitions using the Edison Best offer.	●	In 2016, Edison Best was the bestselling offer on Edison's digital channels.
Increase in the sale of tools like Energy Control and Netatmo to drive the optimisation of electricity and natural gas consumption.	●	Edison was one of the first utility companies to sell electricity monitoring and natural gas consumption optimisation systems with satisfactory results, but there is still significant market potential to exploit.
Development of skills through benchmarking with competitors and the market, definition of training gaps in the various functions and the development of social collaboration with online tools/ approaches.	●	Results in line with the objective set.
Increase the customer base while keeping the current level of outstanding receivable the same, reducing outstanding amounts due from non-active customers.	●	Results in line with the objective set.
Further increase the percentage of customers who pay by interbank direct debit in their current accounts using a credit card.	●	Results in line with the objective set.
Consolidate the current level of outstanding receivables as a percentage of turnover.	●	Results in line with the objective set.
Keep the level of outstanding receivables under control with the rolling factoring of receivables without recourse.	●	Results in line with the objective set.
Development of credit management strategies for the business and public administration segments.	●	Results in line with the objective set.
Integration of default indemnity requests with the court and out-of-court credit recovery process.	●	Results in line with the objective set.

Management of suppliers

Extension of data entry outsourcing to suppliers/contracts and the most significant BUs, in order to make the process more efficient and have service providers perform low-value activities (data entry).	●	The use of the solution for the units that most benefit from it was intensified, Sales and ICT in particular.
Consolidate the vetting process in Egypt and extend it in Norway and in other important areas.	●	In 2016, analysis activities began with the Egyptian branch and will continue in 2017.

Renewable energy

Awarding of projects in auctions: in 2016, the decree that governs the next renewable source incentive period will be published and the next auctions will be held on that basis for the assignment of incentives.

● The auctions ended in late November 2016. e2i won the incentive for eight projects for a total of more than 150 MW: five greenfield projects in Campania, Puglia, Sicily and Basilicata and three complete rebuilding projects on wind farms in Abruzzo and Basilicata.

Maintenance of the EMAS/ISO/OHSAS integrated management model and its extension to new initiatives.

● The IMS model was applied during the authorisation stage. It will also be extended with the construction of new plants, also considering the fact that the results of the GSE auctions to obtain incentives were not announced until the end of December 2016.

PEOPLE

Industrial relations

Monitoring that the entire agreement on the Edison Group's "Industrial relations system" is effectively implemented, with the roll-out of the national unitary coordination and the work of the new Italian members of EDF's European Works Council (EWC).

● In 2016, work continued to implement the agreement for the new representation system. The new members of the EWC were appointed and the trade unions are currently deciding on the national unitary coordination members of the union representation units.

Management of employment issues (re-assignment and re-training) relating to thermoelectric plants no longer operating.

● The sale of the Piombino site marked the successful completion of the re-employment of workers at power stations where operations were discontinued.

A long-term understanding was reached concerning the single bonus for the Edison Group's three main business areas (Electricity, Energy-Oil, Natural gas-Water).

● In a single agreement, the performance bonus for the Group's three main business areas was renewed. The interim solution for 2016 has introduced additional elements unifying the bonus for the different business areas (new profitability indicator, same payment date and welfare options) and is, therefore, another step forward in the definition of a single bonus linked to profitability and productivity for all Group companies.

Renewal of the main national labour agreements that apply to the Group (Electricity, Energy-Oil, Natural gas-Water) given the persistently critical energy market situation and low inflation trends.

● 2 of the 3 main national labour agreements that apply to the Group were renewed. These agreements cover over 90% of personnel. The third and final agreement for employees of the natural gas sector is currently being renewed. The national labour agreement for metal workers, which applies to Fenice, is also being renewed.

Employee engagement

A training course on "Human Rights" was designed in collaboration with the Global Compact after having evaluated the applicability and the target out of a sample of the employee population.

● This activity was completed in the year.

Management of communication processes and sharing the results of the 2015 survey with all employees, through internal media and a system of specific meetings involving management and employees in all business areas.

● This result was supported by the feedback from 86% of employees.

Assessment of the impacts of the main improvement actions taken in 2014-2015 and new, resulting action on the critical issues that arose in 2015 and relating to the CAP 2030 strategic redirection.

● Only 49% of employees know about or feel involved in the action plans.

Confirm the depth of overall investments in the current areas where the "Edison for you" program is applied, but reshape the offer.

● This activity was completed during the year.

	Flexibly expand the opportunities to choose and use services and receive welfare refunds.	●	The feasibility study was completed in order to associate with the “Edison for you” unilateral initiatives the possibility of using flexible benefits to convert the contractual performance bonuses provided for by the 2017 Finance Act.
	Effectively announce the new benefits for 2107 and make all types of company services and refunds easy to use and access.	●	The announcement was postponed to the end of April 2017.
Health and safety	Creation of a specific company academy to develop expertise in this field, conceived as a driver for change and innovation in connection with the CAP 2030 strategy (leadership, digitalisation, analysis of events and external companies).	●	The first PASQ (Environmental, Safety and Quality Protection) Academy workshop was held to identify context analysis and risk approach guidelines in accordance with the new UNI EN ISO 14001:2015 and UNI EN ISO 9001:2015 standards. Another workshop was commenced to extend the HSE training management application through HRSI to operating divisions.
	A specific training and awareness program on health and safety issues will be prepared and presented to the union representatives for subsequent funding.	●	The training plan was presented to the union representatives and approved by Fondimpresa for specific funding.
	Additional multi-lingual audio-visual security systems were created for the Rospo Mare A-B-C and Sarago Mare offshore platforms as well.	●	Activities began but will be completed in 2017 due to the new logo.
	Development of the HRSI management application to manage training plans, mainly for management offices and professional families.	●	The first “full” version of the HRSI application for the management offices and PASQ (Environmental, Safety and Quality Protection) professional family was released in December 2016.
	Participation in OSHA Week activities on ageing actively and distribution of a handbook to all employees on muscle-skeletal disorders in collaboration with EDF.	●	The 2016 OSHA Week was held the last week of October with many activities involving employees (e-learning, technical training, annual Edison meeting, new section of the Intranet specifically devoted to health and safety).
	A new community was created for the workers’ representatives for safety and the environment.	●	The workers’ representatives for safety and the environment, including both the newly appointed representatives and those previously in office, took the standard required courses and met at the end of October for specific training on ageing actively.
	Risk assessment of activities carried out at the Trofarello Research Centre to determine the best ways of managing training, communications, health monitoring, relationships with the relevant bodies, etc., for the best protection possible.	●	The types of employment were mapped and the HSE management procedure was updated, with specific regard to graduate students preparing their theses, interns, etc.

New targets for 2017

CORPORATE GOVERNANCE

Objectives	Actions
Review of the “integrity checks” planned for business relationships with third parties	<ul style="list-style-type: none"> Check the controls in place with respect to the reliability assessment of parties with which Edison has commercial and professional business relationships.
Check that the 231 Models cover the new crimes-premises and revise the 231 Models of the newly acquired companies	<ul style="list-style-type: none"> Check existing controls for the new 231 crime, “Illegal intermediation and exploitation of labour” and update the 231 Models of the newly acquired companies for alignment with Edison’s framework.
Definition of a new sustainability policy and sustainability targets.	<ul style="list-style-type: none"> Preparation of documents co-planned with the sustainability network and the stakeholder panel.
Creation of an external stakeholder panel	<ul style="list-style-type: none"> Identification of participants and their involvement in the definition of sustainability strategies.

ENVIRONMENTAL

Adjustment to climate change.	<ul style="list-style-type: none"> Start of evaluations to prepare a plan to adjust our assets to climate change in accordance with the Group’s national guidelines.
Environmental management systems: update to the new 14001:2015 standard.	<ul style="list-style-type: none"> Continuing the updating plan for 14001 certified management systems in accordance with the requirements of the new standard. The management system is expected to receive certification pursuant to the recently issued UNI EN ISO 14001:2015 standard at the Trofarello Research Centre.
Environmental restoration projects at the sites where reclamation work is underway. In particular, the completion of surveying at the Bussi (Pescara) site.	<ul style="list-style-type: none"> In 2016, significant environmental surveying projects were planned for the sites affected by the reclamation. In particular, the aim is to complete the surveys at the Bussi site of national interest. Furthermore, in 2016, the current treatment plant for water from the water table at the Melegnano (Milan) site will be integrated.
Energy diagnosis: measuring consumption.	<ul style="list-style-type: none"> Update to the changes in ENEA’s proposals for measuring consumption for future energy diagnosis and, if necessary, provide for their application.
Biodiversity: activation of the tool to analyse the vulnerability of the local areas.	<ul style="list-style-type: none"> As part of the EDF Group’s project, a tool will be rolled out to evaluate the vulnerability of the area surrounding company sites or sites of interest for the development of new plants, throughout the entire scope of the Edison Group.
Energy efficiency projects.	<ul style="list-style-type: none"> Following the energy diagnosis conducted in 2015, plans have been made to continue activities for the energy diagnosis at the Trofarello Research Centre.
Improvement of the HSE impact assessment process for new activities.	<ul style="list-style-type: none"> Definition of a check list for the HSE impact assessment of new research activities at the Trofarello Research Centre.

ELECTRIC ASSETS

Increase the portfolio of renewables in the increasingly low carbon production mix.	<ul style="list-style-type: none"> Contribution to achieving the 40% target for renewable energies in the production mix from the current 17% by 2025 (in line with the EDF Group's CAP2030). Growth in the hydroelectric and wind power sectors.
Responsible management of assets.	<ul style="list-style-type: none"> Continuous improvement of asset management with specific focus on performance. Continuing studies on how to make use of assets/sites not operating. Start-up of accumulation system site for the Altomonte photovoltaic system designed in 2016.
Biodiversity, habitat and landscape protection.	<ul style="list-style-type: none"> Start-up of the first stage of the base study of biodiversity on all of Edison's production sites as part of the larger EDF Group project.
Efficient use of water and minimisation of chemicals, waste/emissions.	<ul style="list-style-type: none"> Implementation of projects to recover water from the water table and optimisation of the use of water.
Implementation of safety measures.	<ul style="list-style-type: none"> Exchange of inspections between power plant and safety review personnel. Implementation of the management system in accordance with the 18001 and 14001 safety and environmental standards and EMAS for the Cellina and Polo 1 areas. Updating of the management systems in the Thermoelectric Division according to the new organisation. Continuance of reclamation work at the Porto Marghera site.
Safety training.	<ul style="list-style-type: none"> Release of the e-learning platform for the Division on the following training subjects: Training on specific technical and legislative issues.
Relationship with the local area and stakeholders.	<ul style="list-style-type: none"> New initiatives resulting from listening to feedback from the local area in order to forge a new pact between Edison and the local area. Implementation of the Edison/INBRE agreement. Continuing activities to develop the Tracciolino trail (with schools and local associations). Extending the "Edison, power for the heart" project (defibrillators donated to the municipalities where Edison plants are located) to Valcamonica. Inauguration of Pizzighettone and project to restore the wall and historic mill.
Opening of sites to build the new wind farms.	<ul style="list-style-type: none"> Winning auctions for incentives will finalise the opening of certain work sites in 2017.
Implementation of the wind farm renewal charter.	<ul style="list-style-type: none"> Preparation and presentation of the implementation of the wind farm renewal charter.

OIL AND GAS INFRASTRUCTURES

Monitoring and reduction of environmental impacts.	<ul style="list-style-type: none"> • Revamping of the RSM A-B-C and Sarago Mare A. rescue boats • Extraordinary monitoring campaign for offshore plant lifting equipment. • Renewal of the FSO ALBA MARINA class certificate. • Implementation of a system for continuous monitoring of the floating beams at the Maria a Mare hydrocarbon power station. • Cleaning and monitoring campaigns at the RSM A-B-C sea sump. • Replacement of the FSO ALBA MARINA riser. • Purchase of equipment to monitor fugitive emissions and process smokestack emissions (A+S) at all sites. • Positioning of barriers to protect the docking area for the Sarago Mare sea line platform. • Consolidation and finalisation of the project for the monitoring of the state of biodiversity of the underwater species in collaboration with the Animal Health Institute of Termoli, through the assistance of a specialist biologist.
Plant security reinforcement.	<ul style="list-style-type: none"> • Additional multi-lingual audio-visual security systems were created for the Rospo Mare A-B-C and Sarago Mare (A+S) offshore platforms as well. • Revamping of the RSM-B platform dredging system. • Meetings with contractors to discuss safety issues. • Contractor audit on significant activities (A+S). • MAM: plant streamlining projects to improve processes and environmental aspects.
Updating the integrated management system in compliance with the new ISO 14001:2015 and ISO 45000 standards.	<ul style="list-style-type: none"> • In particular, whether to implement certain changes (such as a context analysis, stakeholders, risk-based thinking, etc.) will be evaluated, on which basis to review in-house documentation and inform workers of the new regulatory and organisational scenario by the end of 2017.
Compliance with applicable legislation.	<ul style="list-style-type: none"> • At the Cellino and San Potito sites, the "SAP safety management system" will be implemented, with which plant operators, using tablets, may record the routine checks that they perform. The system will also manage deadlines by sending automatic reminders. In addition to helping workers meet deadlines, this system will keep track of historical data on checks and maintenance on plant parts. (On an experimental basis, the system has already been active since March 2016 at the Collalto site, with excellent results).

CUSTOMER RELATIONSHIPS

Digital transformation.	<ul style="list-style-type: none"> • Completion of the digital transformation with the release of the new site and the post-sales app to manage customer requests completely electronically, thereby reducing the use of paper.
Sophisticated consumption monitoring system.	<ul style="list-style-type: none"> • Through an online platform and without the need to install any devices, electricity and natural gas consumption can be monitored, even in Euros. Edison customers may check their consumption against prior year data and the most efficient customers will receive invaluable advice on how to minimise their energy spending and the estimated consumption of the devices and electrical appliances they have in their home.
Development of e-commerce.	<ul style="list-style-type: none"> • Development of the sales channel by including new products and services for customer comfort, safety and wellness, in addition to those for monitoring consumption and controlling appliances remotely.

Grow competencies to serve customers.	<ul style="list-style-type: none"> Completing the "My Learning Needs" projects which we will use to map the competencies of the various functions to create targeted courses that fill the gaps in the individual professional competences.
Strengthen the credit management strategy.	<ul style="list-style-type: none"> Increase the customer base while keeping the current level of outstanding receivable the same, reducing outstanding amounts due from non-active customers. Consolidate the current level of outstanding receivables as a percentage of turnover. Keep the level of outstanding receivables under control with the rolling factoring of receivables without recourse.

ENERGY EFFICIENCY

Continue consolidating the structure through internal and external growth.	<ul style="list-style-type: none"> To promptly meet market demands and stay ahead of new business/needs, there are plans to acquire companies and develop the in-house sales force, making full use of existing competencies.
Complete the service offer, both in terms of business models and services and new market areas/segments.	<ul style="list-style-type: none"> There are plans to consolidate and expand the service offer to industrial segments and SMEs/the service sector and to launch offers/services for the public administration as well.
Develop agreements and activities locally that qualify Edison as an energy partner that can offer global solutions.	<ul style="list-style-type: none"> By analysing the context, find partnerships with local stakeholders and define pilot projects that make Edison a partner for the rational use of resources that can offer a new system approach, including through Group synergies.
Maintain certifications.	<ul style="list-style-type: none"> Maintain and extend the scope of quality (9001), environment (14001), safety (18001) and energy (50.001) certifications. Maintain certification as an ESCo in accordance with the UNI-CEI 11352:2014 standard.

PEOPLE

Maintain the trend of continuous improvement in injury performance indicators (frequency rate).	<ul style="list-style-type: none"> Keep the frequency rate of overall injuries (employees + employees of third party contractors) under 2.0.
Launch a process to integrate Edison's and Fenice's operating practices/procedures within the scope of health and safety issues.	<ul style="list-style-type: none"> Set up a specific and transversal work group across the two organisations to identify the main tools for managing events and best practices, mapping competencies in this respect, common indicators and the consistency of the relevant policies in connection with the new energy service business model.
Identification of new models to manage HSE aspects related to the Energy Service Division's new business model.	<ul style="list-style-type: none"> Within the scope of the transversal Edison - Fenice work group, the most appropriate tools for managing health and safety aspects will be identified for the design, construction, operation and maintenance of services and plants with customers, with the assistance of our sub-contractors.
Digitalisation process in the scope of health and safety.	<ul style="list-style-type: none"> Identify useful tools in managing new company business models: HRSI for the management of training in the operating divisions; integration of e-learning platforms; tools to support activities with customers.
Keeping the absenteeism rate for illness and injuries steadily below the EDF Group's average.	<ul style="list-style-type: none"> Launching specific projects on issues such as posture, indoor noise and the use of video screens; quarterly monitoring of the company population's absenteeism rate.
Partial extension of the unilateral Exte initiatives to Fenice personnel.	<ul style="list-style-type: none"> Partial extension of the unilateral Exte initiatives to Fenice personnel.
Introduction and announcement of the flexible benefit plan for part of contractual remuneration under the previous national labour agreement for both Edison and Fenice.	<ul style="list-style-type: none"> Downstream from specific trade union agreements, with the aim of launching the initiative by spring 2017.

Making MyEDF more effective.	<ul style="list-style-type: none"> Completing the communication by March 2017. Increasing the effectiveness and perceived impact of the action plans in progress.
Strengthening digital skills.	<ul style="list-style-type: none"> Awareness and education project on digital issues with the consequent creation and implementation of a single platform for e-learning.
Contribution to the creation of new skills.	<ul style="list-style-type: none"> Reinforcing collaboration with middle schools throughout all of Italy.
Definition of agreements with the trade unions.	<ul style="list-style-type: none"> Signing of a specific understanding with the trade unions to make it possible to convert 2016 results/productivity bonuses into welfare services and definitions of how to do this (in 2017). Signing of an agreement with the trade unions to define issues regarding the winding up of Fiprem, identifying the new complementary pension fund for the Edison Group, the conditions for participation and how individual positions will be transferred. Signing of an understanding for the performance bonus covering all three of the Edison Group's main business areas. Signing of an experimental agreement to introduce smart working practices in certain areas of the Milan office to be defined.

SUPPLIERS

Improvement of the vetting process.	<ul style="list-style-type: none"> Updating of the supplier vetting portal to gather data and evaluate their sustainability policies.
Focus on small and medium companies.	<ul style="list-style-type: none"> Campaign inviting small and medium company suppliers to use the SME Integrity Kit.

COMMUNITY

Edison Pulse 2017.	<ul style="list-style-type: none"> Roadshows in major Italy cities to support the Edison Pulse contest.
Improve energy efficiency and enhance the local area.	<ul style="list-style-type: none"> Hydroelectric operations (Meduno): build a photovoltaic system to serve the multi-functional centre in Tramonti di Mezzo.
Enhance the area by involving communities.	<ul style="list-style-type: none"> Hydroelectric operations (Novate Mezzola): involve schools in the local district, which will make signs with information about Tracciolino's nature and history.
Health of communities.	<ul style="list-style-type: none"> After the 11 lifesaving automatic external defibrillators were purchased and donated to the municipalities in Valchiavenna and Valtellina, training will be provided on how to manage first aid outside the hospital.
2017 emergency drill.	<ul style="list-style-type: none"> The communication plan rolled out in 2015 to manage communications in the event of an emergency provided for another drill in the second half of the year to evaluate procedures in the light of the lessons learned in the 2015 simulation. The second drill will be more complex, with more complicated issues and the involvement of members of the Crisis Committee and the teams that they head.

APPENDIX

Data and indicators

Methodological notes

GRI correlation table

Global Compact reconciliation

SDG reconciliation table

Assurance letter

Data and indicators

	Unit of measurement	2014	2015	2016	GRI
PRODUCTION					
Production and reserves of hydrocarbons					OG1
Natural gas produced	millions of m ³	2,151	1,994	1,924	
Crude oil extracted	thousands of barrels	4,161	4,354	4,143	
Hydrocarbon reserves	billions of m ³	46.2	42.0	40.4	
Net electricity production*					EU 2
Edison production	Gwh	17,616	18,481	21,156	
Thermoelectric energy	Gwh	11,716	14,073	17,521	
- from combined cycles [E]	Gwh	11,716	14,073	16,731	
Renewable energy	Gwh	5,899	4,408	3,635	OG3
- hydroelectric energy	Gwh	4,954	3,378	2,494	
- wind power	Gwh	894	975	1,090	
- electricity from other renewable sources (solar and biomass)	Gwh	51	54	50	
Share of energy produced from renewable sources	%	33	24	17	
Other purchases	Gwh	78,564	70,952	70,836	
* The data regarding the production of electricity were restated following the application of IFRS 11 for 2014 only.					
Production of thermal energy from steam sold					
Edison production	TJ	8,723	9,260	15,988	
Efficiency of the thermoelectric power plants [E]					
Average yield of the thermoelectric power plants	%	59	58	59	EU11
Availability factor of the thermoelectric power plants	%	92	85	86	
Availability factor of the hydroelectric power plants	%	95	92	92	
Availability factor of the wind farms*	%	96	95	97	
Average availability factor	%	94	91	86	EU 30
* For wind farms subject to Terna dispatching orders, no mandated turbine shutdowns were considered in availability.					

HR					
	Unit of measurement	2014	2015	2016	GRI
Number of employees					
Employees at 1/1	no.	3,183	3,101	3,066	
Incoming	no.	77	87	2,305	
- hired on the market	no.	77	87	221	
Outgoing *	no.	159	122	422	
Employees at 31/12	no.	3,101	3,066	4,949	
* The high number of outgoing employees in 2014 was due to the sale of assets/transfer of business units.					
Employee breakdown					G4-10
By gender					
Men	no.	2,467	2,420	4,043	
Women	no.	634	646	906	
By geographical area					
Italy	no.	2,243	2,221	3,360	
Abroad	no.	858	845	1,589	
- Egypt	no.	814	798	764	
- Norway	no.	24	25	25	
- other countries/areas	no.	20	22	800	
Breakdown by position					
Managers	no.	198	196	231	
- women	no.	19	21	29	
Middle managers	no.	704	761	839	
- women	no.	173	178	198	
Office staff	no.	1,616	1,575	2,224	
- women	no.	414	426	642	
Production staff	no.	583	534	1,655	
- women	no.	28	21	37	
Temporary staff					G4-10
Temporary staff	no.	44	46	48	
- women	no.	29	29	22	

Women*					LA 12
Managers	%	10	11	13	
Middle managers	%	25	23	24	
Office staff	%	26	27	29	
Production staff	%	5	4	2	
Total	%	20	21	18	
Temporary staff	%	66	63	46	
* Fenice was included in the reporting scope in 2016 for the first time, affecting the percentage of the Group's female employees.					
Employees by type of contract					G4-10
Permanent	no.	3,071	3,038	4,864	
- women	no.	628	639	884	
Fixed-term	no.	30	28	85	
- women	no.	6	7	22	
On-the-job training					G4-10
Apprentices	no.	31	37	49	
Internships/short-term entry assignments	no.	18	18	23	
Total	no.	49	55	72	
Interns and apprentices as a percentage of total staff	%	2	2	1	
Part-time staff					G4-10
Employees with part-time contracts	no.	82	86	116	
- women	no.	76	78	107	G4-10
Percentage of employees with part-time contracts	%	3	3	2	
- women	%	12	12	12	G4-10
Hires					LA 1
Breakdown by age					
Under 35	no.	57	60	108	
36 to 45	no.	14	17	55	
Over 45	no.	6	10	58	
Breakdown by gender					
Women	no.	24	37	62	
Men	no.	53	50	159	

Breakdown by geographical area

Italy	no.	58	57	162
Abroad	no.	19	30	59

Breakdown by position

Managers	no.	3	4	6
Middle managers	no.	10	15	9
Office staff	no.	56	49	129
Production staff	no.	8	19	77

Outgoing

LA 1

Breakdown by reason

Resignation	no.	36	41	52
Retirement	no.	37	49	80
Death	no.	5	3	2
Dismissal	no.	-	1	4
Other *	no.	81	28	284

* In 2014, 67 employees left due to the sale of assets/transfer of business units, whereas in 2016, 76 employees left because of the deconsolidation of Hydros.

Breakdown by age

Under 35	no.	39	24	100
35 to 45	no.	54	21	114
Over 45	no.	66	77	208

Breakdown by gender

Women	no.	31	25	83
Men	no.	128	97	339

Breakdown by geographical area

Italy	no.	133	78	236
Abroad	no.	26	44	186

Promotions

From middle manager to manager	no.	12	8	17
From office staff to middle manager	no.	80	46	40
From production staff to office staff	no.	41	45	37
Total	no.	133	99	94

Employee training*

Employees who participated in at least one training course	no.	2,623	2,485	3,626
Employees who received training	%	85	81	73

* 2016 data are not available for certain foreign companies that left the reporting scope during the year.

Training

LA 9

Total hours	no.	101,734	97,106	125,205
- women	no.	24,064	22,092	28,115
- men	no.	77,670	75,014	97,090
Average hours per trained employee	no.	39	39	35
Average hours per employee	no.	33	32	25
- women	no.	38	34	31
- men	no.	31	31	24
Breakdown by position				
Managers	no.	7,198	6,105	6,487
Middle managers	no.	26,194	24,310	30,287
Office staff	no.	58,906	53,040	55,331
Production staff	no.	9,436	13,651	33,100
Average hours by position				
-managers	no.	36	31	28
-middle managers	no.	37	32	36
-office staff	no.	36	34	25
-production staff	no.	16	26	20
Breakdown by type of training				
Quality, environment and safety	no.	25,570	24,783	34,647
Technical training	no.	8,328	7,766	21,160
Institutional - internal training	no.	18,541	21,749	18,268
Specialised - external training	no.	21,734	15,923	22,936
Foreign language courses	no.	23,012	22,786	20,871
Computer training	no.	1,528	1,156	2,288
Conferences	no.	3,021	2,943	5,035

Cost of training

Internal and external training costs (including taxes and mandatory contributions)	in thousands of euros	3,418	3,149	3,511
- funded	in thousands of euros	261	213	518
Cost of labour of trainees	in thousands of euros	3,153	2,899	3,787
Total cost	in thousands of euros	6,571	6,048	7,299

Employees who received an annual review

LA 11

Managers*	%	99	101	96
Middle managers	%	88	86	89
Office staff	%	56	57	66
Production staff	%	39	48	70
Total	%	63	65	73
Total female employees	%	68	72	56

* The 2015 percentage is 101% because the number of managers at the end of the year was lower than the number of managers during the year who received an annual review

Employees in protected categories

LA 12

Disabled employees	no.	99	98	142
Other (e.g., orphans)	no.	23	21	28
Total	no.	122	119	170
Disabled employees as a percentage of total employees	%	4	4	3

Return to work and retention rates after parental leave, by gender*

LA 3

Employees entitled to parental leave	no.	2,243	2,221	3,304
- women	no.	537	545	708
- men	no.	1,706	1,676	2,596
Employees who took parental leave	no.	67	75	108
- women	no.	59	67	90
- men	no.	8	8	18
Employees whose parental leave ended in the year	no.	20	27	39
- women	no.	20	27	32
- men	no.	-	-	7
Employees whose parental leave ended in the year and who returned to work	no.	20	27	39
- women	no.	20	27	32
- men	no.	-	-	7
Total retention rate	%	30	36	36

Retention rate for women	%	34	40	36
Retention rate for men	%	-	-	39
* These data do not include local employees of foreign sites and refer to mandatory maternal leave.				
Missed hours of work*				LA 6
Illness	no.	120,548	110,317	233,160
- abroad	no.	19,632	19,446	74,110
- women	no.	n.a.	n.a.	39,225
Injury**	no.	4,890	6,696	11,123
- abroad	no.	3,416	3,368	3,608
- women	no.	n.a.	n.a.	1,179
Maternity	no.	45,984	53,003	56,629
- abroad	no.	8,303	8,968	592
- women	no.	n.a.	n.a.	54,236
Strike	no.	220	-	2,335
- abroad	no.	n.a.	-	-
- women	no.	n.a.	n.a.	30
Employee assembly	no.	17	-	718
- abroad	no.	n.a.	-	-
- women	no.	n.a.	n.a.	4
Paid leave	no.	40,916	51,599	68,399.64
- abroad	no.	1,369	8,878	-
- women	no.	n.a.	n.a.	18,630.23
Unpaid leave	no.	9,943	14,123	19,414
- abroad	no.	414	-	-
- women	no.	n.a.	n.a.	9,783
Other	no.	53,962	98,530	46,842
- abroad	no.	n.a.	360	-
- women	no.	n.a.	n.a.	-
Total	no.	276,480	334,268	414,592
- abroad	no.	33,134	41,019	78,310
- women	no.	n.a.	n.a.	120,298

* Fenice data were consolidated for the entire twelve months of 2016.

** The hours shown include injuries in transit.

Collective bargaining and trade unions

G4-11

Employees covered by the national labour agreement	%	100	100	97
Trade union membership rate	%	46	46	32

Disputes with employees

Pending at 31/12	no.	6	6	22
Arose during the year	no.	2	3	20
Concluded during the year	no.	-	3	4

Ratio of basic salary of women to men

LA 13

Top management				
Remuneration ratio of women to men (%)	%	n.a.	n.a.	n.a.
Age ratio of women to men (average years)	no.	n.a.	n.a.	n.a.
Management				
Remuneration ratio of women to men (%)	%	107	105	103
Age ratio of women to men (average years)	no.	<0.6	<0.9	<2
Professionals				
Remuneration ratio of women to men (%)	%	93	91	96
Age ratio of women to men (average years)	no.	<3.6	<3.4	<3.5
Office staff				
Remuneration ratio of women to men (%)	%	93	91	93
Age ratio of women to men (average years)	no.	<1.1	<1.3	<2
*Production staff				
Remuneration ratio of women to men (%)	%	n.a.	n.a.	n.a.
Age ratio of women to men (average years)	no.	n.a.	n.a.	n.a.

*The "production staff" category is not meaningful because of the small number of women. The data do not include local employees of foreign sites or employees of Italian companies not on the centralized payroll system.

Employees by age

LA 12

Younger than 25	%	1	-	1
25 to 35	%	25	24	20
36 to 45	%	29	30	30
46 to 55	%	30	30	31
Older than 55	%	15	16	18

Employees by education*

Elementary school	%	1	1	1
-------------------	---	---	---	---

Middle school	%	16	15	19
High school	%	41	41	43
University	%	41	42	33
Other (master, doctorate, etc.)	%	1	1	4

*Fenice's inclusion in Edison's reporting scope changed the breakdown of employees by education in 2016.

Average seniority*

Managers	no. of years	17.0	17.7	17.9
Middle managers	no. of years	14.0	14.2	14.2
Office staff	no. of years	14.3	14.8	12.4
Production staff	no. of years	18.3	17.9	11.2
Total	no. of years	14.9	15.3	12.6

* The data for foreign companies are not available.

Employee turnover (resignations)

LA 1

Breakdown by age

Under 35	%	56	37	42
35 to 45	%	25	32	46
Over 45	%	19	32	12

Breakdown by gender

Women	%	22	27	27
Men	%	78	73	73

Breakdown by geographical area

Italy	%	75	78	92
Abroad	%	25	22	8

Breakdown by position

Managers	%	3	5	4
Middle managers	%	17	24	31
Office staff	%	69	49	48
Production staff	%	11	22	17

Breakdown by seniority

Fewer than 3 years with the company	%	33	22	31
3 to 10 years	%	53	61	50
Over 10 years	%	14	17	19

Injuries in the workplace*

LA 6

Injuries in the workplace involving Group employees (>1 lost day, excluding injuries in transit)	no.	9	10	14
- women	no.	-	1	3
- abroad	no.	4	-	4
lost days due to injury (excluding injuries in transit)	no.	398	305	1,046
- women	no.	-	10	87
- abroad	no.	314	56	304
fatalities	no.	-	-	-
Occupational diseases	no.	-	-	-
hours worked	no.	5,407,165	5,243,587	8,637,207
- women	no.	n.a.	1,004,165	1,468,402
- abroad	no.	1,648,386	1,523,614	2,997,261
Group injury frequency rate (for every one million hours worked)	no.	1.66	1.91	1.62
Injury frequency rate for women	no.	-	1.00	2.04
Injury frequency rate for personnel abroad	no.	2.43	-	1.33
Total injury frequency rate (Group + third party contractors)	no.	1.8	2.10	1.96
Group injury seriousness rate (for every thousand hours worked)	no.	0.07	0.06	0.12
Injury seriousness rate for women	no.	-	0.01	0.06
Injury seriousness rate for personnel abroad	no.	0.19	0.04	0.10
Total injury seriousness rate (Group + third party contractors)	no.	0.13	0.11	0.14
Occupational illness rate	no.	-	-	-
Average number of lost days (for each injury)	no.	44.2	30.5	74.7

* Fenice data were consolidated for the entire twelve months of 2016.

Health care*

Medical examinations provided	no.	1,308	1,431	2,637
-------------------------------	-----	-------	-------	-------

* Data are not available for the foreign companies. Fenice data were consolidated for the entire twelve months of 2016.

Employees of third party contractors*

G4-10

Average full-time equivalent (FTE)	no.	1,248	1,295	2,265
------------------------------------	-----	-------	-------	-------

* Fenice data were consolidated for the entire twelve months of 2016.

Days worked by employees third party contractors

EU 17

Construction work	no.	26,321	21,771	86,331
Maintenance work	no.	223,268	237,271	409,496
Total	no.	249,590	259,042	495,827

* Fenice data were consolidated for the entire twelve months of 2016. Data for Fenice's foreign subsidiaries are unavailable.

Third party contractors' occupational injuries *

LA 6

Employees of third party contractors participating in health and safety training (out of average FTEs)**	%	56	67	96	EU 18
Injuries of employees of third party contractors (>1 lost day)	no.	4	5	10	
hours worked	no.	1,996,717	2,072,334	3,623,297	
lost days per injury	no.	569	483	610	
Fatalities involving employees of third party contractors	no.	-	1	-	
Third party contractors' injury frequency rate	no.	2.00	2.40	2.76	
Third party contractors' injury seriousness rate	no.	0.29	0.23	0.17	

* Fenice data were consolidated for the entire twelve months of 2016.

** Data unavailable for foreign companies.

Spending for safety*

Operating costs	in thousands of euros	6,700.97	7,446.88	9,503.39
Investments	in thousands of euros	3,874.29	3,048.39	11,076.94
Total	in thousands of euros	10,575.26	10,495.27	20,580.33

* Data unavailable for foreign companies.

ENVIRONMENTAL

Energy consumption for power generation [E]

EN3

Natural gas	millions of Sm ³	2,513.14	2,997.25	3,500.20
Coke gas	millions of Sm ³	39.03	-	-
Blast furnace gas	millions of Sm ³	268.03	-	-
Bark	thousands of t	59.40	59.64	62.40
Sludge	thousands of t	19.50	19.43	23.90
Wood chips	thousands of t	76.48	72.18	54.00
Total energy consumption	thousands of GJ	89,847	102,957	

Energy consumption for auxiliary services [E]					EN 3
Natural gas	millions of Sm ³	5,240.91	3,900.50	49,265.39	
Diesel	t	3,563.36	6,217.84	5,653.54	
Fuel oil	t	2,239.00	4,103.00	3,934.11	
Electricity purchased from third parties	MWh	143,422.25	121,338.46	135,162.38	
Raw material consumption [E]					EN1
Total raw material consumption	t	53,977.74	54,067.43	47,413.06	
Water withdrawals [E]					EN 8
Sea and salt water	thousands of m ³	529,711	522,175	470,812	
River or canal water	thousands of m ³	34,147	29,202	39,415	
Ground water	thousands of m ³	2,278	2,817	3,615	
Demineralised water purchased from third parties	thousands of m ³	131	88	0.15	
Other water resources	thousands of m ³	190	214	193	
Recycled water (from thermoelectric operations)	thousands of m ³	3,546	3,389	5,060	EN 10
- recycled industrial water	thousands of m ³	2,852	2,820	4,259	
- condensation and steam water purchased from third parties	thousands of m ³	693	569	801	
Total water resources used	thousands of m ³	570,004	557,886	519,095	
Recycled water - thermoelectric operations	%	0.62	0.61	0.97	
* On 1 August 2016, the Milazzo power station was eliminated from the Edison reporting scope (following its sale).					
Flow-through water and biodiversity - hydroelectric operations [E]					EN 12
Turbine water	thousands of m ³	17,183,368	13,207,943	12,495,906	
Minimum vital water flow (MVW)	thousands of m ³	1,370,112	1,377,587	1,006,738	
MVW releases	%	7.97	10.43	8	
Effluents [E]					EN 22
Industrial waste water produced	thousands of m ³	21,802	21,806	7,595	
Cooling water*	thousands of m ³	537,884	534,501	503,830	
Non-industrial waste water	thousands of m ³	127.3	499.5	141.3	
Total effluents	thousands of m ³	559,814	556,807	511,566	
- sewers	thousands of m ³	3,910	4,057	4,863	
- surface water (rivers, canals and seas)	thousands of m ³	555,846	552,674	506,656	
- ground water (water table, etc.)	thousands of m ³	58	76	47	

* Variation due to the sale of some plants and to a better calculation of energy consumption for the central Simeri Crich

Reinjected water [E]					
Hydrocarbon operations	thousands of m ³	14,359	14,169	12,380	
CO₂ emissions [E]					
Scope I					EN 15
CO ₂ from electricity and thermal energy production [E+F]	t	5,277,056	5,955,017	7,767,959	
CO ₂ from hydrocarbon operations	t	134,974	128,377	142,180	
- flaring/ venting	t	8,536	299	1,813	OG6
CO ₂ from network leaks	t of CO ₂ equivalents	1,636	1,634	1,639	
Direct emissions due to other operations - natural gas	t of CO ₂ equivalents	6,609	7,478	94,451	
Direct emissions due to other operations - diesel*	t of CO ₂ equivalents	17,159	19,489	17,720	
Direct emissions due to other operations - fuel oil	t of CO ₂ equivalents	7,030	270	270	
Service car CO ₂ emissions	t of CO ₂ equivalents	825	682	1,039	
Scope II					EN 16
Emissions from the consumption of electricity purchased from third parties**	t	48,395	53,789	59,917	
Scope III					EN 17
CO ₂ from business travel	t of CO ₂ equivalents	2,542	2,316	1,871	
CO ₂ from waste disposal	t of CO ₂ equivalents	9,663	7,585	9,832	
* 2016 data include also Abu Qir					
** Conversion factors published by ISPRA					
Greenhouse gas emissions [E]					
Electricity operations					
Gross thermoelectric energy produced	GWh	11,934	14,330	17,219.41	
Total gross electricity produced	GWh	17,954	18,993	20,855.47	
Gross thermoelectric and thermal energy produced	GWh	14,525	16,902	19,775.37	
Gross electricity and thermal energy produced	GWh	20,377	21,566	23,417.17	
Specific CO ₂ emissions from thermoelectric and thermal energy	gross g/Kwh	363.3	352.3	351.4	EN 18
Specific CO ₂ emissions from electricity and thermal energy (including renewables)	gross g/Kwh	259.0	276.1	296.7	
Specific CO ₂ emissions from electricity (including renewables)	gross g/Kwh	295.0	319.0	333.2	
Emissions prevented by using renewable sources **	t	1,909,076	1,426,435	1,176,395	
SF6 [E+F]	t of CO ₂ equivalents	479	503	245	
Emission trading scheme (ETS) [E+F]					EU 5
CO ₂ produced by under quota plants	t	5,205,674	5,896,163	7,509,426	

* 2014 data restated with respect to the previous report for alignment with the updated conversion factors published by ISPRA ** Conversion factors published by ISPRA

Air emissions

EN 21

Total emissions (electric and hydrocarbon operations)

NOx	t	2,308	2,637	4,618
SOx	t	325	177	837
Particulates	t	12	7	106
CO [E]	t	2,166	1,229	1,029
Mercury emissions [F]	t	0	0	0

Waste produced*

EN 23

Non-hazardous waste	t	202,122	61,047	100,556
Hazardous waste	t	2,278	4,492	18,672
Total waste produced	t	204,400	65,539	119,229
- recycled	%	84	61	62
- disposed of	%	16	39	38

* In 2014, extraordinary maintenance was carried out on the Vega platform with approximately 158,000 t of waste produced, 91% of which was sent for recycling. The production of waste, which is mostly ferrous, is due the replacement of deteriorated parts as a result of normal corrosion.

Natural gas leak detection [E]

PR 1

Inspected pipes	Km	2,445	2,426	2,379
Existing pipes at the beginning of the year	Km	2,640	2,659	2,659
Inspected grid	%	93	91	89
Total leaks detected	no.	1,079	1,048	1,134
Total volume of leaks	thousands of Sm³	98.77	98.71	99.00

HSE management systems

Sites covered by ISO 14001 management systems

Electricity operations	%	100	100	90
Hydrocarbon operations	%	100	100	100

Sites covered by EMAS management systems

Electricity operations	%	100	100	67
Hydrocarbon operations	%	13	13	13

Sites covered by OHSAS 18001 management systems

Electricity operations	%	100	100	92
Hydrocarbon operations	%	100	100	100

Audits					
Internal audits	no.	88	81	101	
Third party audits	no.	11	14	31	
Total audits	no.	99	95	132	
Inspections - Italy [E]					
By the local health unit, ARPA (regional environmental protection agency) and the municipal, provincial and regional authorities	no.	13	6	2	
Other	no.	6	2	2	
Total inspections	no.	19	8	4	
Environmental accounting [E]					EN 31
Air and climate protection	in thousands of euros	571.20	585.66	157.20	
Water management*	in thousands of euros	30,645.77	31,776.67	31,087.10	
Waste management	in thousands of euros	2,383.00	3,142.29	3,009.08	
Soil, ground and water table protection	in thousands of euros	3,588.89	3,492.87	3,861.15	
Nature and landscape protection and remediation	in thousands of euros	656.78	1,166.78	2,034.27	
Research and development	in thousands of euros	1.50	94.97	5.88	
Other environmental protection activities	in thousands of euros	4,372.93	4,017.00	2,439.62	
Reduction of noise, vibrations and electro-magnetic fields	in thousands of euros	108.97	168.90	705.63	
Total expenditures	in thousands of euros	42,329.00	44,445.94	43,299.92	
- investments	in thousands of euros	3,592.76	1,930.36	3,622.16	
- operating costs	in thousands of euros	38,736.00	42,515.58	39,677.76	
- taxes	in thousands of euros	24,949.00	30,469.00	29,953.17	
<i>*Amounts include fees to use water for hydroelectric operations.</i>					
Significant environmental events					
Spills	n.	-	-	-	EN 24
Environmental sanctions					EN 29
Fines paid in the year	€	-	-	7,006.00	
Other non-monetary sanctions	no.	-	-	-	
Energy efficiency projects					EN7
Energy saved with energy efficiency projects (energy efficiency certificates acquired)	TEP/year	n.a.	2,257.14	1,724.00	

CUSTOMERS (at 31.12)

	Unit of measure-ment	2014	2015	2016	GRI
Total customers	no.	1,224,709	1,113,392	1,041,115	
Electricity customers					EU 3
Total	no.	671,466	591,993	537,603	
	Gwh	20,409	17,109	11,582	
Residential	no.	549,492	489,967	446,919	
	Gwh	1,703	1,513	1,218	
Business	no.	4,939	7,516	4,098	
	Gwh	16,833	14,502	9,325	
Small business (SOHO)	no.	117,035	94,510	86,586	
	Gwh	1,873	1,094	1,039	
Natural gas customers					EU 3
Total	no.	553,243	521,399	503,512	
	mil Sm ³	5,727	6,033	6,531	
Edison Energia residential natural gas customers	no.	413,089	384,564	366,288	
	mil Sm ³	415	419	354	
Edison Energia other natural gas customers (industrial companies and non-industrial wholesalers)	no.	3,804	671	981	
	mil Sm ³	5,243	5,539	6,112	
Total Edison Energia natural gas sector	no.	416,893	385,235	367,269	
	mil Sm ³	5,658	5,959	6,466	
AMG Gas Palermo residential customers	no.	132,495	132,990	132,768	
	mil Sm ³	50	54	49	
AMG Gas Palermo industrial customers	no.	3,855	3,174	3,475	
	mil Sm ³	19	21	16	
Total AMG Palermo gas customers	no.	136,350	136,164	136,243	
	mil Sm ³	68	75	65	
Green energy sold					
GO certified energy	Gwh	596	525	797	

Electricity service disconnections					EU 27
"Disconnected" customers	no.	65,403	41,499	9,807	
Broken down by length of time between disconnection and payment					
< 48h	no.	7,589	8,037	5,359	
48h-1 week	no.	23,160	19,130	7,767	
1 week - 1 month	no.	20,036	12,282	1,347	
1 month - 1 year	no.	14,618	2,050	693	
> 1 year	no.	-	-	-	
Broken down by length of time between payment and reconnection					
< 48h	no.	61,595	40,797	9,026	
48h-1 week	no.	2,492	1,483	148	
> 1 week	no.	1,316	236	71	
Monetary value of fines for non-compliance with laws or regulations regarding the supply and use of services					
Monetary value of fines in electricity operations	Euro	-	82,000	1,725,000	
Monetary value of fines in natural gas operations	Euro	-	-	-	
Total	Euro	-	82,000	1,725,000	
Contact centre service					
Total number of inbound calls	no.	2,762,544	1,665,251	1,265,937	
% of inbound calls answered within 30 seconds	%	65.02	69.30	82.59	
Complaints rate					PR8
Electricity services	%	2.90	1.07	0.88	
Natural gas services	%	2.90	1.07	1.19	
Monthly average data	%	2.16	1.10	0.82	
New customers					
Electricity	no.	161,940	90,275	83,846	
Natural gas	no.	78,986	42,826	36,576	

SUPPLIERS

	Unit of measurement	2014	2015	2016	GRI
Value and location of supplies					
Total value of supplies	in thousands of euros	401,265	374,450	360,305	
- suppliers in Italy	%	91.5	80.8	86	
- foreign suppliers	%	8.5	19.2	14	
% ordered from local businesses	%	5.8	4.4	6.7	
Supplier vetting and screening					
Suppliers managed on the portal	no.	5,087	4,756	5,076	
- approved suppliers	no.	3,237	3,950	3,798	
- suppliers approved in the year	no.	367	571	766	
Average approval time (register of suppliers and vendor list)	days	83	55	61	
Total value of purchases from approved suppliers	in thousands of euros	357,757	335,293	323,544	
as a % of total purchases	%	89	90	93	
Strategic suppliers (*)	no.	43	37	71	
supplies from strategic suppliers as a % of total supplies	%	11	24	7	
Suppliers with at least one HSEQ-certified management system	no.	2,645	2,354	2,442	
- with ISO 9001 certification	%	99	92	93	
- with ISO 14001 certification	%	26	28	29	
- with OHSAS 18001 certification	%	15	20	21	
* Suppliers mapped in the enterprise risk management system					
Procurement					
Total active suppliers *	no.	2,791	2,662	2,792	
- approved suppliers	%	47	46	45	
Average length of contractual payment terms	days	70	67	63	
Supplies from HSEQ-certified suppliers as a % of total supplies	%	67	71	74	
* Suppliers that received at least one order during the year.					
Monitoring and rating					
Suppliers evaluated during the year	no.	477	357	668	
Precautions taken against negative evaluations	no.	24	24	30	

Disputes				
Pending at 31/12	no.	3	1	1
Arose during the year	no.	2	-	-
Concluded during the year	no.	1	2	-

RESEARCH AND DEVELOPMENT

	Unit of measurement	2014	2015	2016	GRI
R&D personnel	no.	30	30	31	
R&D costs	in millions of euros	4.20	4.20	4.20	

INTERNAL CONTROL SYSTEM

	Unit of measurement	2014	2015	2016	GRI
Actions taken in response to incidents of corruption			SO 5		
Reported incidents of corruption	no.	n.a.	0	0	
Dismissed reports due to lack of evidence or false reports	no.	n.a.	0	0	
Confirmed reports with disciplinary action taken against employees	no.	n.a.	0	0	
Confirmed reports leading to legal action	no.	n.a.	0	0	
Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes					SO 7
Legal actions for anti-competitive behaviour	no.	0	0	0	
Violations of anti-trust legislation	no.	0	0	0	
Violations of monopoly legislation	no.	0	0	0	

Methodological notes

Edison's sustainability report is prepared in accordance with the G4 edition (published in May 2013) of the GRI (Global Reporting Initiative) reporting guidelines and includes the indicators provided for by the "Electric Utilities" and "Oil & Natural Gas" sector supplements.

The materiality analysis, which is described on page 27, has led to the definition of the issues covered in this report and their respective boundaries.

In accordance with the GRI-G4 guidelines, Edison's material aspects have been correlated with the respective aspects covered by G4 "Specific Standard Disclosure", selecting those that best reflect the results of the analysis. The boundaries of the impacts that could arise both within and outside Edison have been defined for each aspect.

Priorities have been set for each of the aspects, taking into account both the materiality of the economic, environmental and social impacts of the various business activities within the organisation and their substantial influence on the opinions and decisions of external stakeholders.

Based on the current coverage of the Specific Standard Disclosure indicators associated with the material aspects, Edison states that its compliance with the GRI-G4 standard is "In accordance" – "Core" level.

Key

- E.A. - Energy Asset: Power Asset; Power International; Energy Management
- M.E.S. - Marketing Sales & Energy Services
- H.A. - Hydrocarbon Asset: Exploration e Production; Gas International e Management; Gas regulated asset
- E.S.M. - Energy Services Market

Material aspects	Boundary		Boundary limitations	
	Materiality within the organisation	Materiality outside the organisation	Materiality within the organisation	Materiality outside the organisation
Stakeholder engagement	Edison Spa	-	-	-
Occupational Health and Safety	Edison Spa	-	-	-
Market Presence including Local Content	H.A.	-	-	-
Access	E.A., H.A.	-	-	-
Local communities	Edison Spa	-	-	-
Diversity and equal opportunity	Edison Spa	-	-	-
Research and development	Edison Spa	-	-	-
Economic performance	Edison Spa	EDF, Regulator, Customers	-	-
Governance	Edison Spa	-	-	-

Ethics and integrity	Edison Spa	-	-	-
Emissions	Edison Spa	-	-	-
System Efficiency	E.S.M.	Customers	-	-
Training and education	Edison Spa	-	-	-
Product and service labelling	M.E.S.	Customers	-	-
Marketing communications	M.E.S.	Agencies and commercial inter-mediarities	-	The reporting scope does not include agencies and commercial intermediaries
Energy	H.A.	Customers	-	-

REPORTING PROCESS AND SCOPE

The data and information in this report refer to the Group's performance in the year ended 31 December 2016 (with the exception of certain significant qualitative information referring to the first few months of 2017).

The heads of Edison's various departments gathered and consolidated the data and information by extracting it from company information systems, invoices and internal and external reporting, under the coordination of the Sustainability and CSR Office (Corporate Social Responsibility) department.

The reporting standards and scope are those used in the consolidated financial statements, except where indicated otherwise.

In particular, since 1 April 2016, following its acquisition, Fenice Qualità per l'Ambiente Spa has been included in Edison Spa's reporting scope. Accordingly, all data and information in the report also include Fenice, which was considered for nine months (from 1 April to 31 December 2016). Specific indication is provided in cases where Fenice was considered for all 12 months of 2016 and where, instead, its performance is not included in the data. Consequently, the comparison of 2014 and 2015 data with 2016 data is affected by this change in the reporting scope.

Since 1 January 2014, Edison has applied the consolidation criteria of IFRS 11.

ASSURANCE

As was the case in previous years, the 2016 Sustainability Report was audited by independent auditors to provide our stakeholders with the assurance that the information it contains is accurate and reliable.

The audit was performed in accordance with the procedures described in the "Independent auditors' report on the Sustainability Report", presented at the end of this report.

Lastly, this report was made available during the shareholders' meeting held on 30 March 2017.

GRI correlation table

Profile	Reference (page)	Notes
GRI CORRELATION TABLE		
G4-1 Sustainability strategy	3; 8-9; 17-19; 22-23	
G4-3 Name of the organisation	Cover	
G4-4 Brands, products and services	8-9	
G4-5 Location of the headquarters	Back cover	
G4-6 Countries where the organisation operates and significant impacts of products, operations, services and relationships	7; 32; 43	
G4-7 Ownership structure	9	
G4-8 Markets served	8; 32; 43	
G4-9 Scale of the organisation	8; 32; 43	
G4-10 Employees by type of contract, gender, region and level	92-93	
G4-11 Employees covered by collective bargaining agreements	98	
G4-12 Description of the supply chain (no. suppliers, volumes and procurement markets)	71-72	
G4-13 Changes in scope of operations, including location of suppliers	110	
G4-14 Application of a precautionary approach	14-15	
G4-15 List of charters or principles to which the organisation subscribes or which it endorses	20; 36; 57	
G4-16 List of memberships of associations	30	
EU1 Installed capacity	32; 43	
EU2 Net energy produced	91	
EU3 Number of residential, industrial, institutional and commercial customers	55; 106	
EU4 Length of transmission and distribution grids	Financial report – page 9	
EU5 Allocation of CO ₂ quotas	104	

MATERIAL ASPECTS AND BOUNDARIES

G4-17	List of consolidated entities in the consolidated financial statements and those not included in the sustainability report	110
G4-18	Explanation of the process to define the contents of the report and the way in which the organisation has implemented the related reporting principles	28-29
G4-19	List of material aspects identified	28-29
G4-20	For each material aspect report the related perimeter outside the organisation	110
G4-21	For each material aspect report the related perimeter inside the organisation	110
G4-22	Explanations of the effects of any change in information included in previous reports and the reasons	110
G4-23	Significant changes to targets or boundaries	110

STAKEHOLDER ENGAGEMENT

G4-24	List of stakeholders engaged by the organisation	28-29
G4-25	Identification process	28-29
G4-26	Approach to engagement, including frequency and types of activity	28-29
G4-27	Themes emerged from the engagement, means of management also through reporting	28-29

REPORT PROFILE

G4-28	Period to which the report refers	110
G4-29	Last report published	Last report was published in 2014
G4-30	Frequency of reporting	Each year
G4-31	Contacts	Back cover
G4-32	Choice of "in accordance" option and GRI table - see details	110
G4-33	Assurance policies and practices	
G4-34	Governance structure including the committees which report to the top governance body	12-13
G4-42	Highest governance body's role in the development the vision/mission, policies and goals for sustainability	12-13
G4-43	Measures taken to develop the highest governance body's collective knowledge of sustainability issues	13
G4-48	Highest committee or position that approves the sustainability report and ensures that all material aspects are covered	110
G4-56	Principles, values and standards of conduct	8-9; 14-15
G4-58	Processes to encourage the reporting of unethical or unlawful behaviour and to encourage ethical conduct (hotlines, etc.)	No reports were sent to the Supervisory Body

SPECIFIC STANDARD DISCLOSURES

Material aspects		Pages	Omissions
Category: Economic			
Economic performance			
DMA		10-11	
EC1	Economic value generated and distributed directly	10	
EC2	Economic and financial implications linked to climate change	22-23	
EC3	Cover of obligations entered into in defining the pension plan (benefit plan obligations)	66	
Research and development			
DMA		11	
Market Presence including Local Content (O&G)			
DMA		48	
System efficiency			
DMA		50	
EU11	Average yield of the thermoelectric power plants	92	
Category: Environmental			
Energy			
DMA		32-33	
EN3	Energy consumption within the organization by primary energy source	102	
EN7	Reductions in energy requirements of products and services	106	
OG3	Energy produced from renewable sources	91	
Emissions			
DMA		24-26	
EN15	Total direct greenhouse gas emissions by weight (Scope I)	103	
EN16	Indirect greenhouse gas emissions by weight (Scope II)	103	
EN17	Other indirect greenhouse gas emissions (Scope III)	103	
EN19	Initiatives to reduce greenhouse gas emissions and results achieved	24-26	
EN20	Emissions of ozone-depleting substances by weight		
EN21	NOx, SOx and other significant air emissions by type and weight	104	

Category: Employment and fair work

Occupational Health and Safety

DMA		67-68
------------	--	-------

LA6	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region	97-98
-----	--	-------

Training and education

DMA		63-64
------------	--	-------

LA9	Average hours of training per year per employee by gender and by employee category	95-96
-----	--	-------

LA11	Percentage of employees receiving regular performance and career development reviews	96
------	--	----

Diversity and equal opportunity

DMA		70
------------	--	----

LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	93; 96; 99
------	--	------------

Equal remuneration for women and men

DMA		70
------------	--	----

LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	98
------	--	----

Category: Social

Local communities

DMA		40-41; 48; 52; 73-78
------------	--	----------------------

EU22	People in the community who have been physically moved or financially compensated for the construction/expansion of plants	No cases
------	--	----------

Category: Product responsibility

Marketing communications

DMA		50; 55-56
------------	--	-----------

PR5	Results of surveys measuring customer satisfaction	57
-----	--	----

PR7	Total non-conformities with regulations or voluntary standards with respect to marketing	No cases
-----	--	----------

Access

DMA		55-56
------------	--	-------

EU27	Disconnections due to non-payment	107
------	-----------------------------------	-----

EU30	Average availability factor of plants	92
------	---------------------------------------	----

Global Compact reconciliation

	GLOBAL COMPACT ADVANCED CRITERIA	DESCRIPTION	REF. G4	PAGE
19	The CEO's commitment and leadership	Edison has shown its commitment to upholding the principles of the UN Global Compact by implementing them in its business. Its code of ethics makes explicit reference to these principles. Edison also promotes the SGDs and contributes to achieving the objectives set during COP21. Edison's new strategy is focused on renewable energies and customer centrality through energy efficiency services.	G4-1	3; 8-9; 17-19; 22-23
20	Board oversight and supervision	The Executive Committee chaired by the CEO and composed of the heads of the most important divisions is responsible for sustainability issues.	G4-34	12-13
1	Extension to the corporate functions and business units	The Corporate Social Responsibility division brings together activities and initiatives and implements the Executive Committee's strategic guidelines and suggestions. In 2016, the sustainability network, comprised of the various company focal points, was formalised.		
21	Stakeholder engagement	Dialogue with stakeholders is central to Edison's operations. Accordingly, it has created structure processes to gather feedback from stakeholders and engage them. Thanks to stakeholder engagement efforts, Edison prevents reputation risks, strengthens its pursuit of the targets that it has set and improves both its performance and dialogue with all stakeholders and its relationship in the areas where it operates.	G4-24 G4-27	28-29
15-18	United Nations goals	Edison is committed to achieving the SDGs and, in 2016, it commenced a process to integrate them into its sustainable development policy soon to be published.	DMA	17-19
3-5	Human rights: - Commitments, strategies and policies - Management system - Control and assessment mechanisms	Edison has included the principles of the Global Compact in its code of ethics. Moreover, it has all employees and all third parties sign and comply with the code of ethics. As part of the vetting process, suppliers and sub-contractors undertake to comply with these principles, the 231 Model, the code of ethics and the human rights policy. As part of the TenP project, in addition to the sustainable supply chain self-assessment platform, projects have been defined to increase the collection of information to evaluate suppliers' sustainability policies.	DMA	14-15; 63-66; 71-72

6-8	<p>Labour</p> <ul style="list-style-type: none"> - Commitments, strategies and policies - Management system - Control and assessment mechanisms 	<p>Edison promotes the growth of its employees and development of their skills. It listens to their specific needs and reinforces programs to support a better work/life balance with Wellness@work.</p> <p>It has launched a process to improve inclusion and make the most of personal difference, in addition to a women's leadership project.</p> <p>In recent years, it has commenced and strengthened talks with the trade unions: Edison employees in Italy are covered by the national labour agreements.</p> <p>Edison puts crucial focus on safeguarding and protecting health and safety in the workplace, both for its own personnel and the employees of third party contractors. In 2016, the overall injury frequency rate was further reduced.</p> <p>With MyEdf, it monitors satisfaction and implements specific improvement plans.</p>	DMA	63-66
9-11	<p>Environmental:</p> <ul style="list-style-type: none"> - Commitments, strategies and policies - Management system - Control and assessment mechanisms 	<p>Edison devotes substantial attention to the impacts of its business and equips itself with tools to mitigate the effects, including taking a pro-active approach.</p> <p>In 2016, following the corporate reorganisation, the Energy Services Market Division was set up with the aim of contributing to the Company's growth on the market by developing, selling and managing energy and environmental services.</p> <p>Edison has strengthened its commitment to the production of electricity from renewable sources, setting the ambitious goal of a renewable energy target of 40% by 2030.</p>	DMA	21-27
12-14	<p>Anti-corruption:</p> <ul style="list-style-type: none"> - Commitments, strategies and policies - Management system - Control and assessment mechanisms 	<p>Edison's Code of Ethics is subject to periodic review, also in order to reinforce its "zero tolerance" of fraud and corruption, by explicitly referencing the ten principles of the United Nations Global Compact.</p> <p>In 2016, Edison launched a new and more effective whistleblowing system.</p>	G4-56 DMA	8-9; 14-15
2	Value chain	<p>Edison is at the core of a network aimed at creating value in the long term, promoting economic, social and environmental sustainability.</p> <p>Thanks to a transparent, ethical approach, Edison has forced a partnership relationship with its suppliers, which have become an active part of this network.</p>	G4-12 G4-13 EC9 EN17 LA6 DMA	71-72; 97-98; 103; 110
	Transparency and disclosure in reporting	<p>Edison has communication channels and tools that contribute to keeping dialogue with all its stakeholders active and effective.</p> <p>Each year, Edison reports on its sustainability performance in the Sustainability Report, which it shares with the various stakeholders.</p>	G4-3 G4-13	110
	Assurance from an independent party	Edison's Sustainability Report is subject to an independent assurance review by a third party.	G4-33	

SDG reconciliation table

SDG	Business issues	GRI indicators	Pages
3. Guarantee a healthy life and promote well-being for everyone at all ages.	Air quality.	EN15, EN16, EN17, EN20, EN21, OG-6	103; 104
	Occupational health and safety.	LA6	97-98
	Spills.	EN24	105
	Waste.	EN23	104
	Water quality.	EN22	103
4. Guarantee inclusive, quality training for everyone and promote continuous training.	Social commitment for sustainable development.	G4-43	13
	Social commitment and employee training.	LA9	95-96
5. Achieve gender equality and promote the emancipation of women and girls.	Economic inclusion.	DMA – Procurement practices	71-72
	Equal remuneration for women and men.	LA13	98
	General equality.	LA1, LA9, LA11, LA12	93; 94; 95-96; 99
	Investments in infrastructures.	EC 1, EC 7	10; 73-78
	Parental leave.	LA3	96-97
	Top positions held by women.	LA12	93; 96; 99
7. Ensure sustainable and reliable access to energy at affordable prices to all.	Energy access.	EU27, EU30	92; 107
	Energy efficiency.	EN3, EN7, EU11, OG6	92; 102; 103; 106
	Environmental investments.	EN31	105
	Investments in infrastructures.	EC 1, EC 7	10; 73-78
	Renewable energy.	EN3, EU1, EU2, OG3	32; 43; 91; 102
8. Promote inclusive and sustainable growth, employment and fair work for all.	Diversity and equal opportunity.	LA12	93; 96; 99
	Economic inclusion.	DMA – Procurement practices	71-72
	Economic performance.	EC 1	10
	Employee training.	LA9, LA11	95-96
	Employment.	G4-10, LA1	92-93; 94-95
	Energy efficiency.	EN3, EN7, EU11, OG6	92; 102; 103; 106

	Equal remuneration for women and men.	LA13	98
	Freedom of association and collective bargaining.	G4-11	98
	Efficient materials.	EN1	102
	Health and safety at work.	LA6, EU17, EU18	97-98; 101
	Parental leave.	LA3	96-97
	Efficient use of water.	EN10	102
	Employment of the young.	LA1	94-95
9. Build durable infrastructures, promote sustainable industry and promote innovation.	Environmental investments.	EN31	105
	Investments in infrastructures.	EC1, EC7	10; 73-78
	Research and development.	EC1, EN31	10; 105
10. Reduce inequality in the same country and between different countries.	Access to events.	EU3	55; 106
	Equal remuneration for women and men	LA13	98
11. Make cities inclusive, safe, long-lasting and sustainable.	Investments in infrastructures.	EC7	73-78
12. Guarantee sustainable consumption and production models.	Air quality.	EN15, EN16, EN17, EN20, EN21, OG6	103; 104
	Energy efficiency.	EN3, EN7, EU11, OG6	92; 102; 103; 106
	Environmental investments.	EN31	105
	Efficient/recycled materials.	EN1	102
	Procurement.	EC9	71-72
	Spills.	EN24	105
	Waste.	EN23, OG6	104
	Efficient use of water.	EN10	102
	Water quality.	EN22	103
13. Take urgent measures to combat climate change and its effects.	Energy efficiency.	EN3, EN7, EU11, OG6	92; 102; 103; 106
	Environmental investments.	EN31	105
	Emissions.	EN15, EN16, EN17, EN19, EU5	24-26; 103; 104
	Risks and opportunities of climate change.	EC2	22-23

14. Save and sustainably use oceans, seas and marine resources.	Environmental investments.	EN31	105
	Marine biodiversity.	EN12	102
	Acidification of the oceans.	EN15, EN16, EN17, EN19, EN21, EU2, EU5, OG6	24-26; 91; 103; 104
	Spills.	EN24	105
	Water discharge into the oceans.	EN22	103
15. Sustainably manage forests, fight deforestation, slow soil deterioration and invert current processes.	Environmental investments.	EN31	105
	Deforestation.	EN15, EN16, EN17, EN19, EN21, EU5	24-26; 91; 103; 104
	Mountain ecosystem.	EN12	102
	Degradation of natural habitats.	EN12	102
	Spills.	EN24	105
	Water, land and underground ecosystems	EN12	102
17. Revitalise the global partnership for sustainable development.	Environmental investments	EN31	105

Assurance letter

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

INDEPENDENT AUDITORS' REPORT ON THE SUSTAINABILITY REPORT

**To the Shareholders of
EDISON S.p.A.**

We have carried out a limited assurance engagement on the Sustainability Report of the Edison Group (the "Group") as of 31st December 2016.

Directors' responsibility on the Sustainability Report

The Directors are responsible for the preparation of the Report in accordance with "G4 Sustainability Reporting Guidelines" and the Sector Disclosures "Electric Utilities" and "Oil and Gas", issued in 2013 by GRI - Global Reporting Initiative, as stated in the paragraph "Methodological notes" of the Sustainability Report, and for such internal control as they determine is necessary to enable the preparation of a Sustainability Report that is free from material misstatement, whether due to frauds or unintentional behaviours or events. The Directors are also responsible for defining the Edison Group's objectives regarding the sustainability performance and the reporting of the achieved results, for the identification of the stakeholders and the significant aspects to report.

Auditors' responsibility

Our responsibility is to issue this report based on the procedures performed. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board for limited assurance engagements. The standard requires the compliance with ethical principles, including independence requirements, and that we plan and perform the engagement to obtain limited assurance whether the report is free from material misstatement.

These procedures included inquiries, primary with company personnel responsible for the preparation of Sustainability Report, analysis of documents, recalculations and other evidence gathering procedures as appropriate.

The procedures performed on the Sustainability Report consisted in verifying its compliance with the principles for defining report content and quality set out in the "G4 Sustainability Reporting Guidelines", and are summarized as follows:

- comparing the economic and financial information and data included in the paragraph "Creating sustainable value" of the Sustainability Report with those included in the Group Consolidated Financial Statements as of December 31st, 2016, on which we issued our auditors' report (pursuant to articles 14 and 16 of Legislative Decree no. 39 of January 27th, 2010), dated 14th February, 2017;
- analysing, through interviews, the governance system and the management process of the matters related to sustainable development regarding the strategy and operations of the Group;
- analysing the process relating to the definition of material aspects disclosed in the Sustainability Report, with reference to the methods used for the identification and prioritization of material aspects for stakeholders and to the internal validation of the process results;

Alcova Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.326.220,00 i.v.

Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 170239 | Partita IVA: IT 03049560166

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informazione completa relativa alla struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo www.deloitte.com/about.

© Deloitte & Touche S.p.A.

Deloitte.

2

- analysing how the processes underlying the generation, collection and management of quantitative data of the Sustainability Report operate. In particular, we have performed:
 - interviews and discussions with the management of Edison Group to gather information about the accounting and reporting systems used in preparing the Sustainability Report, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the Sustainability Report;
 - analysis, on a sample basis, of the documentation supporting the preparation of the Sustainability Report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the Sustainability Report;
- analysing the compliance and the internal consistency of the qualitative information disclosed in the Sustainability Report in relation to the guidelines identified in the paragraph "Directors' responsibility on the Sustainability Report" of this report;
- analysing the stakeholders engagement process, in terms of methods applied, through the analysis of the minutes of the meetings or any other available documentation about the main topics arisen in the discussion with them;
- obtaining the representation letter signed by the legal representative of Edison S.p.A., on the compliance of the Sustainability Report with the guidelines identified in the paragraph "Directors' responsibility on the Sustainability Report" of this report, as well as the reliability and completeness of the data and information disclosed.

The procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with *ISAE 3000 Revised*, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of the Edison Group as of December 31st, 2016 is not prepared, in all material respects, in accordance with the "*G4 Sustainability Reporting Guidelines*" and the Sector Disclosures "*Electric Utilities*" and "*Oil and Gas*", issued in 2013 by GRI – *Global Reporting Initiative*, as stated in the paragraph "Methodological notes" of the Report.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Milan, Italy
March 24th, 2017

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

Edison Spa

Foro Buonaparte, 31
20121 Milan

Share capital: 5,377,000,671.00 euros, fully paid-in
Milan Company Register and Tax I.D. No. 06722600019
VAT No. 08263330014
Milan REA No. 1698754

Published by Institutional Affairs Dept. Sustainability and CSR

Tel. +39 02 6222.1
sostenibilita@edison.it
www.edison.it
Twitter: EdisonGen

A thanks to sustainability network and all colleagues
who collaborated in creating this Report.

In collaboration with

Avanzi. Sostenibilità Per Azioni

Graphic and Web Design

M Studio, Milan
www.mstudiomilano.it

Photos

Renato Cerisola
Julien Falsimagne/Leextra
Giorgia Polo
Andrea Siri
www.edisonmediacenter.it
www.photocenteredf.com

Milan, March 2017