Report of the supervisory board **to shareholders**

2012

on the supervisory activity performed in 2012

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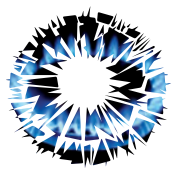

a2a

A2A S.p.A.

Report of the supervisory board to shareholders on the supervisory activity performed in 2012

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

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Shareholders,

On the conclusion of the three year mandate conferred on A2A's Supervisory Board under the resolution adopted by shareholders in general meeting on June 3, 2009, the Supervisory Board has finalized the mechanisms by which the dual system of administration and control adopted by A2A works and has made this fully operational, laying the foundations for reaching full efficiency in the governance of the Group.

The Supervisory Board and the Management Board will conclude their role at the shareholders' meeting called to adopt the resolution on the proposal to pay a dividend for 2011, planned to be held on May 29 this year. The roles, functions and responsibilities of the two bodies are set out in the Bylaws and described in detail in the Report on Corporate Governance and Ownership Structure for the year ended December 31, 2011.

The Supervisory Board indeed, the body responsible for the Company's control function and also has functions of strategic direction consistent with the provisions of the Company's Bylaws and with sub paragraphs c) and f bis) of Article 2409-terdecies of the Italian civil code.

The initiation, supervision and coordination of the work of the Supervisory Board are guaranteed, pursuant to Article 21 of the Bylaws, by the figure of the Chairman, who oversees and coordinates the proper functioning of the Board and performs a proactive role in ensuring the connection with the work carried out by the Management Board. 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 the control of the way the Company is managed.

For the purpose of organizing its work in the most effective manner, in compliance with the requirements of the Bylaws and the Borsa Italiana Corporate Governance Code, the Supervisory Board has adopted an internal organization through which the Board is arranged in Committees, which are set up in response to the need to support the Board in going into detail on specific matters and carrying out preliminary investigation work on the subjects for which it is responsible.

Again on the subject of supervision, the Supervisory Board has allocated the functions specified in Article 19 (Internal control and audit committee) of Legislative Decree no. 39 of January 27, 2010 to the Internal Control Committee, as these functions can only be assigned to the Supervisory Board if the functions specified in Article 2409-terdecies, paragraph 1f bis) of the Italian civil code have not been assigned to the Board. Similarly, the functions of the Related Party Committee within the meaning of the related Consob Regulation have been assigned to the Internal Control Committee.

The organizational model adopted by the Supervisory Board is completed with 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 full compliance with the Bylaws and current legislation, the Supervisory Board has a set of regulations (the "Regulation") which governs the way it works and operates.

This report has been prepared - in compliance with the requirements of Article 153 of Legislative Decree no. 58/98 (the Consolidated Finance Law or "TUF") and pursuant to Article 20, paragraph 1i) of the Bylaws - by the Supervisory Board, which reports to the shareholders' general meeting called pursuant to Article 2364-bis of the Italian civil code on the supervisory activity carried out in 2011, on any omissions and on any illegal acts. These activities have also been carried out with the support of the Committees set up within the Board, and in particular the Internal Control Committee, taking also into account 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 document provides a summary of the supervisory activities carried out, together with a detailed account prepared as specified in Consob Communication no. 1025564 of April 6, 2001, integrated by the additional information that the Supervisory Board would like to provide to the shareholders' meeting regarding its strategic direction activities.

Summary of supervisory activities

During the year ended December 31, 2012 the Supervisory Board carried out the supervisory activities as specified by law. Specifically, pursuant to the combined provisions of Article 149, paragraph 1 of Legislative Decree no. 58 of February 24, 1998 and Article 19, paragraph 1 of Legislative Decree no. 39 of January 27, 2010, the Supervisory Board, also with the support of the Committees set up within the Board:

- it obtained information from the Management Board, whose meetings were attended by the Chairman and Deputy Chairman of the Supervisory Board within the terms of the Bylaws, on the work it had performed and with focus on the more important transactions and operations of an economic, capital or financial nature of the Company and its Subsidiaries, or which regarded their assets and liabilities, in compliance with the requested frequency and the requirements of Article 150, paragraph 1 of the TUF;
- it 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. It held regular meetings with the General Managers of the Corporate and Market Area and the Technical-Operations Area and the main business functions in order to understand the operational methods used to ensure that laws and regulations are complied with at the individual organizational units they are responsible for;
- it 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 Managers of the Corporate and Market Area and the Technical-Operations Area, the Head of Internal Control, the Head of the Internal Audit Department, the Monitoring Body pursuant to Legislative Decree no.231/01, the Manager Responsible for the Preparation of Corporate Accounting Documents and the Independent Auditors, PricewaterhouseCoopers S.p.A.;
- it 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 Internal Control, the Head of 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;
- it 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;
- it supervised the correct implementation of the corporate governance rules laid down in the Corporate Governance Code for listed companies promoted by Borsa Italiana;
- it supervised the adequacy of the instructions issued by the Company to its subsidiaries to enable the Company to satisfy the market disclosure obligations required by law on a regular basis;
- it verified that the main transactions carried out by the Company with related parties are suitably 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 the provisions issued by Consob on this matter.

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, 2013 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 2012 and Report on Operations, were made available to the Supervisory Board at its meeting of March 19, 2013;
- it acknowledges the resolution of March 14, 2013 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 19, 2013;
- 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 2012 complies with current laws and regulations and provides an exhaustive and clear representation 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, 2013, the Chairman of the Supervisory 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 Legislative Decree no. 58/98 (TUF);
- on April 5, 2013 the Independent Auditors PricewaterhouseCoopers S.p.A. issued their reports on the separate and consolidated financial statements for the year ended December 31, 2012 which contain no remarks;
- on April 19, 2013 the Independent Auditors PricewaterhouseCoopers S.p.A. issued their report pursuant to Article 19, paragraph 3 of Legislative Decree no. 39/10, from which no significant weaknesses emerged in the system of internal control in relation to the financial reporting process;
- on April 2, 2013 the Independent Auditors PricewaterhouseCoopers S.p.A. issued a statement of independence pursuant to Article 17, paragraph 9 of Legislative Decree no. 39/10;
- with a resolution dated April 29, 2013 it approved the separate and consolidated financial statements of A2A for the year ended December 31, 2012, 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 its supervisory activities described above 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 2012

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 should fill the function of adopting resolutions to define the general planning and strategic direction of the Company and the Group, on the proposal of the Management Board.

The Supervisory Board's work on business plans is also arranged as a means of exercising its function of supervision and control, with reference to the assessment of the risk profiles that these plans may lead to for the Group.

Therefore, in 2012 the Supervisory Board drew up recommendations on strategic options for the preparation of the Group's 2013-2015 Economic and Financial Plan and for the definition of medium- long-term guidelines of the A2A Group.

The principal recommendation provided by the Supervisory Board to the Management Board for definition of the Group's guidelines regarded:

- *the study of a strategy to ensure long-term sustainable growth* for the A2A Group, with a commitment to increasing efficiency and focused on developing the Group's core sectors;
- *the study of a strategy to achieve greater competitiveness,* regarding which the Board suggested i) first, that a constant effort to reduce costs be ensured by means of actions aimed at increasing the efficiency of all Group activities, especially by maximizing internal resources; ii) second, that development plans be launched in sectors with the largest markets and greatest competitive advantage according to A2A's current knowledge and experience;
- *reduction of the Group's debt* for purposes of improving and stabilizing its financial situation, by making decisions such as: i) the divestment of non-strategic or unprofitable assets, ii) the planning of development programs for strategic and most profitable assets, and iii) the rescheduling of debt to extend its repayment period;
- *maximizing the potentials rooted in the history of the Group* and of the companies that formed it, which are part of the Group's heritage;

- *the ability to interpret demands and to promote initiatives aimed at strengthening the Group's presence in the territory,* coordinated by a new management body: the Committee for the Territory;
- *the ability to guarantee adequate services for its territory and to improve relations with its environment,* a competitive factor that the Board identifies as increasingly associated with 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."

For details on Plan objectives and on forecast results for the A2A Group, see the 2012 Report on Operations.

The document also specifies the Company's principal strategic transactions, approved first by the Management Board and then by the Supervisory Board in conformity to the Bylaws.

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 2012 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 reorganization of the investment in Edison S.p.A, through Delmi, and in Edipower S.p.A., ii) completion of the sale of 100% of A2A Coriance S.a.s. to KKR Global Infrastructure Investors L.P., iii) A2A S.p.A.’s issuance of a bonded loan for a total of 750 million Euro.

Edison/Edipower: during 2012, the Supervisory Board continued (including by means of meetings with the Chairman of the Management Board and the Managing Director of the Corporate and Market Area) its 2011 monitoring of the Edison/Edipower transaction by supervising developments in the negotiations and discussions under way with Electricité De France (“EDF”) and Delmi shareholders. With reference to the information contained in the 2011 Report of the Supervisory Board pursuant to Art. 153 of the TUF, we hereby report the principal developments in this transaction, with specific reference to the involvement of the Supervisory Board.

On May 5, 2012, as partial modification of the agreements signed on February 15, 2012, and after receiving the approval of the Supervisory Board, A2A S.p.A., Delmi S.p.A., and the other parties signed agreements (finalized on May 24, 2012) with the following results: i) Delmi S.p.A. sold to WGRM 4 Holding S.p.A., wholly-owned by EDF S.A., the 50% of Transalpina di Energia S.r.l. held by Delmi S.p.A. for 783,748,900 euro, and ii) Delmi S.p.A. acquired 70% of Edipower S.p.A. from Edison S.p.A. (50%) and from Alpiq S.A. (20%) for a total of 883,748,900 euro.

The 783,748,900 euro paid for the sale of 50% of Transalpina di Energia S.r.l. was made subject to an adjustment mechanism according to which such amount could have been reduced by a maximum of 25,100,000 euro in relation to the results of the mandatory takeover bid on Edison S.p.A.'s ordinary shares promoted by EDF S.A.

The mandatory takeover bid on Edison S.p.A. shares ended on September 5, 2012. Due to the lack of total participation in the takeover, the higher expense related to the price adjustment mechanism amounted to 24,400,123 euro and was treated as a higher cost for purchase of the shareholding in Edipower S.p.A., as specified in the agreement.

Agreements among A2A S.p.A., Iren S.p.A., Iren Energia S.p.A. (currently a partner of Edipower S.p.A.) and other shareholders of Delmi S.p.A. were also stipulated with regard to the governance and business model of Delmi S.p.A. and Edipower S.p.A., and to the possible exit of minority shareholders.

On October 1, 2012 the Board of Directors of Delmi S.p.A. and of Edipower S.p.A. approved the plan of merger by incorporation of the to companies and commenced the merger process. The deed of merger by incorporation of Delmi S.p.A. into Edipower S.p.A. was stipulated on December 18, 2012 and took effect on January 1, 2013.

In addition, a put/call clause was added to the agreements between A2A and Iren, approved by the previous Supervisory Board on April 26, 2012, that calls for Iren's exit from the capital of Edipower against assignment, as countervalue, of the company branch that includes the Turbigo and Tusciano plants. On February 6, 2013 Iren Group notified A2A of its intention to exercise the out option. During 2013, the Supervisory Board will continue to monitor the effects of Iren's exit from Edipower's ownership structure and of the integrated operation of Edipower's production facilities in A2A.

Sale of Coriance: on July 16, 2012, following the information presented by the Managing Director of the Corporate and Market Area and by the Managing Director of the Technical-Production Area, the Supervisory Board approved the sale of the shareholding in A2A Coriance to KKR Global Infrastructure Investors L.P. ("KKR") and the methods for conducting the transaction, previously approved by the Management Board.

The transaction was finalized on September 27, 2012. The price paid for the entire capital of A2A Coriance S.a.S. was 76.5 million euro, with consolidated capital gains of 33 million euro. In 2011 the Coriance Group had turnover of about 100 million euro, with EBITDA of about 18 million euro.

Bonded loan: on November 23, 2012 A2A S.p.A. placed on 7-year bonded loan, exclusively for institutional investors, on the European market for a total amount of 750 million euro. The bond was issued as part of A2A S.p.A.'s Euro Medium Term Notes Program totaling 2 billion euro and in performance of Management Board resolutions of September 19 and November 15, 2012.

For a more detailed description of the bond issue, see the 2012 Report on Operations.

The Internal Control Committee, by means of meetings with the Head of the Planning, Finance and Control Department, the Head of the Investments and Tenders Evaluation Department, and the Head of the Legal, Corporate and Financial Affairs Department, supervised the progress of the bond issue (as part of the A2A Group's financial strategy) and, in the sphere of its assigned duties, verified compliance with authorization processes, including delegations and powers of attorney, in carrying out the transaction.

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 contrast 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 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, 2012, 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, 2011 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 regard to these matters and, more generally, to activities performed after approval of the Procedure, the Internal Control Committee suggested that the internal training course provided for all the heads of the Group's organizational departments in 2011 continue and be repeated. Such persons have the task of reporting to the Corporate and Market Area Department any related-party transactions being finalized and in categories that require the steps imposed by the Procedure. Department heads are also responsible for assessing the nature of the related-party transactions they perform, requesting, if necessary, the support of Corporate departments to clarify any areas of uncertainty.

   Within the sphere of its responsibilities, the Supervisory Board, with the support of the Committee, read and analyzed the report prepared by the Head of the Administrative Department that illustrated the principal financial and economic items at December 31, 2012 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.

   Within the sphere of its responsibilities, the Internal Control Committee evaluated its current composition, in its capacity as Related Party Committee, because in case of Material Transactions the Related Party Committee must be composed of Directors with the requisites of independence specified by the TUF or by the Code of Conduct observed by the company or, in the case of A2A, the Corporate Governance Code of Borsa Italiana; the Internal Control Committee approved the proposal presented by the Head of the Legal Affairs Department to modify the above-mentioned Procedure with regard to composition of the Related Party Committee (if the Internal Control Committee is not composed entirely of independent Directors) and to its exemption from resolutions concerning the remuneration of directors assigned special responsibilities pursuant to Art. 13, paragraph 3B) of the Related Party Rules.

The Internal Control Committee also approved the proposal presented by the Remuneration Committee regarding compensation of members of the Management Board.

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 Meeting.

Reports of the Independent Auditors

4. The Reports of the Independent Auditors PricewaterhouseCoopers S.p.A. issued on April 5, 2013 on the separate and consolidated financial statements for the year ended December 31, 2012 pursuant to Articles 14 and 16 of Legislative Decree 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 Legislative Decree 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, 2012.

   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 Legislative Decree no. 58/98, presented in the Report on Corporate Governance and the Ownership Structure, with the financial statements, as required by law.

   On April 19, 2013 the Independent Auditors PwC issued their Report pursuant to Article 19, paragraph 3 of Italian Legislative Decree no. 39/10 reporting that no significant weaknesses emerged in the system of internal control in relation to the financial reporting process.

Reports and complaints

5. The Supervisory Board notes that in 2012 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 2012 no reports were received by the Supervisory Board in relation to anomalies and/or irregularities concerning business operations.

Assignments to the Independent Auditors

7/8. 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 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 Legislative Decree no. 39/10 - that the Auditing Company complies with the principles of independence.

On April 2, 2013, the Auditing Company, which is required to verify that its independence continues, 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 Legislative Decree no. 39/10, and reported the non-audit services provided to the public interest entity, including those performed by entities belong to its network.

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 2012, as reported in the Report on Operations pursuant to Article 149-duodecies of Legislative Decree no. 58 of February 24, 1998. In this regard, the Committee once again strongly advised the Company and its subsidiaries to assign only audit-related tasks to the Independent Auditors. Such assignments, regarding activities that are an extension of the audit assignment or that are assigned ex lege, do not in and of themselves threaten the Auditor's independence.

Taking into account the above-mentioned statement and the engagements conferred by A2A S.p.A. and Group companies on PricewaterhouseCoopers and companies and entities belong to 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. No opinions were issued during 2012 pursuant to Article 154-bis of Italian Legislative Decree no. 58/98 (TUF).

Meetings of Joint Bodies

10. In 2012, the Supervisory Board met 16 times (10 times with newly-appointed members) in the performance of its duties. It attended meetings of the Management Board through its Chairman and Deputy Chairman.

The Internal Control Committee met 15 times (10 times with newly-appointed members); the newly-appointed Committee met once in its functions as Related Party committee.

The Appointments Committee met 3 times (twice with newly-appointed members), the Compensation Committee met 11 times (6 times with newly-appointed members), and the Committee for the Territory met 5 times (the former Donations Committee had met 3 times).

The Management Board of A2A met 21 times in 2012 (9 times with newly-appointed members).

During 2013, the Supervisory Board has met 5 times, the Internal Control Committee 9 times, the Appointments Committee 3 times, the Compensation Committee 4 times, the Committee for the Territory 4 times, and the Management Board 5 times.

Principles of proper management

11. Within the sphere of its responsibilities the Supervisory Board acquired knowledge of and supervised that the principles of proper management have been complied with. Specifically, this activity was performed through the attendance of the Chairman and Deputy Chairman of the control body at the meetings of the Management Board and by analyzing the matters resolved by the management body, 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, 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 have characterized the corporate year for the various business sectors. As mentioned above, the Supervisory Board supervised that the principles of proper management have been complied with regarding Significant capital, economic and financial transactions and regarding the examination and subsequent resolution to approve 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) organizational and managerial aspects and main business risks (current and future) regarding the Montenegro-based Elektroprivreda Crne Gore (EPCG), with analyses and monitoring; ii) process control activities implemented in the various sectors managed by General Management of the Technical-Operations Area, with special focus on the Environment sector; iii) a number of business aspects involving A2A Energia, with special focus on the Company's positioning with respect to competitiveness, customer trends in recent years (on both the "protected" and "open" market), the credit management process, invoice scheduling, and the implementation of a single invoicing system; iv) the situation of Premiumgas with regard to take or pay contract clauses referred to in the contract with Gazprom Export and to the evolution of contractual relations.

On June 11, 2012 the new Supervisory Board, in conformity to the Bylaws, appointed 8 members of the Management Board; as proposed by the Compensation Committee, the Board also resolved with regard to compensation of the Board's members and, specifically, to reduce their total compensation by 30%.

On November 14, 2012 the Supervisory Board, in conformity to the Bylaws, appointed the Independent Auditor of the ASM Foundation.

Lastly, the Report on Compensation referred to in Art. 123-ter of the TUF, approved by the Supervisory Board on April 29, 2013, illustrates A2A S.p.A.'s policy with regard to compensation of members of the Supervisory Board, the Management Board, and Managers with Strategic Responsibilities, and in section 2, prepared by the Management Board, reports the compensation paid to such persons in 2012.

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

Organizational structure

12. The Supervisory Board analyzed and monitored the set-up of the Company's organizational structure, 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.

Additional analyses were performed of the Group's organizational structure and of its powers, assignments, and management and coordination system. 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 current Supervisory Board has received the results of assessments of such direction lines performed by the previous Board and has continued its analysis of A2A's current structure by means of interviews with Company and Group Management.

Specifically, on December 17, 2012 the Supervisory Board met with the General Manager of the Corporate and Market Area and commenced an examination of the above-mentioned aspect, organized in three macro areas: i) Governance of subsidiaries in relation to direction and coordination of the Parent; ii) direction lines of the Group's structure; iii) A2A Group's system of powers and assignments.

Without prejudice to the contents of the Report on Corporate Governance and Ownership Structure, the guidelines lines of the organizational structure calls 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 directly to top management:

- 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 the activities and functions involving technical responsibilities relating to 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 Board, together with the support of the Internal Control Committee, also performed detailed reviews of an organizational nature on the Group's management and coordination model and on compliance with the principles of operational autonomy.

During 2012 the Internal Control Committee held several meetings with the General Manager of the Corporate and Market Area and Company management to examine the Company's functional areas. In particular it met with:

- the Head of the Planning Finance and Control Department and the Head of the Group's Planning and Control Unit to analyze the management control system for the single business sectors, single Business Units, and the management reporting system to support the Company's decision-making bodies; in addition, the organizational structure of Management based on areas of responsibility and the structure of controllers by Business Sector were analyzed;

- the Head of Legal Affairs, with regard to the organization of its activities and to the main legal disputes in progress. The Head described the reorganization of the Legal Affairs Department, aimed at centralized management of legal matters to ensure uniformity of approach and control by the Parent. The activities of this Department in terms of i) coverage of business areas and ii) work loads and subjects dealt with were also described;
- the Head of the Planning Finance and Control Department, the Head of Regulatory Affairs, and the Managing Director to examine methods for managing relations with regulatory authorities and regulated risks, as well as regulations issued by public authorities. Particular attention was paid to the structure of the Regulatory Affairs Department, organized in "Regulation" and "Rates and Relations with Compensation Fund" departments, and to main activities concerning relations with the Authority for Electrical Energy and Gas (AEEG), with the Compensation Fund for the Electrical Sector (CCSE) and with the Competition Authority (AGCM);

- the Head of Human Resources and Real Estate and the Head of Organization, Quality and Resource Development to analyze the organizational structure and activities of the Human Resources Department and the situation of A2A personnel;
- the Head of Information and Communication Technology, to examine its functional model, the architecture of the Group's ICT system, and methods for managing invoicing systems;
- The Head of the Investor Relations Department, to examine its structure, activities conducted in relation to institutional investors, to 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 sectors, the organization, and management aspects concerning subsidiaries. The interviews involved:

- (*Energy sector*) the Head of the Sales Department of A2A Energia and the Head of the Customer Service Department of A2A Energia for an analysis of the above-mentioned business matters as well as of the corporate structure of A2A Energia and of its mission;
- (*Energy sector*) the CEO, the CFO and a director of EPCG Montenegro for an analysis of centralization of the administrative/finance and control departments and of the subsidiary's organizational structure;

- (*Energy sector*) the management of the subsidiary Edipower, for information on finalization of the Edison/Edipower transaction, on the plan for merger by incorporation of Edipower and Delmi, as well as the relative integration process;
- (*Environment sector*) the Managing Director of the Technical-Operations Area, for an analysis of the areas of responsibility of Management and, in particular, of the Environment Sector.

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

To monitor the adequacy of the Company's organizational structure and to perform its duties, as specified in the Bylaws, with regard to the Group's organizational chart, the Supervisory Board will continue its analyses in 2013 by means of meetings and joint evaluations with the Management Board.

Internal Control 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") suitable for constantly presiding over the typical risks of corporate activity. The Internal Control System was overseen by the Supervisory Board 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 the management and control bodies of some subsidiaries in the various Business sectors 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 Legislative Decree 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.

In 2011, to strengthen the monitoring capacity of the Internal Control System, the Internal Control Committee then in office planned a reporting system 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 Risk Manager, and the Independent Auditors. The plan involved the Secretariat of the Supervisory Board with duties of coordination and interface.

The "pre-event" analysis of the planning and creation of the internal control system carried out by the Committee in 2011 was performed with the support of the main resources involved in the internal control system, in particular the Head of Internal Audit, the Oversight Body as per Legislative Decree 231/01 and the Manager Responsible for the Preparation of Corporate Accounting Documents as per Law no. 262/05, as well as that of the control bodies of Group Companies.

The A2A Group's internal control system is a set of rules, procedures and organizational structures whose scope is to monitor that strategies are complied with and that the following objectives are achieved:

(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 persons and bodies involved in the internal control system may be summarized as follows.

Activities of the Supervisory Board and of the Internal Control Committee

In early 2012, to organize its activities the Supervisory Board then in office defined a specific Plan of Activities based on the responsibilities assigned it under the Bylaws, under law, and by its rule of operation. In September 2012, the current Supervisory Board revised the plan with respect to the activities conducted by the previous Board and presented its plan of activities for the 2nd half of 2012 and the 1st half of 2013, detailing the activities, related information flows, the type of resolution to be adopted, and calling for interaction with the Internal Control Committee, Compensation Committee, Committee for the Territory, and Appointments Committee.

Likewise, the previous and current Internal Control Committee defined its own Plan of Activities in the context of its supervision of the effectiveness of the control and risk management system, reporting the progress of its activities periodically to the Supervisory Board, with which it works in close collaboration.

In line with the above-mentioned Plans of Activities, the Supervisory Board monitored the Internal Control System 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, Manager Responsible for the Preparation of Corporate Accounting Documents as per Law no. 262/05, the Oversight Body, the Boards of Auditors of major Group companies (including: A2A Trading, Premiumgas, AMSA, Aprica), as well as by means of meetings with management on specific matters, as described in part above and to be further described below.

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 recently appointed managers of the internal control and risk management 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 2012, keeping the Internal Control Committee informed of performed and programmed activities in line with the annual audit plan and with his responsibilities to inform, assisted by the Internal Audit Unit.

After approval of the 2013-2015 Economic-Financial Plan, the Board commissioned a specific Audit from the department in relation to press leaks published the evening prior to the formal approval of the Plan.

The Head of Internal Audit reported to the Committee the results of its control activities based on the 2012 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 Company so requested.

The process for defining the 2013 Audit Plan was examined during several meetings of the Internal Control Committee, which, called by the Head of Internal Audit and beginning with a detailed analysis of activities performed in relation to the 2012 Plan, i) examined the methodology used to formulate the Plan and the role of the persons involved; ii) provided information on its content, proposing (among other things) the preparation of specific audits, with consideration of requests for intervention expressed by Top Management; iii) checked that the content of the Audit Plan were consistent with the results of activities by Risk Management; iv) took steps to align the temporal contexts of the Audit Plan and the 2013 Piano 231 to the financial year.

On this basis, the 2013 Audit Plan was approved by the Management Board its meeting of January 15, 2013, after receiving the opinion of the Supervisory Board through the Internal Control Committee.

At the request of the Internal Control Committee and with the cooperation of the Head of Internal Audit, a panel was activated to monitor the results of the audits conducted by Internal Audit and by the Oversight Body 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 the individual companies and in their business sectors, 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 Department, in close cooperation with the Supervisory Board, which receives constant flows of information from the General Secretariat of the Supervisory Board and from the Internal Control Committee. 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, 2012, 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 Sector.

The report shows a general and constant increase in Management's sensitivity to the timely implementation of corrective actions and, more generally, to matters of internal control. It also shows that, based on dimensions and on the activities conducted by the Group, and based on the audit results, a few aspects of the Internal Control System may be improved.

Internal Audit Unit

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

The Company's Internal Audit Unit currently consists of 15 people and assists the Internal Control Officer in carrying out his audit duties related to internal control system and risk management, with specific reference to testing internal procedures, the preliminary activities to assess 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 activities performed during the year.

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

The Internal Audit Unit also supports Management and the Internal Audit department of EPCG, and meetings have been held with the Internal Audit department of Edipower S.p.A.

A2A's Internal Audit structure is set up as follows:

- Operational Audit Environment, Heat and Services;
- Operational Audit Corporate, Energy and Networks;
- Compliance with Law no. 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 interviews with the aim of assessing the Unit's level of effectiveness and efficiency. No critical elements were revealed that require reporting to the Meeting.

Risk Management Unit

The Risk Management Unit is included among the main parties responsible for the Company's internal control and risk management system. Its work is to make risk management 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 Planning, 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 the Committee of Sponsoring Organizations of the Treadway Commission (COSO report). A2A has defined its own risk model, aimed at helping Top Management to 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. This process works hand in hand with the unit that controls financial risks (commodities price, interest rate, liquidity, etc.).

Within the sphere of activities performed by the Internal Control Committee to monitor the effectiveness of the internal control and risk management 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 used to identify risks, broken down by type, category, and family and the alignment between risk types and strategic goals, iv) risk prioritization criteria, and v) the types and nature of the risks included in the disclosure of the 2012 financial statements.

With regard to the risk management system, at the meeting of March 29, 2012 the Supervisory Board, within the sphere of responsibilities assigned by the Bylaws, approved the A2A Group's risk limits defined in the Energy Risk Policy and the tools implemented to control them.

The Risk Management Unit has devised 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 provided a description of 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 two 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, to provide centralized monitoring of operating, market, and financial risks.

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.

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

The aim of the "Organizational, Management and Control Model" adopted pursuant to Legislative Decree no. 231/01, as subsequently modified, 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 the specific "sensitive" activities performed in A2A, commitment of the offenses specified in Legislative Decree no. 231/01 as amended and to ensure honesty and transparency in the performance of business activities.

The task of monitoring that the Model is being actually implemented, pursuant to the above decree, is entrusted to an Oversight Body which supervises the working of the model and that it is being complied with, and which 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 on the risk areas as per Legislative Decree 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 Legislative Decree 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 2012, the Supervisory Board, assisted by the Internal Control Committee, made specific updates to the control system pursuant to Legislative Decree 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 Legislative Decree 231 to the Group's subsidiaries based on a "Plan to update the adoption of Models of A2A's subsidiaries pursuant to Legislative Decree 231/01" defined by the Oversight Body.

The Internal Control Committee has also acknowledged that to date, in addition to A2A S.p.A., the majority of companies in the environment sector, including largest ones, have adopted an updated model with reference to the environmental crimes specified in Art. 25-undecies of Legislative Decree 231/01; the Committee has requested such companies to complete the models by updating them with the addition of environmental crimes as well as new types of crime.

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 persons 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, proposed 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 Legislative Decree 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, 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 Legislative Decree 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, 2012 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 2012 Annual Report presented by the Chairman of the Oversight Body for purposes of Legislative Decree 231/2001, iv) contained in the Independent Auditors' Report for purposes of Art. 19, paragraph 3 of Legislative Decree 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 and risk management system.

Based on such analyses and activities performed by the Internal Control Committee and by the Supervisory Board, the two bodies agreed with the assessment concerning a few areas of the internal control system that require improvement, i.e.,. that the extent of such required improvements does not invalidate the adequacy and operation of the internal control and risk management system.

Administrative and accounting system

14. The Supervisory Board, with the support of the Internal Control Committee, assessed and supervised the adequacy of the administration 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. More 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 2012 Semi-annual Report, the separate financial statements, and the consolidated financial statements at December 31, 2012.

    The accounting principles 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 administration and accounting system and on tests of the effectiveness of the administration 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.

    In particular, the Internal Control Committee, in the sphere of its supervision of the adequacy of the accounting information system, and the Supervisory Board jointly analyzed changes to the application of IAS 1, IAS 12, and IAS 19 and confirmed that such changes (with the exception of early application of IAS 19) do not have accounting effects on the consolidated financial statements of A2A at December 31, 2012.

During 2012, the Internal Control Committee examined the Management Letter prepared by the Independent Auditors on the separate financial statements and the 2011 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 2012 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 31.12.2012," 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 were also held during the first few months of 2013 regarding the examination and approval of the separate and consolidated financial statements for the year ended December 31, 2012.

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) bad debt procedures; iii) financial instruments (with specific reference to derivative instruments); iv) disputes and estimates of provisions for risks and charges; v) revenues from sales and services and revenue recognition processes; vi) examination of matters regarding the subsidiary Premiumgas and the Gazprom Export multi-year gas purchase agreement with take or pay clauses.

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, 2012" 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, 2012.

The Supervisory Board and the Internal Control Committee paid special attention to the impairment procedure adopted by the A2A Group and met with the General Manager of the Corporate and Market Area, the Manager Responsible for the Preparation of Corporate Accounting Documents, the Head of Planning and Control, and the Independent Auditors.

The Management Board analyzed the impairment procedure and approved the results at a meeting separate from the one held to approve the draft financial statement, held on March 5, 2013, as suggested by Document 4, jointly issued by the Bank of Italy, Consob, and Isvap on March 3, 2010. In this regard, the Company conducted the impairment test procedures with the assistance of independent experts by means of auditing the Cash Generation Units (CGU) for the following spheres: i) goodwill (CGU: Reti Elettriche, Ambiente, Reti Gas, Calore Italia, Gas); ii) CGU: Generazione Elettrica for reference activities; iii) investments (Ergosud S.p.A., Abruzzoenergia S.p.A., Aspem S.p.A., A2A Ciclo Idrico S.p.A., Ecolombardia 18 S.r.l., and Dolomiti Energia S.p.A.) and investment in EPCG and RUP.

In the opinion of the Supervisory Board, no significant issues emerged with regard to the Impairment Test procedure.

Lastly, the Committee acknowledged and accepted the certificates provided for purposes of Art. 154 bis paragraph 5 of Legislative Decree 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 the light of the findings encountered and the disclosures made by the Manager Responsible for the Preparation of Corporate Accounting Documents on the degree of adequacy of the financial reporting process, it was concluded that the Company's administrative and accounting system is capable of ensuring a proper 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 continued in 2012; the aim of these meetings was to analyze the means by which 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.

The Supervisory Board paid special attention to the composition of the subsidiaries' control bodies. Consequently, as mentioned above, the Appointments Committee, with the support of the Compensation Committee, prepared the document on guidelines for the appointment and compensation of the administrative and control bodies and of the oversight bodies in the Group's companies for purposes of Legislative Decree 231/01.

The Supervisory Board then scheduled a series of meetings with the Boards of Statutory Auditors of the Group's main companies, detailing the methods for holding such meetings: i) meetings with Boards of Statutory Auditors to be held directly by the Supervisory Board for companies with Strategic Value (*A2A Trading*), ii) meetings with Boards of Statutory Auditors to be held directly by the Internal Control Committee for companies in the Environment sector or deemed of particular interest due to business volumes or territorial relevance (*AMSA, Aprica, Ecodeco, Edipower, Partenope Ambiente, and A2A Energia*), 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 specific companies (*A2A Energia, A2A Reti Elettriche, A2A Reti Gas, A2A Calore & Servizi, Premiumgas, A2A Ciclo Idrico, Selene, A2A Logistica, Aspem Energia*), and iv) examination of minute books of Boards of Statutory Auditors with report to the Committee by the above-mentioned Secretary for other specified companies (*Plurigas, Abruzzoenergia, A2A Servizi alla Distribuzione, Aspem, Retragas*).

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

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

Meetings with the Independent Auditors

16. In performing its work to support 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 Legislative Decree 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 procedures performed and the accounting treatment of significant transactions, as a 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 Legislative Decree no. 39/2010 still hold.

Adherence to the Corporate Governance Code for listed companies

17. A2A S.p.A. adheres to 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 the independence requirements pursuant to the Corporate Governance Code, the Supervisory Board has ascertained that its members meet the requirements specified down 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 should be made to the preceding points for an assessment of the supervisory activity performed. It is hereby confirmed that no omissions, illegal acts or irregularities arose from the supervisory activity which require reporting to Shareholders.

Proposals to be presented to the shareholders' meetings

19. The Supervisory Board has approved the annual and consolidated financial statements at December 31, 2012.

    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 183,154,840.00, as follows:

    - euro 9,157,742.00 to the legal reserve;

- euro 80,755,679.37 as ordinary dividend to the Shareholders, in order to ensure payment of euro 0.026 for each ordinary share in circulation (3,105,987,668 shares, including 26,917,609 treasury shares held);
- euro 93,241,418.63 to the extraordinary reserve.

The dividend will be paid beginning on June 27, 2013, with coupon detachment on June 24, 2013 and record date June 26, 2013.

Brescia, April 29, 2013

On behalf of the Supervisory Board
The Chairman