2013

Report of the supervisory board **to shareholders**

on the supervisory activity performed in 2013

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A2A S.p.A.

Report of the Supervisory Board to Shareholders on the supervisory activity performed in 2013

(pursuant to Article 153, paragraph 1 of Italian Decree Law no. 58 of February 24, 1998 and Article 20, paragraph 1(i) of the Bylaws)

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Dear Shareholders,

This report has been prepared by the Supervisory Board appointed by the Shareholders' Meeting in May 29, 2012, in compliance with the requirements of Article 153 of Italian Decree Law no. 58 of February 24, 1998 (the Consolidated Finance Law or "TUF") and pursuant to Article 20, paragraph 1i) of the Bylaws. The Supervisory Board reports to the Shareholders' Meeting on the supervisory activity carried out in 2013, on any omissions and on any illegal acts.

On June 11, 2012, in compliance with its responsibilities, the current Supervisory Board appointed the current Management Board.

The roles, functions and responsibilities of the two above-mentioned bodies, on which the governance system of A2A S.p.A. is based, are defined in the Bylaws and described in detail in the Report on Corporate Governance and Ownership Structure. Specifically, the Supervisory Board is responsible for the Company's strategic policies and supervision for purposes of Article 20, letter c) and letter g) of the Bylaws, and the Management Board is responsible for the Company's operations for purposes of Article 33.

In the performance of its functions, the Supervisory Board is assisted by internal Committees formed in compliance with provisions of the Bylaws and of the Corporate Governance Code of Borsa Italiana.

The Board has assigned the supervisory functions specified in Art. 19 (Internal control and audit committee) of Italian Decree Law no. 39 of January 27, 2010 to the Internal Control Committee, as these functions can be assigned to the Supervisory Board only if the functions specified in Article 2409-terdecies, paragraph 1f bis) of the Italian Civil Code have not been assigned to the Board. Likewise, the functions of the Related Party Committee have been assigned to the Internal Control Committee for purposes of the related Consob Regulation.

The organizational model adopted by the Supervisory Board is completed with the Appointments Committee, the Compensation Committee, the Committee for the Territory, and the structure known as the General Secretariat of the Supervisory Board, which assists the Board, its Chairman, its Deputy Chairman and its Committees in performing their work. In 2013, at the Board's initiative, actions were undertaken to strengthen methods for closer coordination with the Management Board, for the planning of activities and to ensure that Committees keep the Supervisory Board informed, and for more efficient operation of the General Secretariat.

For purposes of Article 21 of the Bylaws, the commencement, supervision, and coordination of the Supervisory Board's work are ensured by the Chairman, who oversees and coordinates the Committee's correct operation and plays a proactive role in ensuring its coordination with the Management Board's work. In addition, the Chairman has power of initiative as far as the activities of the Supervisory Board are concerned on matters of strategy and control, presenting proposals to the Board, in connection with the strategic operations approved by the Management Board, and proposals relating to control of the way the Company is managed. In full compliance with the Bylaws and current law, the Supervisory Board has adopted Rules that govern its operation.

Supervisory activities were conducted in compliance with the "Codes of Conduct" recommended by the National Council of Accountants and Accounting Experts (namely Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

The following is a summary of the supervisory activities conducted, together with a detailed account prepared as specified in Consob Communication no. 1025564 of April 6, 2001, plus additional information that the Supervisory Board will provide to the Shareholders' Meeting regarding its strategic direction activities.

Summary of supervisory activities

During the year ended December 31, 2013 the Supervisory Board carried out the supervisory activities as specified by law. Specifically, pursuant to the combined provisions of Article 149, paragraph 1 of Italian Decree Law no. 58 of February 24, 1998 and Article 19, paragraph 1 of Italian Decree Law no. 39 of January 27, 2010, the Supervisory Board, with the support of the Committees set up within the Board:

- obtained information from the Management Board, whose meetings were attended by the Chairman and Deputy Chairman of the Supervisory Board pursuant to the Bylaws, on the work it performed and on important economic, capital or financial transactions and operations conducted by the Company and its Subsidiaries, in compliance with the required frequency and as required by Article 150, paragraph 1 of the TUF;
- obtained knowledge of and supervised, within the scope of its responsibility, the extent to which the Company complied with the law, its Bylaws and its memorandum of association by means of regular meetings with the General Managers of the Corporate and Market Area and the Technical-Operations Area, qualified as Appointed Directors of the Internal Control System (hereinafter, "Appointed Directors") and the main business functions to understand the operational methods used to ensure that laws and regulations are complied with at their organizational units;
- supervised compliance with the principles of proper management and the adequacy of the organizational structure and the instructions given by the Parent Company to its Subsidiaries to ensure that Subsidiaries provide on time to the Company all the information necessary to fulfill the communication obligations required by law, through direct observation, the acquisition of information and regular meetings with the General Manager of the Corporate and Market Area and the Technical-Operations Area, the Head of the Internal Audit Department, the Monitoring Body pursuant to Italian Decree Law no. 231/01 (hereinafter, "Monitoring Body"), the Manager Responsible for the Preparation of Corporate Accounting Documents, and the Independent Auditors, PricewaterhouseCoopers S.p.A. (hereinafter, "PwC");

- supervised the adequacy of the internal control and administrative-accounting systems, as well as the reliability of the latter in correctly representing operations, through regular meetings with the Head of the Internal Audit Department, the Manager Responsible for the Preparation of Corporate Accounting Documents, the Function Heads, the Control Bodies of the main Group companies and the Independent Auditors, as well as by examining the documents prepared by them;
- supervised, through the Internal Control Committee, the financial reporting process, the effectiveness of the internal audit and risk management systems, the legal audit of the annual and consolidated financial statements and the independence of the legal auditors;
- supervised the correct implementation of the corporate governance rules laid down in the Corporate Governance Code for listed companies promoted by Borsa Italiana and adopted by the Company;
- verified that the Company's main related-party transactions are appropriately indicated in the section "Note on related-party transactions" included in the notes to the annual consolidated financial report and to the separate financial statements and that these transactions are identified on the basis of international accounting standards and in compliance with Consob provisions.

In addition, including with respect to the specific responsibilities assigned to it by law and by the Bylaws concerning the approval of the separate and consolidated financial statements, the Supervisory Board notes that:

- on March 14, 2014 the Management Board approved the draft of the separate financial statements and the proposal for the allocation of profits, which, together with the annual consolidated financial statement for 2013 and Report on Operations, were made available to the Supervisory Board at its meeting of March 27, 2014;
- it acknowledges the resolution of February 19, 2014 whereby the Management Board approved the Report on Corporate Governance and Ownership Structure and that it approved it in turn at its meeting of March 27, 2014;
- it verified, with the support of the Internal Control Committee, the compliance with laws and regulations concerning (i) the preparation and lay-out of the financial statement formats, (ii) the formation of the financial statements, as well as (iii) the further accompanying documents, including the information relating to ownership structures pursuant to Article 123-bis of the TUF;
- it has verified, with the support of the Internal Control Committee, that the Report on Operations for 2013 complies with current laws and regulations and provides a true and clear description of the economic, capital and financial position of the Company and the Group as well as operations during the year;

- it has analyzed, with the support of the Internal Control Committee, the main elements that characterize the impairment process as implemented by the A2A Group, in compliance with the requirements of IAS 36, in respect of the impairment test procedure adopted and the information provided in the notes;
- •on March 14, 2014, the Chairman of the Management Board, on behalf of the Board, and the Manager Responsible for the Preparation of Corporate Accounting Documents made the representations required pursuant to Article 154-bis, paragraph 5 of Italian Decree Law no. 58/98 (TUF);
- on April 4, 2014, PricewaterhouseCoopers S.p.A. issued its reports on the separate and consolidated financial statements for the year ended December 31, 2013, which contain no remarks;
- on April 9, 2014, PricewaterhouseCoopers S.p.A. issued its report pursuant to Article 19, paragraph 3 of Italian Decree Law no. 39/10, from which no significant weaknesses in the internal control system emerged in relation to the financial reporting process;
- on April 17, 2014, PricewaterhouseCoopers S.p.A. issued a statement of independence pursuant to Article 17, paragraph 9a) of Italian Decree Law no. 39/10;
- with a resolution dated April 29, 2014, it approved the separate and consolidated financial statements of A2A for the year ended December 31, 2013, consisting of balance sheet, income statement, statement of changes in shareholders' equity, financial statement, and notes, together with the Report on Operations.

The Supervisory Board notes that within the sphere of the above-described supervisory activities no significant matters emerged that require reporting to the Regulatory Authorities or mention in this Report.

Report on strategic direction and supervisory activity performed by the Supervisory Board in 2013

Report on strategic direction activities

As part of the activities that A2A's Bylaws allocate to the Supervisory Board, Article 20, paragraph 1c), specifies that the Board may adopt resolutions to define the general planning and strategic direction of the Company and the Group, as proposed by the Management Board.

The Supervisory Board's work on business plans is also a means of exercising its function of supervision and control with reference to the assessment of risks that they may involve for the Group.

On November 8, 2012, the Supervisory Board and the Management Board, to the extent of their responsibilities, examined and approved the "2013-2015 Economic and Financial Plan and medium- long-term guidelines of the A2A Group."

During 2013, the Supervisory Board monitored, including through specific meetings with the General Manager of the Corporate and Market Area, the Company's results with regard to the strategic objectives of the above-mentioned Economic and Financial Plan, verifying performance with specific reference to: (i) strengthening the Group's equity, (ii) reorganizing and expanding the Group in the Environmental sector, (iii) integrating Edipower in the Energy Branch business, (iv) increasing efficiency and reducing costs.

In the context of its responsibilities, the Supervisory Board also conducted a strategic study of the A2A Group's medium-term business prospects in order to formulate a Vision of the Group's future competitiveness, defining critical aspects and opportunities in each Business Unit and business sector.

The strategic study involved a detailed analysis of medium-term scenarios in the Company's business sectors, and identified possible guidelines for enhancing the Group's business profile. It considered the Group's Business Units (Energy, Heat and Services, Networks and

Environment) were considered, differentiating between regulated activities and market activities, and assessing the prospects in each business sector in light of profit levels, competitiveness, labor intensity, and capital employed in the context of the current macroeconomic situation.

The study was concluded in March 2014, when the Supervisory Board approved the "Medium-term Industrial Forecast – Vision 2020," sent to the Chairman of the Management Board for assessment by the entire Management Board.

Detailed report on supervisory activities

Significant capital, economic and financial transactions

1. The Supervisory Board received adequate information from the Management Board (including through the attendance of its Chairman and Deputy Chairman at Management Board meetings, as provided in the Bylaws) about the activities it performed and the general trend of operations and the business outlook, supervising significant economic, capital and financial transactions and operations carried out by the Company and by its Subsidiaries, as described in the 2013 Report on Operations.

   In particular, among the significant transactions reported in the section "Significant events during the year" of the Report on Operations, the Board supervised: i) completion of the operation leading to the formation of A2A Ambiente on July 1, 2013; ii) the placement of bond issues and the launching of a repurchase offer for bonds maturing in 2014 and 2016; iii) completion of the partial, non-proportional split of Edipower S.p.A. following exercise of Iren's put option on 21% of the Company's shares.

   The following is a summary of the activities performed by the Supervisory Board.

   Formation of A2A Ambiente S.p.A.: in 2013, the Board supervised the reorganization and rationalization of A2A Group's Environment Business Unit, monitoring (among other things) the formation of A2A Ambiente, Italy's largest company (in terms of generated business volume) in the area of waste management (collection and sweeping) and in industrial treatment and disposal of waste with material and energy recovery. The Company also operates abroad, constructing high-technology treatment plants.

The principal phases of the operation are described below.

On July 1, 2013, the first phase of plant reorganization was completed, which involved the transfer of large treatment and disposal plants from Amsa S.p.A. and Aprica S.p.A. to A2A Ambiente S.r.l. (formerly Ecodeco S.r.l.).

On November 27, 2013, as part of a second phase aimed at simplifying the Group's corporate structure, Parent Company A2A S.p.A. conferred the shares held in from Amsa S.p.A. and Aprica S.p.A. to A2A Ambiente S.r.l., which, effective November 11, 2013, has been transformed into a joint-stock company. In December 2013, the second phase was completed following completion of the merger by incorporation of Partenope Ambiente S.p.A. into A2A Ambiente S.p.A. and transfer of the "Raccolta" branch from A2A Ambiente S.p.A. to Amsa S.p.A.

Bond issues and repurchase of maturing bonds: the Supervisory Board, by means of specific meetings with the Internal Control Committee, with the Director of Administration, Finance and Control, and the Manager of the Finance Unit, supervised: i) the placement on July 3, 2013 of a 7.5-year, Euro 500 million bond issue on the European market, backed by the Euro Medium Term Note Programme for a total of Euro 2 billion approved by the Management Board on September 19, 2012; ii) the placement of a ten-year, Euro 300 million private placement bond issue; iii) the placement of a Euro 500 million bond issue on the European market intended only for institutional investors, with maturity on January 13, 2022.

In line with the Group's financial strategy aimed at extending the average term of debt and optimizing the maturity profile, the Board supervised A2A S.p.A.'s launch of an offer for the partial repurchase of bonds maturing in 2014 and 2016, the initial amounts of which were Euro 500 million and Euro 1 billion, respectively. On July 9, 2013, A2A announced the final results and the pricing of the partial repurchase offer to holders of bonds maturing in 2014 and of bonds maturing in 2016, repurchased for Euro 201 million and Euro 238 million, respectively. The repurchase price for bonds maturing by 2014 and 2016 was 103.8% and 107%, respectively.

Partial, non-proportional split of Edipower S.p.A.: in 2013, the Board continued to monitor Iren's exit from Edipower's corporate structure following Iren's exercise of its put option on 21% of the Company's shares, as well as the consequent integrated management of Edipower's plants by A2A.

The operation conducted in 2013 is summarized below.

On October 24, 2013, A2A S.p.A. and Iren S.p.A. stipulated the agreement for the partial, non-proportional split of Edipower S.p.A., effective November 1, 2013, as approved by the

Extraordinary Shareholders Meetings of Edipower S.p.A. and of Iren Energia S.p.A. on June 28, 2013.

As a result of the split, Iren Energia S.p.A. was assigned the Turbigo thermoelectric plant, the Tusciano hydroelectric plant, the personnel working at those plants, the assets and liabilities of those plants, and financial debt of Euro 44.8 million. After the split, the Iren Group was no longer a shareholder of Edipower S.p.A.

In the sphere of its powers to supervise significant economic, capital and financial transactions and operations carried out by the Company and by its Subsidiaries, the Supervisory Board, within the limits of the information made available, confirmed that such transactions and operations were conducted in compliance with the law and the Bylaws and were not manifestly imprudent or risky, in conflict of interest, in opposition to the resolutions adopted by the shareholders' meeting, or such as to jeopardize business assets.

Atypical and unusual transactions and operations

2. No atypical and/or unusual transactions or operations with third parties or related parties or of an intragroup nature were identified that require disclosure to the Shareholders' Meeting concerning the accuracy/completeness of the information in the financial statements, conflicts of interest, the safeguarding of Company assets or the protection of minority shareholders' interests.

Related-party transactions

3. In the "Note on related-party transactions" in the Notes to the Consolidated Annual Financial Statements and to the separate financial statements for the year ended December 31, 2013, the Management Board reported and described the main transactions carried out with third parties or related parties or of an intragroup nature.

   The "Procedure for Related-Party Transactions" approved by the Management Board on November 11, 2010 identifies in the Internal Control Committee the "Related-Party Committee" responsible for providing the opinions required by Articles 1.1a), 2.1c), and 3.1d) of Annex 2 of Consob Regulation no. 17221/2010 on the Company's interest in carrying out related-party transactions as well as on the suitability and substantial correctness of the relative terms and conditions in the cases of "Transactions of Lesser Relevance", "Material Transactions" and "Strategic Transactions," respectively.

With reference to the Related-Party Procedure, on November 7, 2013 the Management Board requested the opinion of the Related-Party Committee with regard to the proposal (approved by the Board on such date) not to make any substantial change to the Procedure.

Consob Communication DEM/10078683 of September 24, 2010 regarding application of Related-Party Rules requires the Company to "assess at least every three years whether to revise the procedures, considering, among other things, any changes in the ownership structure as well as the efficacy demonstrated in practical application of the procedures." In addition, the Supervisory Authority deems it "[...] appropriate, even if not required by the Regulations, to receive an opinion from the Independent Directors Committee also with regard to any decision not to make any changes after assessment of current procedures."

In this regard, on December 12, 2013 the Internal Control Committee gave its favorable opinion to the Supervisory Board, which gave its approval to the Management Board's proposal not to make any substantial change to the current version of the Procedure, considering, among other things, that:

- the current Internal Control Committee, at the time of its assignment, examined the Related-Party Procedure and, at that time: i) after confirming the independence of its members for purposes of the Governance Code, suggested that it might be appropriate to revise the Procedure with regard to the composition and minimum number of members of the Related-Party Committee; ii) proposed a review with regard to the sphere of operations included in the Procedure, with specific reference to determination of compensation of members of administrative and control bodies;
- on August 1, 2012, the Procedure (acknowledging the remarks made by the Committee at the time of its assignment and listed in the previous point) was changed by the Management Board in order to: i) regulate the composition of the Related-Party Committee if the Internal Control Committee is not composed entirely of independent Directors; ii) make use of the exemption for resolutions concerning the remuneration of Directors with special responsibilities as referred to in Art. 13, paragraph 3b) of the Related-Party Rules;
- there have not been any changes in the ownership structures of the A2A Group;
- on December 10, 2013, the General Manager of the Corporate and Market Area confirmed to the Internal Control Committee the efficacy demonstrated in practical application of the Related-Party Procedure, noting as well that during required checks no remarks were made with regard to difficulties in application;

- in the sphere of its responsibilities, the Supervisory Board, with the support of the Internal Control Committee, periodically read and analyzed reports describing the principal financial and economic items referable to relations between A2A and its related parties, monitoring conformity to and suitability of the adopted Procedure.

The Supervisory Board unanimously approved the Committee's opinion.

Within the sphere of its responsibilities, the Supervisory Board, with the support of the Committee, read and analyzed the report prepared by the Director of the Administrative, Finance and Control Department that illustrated the principal financial and economic items at December 31, 2013 referable to relations between A2A Group Companies and related parties, supervising conformity to the approval and performance methods provided in the Procedure as well as the suitability of the Procedure itself.

The Supervisory Board therefore monitored compliance with the procedure adopted by the Company and with Consob Regulations, and has no issues to submit to the Shareholders Meeting.

Reports of the Independent Auditors

4. The Reports of the Independent Auditors PricewaterhouseCoopers S.p.A. issued on April 4, 2014 on the separate and consolidated financial statements for the year ended December 31, 2013 pursuant to Articles 14 and 16 of Italian Decree Law no. 39/10, contain no remarks. More specifically, the Reports certify that the financial statements referred to comply with the International Financial Reporting Standards adopted by the European Union, as well as with the regulations issued to implement Article 9 of Italian Decree Law no. 38/2005, that they have been drawn up clearly and that they give a true and fair view of the consolidated financial position, results of operations, changes in equity and cash flows of A2A S.p.A. and the Group as of and for the year ended December 31, 2013.

   The Independent Auditors have additionally certified the consistency of the Report on Operations and of the information referred to in paragraphs 1 letters c), d), f), l), m), and paragraph 2 letter b) of Article 123-bis of Italian Decree Law no. 58/98, presented in the Report on Corporate Governance and the Ownership Structure, with the financial statements, as required by law.

   On April 9, 2014, the Independent Auditors PwC issued their Report pursuant to Article 19, paragraph 3 of Italian Decree Law no. 39/10 reporting that no significant weaknesses emerged in the Internal Control System in relation to the financial reporting process.

Reports and complaints

5. The Supervisory Board notes that in 2013 shareholders lodged no complaints with the control body pursuant to Article 2408 of the Italian Civil Code.

   Such matters are governed by the procedure "Dealing with reports as per Article 2408 of the Italian Civil Code (illegal acts)," approved by the Supervisory Board. This procedure identifies the means by which reports are formalized, the channels through which the Board collects reports, methods for investigating and checking reports, method for reporting to the Shareholders' Meeting as per Article 153 of the TUF, methods for handling data and for ensuring the privacy of persons making reports.

   The procedure for dealing with reports as per Article 2408 of the Italian Civil Code was made operational by the Management Board at the request of the Supervisory Board and may be read on the Company's website www.a2a.eu.

6. During 2013 no reports were received by the Supervisory Board in relation to anomalies and/or irregularities concerning business operations.

Assignments to the Independent Auditors

7. As noted above, PricewaterhouseCoopers S.p.A. is the Auditing Company which has been engaged by the Parent Company A2A S.p.A. and other Group companies to perform an audit of the annual and consolidated financial statements, a review of the Semi-annual Report, periodical checks that the accounting records have been properly maintained, an audit of the separate annual financial statements for the Electricity and Gas Authority (l'Autorità per l'Energia Elettrica ed il Gas - AEEG) and for the Water Supply System (Sistema Idrico), and an audit of the information for consolidation sent to shareholders by subsidiaries and joint ventures.

   The Internal Control Committee has checked - including with reference to the requirements of Article 19 of Italian Decree Law no. 39/10 - that the Auditing Company complies with the principles of independence and impartiality.

   On April 17, 2014, the Auditing Company, which is required to verify that its independence and impartiality continue, issued to the body referred to in Article 19, paragraph 1 (in A2A's case the Internal Control Committee) a statement of independence pursuant to Article 17, paragraph 9 of Italian Decree Law no. 39/10, and reported the non-audit services provided to the public interest entity, including those performed by entities in its network.

8. The Committee has verified the schedule of the fees paid to the Independent Auditors and the entities belonging to its network for audit and non-audit services provided to the Parent Company and its subsidiaries related to 2013, as also reported in the Report on Operations pursuant to Article 149-duodecies of Italian Decree Law no. 58 of February 24, 1998. In this regard, the Committee, through the Chairman of the Supervisory Board, has informed the Chairman of the Management Board (for purposes of ensuring the Committee's full and proper exercise of its supervisory activities in its assessment of the requisites of the Auditing Company's independence and impartiality) of the need to revise the procedure "Management of relations with the Auditing Company" for purposes of regulating the various types of responsibilities assignable to the Auditing Company and any restrictions to their assignment, including in terms of procedure..

   Taking into account the above-mentioned statement and the tasks assigned by A2A S.p.A. and Group companies to PricewaterhouseCoopers and companies and entities in its network, the Internal Control Committee does not believe that there are any critical matters concerning the independence of PricewaterhouseCoopers.

Opinions issued pursuant to law

9. Pursuant to Article 154-bis of Italian Decree Law no. 58/98 (TUF), the Supervisory Board issued a favorable opinion with regard to designation of the new Manager in charge of preparing accounting and corporate records and acknowledged the process that led to the introduction of the Chief Financial Officer, consistent with the instructions of the Supervisory Board, on guidelines for the structure of the Group's organization chart

Meetings of Joint Bodies

10. In 2013, the Supervisory Board met 14 times in the performance of its duties. It attended meetings of the Management Board through its Chairman and Deputy Chairman.

    The Internal Control Committee met 23 times.

    The Appointments Committee met 6 times, the Compensation Committee met 7 times, and the Committee for the Territory met 10 times.

    The Management Board of A2A met 12 times in 2013.

    During 2014, the Supervisory Board has met 7 times, the Internal Control Committee 8 times, the Appointments Committee 2 times, the Compensation Committee 4 times, the Committee for the Territory 4 times, and the Management Board 4 times.

Principles of proper management

11. Within the sphere of its responsibilities the Supervisory Board acquired knowledge of and monitored compliance with the principles of proper management. Specifically, this activity was performed through the attendance of the Chairman and Deputy Chairman of the control body (Supervisory Board) at the meetings of the Management Board and by analyzing the matters resolved by the Management Board, and with the support of the Internal Control Committee by means of interviews, direct observation, appropriate enquiries and the periodical gathering of information from the General Managers, from the heads of the main business sectors, from the heads of business functions, from the Head of Internal Control and from the Manager Responsible for the Preparation of Corporate Accounting Documents as per Law no. 262/05, from the Chairmen of Boards of Statutory Auditors of the largest affiliates, as well as from the Independent Auditors, carried out for the mutual exchange of relevant data and information referred to in Article 150, paragraph 3 of the TUF.

    During these meetings, and in particular during interviews with the Company's management, which are discussed in point 12, the Internal Control Committee went into detail concerning administrative and operational matters regarding the Group, analyzing the main events that characterized the corporate year for the various business units. As mentioned above, the Supervisory Board supervised that the principles of proper management were complied with regarding Significant capital, economic and financial transactions and regarding the examination and progress of the 2013-2015 Economic-Financial Plan discussed at point 1.

    The Supervisory Board, including with the assistance of the Internal Control Committee, also supervised the following: i) the organization and regulatory trend of tenders called by public bodies for the gas sector; ii) the procurement process for professional consulting and services; iii) organizational and managerial aspects and main business risks (current and future) regarding the Montenegro-based Elektroprivreda Crne Gore (EPCG), continuing the analyses and monitoring begun in previous years; iv) plant emissions, with reference to waste-to-energy conversion plants and thermoelectric plants, as well as the current status of the Group's coal-fired plants.

    The Supervisory Board, at the request of the Committee for the Territory, resolved: i) guidelines for the Foundations pursuant to Art. 20 paragraph 1 letter (n) of the Bylaws; ii) Research and Innovation guidelines for the Group; iii) guidelines for the sustainability report, stakeholder engagement, and supplier relations; iv) guidelines for cultural and charitable initiatives, as well as actions to promote the Company's and the Group's image, pursuant to Art. 20, letter n) of A2A S.p.A.'s Bylaws.

Simultaneously, the Committee for the Territory commenced its monitoring of compliance, by the Company's operating facilities and by the bodies and departments involved, with the instructions and policies contained in the guidelines approved by the Supervisory Board.

Lastly, the Supervisory Board expressed a favorable opinion with regard to the Remuneration Committee's proposal concerning the method for identifying Managers with Strategic Responsibilities, i.e., individuals who have the direct or indirect power and responsibility for planning, management, and control of Company operations, including directors (executive or not) of the Company.

The Report on Compensation referred to in Art. 123-ter of the TUF, approved by the Supervisory Board on April 29, 2014, illustrates, in Section 1, A2A S.p.A.'s policy with regard to compensation of members of the Supervisory Board, the Management Board, the General Managers, and Managers with Strategic Responsibilities, and in section 2, prepared by the Management Board, reports the compensation paid to such persons in 2013.

The Supervisory Board monitored compliance with the principles of proper management and has no issues to submit to the Shareholder Meeting.

Organizational structure

12. The Supervisory Board analyzed and monitored the suitability of the Company's organizational structure, also with the support of the Internal Control Committee which held periodic meetings with the General Managers of the Corporate and Market Area and the Technical-Operations Area and reference management.

    In the sphere of the activities inherent to approval of the direction lines of the Group's organizational structure, a task that the Bylaws of A2A attribute to the Supervisory Board (Art. 20 paragraph 1 letter r), the Supervisory Board has continued its analysis of A2A's current structure by means of interviews with Company and Group Management.

    Without prejudice to the contents of the Report on Corporate Governance and Ownership Structure, the guidelines for the organizational structure call for the following transverse functions: Internal Audit, Communications and External Relations, Institutional Relations, the General Secretariat of the Supervisory Board, and the Company Secretariat.

Two General Management Areas report to the Management Board:

- Corporate and Market Area, which presides over corporate activities and functions. In addition, the Companies operating on the market for procurement, trading and sales activities report to the General Manager of the Corporate and Market Area;
- Technical-Operations Area, which presides over activities and functions involving technical responsibilities regarding production, quality, safety and the environment, as well as specific responsibilities regarding the Integrated Water Cycle. In addition, the Companies managing the technical activities regarding the production, distribution and provision of the service report to the General Manager of the Technical-Operations Area.

The A2A Group works in the following business sectors:

- *Energy,* which consists of the sale of electricity and natural gas on the wholesale and retail markets; support of sales departments is ensured by fuel procurement, electricity generation plant planning and dispatching, portfolio optimization and trading on domestic and foreign markets.
- *Environment,* relating to the entire waste management cycle, which ranges from collection and street sweeping to the treatment, disposal and recovery of materials and energy. This sector's activity includes the recovery of the energy content in waste by means of waste to energy or biogas plants.
- *Heat and Services,* mainly aimed at the sale of heat and electricity produced by cogeneration plants (mostly owned by the Group). Cogenerated heat is sold through district heating networks. The sector also provides heat management services.
- *Networks,* which consists of the technical and operational management of networks for the transmission and distribution of electricity, the transport and distribution of natural gas and the management of the entire Integrated Water Cycle (water captation, aqueduct management, water distribution, sewerage network management, purification).
- *Other services and Corporate,* which consists of guidance, strategic consulting, industrial management coordination and control, as well as services to support business and operations (for example, administrative and accounting, legal, procurement, personnel management, ICT, communication services, etc.). Other services also includes video surveillance, data transmission, telephone, and Internet access services.

The Supervisory Board also analyzed the organizational model of the Group's management and coordination and its compliance with the principles of operational autonomy.

During 2013, the Supervisory Board and the Internal Control Committee held several meetings with the General Manager of the Corporate and Market Area and with Company management to examine the Company's functional areas. In particular, they met with:

- •the Head of the Administration Finance and Control Department to analyze the management control system for the, single Business Units, and the management reporting system to support the Company's decision-making bodies; in addition, they analyzed the organizational structure and the main business areas of the Tax Department, which manages and coordinates the tax compliance of all Group companies;
- the Head of Human Resources and Real Estate to analyze the guidelines for the Group's organizational structure, compensation and incentive systems, the organizational structure and activities of the Human Resources and Real Estate Department and the situation of A2A personnel;
- the Head of the Environment, Health and Safety (EHS) Department to examine its responsibilities and activities;
- the Head of Procurement to analyze Procurement and Logistics activities for the A2A Group;
- the Head of the Business Support Solutions Department to continue a series of meetings aimed at studying the architecture of the Group's IT system and methods for managing invoicing systems, with specific reference to updates and upgrades of the Group's software applications;
- the Head of the Investor Relations Department, to examine its structure, activities conducted in relation to institutional investors and analysts, or in organizing events involving the financial market; the internal procedure governing Investor Relations liability for disclosure of insider information was also examined.

The Internal Control Committee also met several times with the Managing Director of the Corporate and Market Area and the Managing Director of the Technical-Operations Area to analyze the business units, the organization, and management aspects concerning subsidiaries. The meetings involved:

- (Energy Unit) the CEO, the CFO and a director of EPCG Montenegro to continue the analysis (begun in 2012) of centralization of the administrative/finance and control departments and of the subsidiary's organizational structure;
- (Energy Unit) the Head of the Corporate and Market Area and Director of A2A Trading S.r.l., together with the Company's Top Management to analyze the corporate structure of the company and its main business sectors;

- (Network Unit) the Head of A2A Reti Gas to analyze the Company's structure, business trend, and regulatory evolution of the gas distribution business;
- (Heat and Services Unit) the Managing Director of the Technical-Operations Area to analyze the branch's structure and future scenarios for the remote heating service;
- (Network Unit) the Chairman of A2A Ciclo Idrico S.p.A., together with the Head of the Water Cycle Department to analyze the subsidiary's structure and business, as well as regulatory aspects regarding the sector;
- (Environment Unit) the Managing Director of the Technical-Operations Area to analyze the branch's reorganization for purposes of developing advanced environmental services and expanding territorial reference markets.

For the analysis of the organizational structure conducted by the Internal Audit Department, see the specific section in "Internal Control and Risk Management System."

The Supervisory Board monitored the adequacy of the Company's organizational structure.

Internal Control and Risk Management System

13. Consistent with the recommendations of the Corporate Governance Code, A2A has created a system of internal control and risk management ("Internal Control System") to monitor risks typical of the Company's operations. The Internal Control System was monitored by the Supervisory Board, also with the support of the Internal Control Committee through meetings with representatives of the main departments subject to monitoring and control, with people in charge of designing and implementing the System, with Internal Control System officers responsible for the principal company processes, and with representatives of management and of control bodies of some subsidiaries in the various Business Units in which the Company operates.

    The Supervisory Board resolved to assign to the Internal Control Committee the supervisory functions as per Article 19 of Italian Decree Law no. 39/2010, and in particular those relating to the financial disclosure process and the effectiveness of the internal control, internal audit and risk management systems.

    For purposes of monitoring the Internal Control System, the Internal Control Committee set up system for reporting to the Committee, with information flows from departments involved in the Internal Control System, such as the Oversight Body, the Manager Responsible for the Preparation of Corporate Accounting Documents, the

Boards of Auditors of Group Companies, the Head of Internal Audit. The system involves the Secretariat of the Supervisory Board, which has coordination and interface duties.

The "pre-event" analysis of the planning and creation of the Internal Control System was performed with the support of the main resources involved in the System, in particular the Head of Internal Audit, Managers Responsible, the Oversight Body as per Italian Decree Law 231/01 and the Manager Responsible for the Preparation of Corporate Accounting Documents as per Law no. 262/05, as well as the control bodies of Group Companies.

In 2013, a project was begun to assist Managers Responsible in upgrading and finalizing the A2A Group's Internal Control System.

The proposed plan to implement activities to upgrade and finalize the Group's Internal Control System, to achieve a more "integrated" form, was presented and approved by the Management Board and by the Supervisory Board.

The A2A Group's Internal Control System is a set of rules, procedures and organizational structures that monitors compliance with strategies and achievement of the following objectives:

(i) effectiveness and efficiency of business processes and operations (administrative, productive, distributive, etc.);
(ii) quality and reliability of economic and financial information;
(iii) compliance with laws and regulations, standards and business procedures;
(iv) safeguarding of the value of business assets and corporate equity and the prevention of losses.

The main components of the Internal Control System and the way they work are described in the "Guidelines for the Internal Control System of A2A S.p.A. and the A2A Group" approved by the Management Board.

The roles, responsibilities, and activities of the main people and bodies involved in the Internal Control System are described below.

Activities of the Supervisory Board and of the Internal Control Committee

In early 2013, the Supervisory Board defined a specific Plan of Activities to organize its work. The Plan, updated every six months, is based on the responsibilities assigned the Board under the Bylaws, under law, and by its rules of operation, taking into account the activities already performed by the Board during its term of office as well as matters of primary importance for the Group's operations.

Likewise, the Internal Control Committee defined its own Plan of Activities, considering the principal risks reported in the "*2012 Risk Management Framework and Assessment,*" the conclusions and areas of improvement noted in the Control Committee's annual and semiannual reports, and in the context of its monitoring of the effectiveness of the Internal Control System, and reported its progress to the Supervisory Board on a regular basis.

In line with the above-mentioned Plans of Activities, the Supervisory Board monitored the Internal Control System, also with the assistance of the Internal Control Committee by means of meetings and systematic exchanges of information with officers responsible for control activities, such as the Head of Internal Audit, the Head of Risk Management, the Manager Responsible for the Preparation of Corporate Accounting Documents as per Italian Law no. 262/05, the Oversight Body, the Boards of Statutory Auditors of major Group companies (including: Edipower, Ecodeco, Partenope Ambiente, A2A Energia, A2A Trading), as well as by means of meetings with management on specific matters. The Internal Control Committee performed such activities for purposes of monitoring the effectiveness of the internal control, internal audit, and risk management systems, as well as to assist the Supervisory Board in its assessment of the adequacy of the System.

The interactions of the Supervisory Board and the Internal Control Committee with key system officers, including the two CEOs and the Managing Directors who were appointed managers of the Internal Control System, each with his respective areas of responsibility for the purposes and effects of criterion 7.C.4 of the Governance Code, are reported below.

Head of Internal Audit

In line with the instructions provided by the Governance Code of Borsa Italiana S.p.A., the Company has appointed a Head of Internal Audit whose responsibility is to ensure that the Internal Control System is always adequate, fully operative and functional, and with activities defined according to a specific Audit Plan.

The Head of Internal Audit continued his control activities during 2013, keeping the Internal Control Committee informed of activities performed and scheduled for the Audit Plan, assisted by the Internal Audit Unit.

The Head of Internal Audit reported to the Committee the results of his control activities based on the 2013 Audit Plan, including the insufficiencies revealed and the corrective actions identified, in specific Audit Reports transmitted to the Committee, the Secretary of the Supervisory Board, the Chairman of the Management Board, the

Managing Directors, and the head of the department subject to audit. Where the audits also involved A2A Group Companies, the Audit Reports were also transmitted to the appropriate bodies of the Company in question, as well as to the Board of Statutory Auditors if such Board so requested.

The process for defining the 2014 Audit Plan was examined at several meetings of the Internal Control Committee, which, calling the Head of Internal Audit and beginning with a detailed analysis of activities performed in relation to the 2013 Plan, examined i) the correlation of the Audit Plan to the results of Risk Management activities; ii) information on Plan contents, proposing (among other things) the preparation of specific audits; iii) coverage of auditing activities in terms of frequency checked that the content of the Audit Plan were consistent with the results of audits in the area/process in question, as well as the results of audits conducted of 2011 – 2012 – 2013 Audit Plans and monitoring of related action plans; iv) support activities provided by the Internal Audit Unit to Oversight Bodies of Group Companies by means of audits and tests of information flows pursuant to Italian Decree Law 231/01.

On this basis, the 2014 Audit Plan was approved by the Management Board at its meeting of February 10, 2014, after receiving the opinion of the Supervisory Board through the Internal Control Committee.

The results of the audits conducted by Internal Audit and by the Oversight Body were presented to the Committee in order to assess both the timeliness of Group Companies in implementing the corrective actions identified to overcome the areas of weakness revealed, as well as the adequacy and effective operation of the Internal Control System in individual companies and their business units, in addition to the effectiveness of the Internal Control function with respect to the functions subject to audit. With regard to such monitoring tools, the Internal Control Committee pointed out (where necessary) corrective actions, for which it requests timely implementation.

The periodic reporting system of the Head of Internal Audit and periodic meetings with control bodies are two of the methods by which the Internal Control Committee monitors the effectiveness of the Internal Control System and of the Internal Audit Unit, in close cooperation with the Supervisory Board, which receives constant flows of information from the General Secretariat of the Supervisory Board and from Internal Control Committee personnel. Specifically, every four months, during Committee meetings in which he usually participated, the Head of Internal Audit updated the Committee on its activities and on the main results of audits performed.

The Head of Internal Audit presented the Committee the results of audit activities, summarized in the Annual Report at December 31, 2013, including the "Assessment of the Internal Control System" of the A2A Group, with specific reference i) to the summary assessment of the control system for each company, including those of significant strategic value and ii) to the assessment of the timeliness with which Management implements the Action Plans identified for each Business Unit.

The above-mentioned report shows that the A2A Group has a reasonably adequate Internal Control System, even if there remain areas of improvement for which Internal Audit has requested action by Management.

Internal Audit Unit

The Internal Control Officer uses the Internal Audit Unit, of which he is in charge, to perform his duties.

The Company's Internal Audit Unit currently consists of 17 people and assists the Internal Control Officer in carrying out his audit duties related to Internal Control System, with specific reference to testing internal procedures and preliminary activities for assessing the Internal Control System and the Group's business risks.

It is noted that EPCG, held 43.70% by A2A S.p.A., has its own internal audit department (with 4 employees), from which the Head of Internal Audit receives an Annual Report with reference to audits conducted during the year.

In addition, the Internal Audit Unit assists the Parent Company's Oversight Body and the Oversight Bodies of subsidiaries set up pursuant to Italian Decree Law no. 231/2001 by carrying out specific analyses and tests aimed at supporting these entities in checking the operation, effectiveness of, and compliance with the Organizational, Management and Control Model (the "Model") adopted by individual companies pursuant to such Decree.

The Internal Audit Unit also continues to support Management and the Internal Audit Unit of EPCG. On November 1, 2013, responsibility for Edipower S.p.A.'s Internal Audit Unit was formally transferred to the Group's Internal Audit Unit.

As mentioned above, in 2014 the Company began a review of the Internal Control and Risk Management System, which since January 2014 has involved, among others, the Internal Audit Unit. Among its important new elements are the inclusion of control activities pursuant to Law 262/05, previously assigned to the former 262 Compliance and Administrative Processes Unit in the scope of responsibility of such organizational Unit.

A2A's Internal Audit Unit is structured as follows:

- Operational Audit Staff, Environment, Heat and Services, 262 Checks;
- Operational Audit Power, Energy and Networks, Compliance with Law 231

Within the sphere of its responsibilities, the Internal Control Committee examined the role that the Internal Audit Unit plays in A2A Group's Internal Control System, as well as the structure, dimensions and principal activities assigned to it. The examination was also conducted by means of specific meetings with the aim of assessing the Unit's level of effectiveness and efficiency. No critical elements were revealed that require reporting to the Shareholder Meeting.

Risk Management Unit

The Risk Management Unit is one of the main parties responsible for the Company's Internal Control System, and ensures that risk management is an integral and systematic part of the Company's management processes.

This Unit, part of the Planning, Finance and Control Department, assesses, monitors, and reports on the Group's risks. It is divided into two functions: "Energy Risk Management," which monitors the Group's market and commodity risk and credit risk, and "Enterprise Risk Management", which draws up, implements, and manages the Enterprise Risk Management Model with the aim of assessing and controlling potential risks that may influence the Group's activities.

Specifically, this Unit is responsible for managing the Group's Enterprise Risk Management Model with the aim of assessing and controlling potential risks that may influence the A2A Group's activities, for managing processes and systems that monitor market and commodity risk (Energy Risk), for proposing hedging strategies for energy risk, and for supporting top management in defining the A2A Group's Energy Risk Management policies

The Committee held meetings with the Head of the Risk Management Unit as well as with the General Manager of the Corporate and Market Area and the Head of Administration, Finance and Control to analyze the risk assessment and reporting process adopted by the Company and based on the methodology of Enterprise Risk Management (ERM) and of the Committee of Sponsoring Organizations of the Treadway Commission (COSO report). A2A has defined its own risk management model, aimed at supporting Top Management identify the Group's principal risks and the methods by which they may be managed, with consideration of the Group's characteristics, its multi-business mission, and its sector of operations, and has structured a self-assessment process for risks that directly involves management.

Within the sphere of activities performed by the Internal Control Committee to monitor the effectiveness of the Internal Control System, the Committee analyzed: i) the process used to identify and monitor risks, ii) the methods used to assess risks and their economic and image-related impact, iii) the model of identified risks, broken down by type and category, and the relationship of risk types to strategic goals, iv) risk prioritization criteria, and v) the types and nature of the risks included in the disclosure of the 2013 financial statements.

With regard to the risk management system, the Supervisory Board, within the sphere of responsibilities assigned by the Bylaws, approved at its meeting of April 29, 2013 the A2A Group's risk limits defined in the Energy Risk Policy and the tools implemented to control them.

The Risk Management Unit has a periodic risk reporting process for purposes of informing the Management Board and the Internal Control Committee. The latter has requested that such reports be provided more frequently.

The Report on Operations describes the main risks and uncertainties (changes in standards and regulations, health and safety, ICT infrastructure, environmental risk, business interruptions) to which the Company and the Group are exposed. These were examined by the Internal Control Committee at specific meetings as well as at periodic meetings held during the year with Company management and the Head of Risk Management.

Within the sphere of its supervision of the risk management system, the Committee recommended that the risk monitoring system evolve from an approach based primarily on risk disclosure, for purposes of preparing the financial statements, to an Enterprise Risk Management model integrated in the Company's processes and organizational structure in order to provide centralized monitoring of operating, market, and financial risks, and also assessed its effectiveness for purposes of an integrated Internal Control System.

Manager Responsible pursuant to Law no. 262/05

The Manager Responsible for the Preparation of Corporate Accounting Documents - who is assigned the duty of preparing suitable administrative and accounting procedures for drawing up accounting disclosures to be released to the market, in compliance with the provisions of Article 154-bis of the TUF, as well as ensuring that these procedures are actually complied with - is in charge of the accounting control system. Reference should be made to point 14 of this Report for matters relating to his involvement in supervision of financial disclosures and the administrative and accounting system; such point also presents the results of supervision of related Company procedures.

In December 2013, the Board expressed a favorable opinion regarding the organizational proposal to attribute the role of Manager Responsible pursuant to Law 262/05 to the Chief Financial Officer, effective January 1, 2014.

Oversight Body and Organizational, Management and Control Model pursuant to Italian Decree Law no. 231/01

The aim of the "Organizational, Management and Control Model" adopted pursuant to Italian Decree Law no. 231/01 is to define the guidelines, rules, and principles of conduct that govern the Company's activity, which all recipients of the Model must follow in order to prevent, within the sphere of their specific "sensitive" activities, commitment of the offenses specified in Italian Decree Law no. 231/01 as amended and to ensure honesty and transparency in the performance of Company activities.

Pursuant to such Decree, the task of monitoring implementation of the Model is entrusted to an Oversight Body that supervises the working of and compliance with the Model, and that ensures that the Model is kept constantly updated. The implementation of corrective actions defined during monitoring of compliance with the Model is ensured by the preparation of an Action Plan agreed with the General Managers, which sets out the steps required to implement controls in risk areas as per Italian Decree Law no. 231/01 and the timing of same.

As mentioned above in the section on the Head of Internal Audit, the Internal Control Committee notes that the progress of corrective actions is checked by the Head of Internal Audit by monitoring the results of audits on sensitive processes pursuant to Italian Decree Law 231/01.

The Company has implemented a system of reporting from Operative Units to the Oversight Body of A2A S.p.A. to provide the control body important and timely information on sensitive processes as well as the results of audits conducted by management for purposes of analyzing the risk and control situation in its area of responsibility.

During 2013, the Supervisory Board, assisted by the Internal Control Committee, made specific updates to the control system pursuant to Italian Decree Law 231/01, including by calling the Chairman of A2A's Oversight Body and the Head of Internal Audit. In this context, in addition to the audits required by the Oversight Plan conducted with the support of Internal Audit, there was continuation of activities aimed at checking the extension of the Model pursuant to Italian Decree Law 231 to the Group's subsidiaries based on a "Plan to update the adoption of Models of A2A's subsidiaries pursuant to Italian Decree Law 231/01" defined by the Oversight Body.

The current Committee has paid special attention to the composition of the Parent Company's and main subsidiaries' Oversight Bodies, both by requesting and expecting increased coordination by the Parent Company's Oversight Body and by issuing instructions to strengthen such Body through the appointment of primarily external people in order to have Oversight Bodies a majority of whose members are from outside the Company and with proven expertise in the field. Therefore, the Appointments Committee, with the support of the Compensation Committee, prepared the document entitled "Supervisory Board Guidelines for the appointment and compensation of administrative and control bodies and of oversight bodies of Group Companies for purposes of Italian Decree Law 231/01," approved by the Supervisory Board at its meeting of March 19, 2013.

In this regard, with respect to A2A S.p.A., in February 2013 the Management Board adjusted the composition of the Oversight Body, which is now composed of the Head of Internal Audit and two outside experts.

The Supervisory Board, also with the assistance of the Internal Control Committee, analyzed the results of the Annual Report by the Chairman of the Oversight Body for purposes of Italian Decree Law 231/01, which did not reveal any events requiring comment and which specified that the Body did not receive any reports of potential violations, irregularities or anomalies of the current models.

Assessment of adequacy of the Internal Control System

The Internal Control Committee examined and analyzed the information i) contained in the Annual Report at December 31, 2013 issued by the Head of Internal Audit on the Internal Control System, ii) deriving from the risk monitoring activity performed by the Risk Management Unit, iii) contained in the 2013 Annual Report presented by the Chairman of the Oversight Body for purposes of Italian Decree Law 231/2001, iv) contained in the Independent Auditors' Report for purposes of Art. 19, paragraph 3 of Italian Decree Law 39/10, v) contained in the Report of the Manager Responsible for the Preparation of Corporate Accounting Documents on audits of the control system with regard to administrative-accounting procedures, and vi) deriving from the Management Board's assessment of the adequacy of the organizational, administrative, and accounting structure, with specific reference to the Internal Control System.

Based on such analyses and activities, the Internal Control Committee and the Supervisory Board agreed with the assessment concerning a few areas of the Internal Control System that require improvement, i.e., that the extent of such improvements does not invalidate the adequacy and operation of the Internal Control System.

Administrative and Accounting System

14. The Supervisory Board, also with the support of the Internal Control Committee, assessed and supervised the adequacy of the Administrative and Accounting System and its reliability in providing a correct representation of operations, by carrying out direct observations and obtaining information from the heads of the competent business functions. Specifically, the Manager Responsible for the Preparation of Corporate Accounting Documents - who has the task of setting up suitable administrative and accounting procedures for preparing the accounting disclosures disseminated to the market in compliance with the provisions of Article 154-bis of the TUF, as well as supervising that these procedures are actually being complied with - is the person responsible for the Administrative and Accounting System. This manager kept the Internal Control Committee regularly updated on the state of progress of his work program and the findings which emerged.

    The Internal Control Committee held regular meetings with the Manager Responsible for the Preparation of Corporate Accounting Documents and the Independent Auditors PricewaterhouseCoopers S.p.A. in order to assess the adequacy of the accounting principles used to prepare the 2013 Semi-annual Report, the separate financial statements, and the consolidated financial statements at December 31, 2013.

    The accounting standards to which reference is made are the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) for companies which prepare their financial statements under international standards, and the accounting standards issued by Italian Accounting Body (Organismo Italiano di Contabilità) for companies which prepare their financial statements under national standards. The Manager Responsible for the Preparation of Corporate Accounting Documents reported to the Internal Control Committee on developments in the analysis of the proper structure of the Administrative and Accounting System and on tests of the effectiveness of the administrative and accounting system, carried out by means of a work program which takes account of a specific perimeter of business processes, selected on the basis of parameters of accounting relevance, and sufficient to certify that the Company's documents and communications to the market and related accounting disclosures conform to "documentary results, books, and accounting entries."

    In particular, the Internal Control Committee, in the sphere of its supervision of the adequacy of the accounting information system, acknowledged changes in accounting standards with effect on the A2A Group, and specifically i) adopted consolidation criteria; ii) changes to financial statements, i.e., change of the structure of the Income Statement ("Revenue from non-recurring transactions" and "Revenue from sale of other investments") as per IAS 1 "Presentation of Financial Statements"; iii) changes in IAS/IFRS, specifically application of the new IFRS 13 "Fair Value Measurement" starting January 1, 2013.

During 2013, the Internal Control Committee examined the Management Letter prepared by the Independent Auditors on the separate financial statements and the 2012 consolidated financial statements, and confirmed that none of the reported aspects had significant impact on the financial statements of the subsidiaries or on the consolidated financial statements of the A2A Group.

The Internal Control Committee, in the sphere of its supervision of the 2013 audit, analyzed the Audit Plan of PricewaterhouseCoopers S.p.A., as well as the document "*Significant Risk & Audit Strategy for Group Entities' Financial Statements for the year ended 31.12.2013,*" which allowed it to further assess the Independent Auditors' work plan and activities for the formulation of its opinion on the annual financial statements and the consolidated statements.

Meetings of the Supervisory Board and of the Internal Control Committee were also held during the first few months of 2014 regarding the examination and approval of the separate and consolidated financial statements for the year ended December 31, 2013. The main subjects reviewed by the Internal Control Committee with the support of the Manager Responsible for the Preparation of Corporate Accounting Documents regarded the accounting treatment of areas typical of the Group's sectors of activity, such as i) impairment tests of tangible and intangible assets; ii) financial instruments (with specific reference to derivative instruments); iii) disputes and estimates of provisions for risks and charges; iv) revenues from sales and services and revenue recognition processes; v) management of the Group Treasury and vi) control and monitoring of personnel trends and cost of labor.

The Committee examined the "Results of activities performed by the Manager Responsible for the Preparation of Corporate Accounting Documents pursuant to Law 262/05 for purposes of certification of the Consolidated Financial Statements at December 31, 2013" confirming that it did not report any deficiencies in the Internal Control System that could invalidate the content of the annual financial statements and the consolidated financial statements at December 31, 2013.

The Internal Control Committee examined the impairment procedure adopted by the A2A Group, including through meetings with the General Manager of the Corporate and

Market Area, the Manager Responsible for the Preparation of Corporate Accounting Documents, the Head of Administration, Finance and Control, and the Auditing Company.

The Management Board analyzed the impairment procedure and approved the results at a specific meeting. In this regard, the Company conducted the impairment test procedures with the assistance of independent experts, by auditing the Cash Generation Units (CGU) for the following spheres: i) goodwill (CGU: Reti Elettriche, Ambiente, Reti Gas, Calore Italia, Gas); ii) CGU: Energia Elettrica for reference activities; iii) investments (A2A Ambiente S.p.A., Ergosud S.p.A., Abruzzoenergia S.p.A., Aspem S.p.A., A2A Ciclo Idrico S.p.A., Edipower S.p.A., Ecolombardia 18 s.r.l., Bellisolina s.r.l., A.S.R.A.B. S.p.A., and Dolomiti Energia S.p.A.) and investment in EPCG and RUP.

The Supervisory Board notes that the Impairment Test procedure adopted by the A2A Group is consistent with the instructions of IAS 36 and with the Company procedure that took effect on March 1, 2011.

Lastly, the Committee acknowledged and accepted the certificates provided for purposes of Art. 154 bis paragraph 5 of Italian Decree Law 58/98 (TUF) by the Chairman of the Management Board, in the name and on behalf of the Board, and by the Manager Responsible for the Preparation of Corporate Accounting Documents.

In light of the findings encountered and the disclosures made by the Manager Responsible for the Preparation of Corporate Accounting Documents regarding the degree of adequacy of the financial reporting process, the Supervisory Board concluded that the Company's administrative and accounting system is capable of ensuring a correct representation of operations.

Supervision of Subsidiaries

15. The Supervisory Board and the Internal Control Committee continued to meet with the Boards of Statutory Auditors of the main subsidiaries in 2013; the aim of these meetings was to analyze how the control bodies of these companies carried out their supervisory duties as per Article 149 of the TUF, with reference to the adequacy of the instructions that the Company issued to the subsidiaries for purposes of Article 114, paragraph 2.

In 2013, the Supervisory Board held the following meetings with the Boards of Statutory Auditors of the Group's main companies: i) meetings with Boards of Statutory Auditors to be held directly by the Supervisory Board for companies with Strategic Value (A2A Trading s.r.l. and Edipower S.p.A.), ii) meetings with Boards of Statutory Auditors to be held directly by the Internal Control Committee for companies deemed of particular interest due to business volumes or territorial relevance (A2A Energia S.p.A., Ecodeco s.r.l., Partenope Ambiente S.p.A.), iii) meetings with Boards of Statutory Auditors to be held by two members of the Internal Control Committee with the support of the General Secretary of the Supervisory Board for companies in the Sales and Networks areas (A2A Reti Elettriche S.p.A.), and iv) examination of minute books of Boards of Statutory Auditors with report to the Committee by the above-mentioned Secretary for smaller companies in terms of complexity and business (A2A Servizi alla distribuzione S.p.A., Abruzzo Energia S.p.A., Aspem S.p.A., Plurigas S.p.A. and Retragas S.r.l.).

The meetings and analyses confirmed that no significant issues with regard to oversight pursuant to Art. 149 of Italian Decree Law 58/1998 (TUF) emerged during the activities performed by the control bodies of the above-named Companies.

Based on such analyses, the Supervisory Board believes that current procedures comply with public disclosure obligations under law.

Meetings with the Independent Auditors

16. In performing its work to assist the Supervisory Board, the Internal Control Committee met with PricewaterhouseCoopers S.p.A. pursuant to Article 150, paragraphs 3 and 5 of the TUF and in compliance with the provisions of Article 19 of Italian Decree Law no. 39/2010. As a rule, the Manager Responsible for the Preparation of Corporate Accounting Documents attended these meetings.

    The aim of the meetings was to examine the audit in progress, with specific reference to the results of the checks performed and the accounting treatment of significant transactions, preliminary to the examination and approval of the annual and consolidated financial statements as described in detail at point 14, as well as to check that the independence requirements pursuant to Article 19 of Italian Decree Law no. 39/2010 still hold.

Compliance with the Corporate Governance Code for listed companies

17. A2A S.p.A. complies with the Corporate Governance Code approved in March 2006 by the Committee for Corporate Governance promoted by Borsa Italiana S.p.A., within the limits and by the means described in detail in the Report on Corporate Governance and Ownership Structure, which was specifically reviewed by the Supervisory Board.

The Report illustrates A2A's dual administration and control system and conformity to the Code recommendations issued by the Committee for Corporate Governance of Borsa Italiana in December 2011, with respect to which the Supervisory Board worked constantly with the Management Board in order to identify suitable adaptations of same, including in consideration of current provisions of the Bylaws.

With regard to independence requirements pursuant to the Corporate Governance Code, the Supervisory Board has ascertained that its members meet the requirements specified in Article 16 of A2A's Bylaws and, in particular, the independence requirements as per Article 148 of the TUF and of criterion 10.C.2 of the Corporate Governance Code. In addition, the Supervisory Board has verified that the Management Board has correctly applied the criteria and procedures for assessing the independence of its members pursuant to the Corporate Governance Code, in line with the provisions of criterion 3.C.1 of the Code and of Article 148 of the TUF.

Assessment of the supervisory activity performed

18. Reference is made to the preceding points for an assessment of the supervisory activity performed. It is hereby confirmed that the supervisory activity revealed no omissions, illegal acts or irregularities which require reporting to Shareholders.

Proposals to be presented to the shareholders' meeting

19. The Supervisory Board has approved the annual and consolidated financial statements at December 31, 2013.

The Supervisory Board has also approved the Management Board's proposal, to be submitted to the Shareholders' Meeting, to allocate the profit for the year, amounting to Euro 5,419,854.00, as follows:

- Euro 270,993.00 to the legal reserve;
- Euro 5,148,861.00 as ordinary dividend to the Shareholders, in order to ensure payment of Euro 0.033 for each ordinary share in circulation (3,105,987,668 shares, including 26,917,609 treasury shares held) by withdrawing Euro 97,348,732.00 from Other Available Reserves;

The dividend will be paid beginning on June 26, 2014, with coupon detachment on June 23, 2014 and record date June 25, 2014.

Milan, April 29, 2014

On behalf of the Supervisory Board
The Chairman