2018 Annual Compensation Report

CONTENTS

1. INTRODUCTION

1.1 FOREWORD

The Shareholders' Meeting of 22 March 2016 elected the current Board of Directors, defining its term of office as covering a period of three fiscal years (2016-2018), i.e. until the Shareholders' Meeting convened to approve 2018 financial statements.
The Board of Directors established a series of internal committees, including the Compensation Committee, and appointed the respective Chairmen (the "**Board Committees**").
As explained later in this Report, the compensation of Directors was determined directly by the Shareholders' Meeting, upon a motion by the controlling shareholder, while that of Directors who perform special functions (Chairman and Chief Executive Officer) and of the members of the various Board Committees and the Oversight Board was determined by the Board of Directors upon proposal by the Compensation Committee.
Moreover, the Compensation Committee also submitted its proposal and general recommendations about the compensation policy guidelines for managers, and specifically for top managers - identified as executives with strategic responsibilities in the Company, in accordance with the criteria set forth in the Corporate Governance Code as the members of the Executive Committee reporting directly to the Chief Executive Officer (Comex).
In the light of the above, and of the upcoming expiration of the Board of Directors in fiscal year 2019, with particular reference to the compensation guidelines as outlined in chapter 2.4 of this report, the outgoing Board of Directors, with the agreement of the Compensation Committee and having heard the opinion of the Board of Statutory Auditors, has deemed it appropriate to outline a framework for the 2019 compensation policies, so as to provide a useful, preliminary reference for the new corporate bodies that are to enter into office later in the fiscal year, without prejudice to any prerogative of said new corporate bodies concerning the decision they may make in this respect.
Consequently, with reference to the 2019 compensation policy, should significant amendments to the guidelines outlined in this document be deemed necessary, the Company retains the competence to provide adequate information to the markets with subsequent communications throughout the fiscal year.

1.2 REGULATORY FRAMEWORK

This Report was developed pursuant to and in implementation of the provisions of Article 123-ter of Legislative Decree No. 58 of February 24, 1998 (the "TUF") and was prepared in accordance with the guidance provided in Article 84-quater, as implemented by the Consob with Resolution No. 18049 of 23 December 2011, which amended the Issuers' Regulations published by the Consob for the purpose of implementing the TUF. In addition, the principles set forth in Article 6 of the Corporate Governance Code for Listed Companies, July 2018 edition (the "Code") are adopted as general reference guidelines on compensation policies for this Report.

1.3 PURPOSE AND CONTENTS

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

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

- a detailed and analytical breakdown of the items and amounts that make up the compensation of Directors, listing fixed and variable cash components, any compensation based on financial instruments, non-cash benefits, any equity interests held in the Company or its subsidiaries, as well as any other indemnity or type of compensation stipulated in the event of early termination or scheduled termination without renewal of the appointment to the post held;

- aggregate information about the items and amounts that make up the compensation of executives with strategic responsibilities, listing fixed and variable cash components, any compensation based on financial instruments, non-cash benefits, any equity interests held in the Company or its subsidiaries, as well as any other indemnity or type of compensation stipulated in the event of early termination or scheduled termination without renewal of the appointment to the post held.

1.4 PREPARATION AND STRUCTURE

This Compensation Report, drafted by the Company, was approved by the Board of Directors at a meeting held on 14 February 2019 (further to an opinion rendered by the Compensation Committee and the input of the Board of Statutory Auditors); Section One of this Report is being submitted for advisory vote to the Shareholders' Meeting convened to approve the financial statement for fiscal year 2018.
This Report is included in the Corporate Governance document, published together with the Financial Report and the Report on Operations for fiscal year 2018; it will be made available to the market at least 21 days prior to the date of the abovementioned Shareholders' Meeting and is available on the Company website: www.edison.it (under "Governance".)
This Report is structured in accordance with the guidelines provided in the abovementioned Article 84-quater and conforms to Annex 3A, Form 7-bis and Form 7-ter, as cited in said Article.

2. SECTION ONE

2.1 GOVERNANCE AND COMPLIANCE

The current Board of Directors was appointed by the Shareholders' Meeting of March 22, 2016 for a term of office ending with the Shareholders' Meeting convened to approve the financial statements for fiscal year 2018. The abovementioned Shareholders' Meeting established the compensation of the members of the Board of Directors, setting it at a gross annual amount of €50,000 for each Director, plus a gross attendance fee of €1,800 for each meeting of the Board of Directors attended by a Director.
The abovementioned resolutions were adopted by the Shareholders' Meeting upon a motion by the controlling shareholder, consistent with the amounts applied to the previous Board of Directors.
At the meeting of 22 March 2016, the Board of Directors, upon a motion put forth by the Chief Executive Officer, with the prior approval of the Compensation Committee and the consent of the Board of Statutory Auditors, debated a resolution concerning:

- the compensation of members of the Board's Committees (Control and Risk Committee; Compensation Committee, and Committee of Independent Directors) and the Oversight Board, consistent with the amounts applied by the previous Board of Directors.

On 10 May, 2016, following a proposal from the Compensation Committee and with the approval of the Board of Statutory Auditors, the Board of Directors debated a resolution concerning:

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

2.2 COMPENSATION POLICY: PURPOSE AND GENERAL PRINCIPLES

The fundamental purpose of the Company's general compensation policy is to attract and retain the best resources to foster the Company's growth in its market sector, acknowledge the responsibilities assigned to them, motivate them work towards objectives that are consistent with the expectations of stakeholders, both over the medium and long term and in compliance with the official risk management policy, and reward them for the results they achieve.

When defining a compensation policy, the following factors are usually taken into account:

- the main features of the compensation policy applied during the previous year;
- the overall macroeconomic scenario and current trends, specifically with regard to the labour market;
- trends in the compensation area with regard to large companies that operate in the domestic and European market, with special emphasis on the Italian energy sector;
- the Company's current financial situation, its short-term and medium-term objectives and the challenges posed by the medium/long-term strategies defined in the Company's strategic plan.

For the purpose of analysing market trends and benchmarking vis-à-vis the market the competitiveness of the Company's policies and the compensation of its managers, the Company relies on the findings of external surveys carried out by qualified international consulting companies.
In addition to the abovementioned findings, specifically with regard to compensation policies for Directors, the Compensation Committee can consider on each occasion whether it should secure, at the Company's expense, the support of qualified external consulting companies different from those normally used by the Company's management in fiscal year 2018, the Committee did not avail itself of this option.

2.3 STRUCTURE AND COMPOSITION OF THE COMPENSATION IN 2018

Taking into account the general objectives stated above and the competitive position in the reference market, the compensation policy was developed in accordance with the following principles:

- For Directors who are asked to perform specific functions (Chairman and Chief Executive Officer), the cash compensation is structured as follows: a fixed gross annual component and, exclusively for Directors to whom management authority and operational control are being delegated (the Chief Executive Officer), a variable gross annual component. Said variable component is also based on the indicators used for the Top management.

- The fixed gross annual compensation must be commensurate with the level of responsibility entailed by the function performed and large enough to ensure that the economic package will be sufficiently competitive, even if no variable annual component is disbursed. With regard to the term of office for the three-year period from 2016 to 2018, taking into account the principles and general criteria presented in Section 2.2 above, the current Board of Directors, acting upon a recommendation by the Compensation Committee, with the input of the Board of Statutory Auditors, resolved to:
  a. structure the Chairman's annual compensation as a single fixed component, reducing its amount by about 30% compared with the previous three-year term of office in order to realign it with the downward trend prevailing in the Italian market for comparable positions over the same time period, as also shown by the benchmarks produced by specialized external companies. As expressly requested by the Chairman, this component and all other compensation provided for serving as a Director are paid by Edison Spa directly to its Parent Company EDF SA;
  b. confirm also for the new current term of office, finding them adequate, the structure and amount of the gross annual cash compensation of the Chief Executive Officer, as defined for the previous term of office, taking into account its alignment with the market average through benchmarks produced by specialized external companies. In view of the personal situation of the current Chief Executive Officer, who is an employee internationally seconded by the Parent Company, this compensation also includes the value of the home provided by the Company and the special tax status applied to expatriate employees in accordance with Group policies. The structure of the compensation of the Chief Executive Officer includes a fixed gross annual component and a variable gross annual component (MBO) equal to about 40% of the total gross annual compensation.

- The variable gross annual compensation of the Chief Executive Officer is predetermined based on a target value (100%) and a minimum and maximum economic value equal to 75% and 125%, respectively, of the target value and is predicated on the achievement of predefined and measurable annual targets assigned by the Board of Directors, further to a recommendation by the Compensation Committee and with the input of the Board of Statutory Auditors. For 2018, the reference targets used to determine the variable compensation consisted of three categories of objectives that include economic-financial targets, with a combined weight of 45%, (measured by indicators based on EBITDA, cash flow, and the trend in operating expenses) as well as operating performance targets of an industrial- commercial and social type with a combined weight of 45% (consisting of the unavailability of the thermoelectric generation fleet, hydrocarbon production level, wholesale power market EBITDA, customer portfolio development and turnover from energy services in the end market, the occupational injury rate, both for Company employees and employees of contractors who work at the Company, and the level of managerial leadership, measured through a dedicated survey carried out among the employees by a qualified external company.) This basket of targets was rounded out with

the addition of an overall target with a total weight of 10%, aimed at measuring shareholder satisfaction, whose evaluation was to be based on the opinion expressed through the Board of Directors. For the purpose of this assessment the Board has taken into specific account the management's efforts and results aimed at supporting the new strategy for corporate development and transformation, which started in fiscal year 2016, assessed among other things in terms of impact on growth and sustainability perspectives in the medium term. The targets thus defined are measured on a linear scale based on three levels: a minimum assigned result level (75%), below which the specific target is not deemed to have been achieved and no economic effect is produced, a target level (100%) and a maximum level (125%). The abovementioned general targets also represent common annual objectives for the Company's top management and its managers in general as a whole, supplementing specific area and/or personal targets and accounting for 60% to the overall targets assigned to top managers with strategic responsibilities and 20/30% for the whole Management.
With regard to the results achieved for the common targets assigned to the Chief Executive Officer for fiscal year 2018, the Board of Directors, meeting on 14 February 2019, upon a recommendation by the Compensation Committee and with the input of the Board of Statutory Auditors, reviewed the data and concluded that the overall performance level achieved by the Chief Executive Officer was 116%. This result will also be used as a reference value for the pro rata portion of the common objectives included in the 2018 MBO form for top managers and all managers.
As is the case for the Chairman, at the express request of the Chief Executive Officer, all compensation that he may earn for the posts in which he serves are paid by Edison Spa to the Parent Company, which is his employer.

- No medium/long-term stock and/or cash incentive tools were introduced for Directors asked to perform special functions (Chairman and Chief Executive Officer). On the other hand, the Board of Directors, meeting on 26 July 2016, upon a recommendation by the Compensation Committee and with the input of the Board of Statutory Auditors, agreed to launch a special medium/long-term cash incentive program for the current 2016-2018 three-year period for top managers with strategic responsibilities, in line with those existing in the Group and taking into account the Company's specific governance structure. The Board of Directors subsequently approved the targets established for this programme (based on parameters involving medium-term cash flow, opex reduction and commercial development on the Italian market), the maximum bonus that could be earned by each beneficiary and the applicable regulation. This new medium/long-term cash incentive programme for top managers will undergo result assessment and pay-out in 2019. It confirms the general compensation policy guidelines structured based on three components (fixed compensation, variable short-term compensation, and variable long-term compensation) recommended and used in the market for comparable companies. In line with this structure, and with specific reference to middle managers and a group of young high-potential managers, the Board of Directors of October 25, 2018 approved the launch of a new three-year, long-term incentive plan for 2019-2021, connected with strategic target based on the medium-term corporate strategic plan.

- To date, no claw-back clauses have been introduced concerning the short-term variable component for executive Directors and Managers with strategic responsibilities, in consideration of the contractual employment relation existing between the executive directors in office, the Top Managers and the companies representing the shareholding structure, as a result of the rigorous assessment and monitoring process of the results achieved with regard to the variable component, carried out by the Company and verified by bodies independent of management. Moreover, the relatively low impact of said variable component in terms of absolute value must also be taken into consideration, as well as the rare occurrence of this practice on the market, except in finance.

- As a rule, the compensation defined for the Chief Executive Officer and for all company employees is deemed to include all compensation that may result from any assignments performed on behalf and in the interest of the Company, its subsidiaries and/or other investee companies, as well as associations, entities and foundations.

- The compensation of non-executive Directors, which must be commensurate with the required level of commitment, taking also into account any service on Board Committees, is comprised of a predetermined fixed annual amount and an attendance fee for each meeting of the Board of Directors or one of the Committee attended by a Director. For members of the various Committees, the Board awarded the same compensation to each Committee member, except for Committee Chairmen, who receive a slightly higher compensation, consistent with market practice, but awarding different amounts to different Committees, based on the different level of commitment they require. No type of variable compensation tied to corporate results is provided in any form.

- With regard to special benefits, please note that: considering the responsibilities of his post and the operational modalities with which he performs his duties, no special benefits are being provided to the Chairman; as for the benefits provided to the current Chief Executive Officer, their type, purpose and treatment are described earlier in this Report, in the section on fixed compensation, the amount of which includes the economic value of the benefits. A special civil liability insurance coverage is provided by the Company to members of the Board of Directors and Board of Statutory Auditors.
  The Company's benefit policies common to all managers also apply to Top Managers with strategic responsibilities. These policies specifically provide for the award of a company car both for business and personal use, specific pension and health care coverage, insurance for work-related and non-work-related accidents and illness, and life insurance. The maximum insurable amounts covered by these policies are higher than those required currently by the relevant collective bargaining agreement, and are compared with the market of comparable companies by means of specific reports provided by specialised external companies.

- The Company is not a party to any agreements with Directors, including the Chief Executive Officer, calling for the payment of special indemnities in the event of resignation or termination of the appointment/assignment for any reason and/or cause, or if he/she is removed from office due to a tender offer or if the appointment/assignment is not renewed upon its scheduled expiration, also in the light of the fact that the people with executive offices are at the same time working for the companies that make up the company's shareholding structure. Said professional relations are regulated by specific individual employment contracts, which for what concerns the continuity of the relations are formally separate and independent from any corporate assignments and their cessation. This profile is equally relevant for the executives of companies that are part of the shareholding structure who may be asked to perform executive duties in the Board of the Company and/or of subsidiaries and associates. With regard to Edison managers with strategic responsibilities, who are all employees of the Company, also in the event that they are removed or resign from office, only the protections included in the employment contract will apply.

- The Board of Directors has not deemed it necessary to provide for specific succession plans for Directors performing executive duties; this assumption is in particular based on the actual shareolders structure and the consistency of the Managerial International pipeline of the Group managed by the majority shareolder. Base on these main assumptions, it wasn't thought that the identification of persons to entrust with said role, as well as the requirements, cannot occur before the replacement need arises. On the other hand, succession plans for Top managers are handled internally within the framework of the turnover processes of top managers and are updated periodically, usually on an annual basis

2.4 COMPENSATION POLICY FRAMEWORK AND GUIDELINES FOR 2019

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

- Macroeconomic scenario: the Italian economic growth has slowed down in 2018 compared to 2017, particularly in the second half of the year, which saw both exports and industrial production weaken progressively. The overall weak dynamic of the Italian GDP is to be ascribed to both external factors, such as the drop in exports (particularly in markets and products affected by protectionist commercial and industrial policies), and to internal factors, as a result of subpar household consumption. The national political situation has also had an impact, due to a period of institutional uncertainty post-elections which has continued after the formation of the new government as a result of its new economic policy course. Vis à vis the other European economies, which have also experienced a slowdown of growth throughout 2018, Italy remains on lower absolute value, also because of limited public investments connected with the need to implement public debt containment policies.

- The slowdown of growth has resulted in an estimate for the 2018 GDP of Italy equal to about 1.2%, below the forecasts which were in line with 2017 figures of about 1.5%. The overall current macroeconomic scenario confirms that the slowdown of growth that started in the second half of 2018 will extend into 2019 for all the main Eurozone economies. The overall inflation rate (Consumer price) of 2018 was mostly in line with 2017 at around 1.2% which is confirmed as a forecast also for 2019.

- Overall labour market: despite the slowed growth, the Italian labour market has continued to show slight improvements in 2018 as it did in 2017, particularly with a slight drop in the unemployment rate which settled below 11%. A similar improvement has been visible in the decreased youth unemployment rate. However, this is still fairly high in comparison to the EU average, as does the Italy vs EU employment rate. In the short term, the unemployment rate in Italy has been estimated to remain around 10% to 11%.

- In the Italian energy industry, the electricity sector has confirmed the growth trend of 2017, showing a further slight increase in gross demand in 2018 (around 0.4%), as opposed to the gas sector which recorded a 3% ca. drop in demand compared to 2017. The prices of energy commodities have increased compared to the previous year.

- In 2018, the labour market in the energy industry confirmed the increased dynamicity of 2017, due to the ongoing dramatic transformation that is affecting the electricity sector in particular, as a result of the new domestic and European energy policy guidelines which are increasingly focused on containing the climate and environmental impact by fostering renewable, low-carbon sources, as well as the development of distributed energy platforms, energy efficiency recovery, and the development of electric mobility and new energy services bringing added value to the consumer, leveraging the remarkable contribution provided by new technologies, the digital ones in particular.
  The current, far-reaching digital transformation of energy companies is creating a need for a heavy investment in digital training to keep the skills of current employees up to par, so as to mitigate the risk of losing competitiveness and efficiency, as well as a need to acquire new skills and new digital expertise to support the ongoing innovation and transformation. This scenario is already creating increasing tension and competitiveness on the labour market, because of the shortage of qualified people possessing that set of new skills.

- In the market context described above, the current scenario and the projections concerning compensation policies in medium- to large companies, recorded by means of systematic surveys the company avails itself of through analyses provided by specialised external companies, confirm compensation policies for executive directors and top managers in 2018 have increased against 2017, particularly as a result of the annual variable component. With regard to managers, gross fixed annual compensation increased by 2.3% in 2018, in line with the previous year. Growth forecasts for the fixed component in 2019 are slightly higher vs 2018, around 2.7%. These final and forecast figures of the compensation growth dynamic include the effect of merit-based salary policies adopted by the companies, as well as the automatic contractual rises connected with seniority. With regard only to the effect of the corporate merit-based salary policy, the 2019 forecast for management salary policy expenditure concerning the gross fixed annual component is around 1.8% of the total salaries. Within the overall domestic market, the growth trend of compensation in the energy industry for 2018 confirms a roughly 0.5% lower trend compared to the general market, whereas forecasts for 2019 seem to show chances of catching up with the general market, with an overall growth forecast of 3% -which includes automatic contractual rises and the expected merit-based policy amounting to about 2.2% of payroll of the category.

- In 2018, consistent with the practice of previous years, the Company has adopted a moderate salary policy, more contained in comparison to the general market, and in line with the energy industry. Within this framework, the compensation of executive directors in 2018 has remained as defined at the beginning of their term of office, as it will throughout the whole 2016-2018 term of office. The salary policy focuses on placing particular value on the middle managers and young managers working in relevant organisational posts, especially with a view to potential prospective growth. As a result of this, and in accordance with the guidelines defined by the Board of Directors in implementation of the policies and guidance provided in the Compensation Report approved by the Shareholders' Meeting, the Company's compensation policy applied to top management and management in general, reflected a 1.6% increase. This was slightly lower than the compensation policy approved for the fiscal year, which envisaged an increase of 2% maximum, however, it was in line with the energy market (1.6%) and lower than the general domestic market (2.3%). The remuneration policy adopted by the company for the financial year 2018 also took into account the benefit from the payout for the medium- to long-term, three-year incentive plan (LTI 2015-2017) that has allowed to contain incremental rises in fixed compensation and also the effect of the adoption of a compensation policy that focuses on the overall benefit package rather than on pay rises for the managers of the Energy Services Division, which consists of recently acquired companies . As far as these managers are concerned, the measures are intended to allow the non-cash components to gradually align with the policies applied to the Edison Group managers, thus fostering improved integration.

- In terms of economic and industrial results, the Company is continuing the implementation of the plan for growth and profitability recovery, in line with the mission and the development strategy defined within the Group. In particular, the fiscal year 2018 has confirmed the upswing of 2017 across all key economic and financial indicators, exceeding the targets set in the budget for the fiscal year. In particular, the fiscal year 2018 marked the return to a positive net result overall throughout the Edison group. The good economic performance is confirmed by equally positive results on key industrial, commercial, and social targets. In 2018, besides the organic development, the company has also speeded up the growth on external lines, by means of significant new acquisitions that strengthen its position on the final market, and it has also kickstarted the development of new business sectors (Public Administration Services, Small Scale LNG). Moreover, the push towards the development of innovative customer solutions/services and the internal transition to more widespread digital culture and skills have been further strengthened.

- Given the abovementioned market context, the current Board of Directors, considering the expiration of its term of office with the approval of the 2018 financial statement by the Shareholders' Meeting, and in the light of this report, with specific reference to the top management and management, has deemed it appropriate to express their views on the salary policy guidelines for 2019:
  - With regard to the remuneration policy applying to the Directors, including those with special responsibilities and the members of the commitees established within the Board of Directors, it is deemed appropriate to underline that said remuneration was established at the outset of the 2016-2018 term of office, based on comparison within a Comparable Market (Italian, medium-to-large companies listed in the FTSE MIB, mostly operating in the energy industry or in industrial sectors). Said amounts were left unchanged throughout the 2016-2018 term of office;
  - given the above, the outgoing BoD of the Company, considering the opinion of the Compensation Committee, preliminarily considers the remuneration policy adopted by the Company in the past three years to still be applicable to the current market scenario as well as suitable for the current strategic challenges the Company is expected to face in the near future;
  - nevertheless, the BoD, in consideration of the recommendations expressed by the Compensation Committee, believes further assessment and comparison against the comparable market is required to support the confirmation of this compensation guidelines applying to the Directors with special responsibilities and the members of the Committees established within the BoD. Said assessment is to be carried out by specialised companies, and might lead to the policy being reviewed based on the outcome of the assessment itself. Moreover, the BoD recommends that said assessment be carried out in a timely manner, so as to allow decisions to be made by the Company's governance bodies concerning the renewal;
  - with reference to Top managers and managers, in consideration of the salary policy forecasts expressed by the market analyses for the energy sector, and of the overall economic framework and of the signs of downturn that became apparent towards the end of 2018, it is deemed appropriate to adopt a cautious compensation policy budget for 2019, consistent with that of the previous year (1.8% of total reference amount), slightly below energy market merit increase forecasts (2.2%) in terms of rises in the gross fixed annual component. This lower expenditure for the fixed component also enables the company to financially support the improvement of other components of the benefit package offered to the managers, making it more competitive and aligning it to those of the other companies of the Edison group. This in turn fosters management integration among the recently acquired companies. An adequate level of competitiveness of corporate salary policies within the market, with specific reference to Top Managers and Key Managers, is also allowed by the adoption of Long Term Incentive schemes, which are currently in force and should be extended into the future.

- As far as the 2019 targets for the variable, short-term component, it is also deemed appropriate to confirm the general structure of a panel to include economic and financial target and industrial, commercial and social targets, which are also part of the common corporate targets for top management and corporate management at large.

2.5 OPERATING PROCEDURES

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

- The Shareholders' Meeting, which defines the annual compensation of the Board of Directors relative to the duration of each term of office and, consistent with Article 123-ter of the TUF, must cast an advisory vote with regard to the first section of the Compensation Report prepared by the Board of Directors and submitted to the Shareholders' Meeting in connection with the approval of the annual financial statements.

- The Board of Directors, which decides how the compensation awarded by the Shareholders' Meeting should be allocated among its members, unless the Shareholders' Meeting has already defined it, and, based on and consistent with the guidelines set forth in the Compensation Report, determines the compensation for Directors who serve on the Committees established by the Board of Directors. The Board also determines the structure and amount of the compensation of any type for Directors who perform special functions (Chairman and Chief Executive Officer), the reference targets with which the variable annual component of the Chief Executive Officer is correlated, both upon definition and verification, as well as any other medium/long-term incentive plans, including those benefitting the Company's management. In performing this task, the Board of Directors is supported by the Compensation Committee, which submits recommendations regarding compensation issues, and adopts its resolution after hearing the input of the Board of Statutory Auditors.

- The Board of Directors delegates to the Chief Executive Officer, through the coordination and control of the Company Departments that report to him, the implementation at the operational level of the resolutions adopted concerning compensation and monitors their correct implementation, relying on the support of the Compensation Committee.
  Lastly, the Board of Directors drafts the Annual Compensation Report.

- The Compensation Committee, established by the Board of Directors, which also defined the Committee's functions (see the 2016 Report on Corporate Governance for additional information) and approved its Operating Regulations. In the performance of its functions, the Committee relies on the operational support of the Human Resources and Organization Department and, when deemed appropriate, the support of qualified external consulting companies different from those normally used by the Company's management.

- The Board of Statutory Auditors, which performs the functions assigned to it pursuant to Article 2389, Section 3, of the Italian Civil Code. In order to effectively perform these functions, its Chairman and/or other Statutory Auditors attend the meetings of the Compensation Committee as invited member(s).

- The Corporate management, which supports the activities of the Compensation Committee with general secretarial service (provided by the Corporate Affairs Department, which performs the same function with respect to the Board of Directors) and supplies the information and data needed to analyze the issues under discussion (provided by the Human Resources and Organization Department, a member of which may attend Committee meeting upon request and invitation by the Committee).

3. SECTION TWO

3.1 SCHEDULE OF THE COMPENSATION OF DIRECTORS, STATUTORY AUDITORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The schedule that follows lists in detail the compensation that Directors, Statutory Auditors and Executives with Strategic Responsibilities, including those whose term of office ended during the year, earned in 2018 for any reason and in any form, attributable to the Company and its subsidiaries and affiliated companies at December 31, 2018.

Reference period: January 1, 2018 to December 31, 2018 (in thousands of euros)

Beneficiary	Descrip. of post and term office					
First and last name	Post held	Period during which the post was held		End of term of office (*)	Fixed compensation	Compensation for serving on Committees
Directors in office at December 31, 2018						
Jean.Bernard Lévy (a)	Chairman	01.01.18	12.31.18	12.31.18	459	-
Marc Benayoun (b)	Chief Executive Officer	01.01.18	12.31.18	12.31.18	761	-
Marie-Christine Aulagnon (c)	Director (e)	01.01.18	12.31.18	12.31.18	61	39
Béatrice Bigois (d)	Director (e)	01.01.18	12.31.18	12.31.18	59	30
Paolo Di Benedetto (d)	Director (e) (f) (g) (h)	01.01.18	12.31.18	12.31.18	61	131
Gian Maria Gros-Pietro (d)	Director (e) (f) (g) (h)	01.01.18	12.31.18	12.31.18	61	133
Sylvie Jéhanno (c)	Director	01.01.18	12.31.18	12.31.18	57	-
Nathalie Tocci (d)	Director (f) (g)	01.01.18	12.31.18	12.31.18	61	49
Nicole Verdier-Naves (d)	Director (f)	01.01.18	12.31.18	12.31.18	61	27
Total compensation of Directors in office at December 31, 2018					**1,641**	**409**
Total compensation of Directors					**1,641**	**409**
Statutory Auditors in office at December 31, 2018 (i)						
Serenella Rossi	Chairman Board Stat. Audit.	01.01.18	12.31.18	12.31.19	75	-
Lorenzo Pozza	Statutory Auditor	01.01.18	12.31.18	12.31.19	50	-
Gabriele Villa	Statutory Auditor	01.01.18	12.31.18	12.31.19	50	-
Total compensation of Statutory Auditors in office at December 31, 2018					**175**	**-**
Total compensation of Statutory Auditors					**175**	**-**
Total compensation Directors and Statutory Auditors at December 31, 2018					**1,816**	**409**
Executives with strategic responsibilities in office at December 31, 2018 (o)					**2,654** (p)	**-**

(*) The term of office ends when the shareholders' Meeting approves the financial statements for the year ended on the date shown.
(**) Non-cash benefits refer to insurance policies taken out by the Company on behalf of the beneficiary and to the value of the compensation in kind.

(a) Confirmed Director and Chairman by the Shareholders' Meeting on 22 March 2016.
(b) Confirmed Director by the Shareholders' Meeting on 22 March 2016 and CEO by the Board of Directors on March 22, 2016.
(c) Elected by the Shareholders' Meeting of March 22, 2016.
(d) Confirmed Director by the Board of Directors on March 22, 2016.
(e) Member of the Control and Risk Committee.
(f) Member of the Compensation Committee.
(g) Member of the Committee of Independent Directors.
(h) Member of the Oversight Board.
(i) Elected by the Shareholders' Meeting of March 30, 2017 which also determined the compensation.
(l) Variable compensation for 2018.
(m) Compensation paid directly to the EDF SA company and not to the beneficiary.
(n) Compensation paid directly to the beneficiary.
(o) Ten executives.
(p) Compensation for service as an employee.
(q) Please see Table 3.2 below for details.

Compensation									
Variable non-equity compensation			Non-cash benefits (**)	Other compensation	Total		Fair Value of equity compensation	End-of-service or employment termination indemnity
Bonuses and other incentives		Profit sharing						
-		-	-	-	459	(m)	-	-
580	(l)	-	-	-	1,341	(m)	-	-
-		-	-	-	100	(m)	-	-
-		-	-	-	89	(m)	-	-
-		-	-	-	192	(n)	-	-
-		-	-	-	194	(n)	-	-
-		-	-	-	57	(m)	-	-
-		-	-	-	110	(n)	-	-
-		-	-	-	88	(m)	-	-
580		**-**	**-**	**-**	**2,630**		**-**	**-**
580		**-**	**-**	**-**	**2,630**		**-**	**-**
-		-	-	-	75	(n)	-	-
-		-	-	-	50	(n)	-	-
-		-	-	-	50	(n)	-	-
-		**-**	**-**	**-**	**175**		**-**	**-**
-		**-**	**-**	**-**	**175**		**-**	**-**
580	(q)	**-**	**-**	**-**	**2,805**		**-**	**-**
1,028	(q)	**-**	**126**	**251**	**4,059**		**-**	**-**

The schedule that follows shows a breakdown of the items "Fixed compensation" and "Compensation for serving on Committees" in the previous schedule.

Reference period: January 1, 2018 to December 31, 2018 (in thousands of euros)

Beneficiary	**Description of post and term of office**				**Fixed compensation**	**Detail of Fixed compensation**		
First and last name	Post held	Period during which the post was held		End of term of office (*)		Compensation approved by the Shareholders' Meeting	Attendance fees for Committee meetings	Fixed compensation for post held
						(1)	(1)	(2)
Directors in office at December 31, 2018								
Jean.Bernard Lévy (a)	Chairman	01.01.18	12.31.18	12.31.18	459	50	9	400
Marc Benayoun (b)	Chief Executive Officer	01.01.18	12.31.18	12.31.18	761	50	11	700
Marie-Christine Aulagnon (c)	Director (e)	01.01.18	12.31.18	12.31.18	61	50	11	-
Béatrice Bigois (d)	Director (e)	01.01.18	12.31.18	12.31.18	59	50	9	-
Paolo Di Benedetto (d)	Director (e) (f) (g) (h)	01.01.18	12.31.18	12.31.18	61	50	11	-
Gian Maria Gros-Pietro (d)	Director (e) (f) (g) (h)	01.01.18	12.31.18	12.31.18	61	50	11	-
Sylvie Jéhanno (c)	Director	01.01.18	12.31.18	12.31.18	57	50	7	-
Nathalie Tocci (d)	Director (f) (g)	01.01.18	12.31.18	12.31.18	61	50	11	-
Nicole Verdier-Naves (d)	Director (f)	01.01.18	12.31.18	12.31.18	61	50	11	-
Total compensation of Directors in office at December 31, 2018					**1.641**	**450**	**91**	**1,100**
Total compensation of Directors					**1.641**	**450**	**91**	**1,100**
Statutory Auditors in office at December 31, 2018 (i)								
Serenella Rossi	Chairman Board Stat. Audit.	01.01.18	12.31.18	12.31.19	75	75	-	-
Lorenzo Pozza	Statutory Auditor	01.01.18	12.31.18	12.31.19	50	50	-	-
Gabriele Villa	Statutory Auditor	01.01.18	12.31.18	12.31.19	50	50	-	-
Total compensation of Statutory Auditors in office at December 31, 2018					**175**	**175**	**-**	**-**
Total compensation of Statutory Auditors					**175**	**175**	**-**	**-**
Total compensation Directors and Statutory Auditors at December 31, 2018					**1,816**	**625**	**91**	**1,100**

(*) The term of office ends when the shareholders' Meeting approves the financial statements for the year ended on the date shown.
(1) Compensation approved by the Shareholders' Meeting of March 22, 2016.
(2) Compensation approved by the Board of Directors on May 10, 2016.
(3) Compensation approved by the Board of Directors on March 22, 2016.

(a) Confirmed Director and Chairman by the Shareholders' Meeting on 22 March 2016.
(b) Confirmed Director by the Shareholders' Meeting on 22 March 2016 and CEO by the Board of Directors on March 22, 2016.
(c) Elected by the Shareholders' Meeting of March 22, 2016.
(d) Confirmed Director by the Board of Directors on March 22, 2016.
(e) Member of the Control and Risk Committee.
(f) Member of the Compensation Committee.
(g) Member of the Committee of Independent Directors.
(h) Member of the Oversight Board.
(i) Elected by the Shareholders' Meeting of March 30, 2017 which also determined the compensation.

Compensation for service on the Committees	**Detail of Compensation for serving on Committees**							
	Honoraria for participating in meetings of the Control and Risk Committee (3)	Attendance fees for meetings of the Control and Risk Committee (3)	Honoraria for participating in meetings of the Compensation Committee (3)	Attendance fees for meetings of the Compensation Committee (3)	Honoraria for participating in meetings of the Committee of Independent Directors (3)	Attendance fees for meetings of the Committee of Independent Directors (3)	Honoraria for participating in meetings of the Oversight Board (3)	Attendance fees for meetings of the Oversight Board (3)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
39	30	9	-	-	-	-	-	-
30	23	7	-	-	-	-	-	-
131	23	7	25	7	20	2	40	7
133	23	9	20	7	25	2	40	7
-	-	-	-	-	-	-	-	-
49	-	-	20	7	20	2	-	-
27	-	-	20	7	-	-	-	-
409	**99**	**32**	**85**	**28**	**65**	**6**	**80**	**14**
409	**99**	**32**	**85**	**28**	**65**	**6**	**80**	**14**
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
409	**99**	**32**	**85**	**28**	**65**	**6**	**80**	**14**

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

Reference period: January 1, 2018 to December 31, 2018 (in thousands of euros)

Beneficiary			Bonuses of the year			Bonuses of previous years			Other Bonuses
First and last name	Post held	Plan	Paid/ Payable	Deferred	Deferral period	No longer payable	Paid/ Payable	Still deferred	
Marc Benayoun	Chief Executive Officer	Annual Monetary Incentive Plan 2018 (BoD May 4, 2018)	580 (a)	-	-	-	605 (c)	-	-
Total			**580**	**-**	**-**	**-**	**605**	**-**	**-**
Executives with strategic responsibilities									
Compensation in the reporting company		Annual Monetary Incentive Plan 2018	1,028 (b)	-	-	-		-	-
		Annual Monetary Incentive Plan 2017	-	-	-	-	1,027 (d)	-	-
		Long Term Monetary, three-year, Incentive Plan - Period 2016-2018 (BoD July 27, 2016)	-	-	-	90	-	1,011 (e)	-
Compensation from subsidiaries and affiliates		Annual Monetary Incentive Plan 2018	-	-	-	-	-	-	-
Total			**1,028**	**-**	**-**	**90**	**1,027**	**1,011**	**-**
Total			**1,608**	**-**	**-**	**90**	**1,632**	**1,011**	**-**

(a) Variable compensation for 2018. Compensation paid directly to the EDF Sa company and not to the beneficiary.
(b) Variable bonuses for 2018 for nine executives with strategic responsibilities.
(c) Variable compensation for the post of Chief Executive Officer until December 31, 2017, paid in 2018. Compensation paid directly to the EDF Sa company and not to the beneficiary.
(d) Variable bonuses for 2017 for nine executives with strategic responsibilities.
(e) Compensation deferred for the Long Term Monetary, three-year, Incentive Plan - Period 2016-2018 for seven executives with strategic responsibility.

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

The schedule that follows lists the equity interests that Directors, Statutory Auditors and Executives with Strategic Responsibilities, including those whose term of office ended during the year, their spouses, if not legally separated, and minor children held, directly or through companies they control, nominees or other parties, during the period from December 31, 2017 to December 31, 2018, in Edison and its subsidiaries at December 31, 2018, based on data obtained from the Shareholders' Register, communications received and other available information.

Reference Period: January 1, 2018 to December 31, 2018

First and last name	Post held	Investee Company	Number of shares held at the end of the previous year (12.31.2017)	Number of shares bought	Number of shares sold	Number of shares held at the end of the current year (12.31.2018)
Directors in office at December 31, 2018						
Jean-Bernard Lévy	Chairman		-	-	-	-
Marc Benayoun	Chief Executive Officer		-	-	-	-
Marie-Christine Aulagnon	Director		-	-	-	-
Béatrice Bigois	Director		-	-	-	-
Paolo Di Benedetto	Director		-	-	-	-
Gian Maria Gros-Pietro	Director		-	-	-	-
Sylvie Jéhanno	Director		-	-	-	-
Nathalie Tocci	Director		-	-	-	-
Nicole Verdier-Naves	Director		-	-	-	-
Statutory Auditors in office at December 31, 2018						
Serenella Rossi	Chairman Board Stat. Audit.		-	-	-	-
Lorenzo Pozza	Statutory Auditor		-	-	-	-
Gabriele Villa	Statutory Auditor		-	-	-	-
Executives with strategic responsibilities at December 31, 2018 (a)			**-**	**-**	**-**	**-**

(a) Ten executives.

MOTION

Dear Shareholders,

The Shareholders' Meeting is required to vote on "Section One" of the Compensation Report, which deals with your Company's compensation policies for Directors and Executives with Strategic Responsibilities and the procedures used to adopt and implement those policies. The resolution is not binding.

The Compensation Report was prepared in accordance with the provisions of current laws and regulations and consistent with the Corporate Governance Code for Listed Companies, which your Company adopted.

If you concur with the content of the abovementioned Report, we recommend that you vote to approve "Section One" of the Compensation Report by adopting the following resolution:

"The Shareholders' Meeting,

- being cognizant of the Compensation Report prepared by the Board of Directors, in accordance with the provisions of Article 123-ter of Legislative Decree No. 58/1998, as amended, and the guidelines provided in Article 84-quater, added by Consob to the Issuers' Regulations with Resolution No. 18049 of December 23, 2011;
- having specifically reviewed "Section One" of the Compensation Report, which deals with the company's compensation policies for Directors and Executives with Strategic Responsibilities and the procedures used to adopt and implement those policies;
- taking into account the Corporate Governance Code for Listed Companies, which the company adopted;
- having acquired the favorable opinion of the Compensation Committee;

resolves

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

Milan, February 14, 2019

The Board of Directors
by: Marc Benayoun
Chief Executive Officer

Edison Spa
31 Foro Buonaparte
20121 Milan, Italy

Capital stock 5,377,000,671,00 euros, fully paid
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