2015 Report by the Chairman of the EDF Board of Directors on corporate governance, internal control and risk management procedures prepared in accordance with Article L. 225-37 of the French Commercial Code
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Introduction 3

1 Corporate governance 5

1.1 Corporate Governance Code 5

1.2 Composition and functioning of the Board of Directors 7

1.2.1 Composition of the Board of Directors 7

1.2.2 Obligations and duties of directors 8

1.2.3 Executive Management method, powers and responsibilities of the Chairman and CEO 8

1.2.4 Powers and remits of the Board of Directors 8

1.2.5 Assessment of director independence 9

1.2.6 Functional assessment of the Board of Directors 9

1.2.7 Director information and training 10

1.3 Board activity in 2015 10

1.4 Committees that report to the Board of Directors 10

1.4.1 Audit Committee 11

1.4.2 Nuclear Commitments Monitoring Committee 12

1.4.3 Strategy Committee 12

1.4.4 Ethics Committee 13

1.4.5 Appointments and Remuneration Committee 13

1.5 Compensation 13

1.6 Shareholders’ meetings 14

2 EDF Group internal control 7

2.1 Control environment 14

2.1.1 Executive Management steering structures 14

2.1.2 Description and leadership of the internal control system 15

2.1.3 The contribution to internal control by the Corporate Risk Management Division, the Group Audit function, the Finance Division and the Legal Affairs Division 16

2.1.6 Organisation and steering of the Information Systems (“IS”) 19

2.1.7 External controls 19

2.2 Risk management and control 20

2.2.1 Risk management and control policy 20

2.2.2 Risk mapping process 20
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2.3</td>
<td>Crisis management policy</td>
<td>20</td>
</tr>
<tr>
<td>2.3</td>
<td>Group control activities</td>
<td>21</td>
</tr>
<tr>
<td>2.3.1</td>
<td>Control procedures relating to the effective functioning of internal processes</td>
<td>21</td>
</tr>
<tr>
<td>2.3.2</td>
<td>Internal control procedures relating to the reliability of accounting and financial information</td>
<td>23</td>
</tr>
<tr>
<td>2.3.3</td>
<td>Internal control procedures relating to compliance with laws and regulations</td>
<td>24</td>
</tr>
<tr>
<td>2.3.4</td>
<td>Internal control procedures relating to the application of Executive Management instructions and policies</td>
<td>26</td>
</tr>
<tr>
<td>2.4</td>
<td>Information communication and circulation</td>
<td>26</td>
</tr>
</tbody>
</table>
Introduction

Pursuant to Article L. 225-37 of the French Commercial Code, this report sets out:

- the corporate governance environment (the composition of the Board of Directors, the conditions under which the Board of Directors’ work is prepared and performed, and the limits on the Chairman and CEO’s powers), the principles and rules laid down by the Board of Directors to determine the corporate officers’ compensation and the provisions governing shareholder involvement in EDF general meetings (see §1);
- as well as the internal control and risk management procedures implemented within the EDF group (see §2).

For the purposes of this report, the terms “EDF” or “Company” refer to Électricité de France SA.

The terms “EDF group” or “Group” refer to:

- the EDF corporation;
- its subsidiaries in the regulated sector: the “regulated subsidiaries”;
  - RTE, a subsidiary managed with complete independence within the EDF group, which is responsible for managing the public network for the transmission of electricity. Under Articles L111-2 to L111-46 of the French Energy Code, and pursuant to the Third Directive of 13 July 2009, this management must be independent with regard to the parent company,
  - ERDF, a subsidiary managed with complete independence within the EDF group, which is responsible for managing the public network for the distribution of electricity, for which the French Energy Code also contains provisions on independent management (Articles L111-57 to L111-66).
  
  These statutory provisions introduce limits (which are specific to each of these subsidiaries but more restrictive for RTE) on the extent to which the parent company can control their activities;
- its other directly or indirectly held subsidiaries, over which it has majority control, in or outside France: "the controlled subsidiaries";
- its affiliates that are jointly-controlled: "the jointly-controlled affiliates";
- its direct or indirect holdings: "the shareholdings".

Note 1: the scope for the Group’s consolidated financial statements is detailed in chapter 6 of the 2015 Reference Document.

Note 2: the information that is specific to the subsidiaries RTE and Électricité de Strasbourg is available in the reports produced by these two companies pursuant to Article L. 225-37 of the French Commercial Code. The practices and terms for exercising control may differ depending on the specific area of activity of the entities mentioned above, and will be specified as necessary throughout this report.

Note 3: The information contained in this report was established as of 31 December 2015, except as otherwise stated. Additional information and updates are available in the EDF 2015 Reference Document, to which the report will be appended.

1 Corporate Governance

1.1 Corporate Governance Code

EDF adheres to the AFEP-MEDEF Code, pursuant to Article L. 225-37 of the French Commercial Code2, subject to the specific provisions of the law and regulations that are applicable to it.

These specificities, which are a result of EDF being a state-owned company, and in particular the application to the Company of Order no. 2014-948 of 20 August 2014 and its implementing legislation, Law no. 83-675 of 26 July 1983 on the Democratisation of the Public Sector and Decree no. 53-707 of 9 August 1953, are detailed in this report and in the 2015 Reference Document and concern, in particular:

- the composition of the Board of Directors (see section 4.2.1 (“Composition of the Board of Directors”));
- the rules on the appointment of the Chairman and CEO of EDF (see section 4.2.2.3 (“How Executive Management decisions are taken and implemented - Appointment and powers of the Chairman and CEO”));
- the rules on the setting of the compensation of the Chairman and CEO (see section 4.6.1.1.1 (“Rules for determining the compensation of the Chairman and CEO”)); or
- the way in which Executive Management decisions are taken and implemented (see section 4.2.2.3 (“How Executive Management decisions are taken and implemented - Appointment and powers of the Chairman and CEO”)).

In addition to the specificities mentioned above, the following table covers the recommendations of the AFEP-MEDEF Code that are not applied by the Company and the corresponding explanations:

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1 Within the meaning of this report, as of 31 December 2015, the term “jointly-controlled affiliate” includes affiliates and joint ventures (primarily CENG, Estag, Fuzhou and Sloe) and joint activities (Friedeburger Speicherbetriebsgesellschaft GmbH (Crystal)). See chapter 6 of the 2015 Reference Document.

2 After consulting the AFEP-MEDEF recommendations of October 2008 on executive director compensation, as of 17 December 2008 the Board of Directors had expressed its agreement with these recommendations, stating that they were in line with EDF’s corporate governance policy and that the Company had already implemented them.
<table>
<thead>
<tr>
<th>AFEP-MEDEF Code recommendation</th>
<th>Company position</th>
<th>Explanation</th>
<th>Corresponding section of the 2015 Reference Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staggered renewal of the Board of Directors</td>
<td>The renewal of the entire Board of Directors every five years is no longer mandatory under the Order of 20 August 2014; however, the Company has not implemented the staggered renewal of the Board of Directors.</td>
<td>The Company amended its bylaws during the General Meeting of 21 November 2014 with a view to implementing the new composition of the Board of Directors pursuant to the Order of 20 August 2014 and reducing the directors’ term of office to four years. The Company now has the possibility of staggering the renewal of the terms of office, which may thus be examined by the Board of Directors.</td>
<td>See section 4.2.2.1 (“Term of office of directors”).</td>
</tr>
<tr>
<td>Holding of Company shares by the Directors</td>
<td>The Company’s bylaws and the Board’s Internal Regulations do not provide that directors must possess a relatively significant number of shares with respect to the directors’ fees received</td>
<td>Pursuant to the Law of 26 July 1983, the directors who represent the employees perform their duties free of charge. Moreover, the directors’ fees received by the members put forward by the State and who are civil servants are paid into the State budget. State representatives who are not civil servants can only receive 30% of the directors’ fees that are owed to them; the remainder is paid into the State budget. In addition, the Chairman of the Board of Directors does not receive any directors’ fees. Given the major disparity in situations, the Board has not defined a single rule on holding Company shares. Moreover, each director must act in the corporate interest, regardless of the number of shares he or she holds in the Company personally.</td>
<td>See section 4.6.1.2 (“Total director compensation”) and section 4.5 (“Investment by directors and the capital and involvement in transactions in EDF securities by corporate officers and senior executives”).</td>
</tr>
<tr>
<td>Holding of Company shares by the Chairman and CEO</td>
<td>The Company bylaws and the Board Internal Regulations do not provide that the Chairman and CEO must possess a relatively significant number of shares set periodically determined by the Board of Directors or the Supervisory Board. The number of shares, which may be made up of exercised stock options or performance shares, must be significant and increasing, where necessary, to a level determined by the Board.”</td>
<td>The Chairman and CEO does not receive any directors’ fees. His compensation is capped pursuant to Decree no. 2012-915 of 26 July 2012, which amended Decree no. 53-707 of 9 August 1953. Moreover, the Company has not implemented a stock and/or performance share plan for executive directors. Consequently, it was decided not to implement this recommendation. In addition, executive directors must act in the company interest, regardless of the number of Company shares they personally hold.</td>
<td>See section 4.6.1.1 (“Chairman and CEO’s total compensation”), 4.6.2 (“Share subscription or purchase options – free shares”) and 4.5 (“Directors’ investment in the capital and involvement in trading in EDF securities by the executive directors and corporate officers”).</td>
</tr>
<tr>
<td>Rules governing the allocation of directors’ fees</td>
<td>A significant but not “preponderant” portion of directors’ fees is linked to the effective attendance of directors at Board and Committee meetings.</td>
<td>Specific allocation rules have been adopted, which take into account, in particular, the level of responsibilities and time devoted by the directors to their duties. Although the variable portion of the compensation that is paid in the form of directors’ fees is not preponderant, the Company considers that it is still significant and appropriate, insofar as the variable portion that remunerates the effective presence of the directors.</td>
<td>See section 4.6.1.2 (“Total director compensation”).</td>
</tr>
</tbody>
</table>
1.2 Composition and functioning of the Board of Directors

The Internal Regulations of the Board of Directors specify the principles on which the Board operates and how the Board, as well as the specialised advisory committees set up by the Board, fulfil their remits. These Regulations also stipulate the role and powers of the Chairman and CEO.

The Internal Regulations are regularly updated, in particular to take into account changes in the law and regulations, and changes in the AFEP-MEDEF Code (see section 4.1 (“Code of corporate governance”) of the 2015 Reference Document). The most recent update was on 30 June 2015.

1.2.1 Composition of the Board of Directors

Until the general shareholders’ meeting of 21 November 2014 and in accordance with Article 6 of Law no. 83-675 of 26 July 1983 on the Democratisation of the Public Sector, 18 directors sat on the Board, divided into three colleges: six directors were appointed by ordinary general meetings, the six directors who represent the French State were appointed by decree and six directors were appointed by the employees.

The general meeting that was held on 21 November 2014 amended the Company's bylaws in order to implement the new provisions of Order no. 2014-948 of 20 August 2014 on governance and equity transactions of companies with a public shareholding. Pursuant to this Order, EDF is now run by a Board of Directors with between three and eighteen members, including members appointed by ordinary general meetings, as necessary following a proposal by the State in accordance with Article 6 of the Order, one representative of the State chosen by the Minister for the Economy from the ranks of the civil service in accordance with Article 4 of the Order, and one-third of directors representing employees in accordance with the provisions of the Law of 26 July 1983.

The conditions under which directors may be removed from office are described in section 4.2.2.1 (“Directors’ terms of office”) of the 2015 Reference Document.

As of the date of this report, the Board of Directors has 18 members:

- eleven directors appointed by general shareholders’ meetings, five of whom were appointed following a proposal by the State: Jean-Bernard Lévy, the Chairman and CEO; Marie-Christine Lepetit, Colette Lewiner, Laurence Parisot, Olivier Appert, Philippe Crouzet, Bruno Lafont, Bruno Léchevin, Gérard Magnin, Christian Masset and Philippe Varin;
- one director, who is the State’s Representative: Martin Vial;
- six directors elected by the employees: Christine Chabauty, Marie-Héléne Meyling, Jackie Chorin, Jean-Paul Rignac, Christian Taxil and Maxime Villota.

The directors’ personal details are provided in section 4.2.1 (“Composition of the Board of Directors”) of the 2015 Reference Document.

Since 1 January 2015 and up through the date of this report, the following changes have been made to the composition of the Board of Directors.

<table>
<thead>
<tr>
<th>First name, surname</th>
<th>College</th>
<th>Date of appointment</th>
<th>To replace</th>
</tr>
</thead>
<tbody>
<tr>
<td>Martina Vial</td>
<td>Director representing the State</td>
<td>9 September 2015</td>
<td>Regis Turrini</td>
</tr>
</tbody>
</table>

Given the discussions held between EDF and AREVA in 2015 (see section 1.4.1.3.3.2 (“Memorandum of understanding with AREVA”) of the 2015 Reference Document), as from 9 June 2015, Philippe Varin temporarily suspended his involvement in the work of the EDF Board of Directors during these discussions.

Pursuant to Article L 225-18-1 of the French Commercial Code and the Order of 20 August 2014, EDF, as a listed State-owned company, is subject to the rules on the balanced representation of women and men on boards of directors and supervisory boards, and the Company must ensure that 40% of its directors are women in 2017. As of the date of this report, the EDF Board of Directors has five female board members, two of whom were elected by the employees, i.e. 27.8% of all Board members are women and 25% of the Board members used to calculate this percentage in accordance with the AFEP-MEDEF Code are women (i.e. excluding directors who represent the employees).

The Government Commissioner¹ and the Head of the French State’s Economic and Financial Verification Mission for EDF, as well as the Secretary of the Central Works Council attend the meetings of the Board of Directors in an advisory capacity. However, pursuant to Article L 311-5-7 of the French Energy Code, which was adopted in light of Law no. 2015-992 of 17 August 2015 on energy transition for green growth, the Government Commissioner must be informed of investment decisions and may object to any decisions, which, if implemented, would be incompatible with the objectives of the strategic plan adopted by the Company or with those of the multi-year energy plan.

¹ The employees’ representatives mentioned in Section 1 of Article 7 of the Order of 20 August 2014, with respect to their election and their status, are subject to the same rules as those stipulated for the representatives of employees of undertakings that fall within the scope of the Law of 26 July 1983, to Chapters II and III of Section H of said law.
² Pursuant to the Order of 20 August 2014: Marie-Christine Lepetit, Olivier Appert, Bruno Léchevin, Gérard Magnin and Christian Masset.
⁴ Article 15 of the Order of 20 August 2014.
⁵ In accordance with the Decree no. 55-733 of 26 May 1955, this assignment covers the French State’s Economic and Financial Verification Mission for EDF and may include extended audit procedures.
1.2.2 Obligations and duties of directors

The Internal Regulations of the Board of Directors provide that Board members' obligations include acting in the interest of the Company, informing the Board of Directors of any conflicts of interest (see section 4.4.3 ("Conflicts of interest") of the 2015 Reference Document) and abstaining from participating in discussions and voting in any deliberation involving a potential conflict of interest, respecting the confidentiality obligation and complying with EDF's Stock Market Compliance Charter.

The members of the Board of Directors, and the Chairman and CEO are required to inform the Board of Directors immediately of all agreements entered into by the Company in which they have a direct or indirect interest or that are entered into by an intermediary.

Each director receives a regularly updated Director’s Handbook that is primarily a compendium of the Company’s bylaws, the Internal Regulations of the Board of Directors and its Committees, the Stock Market Compliance Charter (see section 4.5.2 ("Trading in Company securities") of the 2015 Reference Document), the Group Ethics Charter, the Group’s corporate social responsibility commitments and the AFEP-MEDEF Corporate Governance Code for Listed Companies.

1.2.3 Executive Management method, powers and responsibilities of the Chairman and CEO

In accordance with the option provided for in Article 18 of the Order of 20 August 2014, the EDF bylaws stipulate that the Chairman of the Board of Directors is responsible for the Executive Management of the Company and has the title of Chairman and Chief Executive Officer (CEO). EDF’s bylaws therefore state that the duties of Chairman and CEO are not conferred on separate persons. The Board’s Internal Regulations and, in particular, the limits they place on the CEO’s powers, ensure a balance of power between the executive director and the Board of Directors, while maintaining the requisite flexibility, efficiency and responsiveness in the administration and management of the Company.

The EDF Chairman and CEO is appointed by Presidential decree on the basis of a proposal of the Board of Directors and may also be removed from office by such a decree, in accordance with Article 20 of the Order of 20 August 2014. Pursuant to the provisions of Article 13 of the Constitution, the Chairman is appointed after candidates have been interviewed and once the standing commissions of the National Assembly and Senate have been consulted. Jean-Bernard Lévy was appointed Chairman and CEO of EDF, upon completion of this process, by Decree of 27 November 2014.

If the Chairman and CEO vacates his position before the end of his term of office, Article 21 of the Order of 20 August 2014 provides that the State may appoint an interim Chairman and CEO until the new officer is appointed. Pursuant to this legislation, by ministerial decisions of 21 November 2014, Jean-Bernard Lévy was appointed as the interim Chairman and CEO of the Company as from 23 November 2014.

Subject to the specific provisions of the law relating to public sector companies and the powers that the law or the bylaws expressly reserve for the Board of Directors or shareholders’ meetings, as well as the limits on the powers of the Chairman and CEO set forth in the Board of Directors’ Internal Regulations as an internal rule (see § 1.2.4), the Chairman and CEO is vested with the broadest powers to act on behalf of the Company in all circumstances, within the limit of the corporate purpose. The Chairman and CEO organises and oversees the Board of Directors’ work, on which he reports to general meetings. He ensures that the various corporate bodies function correctly and, in particular, verifies that the directors are able to fulfil their remits.

1.2.4 Powers and remits of the Board of Directors

In accordance with the law, the Board of Directors determines the Company’s business policies and ensures that these policies are implemented. It defines the major strategic, economic, financial and technological policies of the Company and the Group. Subject to the powers that are expressly conferred on shareholders’ meetings and within the limit of the corporate purpose, the Board of Directors may take it upon itself to review all matters that are related to the smooth running of the Company, and settles the issues that concern it through its decisions.

Pursuant to its Internal Regulations, which were updated on 30 June 2015, solely the Board of Directors can authorise the following operations:

- acquisition-based and internal growth operations or disposals that represent financial exposure for the Company in excess of €350 million. This threshold is reduced to €150 million for acquisitions that are not consistent with the Company’s strategy policies; the Board of Directors’ prior authorisation is required for these same transactions, which are subject to the same thresholds when performed by an undertaking that is exclusively controlled by the Company;

- industrial operations and programmes that are consistent with and inseparable from investments in or work on existing assets, in excess of €350 million per programme;

- real estate transactions that exceed €200 million;

- certain financial transactions for which the amount exceeds the value determined each year by a specific Board decision; for the 2015 fiscal year, the Board set (i) the total amount of the aggregate authorisation for guarantees, endorsements and sureties at €1.5 billion (the Chairman and CEO reports to the Board on all transactions of this type for which the unit amount exceeds €100 million, which are granted on behalf of the Company or by an undertaking that is controlled by the Company) and (ii) the nominal amount of certain financial transactions at €5 billion, subject to an annual aggregate limit set at €15 billion. For 2016, the Board of Directors decided to renew the same authorisation thresholds;

- procurement contracts (for supplies, works or services, with or without a financial commitment) for which the amount, including that of any successive riders entered into during the same year, is equal to or higher than €350 million, or between €200 and €350 million if these procurement contracts correspond to a new Group strategic policy or business line; the Board is moreover informed of any riders that are signed to the procurement contracts it authorised, which lead to the amount of the initial contract being increased by more than 30% or more than €350 million;

- long-term contracts for the purchase or sale of energy, or CO₂ emission credit and allowances, which were entered into by the Company or by a company under its exclusive control, for annual volumes or amounts in excess of 10 TWh for electricity, 20 TWh for gas (detailed information on long-term contracts for the sale or purchase of gas for more than 5 TWh and less than 20 TWh is also provided during the Board meeting that follows their signature) and €250 million for coal and CO₂;

- strategies related to nuclear fuel cycle front-end and back-end operations;

- strategies related to gas purchases;

- operations to transfer obligations relating to decommissioning or the back-end of the nuclear fuel cycle;
strategic agreements that constitute firm and irrevocable cooperation or partnership agreements with one or more foreign partners in the nuclear field, which involve significant transfers of intellectual property or technologies by the Group and that are of major strategic importance for the Group. The Board of Directors establishes the framework for the policy on the constitution, management and financial risk control of the assets used to cover the nuclear commitments of EDF SA, and votes, in particular, on asset-liability management, the asset allocation strategy, the quality of the assets and the method used to select any financial intermediaries. In the event of a negative opinion by the Nuclear Commitments Monitoring Committee on a project to invest in private equity for dedicated assets, only the Board of Directors has authority to authorise such a project (see § 1.4.2.2). The Board sets the market, counterparty and liquidity risk limits.

Moreover, pursuant to the provisions of Article L. 225-37-1 of the French Commercial Code, the Board of Directors deliberates annually on the Company’s policy on professional gender equality and equal pay. Lastly, the Board of Directors defines annually the Company’s strategy policies that are defined with a view to consulting the EDF Central Works Council pursuant to Article L. 2323-10 of the French Labour Code.

1.2.5 Assessment of director independence

The AFEP-MEDEF Corporate Governance Code recommends that, in controlled companies, at least one-third of the seats on the Board of Directors should be held by independent directors and states that directors who represent employees are not taken into account to determine the percentage of independent directors.

Given the specific legal framework that applies to the Company, out of a total of 18 members, the Board of Directors has one director representing the French State, who cannot therefore meet the independence criteria defined by the AFEP-MEDEF Code, as well as six directors who represent employees, who are not taken into account when determining the proportion of independent directors. Moreover, the Chairman and CEO, in his capacity of executive director, cannot be deemed to be independent in light of the applicable criteria defined by the AFEP-MEDEF Code.

During the joint meeting of 21 January 2016, the Ethics Committee and the Appointments and Remuneration Committee reviewed the individual position of directors appointed by the general shareholders’ meeting. On the basis of these Committees’ findings, during its meeting of 27 January 2016, the Board of Directors carried out the annual assessment of the directors’ independence in light of the criteria defined by the AFEP-MEDEF Corporate Governance Code and confirmed that Colette Lewiner, Laurence Parisot, Philippe Grouzet and Bruno Lafont qualify as independent directors. In the Board’s opinion, these directors have no ties with the Company, its Group or its Management that would be liable to compromise their freedom of judgement. In particular, the Ethics Committee and the Appointments and Remuneration Committee examined the existence of possible business ties that could exist between the Company and the companies in which the directors hold offices, via invoicing flows identified over the course of the 2015 fiscal year. The Board of Directors noted, in particular, on the basis of the rankings of the Group’s clients and suppliers and the analysis performed by the Purchasing Division, that none of these companies could be described as a significant client or supplier of the Group and therefore found that there were no significant business ties involving any of the directors who qualify as independent directors.

As of the date of this report, the Company Board of Directors therefore has four independent directors out of the 12 who are taken into account for the calculation in accordance with the revised AFEP-MEDEF Code, i.e. a one-third proportion of independent directors, in accordance with the Code recommendations.

1.2.6 Functional assessment of the Board of Directors

In accordance with the provisions of the AFEP-MEDEF Code, the Board of Directors’ Internal Regulations require the Ethics Committee to oversee an annual functional assessment of the Board of Directors and to suggest areas that require improvement. Consequently, once a year the Board of Directors devotes an agenda item to this assessment and discusses how the Board and its Committees function, in order to improve the Board’s effectiveness, and to verify that major issues are properly prepared and discussed within the Board. Moreover, every three years, an outside consultant performs this assessment, which is overseen by the Ethics Committee.

In 2015, the annual assessment was performed internally, via a detailed questionnaire, which the Ethics Committee reviewed before it was sent to the directors. This questionnaire, which contains both closed-ended questions, which allow for statistical monitoring of the answers given by the directors, and open-ended questions, which allow the directors to detail their answers and make observations on quality, as well as proposals for change, is filled out anonymously by the directors then analysed by the Board Secretariat. The assessment thus performed covers the following areas in particular:

- the organisation of meetings of the Board of Directors and Committee meetings (number and duration, timeframes for sending files, etc.);
- the Board’s areas of responsibility and working methods (organisation and quality of the discussions and follow-up on decisions) and those of the Committees;
- the composition of the Board of Directors;
- relations between the Board, the Chairman and the General Management;
- the information made available to the directors.

While no formalised assessment is made of the individual contribution by each director to the Board’s work, the assessment, which is performed annually, asks the directors to express themselves freely and anonymously on the functioning of the Board, relations between directors, the skills that are represented on the Board, their contribution to the discussions; the observations that are made are quoted in the report on the assessment that is provided to the Board.

On the basis of the 2015 findings reviewed by the Ethics Committee on 8 December 2015, which were presented to the Board of Directors on 9 December 2015, we can see that the directors are in general satisfied with how the Board and the Committees are run. According to the directors, in particular, the quality of the presentations and the discussions, as well as of the Committees’ work, help to inform their votes. The number and duration of meetings, the work programme, and the balance of powers between the Chairman and CEO and the Board are deemed to be satisfactory. The directors feel that they have sufficient access to the Chairman and CEO, and to the other members of the Company’s management. They particularly appreciated the holding, in 2015, of an annual seminar devoted to strategy and deemed the work of the working group made of independent directors as part of the strategic partnership for EDF’s acquisition of AREVA’s subsidiary, AREVA NP, to be useful (see § 1.3 (“Board activity in 2015”)).

The areas for improvement identified primarily concern the time that the Board devotes to the review of certain subjects that the directors would like to be increased (such as core business operations activities, the activities of the subsidiaries, the monitoring of investments, or the Group’s manpower policy) and the composition of the Board (the directors are of the opinion that an increase in the number of independent directors could be considered, as well as greater diversification in the directors’ profiles).

The Ethics Committee thus submitted the following proposals to the Board: enrich the 2016 work programme for the Board and the Committees, taking into account the expectations expressed, reduce the duration of presentations in order to ensure better balance between presentations and discussions,
and reflect on the composition of the Board, in particular with a view to attaining a 40% female membership of the Board by 2017, in accordance with the law, and increasing, if necessary, the number of independent directors.

A specialised outside firm will carry out the 2016 assessment, in the same way as the 2013 assessment.

1.2.7 Director information and training

In accordance with the Board of Directors’ Internal Regulations, the directors periodically receive information on the Company’s and the Group’s financial position, cash flow and commitments, as well as data such as the financial outcome of contracts awarded by the Company for the purchase of nuclear fuels, a performance review of the Company’s main subsidiaries when the annual and half-yearly financial statements are released, the customer policy, the procurements and sub-contracting policy and the human resources policy.

A document that focuses on current affairs in the Group’s major areas of business, market trends, and the economic, financial and institutional environment is prepared for each Board meeting.

Directors are informed of the main events involving the Company that occur in between Board meetings, as well as the follow-up on decisions taken by the Board.

The directors may supplement this information by meeting with senior managers from the Company or Group.

Moreover, informational meetings are held on complex matters or matters of major strategic importance, as well as areas in which the directors wish to receive training. Thus, the directors who are elected by the employees may receive training on corporate management, as well as the industrial and operational specificities of the Company, which may be extended to the other directors.

1.3 Board activity in 2015

The Board of Directors meets as often as the interest of the Company requires, in accordance with the provisions of the laws and regulations.

During the 2015 fiscal year, the Board of Directors met 11 times and 23 Committee meetings were held in order to prepare these meetings. The directors also met once for a strategy seminar.

Other than the Working Group meetings for independent directors mentioned below, in 2015 no formalised meetings were held of the Board members that were not attended by the Chairman and CEO and/or the directors who represent the employees.

On average, Board meetings lasted three hours, which allowed for an in-depth review and discussion of the agenda items.

The directors’ average attendance rate at Board meetings was 96.3% in 2015.

In 2015, in addition to the numerous matters linked to the day-to-day running of the company, the Board of Directors reviewed and/or authorised matters such as the investments programme for the existing nuclear fleet in France for the period 2015-2025 (Grand carénage), the strategy for the nuclear fuel cycle, the planned strategic partnership between EDF and AREVA and the plan for EDF to acquire AREVA NP (see below), the progress of the project to develop two EPR in the United Kingdom (Hinkley Point C), EDF’s strategic policies, in respect of 2015, with a view to consulting the Central Works Council pursuant to Article L. 2323-10 of the French Labour Code, the Chairman and CEO’s compensation components (in particular, the annual fixed compensation in respect of 2014 and 2015 and the severance indemnity if he is removed from office), the plan to sell the building where the Company’s registered office is located, EDF’s gender balance policy in the workplace and equal pay policy, the planned disposal by EDF of its 25% stake in the Austrian company Energie Steiermark AG (ESTAG), and EDF Energies Nouvelles’ development projects (in the USA, Morocco and the United Kingdom) or the interim dividend for 2015.

The Board of Directors was also informed of the list of EDF’s subsidiaries and EDF’s shareholdings in companies that are based outside France, in response to the request by the Minister for Public Finances and Accounts.

Moreover, as part of the one-day strategy seminar, the Board reviewed matters such as the progress of the Cap 2030 strategic project that was launched early in 2015 (see section 1.3.2 (“Strategic vision”) of the 2015 Reference Document), the status of and prospects for the energy markets in Europe, the key issues surrounding and the development of digital services for household customers, the progress of the New Model EPR project (NM EPR), and the EDF group’s new international strategy.

Independent directors’ working group

As part of the discussions initiated in 2015 between EDF and AREVA on the project for a strategic partnership and the acquisition by EDF of AREVA’s subsidiary, AREVA NP, the Board of Directors’ meeting of 8 April 2015 decided to set up a working group made up of the independent members of the EDF Board of Directors: it is chaired by Colette Lewiner, and also includes Laurence Parisot, Philippe Crouzet and Bruno Lafont.

The remit of this working group, in liaison with the EDF Management, is to review all projects that would result from discussions between EDF and AREVA, in particular in light of their strategic and industrial interest, their financial aspects and their key social issues. Without being a substitute for a permanent role in the Committees that report to the Board of Directors, or for the decision-making processes that have been implemented at Board level, the working group may, on the basis of its independent analysis, make all useful recommendations to the Board of Directors on the projects.

Within this framework, it receives from the Company the information that is needed to fulfill its remit and may meet with the stakeholders concerned. It is assisted by an advisory bank, in particular for the review of valuation information, and benefits from the technical expertise of the EDF’s legal advisors.

This working group met seven times in 2015. It issued opinions for the Board of Directors and the Strategy Committee at various stages of the discussions with AREVA.

1.4 Committees that report to the Board of Directors

For the performance of its remits, the Board of Directors is assisted by five committees, which are tasked with reviewing and preparing specific files, prior to their presentation to the full Board. These specialised committees are: the Audit Committee, the Nuclear Commitments Monitoring Committee, the Strategy Committee, the Ethics Committee and the Appointments and Remuneration Committee.
The membership, functioning and remits of the Committees are governed by the Board of Directors' Internal Regulations. The Committees are made up of at least three directors chosen by the Board of Directors, which appoints the Chair of each Committee. The Company bylaws provide that the Committees created by the Board must include at least one director who represents the employees.

As of the date of this report, the Board Committees have the following Chairs:
- Jean-Bernard Lévy, Strategy Committee;
- Marie-Christine Lepetit, Audit Committee;
- Philippe Crouzet, Nuclear Commitments Monitoring Committee;
- Colette Lewiner, Ethics Committee;
- Bruno Lafont, Appointments and Remuneration Committee.

The composition of each of the Committees is described below.

The Government Commissioner and the Head of the French State’s Economic and Financial Verification Mission for EDF attend committee meetings. The Committees’ work is organised within the framework of an annual programme. Meetings are recorded in written minutes. Each committee Chair provides written reports to the Board of Directors. Meetings last long enough for the matters over which the Committees have authority to be analysed and discussed in depth.

The Board of Directors’ Internal Regulations provide for a minimum of three business days between a meeting of the Board of Directors for which the agenda includes a review of matters that fall under the remit of a Committee and the meeting of said Committee, with the exception of the Appointments and Remuneration Committee, which may meet at any time. They also provide that each Committee may call on outside experts as required.

1.4.1 Audit Committee

1.4.1.1 Functioning and composition

The Audit Committee fulfils the remits conferred on it by Article L. 823-19 of the French Commercial Code. This article provides that at least one member of the Audit Committee must have specific financial or accounting skills, and be independent on the basis of criteria that are specified and made public by the Board of Directors. The AFEPE-MEDEF Code also provides that the members of the Audit Committee must have financial or accounting expertise.

The Audit Committee is chaired by Marie-Christine Lepetit, a director who was appointed by the general shareholders’ meeting in response to a proposal by the State. The other Committee members are Colette Lewiner, Laurence Parisot and Philippe Crouzet, independent directors who were appointed by the general shareholders’ meeting, as well as Marie-Hélène Meyling, Jacky Chorin, Christian Taxil and Maxime Villota, directors who were elected by the employees. The Committee therefore has three independent directors out of the four who are taken into account when calculating the proportion of independent directors (which therefore excludes the directors who represent employees), i.e. a proportion of three-quarters compared to the minimum of two-thirds recommended by the AFEPE-MEDEF Code.

In accordance with the provisions of Article L. 823-19 of the French Commercial Code and the recommendations of the AFEPE-MEDEF Code, no executive directors sit on the Committee.

During the joint meeting of 10 December 2014, the Ethics Committee and the Appointments and Remuneration Committee reviewed the position of Colette Lewiner, Laurence Parisot and Philippe Crouzet and issued an opinion that was presented to the Board of Directors. During the Board meeting of 10 December 2014, the directors noted that Colette Lewiner, Laurence Parisot and Philippe Crouzet have specific financial and accounting skills, as per the criteria recommended by the French financial markets authority (Autorité des marchés financiers – “AMF”) in its report on the Audit Committee dated 22 July 2010. On 27 January 2016, the Board of Directors moreover confirmed that Colette Lewiner, Laurence Parisot and Philippe Crouzet qualify as independent directors. Colette Lewiner, Laurence Parisot and Philippe Crouzet therefore meet both the skills and independence criteria mentioned in Article L. 823-19 of the French Commercial Code.

The Audit Committee met eight times in 2015. The average rate of attendance for its members was 87.5%. On average, the Committee meetings lasted for three hours, which allowed for in-depth review and discussion of the items on the agenda.

1.4.1.2 Remits

Prior to review by the Board of Directors, the Audit Committee analyses and issues an opinion on:

- the Company’s financial position;
- the medium-term plan and the budget;
- the draft financial reports prepared by the Corporate Finance Division (parent company financial statements for the Company, Group consolidated financial statements and Group management report);
- the monitoring of the Company’s risks (in particular, the review each half-year of the Group’s risk mapping and risk mitigation methods);
- audit and internal control (organisation, deployment and assessment of internal control, the annual audit programme, main findings and resulting corrective measures, follow-up on their implementation, the draft annual report by the Chairman of the Board of Directors on corporate governance, the internal control and risk management procedures);
- the insurance strategy;
- the selection of Statutory Auditors, while verifying their independence and the fees paid to them;
- the financial aspects of external growth operations or disposals that are particularly significant in nature (see § 1.2.4);
- the changes in analysts’ perception of the Group;
- the energy markets risk policy and the risk policy for Group counterparty default.
The Committee’s review of the financial statements is accompanied by a presentation prepared by the Statutory Auditors that emphasises the bases on which the financial statements were prepared, the mandatory applicable accounting standards, the audit approach used and the findings of their audit work.

As part of its work, the Committee is in regular contact with the Statutory Auditors and the Executive Management, as well as the Corporate Finance, Corporate Risk Management and Internal Audit Divisions.

### 1.4.3 Activities in 2015

In 2015, the Audit Committee reviewed, in particular, the half-yearly and annual financial statements, as well as the related press releases, the Statutory Auditors’ presentation of the main points of their findings concerning the annual and half-yearly financial statements, the press releases on the quarterly sales figures, the 2016 budget and the 2016-2019 medium-term forecasts, the review of the value of the assets with a view to closing off the 2015 financial statements and finalising the corresponding press release, the risk mapping and risk control methods, the internal audit summary reports and the audit programme, the progress of the Hinkley Point C project, the updating of the strategic framework for financial management, the 2015 financial management and financial risk management mandate, as well as the new organisation of the audit and internal control functions as part of Cap 2030. The off-balance sheet commitments were also presented to the Committee. During three joint meetings with the Strategy Committee, the Committee reviewed the 2015 budget and the 2015-2018 medium-term forecasts, the progress of the Flamanville 3 EPR construction and the project involving EDF and AREVA.

As required, the Committee may call on outside experts. It did not use this option during the 2015 fiscal year.

### 1.4.2 Nuclear Commitments Monitoring Committee

#### 1.4.2.1 Functioning and composition

The Nuclear Commitments Monitoring Committee (“CSEN”), which was created by Article 9 of the Decree of 23 February 2007 on the securing of the financing of nuclear expenses, is chaired by Philippe Crouzet, an independent director appointed by the general shareholders’ meeting. The other committee members are Marie-Christine Lepetit and Olivier Appert, two directors who were appointed by the general shareholders’ meeting, and Marie-Hélène Meyling and Maxime Villota, two directors who were elected by the employees.

The CSEN met three times in 2015. The average attendance rate for its members was 100%. On average, the Committee meetings lasted for two hours and thirty minutes, which allowed for in-depth review and discussion of the items on the agenda.

#### 1.4.2.2 Remits

The Nuclear Commitments Monitoring Committee is tasked with monitoring changes in nuclear provisions, commenting on governance issues related to dedicated assets and the rules for matching assets and liabilities and strategic allocation, as well as ensuring the compliance of the Company’s asset management within the framework of the policy on the constitution, management and control of the financial risks associated with dedicated assets. To this end, it relies on the work of the Nuclear Commitments Financial Expertise Committee (“CEFEN”), which comprises independent experts. The CEFEN’s remit is to assist the Company and its governance bodies in this area.

Moreover, the Committee issues an opinion prior to any investment in private equity for all projects for which the unit amount exceeds €400 million as well as for any project (excluding real estate) for which the unit amount exceeds €200 million that leads to full consolidation of the target investment by the Company. In the event of a negative opinion by the Committee on an investment project, only the Board of Directors has the authority to authorise such a project.

#### 1.4.2.3 Activities in 2015

In 2015, the Committee reviewed, in particular, changes in the framework for the policy on the constitution and management of dedicated assets and on the control of financial risks, the state of progress of the project to decommission first generation nuclear power stations and the project for the industrial geological storage centre (“CIGEO”) for high-level waste and long-lived intermediate-level waste, the 2015 annual update letter on securing the long-term financing of nuclear expenses (see § 2.3.3.1) and the report on internal control that is included therein, the discounting rate for nuclear commitments, as well as investment decisions and prospects in the portfolio of dedicated assets.

### 1.4.3 Strategy Committee

#### 1.4.3.1 Functioning and composition

Jean-Bernard Lévy, the Chairman and CEO, chairs the Strategy Committee. The other members are Laurence Parisot, Olivier Appert and Christian Masset, three directors who were appointed by the general shareholders’ meeting, Martin Vial, the State Representative, along with Marie-Hélène Meyling, Jacky Chorin, Jean-Paul Rignac and Christian Taxil, the directors who were elected by the employees.

The directors who are not members of the Strategy Committee attend Committee meetings.

The Strategy Committee met six times in 2015. The average attendance rate for its members was 94.4%. On average, the Committee meetings lasted for two hours and thirty minutes, which allowed for in-depth review and discussion of the items on the agenda.

#### 1.4.3.2 Remits

The Strategy Committee issues an opinion to the Board of Directors on the Company’s major strategy policies, in particular the strategic development plan, the industrial and commercial policy, the Public Service Contract, strategic agreements, alliances and partnerships, the research and development policy, external or internal growth or disposal projects that require authorisation from the Board of Directors.

#### 1.4.3.3 Activities in 2015

In 2015, the Strategy Committee reviewed, in particular, the Cap 2030 project (see section 1.3.2 (“Strategic vision”) of the 2015 Reference Document), the research and development policy, the strategic context and the hypotheses underlying the 2016-2019 medium-term forecasts, the strategic policies with a view to the consultation, in respect of 2015, of the Central Works Council (Article L. 2323-10 of the French Labour Code), as well as the progress of the projects for any project (excluding real estate) for which the unit amount exceeds €200 million that leads to full consolidation of the target investment by the Company.

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1. Appointed by the Board of Directors on 26 November 2013, for three years.
project to deploy the Linky smart meter by ERDF. During three joint meetings with the Audit Committee, the Committee reviewed the 2015 budget and the 2015-2018 medium-term forecasts, the progress of the Flamanville 3 EPR construction and the projects involving EDF and AREVA.

1.4.4 Ethics Committee

1.4.4.1 Functioning and composition

Colette Lewiner, an independent director who was appointed by the general shareholders’ meeting, chairs the Ethics Committee. The other members are Bruno Léchevin and Gérard Maguin, two directors who were appointed by the general shareholders’ meeting, along with Christine Chabauty, Marie-Hélène Meyling and Jacky Chorin, three directors who were elected by the employees.

The Ethics Committee met four times in 2015. The average attendance rate for its members was 83.3%. On average, the Committee meetings lasted for one hour and thirty minutes, which allowed for in-depth review and discussion of the items on the agenda.

1.4.4.2 Remits

The Ethics Committee ensures that ethical considerations are taken into account in the work of the Board of Directors and in the management of the Company. The Committee reviews the reports filed by the EDF Mediator. Moreover, each year the Ethics Committee oversees an assessment on how the Board and its Committees function and, every three years, performs a formalised assessment of the work of the Board and its Committees, which is entrusted to an outside consultant (see § 1.2.6).

1.4.4.3 Activities in 2015

In 2015, among other things, the Ethics Committee reviewed the specific procedure designed to resolve situations that could give rise to possible conflicts of interests due to Philippe Varin’s position as Chairman of the AREVA Board of Directors (see section 4.4.3 (“Conflicts of interests”) of the 2015 Reference Document), the ethics reporting and the commitments concerning the Group’s corporate responsibility, the plan to update the Stock Market Compliance Charter, the plan to set up the Group Ethics and Compliance Division, the issue of sub-contracting and EDF’s relations with its service provider undertakings, EDF’s professional gender equality and equal pay policy and the Group’s health and safety policy.

1.4.5 Appointments and Remuneration Committee

1.4.5.1 Functioning and composition

Bruno Lafayette, an independent director who was appointed by the general shareholders’ meeting, chairs the Appointments and Remuneration Committee. The other members of the Committee are Colette Lewiner, an independent director appointed by the general shareholders’ meeting, Martin Vial, the State Representative, and Maxime Villota, a director elected by the employees.

The Committee is chaired by an independent director and made up of a majority of independent directors, since it includes two independent directors out of the three taken into account for the calculation of this proportion (excluding the directors who represent the employees), in accordance with the recommendations of the AFEF-MEDEF Code.

The Appointments and Remuneration Committee met twice in 2015. The average attendance rate for its members was 87.5%. On average, the Committee meetings lasted for one hour.

1.4.5.2 Remits

Pursuant to the Internal Regulations, the Appointments and Remuneration Committee submits proposals to the Board of Directors with a view to directors being appointed by the general shareholders’ meeting. The committee sends the Minister responsible for the Economy and Finance, and the Minister responsible for Energy, an opinion, for approval, on the salary, variable compensation (criteria used to determine the variable portion and assessment of the results obtained compared to the targets set), and peripheral compensation of the Chairman and CEO. It also sends this opinion to the Board of Directors, with a view to the Board discussing and determining these compensation components. The Committee designs its proposals within the limits provided for by Decree no. 2012-915 of 26 July 2012 on the State control of the compensation of executives of public institutions, pursuant to which the annual compensation of the Chairman and CEO must not exceed a gross limit of €450,000.

Where applicable, the Committee reviews the compensation paid to Vice-Presidents. It sends its proposals and recommendations, for approval, to the Ministers responsible for the Economy and for Energy, and also sends them to the Board of Directors, which then deliberates on and determines these compensation amounts.

It provides an opinion to the Board of Directors on the conditions for establishing the compensation of the principal senior executives (fixed and variable components, calculation method and indexing), as well as on the amount and conditions for allocating the directors’ fees. The Committee ensures that succession plan charts exist for the positions on the Executive Committee.

1.4.5.3 Activities in 2015

In 2015, among other matters, the Appointments and Remuneration Committee reviewed the 2014 and 2015 compensation components for the Chairman and CEO and the award to Jean-Bernard Lévy of a severance indemnity in the event of his removal from office, the compensation policy for the Group’s senior executives, and the system for the succession tables in the Group.

1.5 Compensation

In 2015, Jean-Bernard Lévy did not receive any directors’ fees in respect of his office as Chairman of the Board of Directors and EDF director. Moreover, he did not receive any directors’ fees in respect of the offices held in companies controlled by EDF, or any compensation of any kind from controlled companies.

The Company did not award any share subscription or purchase options to the Chairman and CEO in 2015, and no options were exercised during the fiscal year. Moreover, no performance shares were awarded to the Chairman and CEO during the past fiscal year, and no performance shares became available.
The terms for setting EDF corporate officers’ compensation, the principles and rules established by the Board of Directors for determining this compensation, as well as the amounts paid to directors in 2015, are detailed in section 4.6 ("Compensation and benefits") of the 2015 Reference Document.

1.6 Shareholders’ meetings

The rules governing shareholder involvement in general meetings are set out in Article 20 of the Company bylaws, and are described in chapter 7.2.7 of the 2015 Reference Document.

Moreover, the information provided for by Article L. 225-100-3 of the French Commercial Code is published in the Company’s Reference Document.

2 EDF Group internal control

The purpose of this report is not to give an exhaustive presentation of all the control procedures that exist within the Group’s companies, but to emphasise the control procedures that concern activities or risks that are deemed to be significant, as well as the main long-term procedures in effect in 2015, highlighting any changes and key initiatives developed during that year. These internal control and risk management procedures are consistent with the general principles stipulated in the AMF Reference Framework for risk management and internal control (published on 22 January 2007 and updated on 22 July 2010).

2.1 Control environment

2.1.1 Executive Management steering structures

EDF’s Executive Management is organised in line with two major policies: improve functioning as an integrated Group while respecting the management autonomy of the regulated subsidiaries and reinforce the role of the operating teams in the decision-making process.

Executive Committee

The Chairman and CEO is supported by an Executive Committee comprising representatives from all the Group’s business lines. The Executive Committee membership is as follows: Jean-Bernard Lévy, Chairman and CEO, Chairman of the Executive Committee;

- Marc Benayoun, Group Executive Vice President with responsibility for Gas and Italy, Chief Executive Officer of Edison;
- Antoine Cahuzac, Group Senior Executive Vice President, Renewable Energies, Chief Executive of EDF Energies Nouvelles;
- Henri Lafontaine, Group Senior Executive Vice President, Customers, Services, and Regional Action;
- Marianne Laigneau, Group Senior Executive Vice President, Human Resources;
- Dominique Minière, Group Senior Executive Vice President, Nuclear and Thermal.
- Thomas Piquemal, Group Senior Executive Vice President, who is in charge of the Group’s Finance Division;
- Vincent de Rivaz, Group Senior Executive Vice President, Chief Executive of EDF Energy;
- Simone Rossi, Group Senior Executive Vice President, International Division;
- Pierre Todorov, Group Senior Executive Vice President, Group General Secretary;
- Philippe Torrion, Group Senior Executive Vice President, Innovation, Strategy and Planning;
- Xavier Ursat, Group Senior Executive Vice President, New Nuclear Projects and Engineering.

Alexandre Perra, Director and Special Advisor to the Chairman and CEO, is the Executive Committee Secretary.

This Committee is a forum for decision-making, reflection, and consultation on operational and strategic issues. It reviews all major matters of substance and current affairs for the Group, monitors the targets and operating results, and contributes to the management and anticipation of the EDF group’s major strategic challenges. The Committee reviews and approves major projects and, in particular, Group investment or divestment projects for which the amounts exceed certain thresholds. The Executive Committee meets weekly in principle.

Executive Committee meetings in the form of "risk committee" meetings are devoted to the review and management of risks, as well as to reviewing audit activities.

At the start of 2015, the Chairman and CEO and the Executive Committee launched the "CAP 2030" project, in order to determine where EDF will be by 2030. Various workshops that correspond to the analyses and actions to be undertaken as a priority for the success of the project have been implemented. The executive committee will review these workshops regularly.

1 In preparing this report, EDF ensured consistency with the AMF Reference Framework, which is itself based on changes observed in the main international frameworks, in particular COSO II and ISO 31000.

2 Marc Benayoun replaced Bruno Lescoeur in these positions starting on 1 January 2016.
Commitments Committee within the Group Executive Committee

In order to boost project analysis and monitoring, a Commitments Committee within the Group Executive Committee\(^1\) ("CECEG") performs in-depth reviews of the most significant projects in terms of the commitments involved or risks run, prior to the Executive Committee making a decision. No Company investment project can be submitted to the Board of Directors for review without first being approved by this Committee.

Risks Committee

The Risks Committee\(^2\) was set up early in 2015. It is a decision-making forum designed to improve the mitigation of the risks to which the Group is exposed: it reviews the mapping of the Group’s risks, which it uses to identify the priority risks for the Group and share the strategy for handling them. It is also a forum for discussion and issuing warnings on emerging risks. Each of the members of the Executive Committee is the “sponsor” of one or more priority risks. Sponsors are in charge of defining the strategy for handling the risk and the corresponding action plans, including those defined following audits. The committee met twice in 2015, and, among other things, approved the list of priority risks for the Group.

General Inspector of Nuclear Safety and Radioprotection

The General Inspector of Nuclear Safety and Radioprotection, who is appointed by and reports to the EDF Chairman and CEO, is tasked with conducting audits in his or her spheres of action and issuing an annual opinion on the overall safety of the Group's nuclear power stations. The remit also includes making proposals to Executive Management regarding potential areas for improvement.

EDF Group Inspector of Hydro Safety

An EDF Group Inspector of Hydro Safety, who is appointed by and reports to the EDF Chairman and CEO, is tasked with conducting audits in his or her spheres of action and issuing an annual opinion on the overall safety of the Group's hydroelectric plants. The remit also includes making proposals to Executive Management regarding potential areas for improvement.

2.1.2 Description and leadership of the internal control system

The Chairman and CEO signed off on a decision relating to the implementation of internal control within the EDF group on 3 September 2010. This decision takes into account, in particular, the provisions of the Order of 8 December 2008 on statutory audits of financial statements and specifies the EDF group’s internal control policies. It aims to provide a reasonable assurance of risk management at EDF, with a view to ensuring constant improvement, by using the following key principles as a foundation:

- delegated accountability to each of the Group’s executives who, at every level, are responsible for:
  - managing the principal risks,
  - checking this management for the activities they have sub-delegated,
  - ensuring that the risks identified have the appropriate, proportionate control procedures in place,
  - self-assessing the procedures thus implemented and reporting regularly and formally on these procedures to their line managers;
- an internal audit procedure, as described in paragraph 2.1.3.2.

These key principles apply to all the Group’s entities, although the implementation conditions may vary depending on the entities concerned (size, governance conditions and level of control).

Within the control scope (excluding regulated subsidiaries), these principles are implemented by the Executive Management functions in the subsidiaries that they control and in the main EDF Operating Divisions, which themselves control several operating units or subsidiaries.

Each executive concerned has appointed an “Internal Control Coordinator”. The Corporate Risk Management Division organises this network of coordinators (around 80 persons).

An Internal Control Manual\(^3\) has been written and is offered to each entity\(^4\) as a standard for the implementation of its own internal control system. This manual describes the various forms of cross-functional risk that affect the Group as a whole, and identifies the main requirements to be monitored. It is updated annually to take into account feedback and new control requirements, in particular those linked to compliance with General Management policies and decisions. At the end of 2015, each of the 66 entities concerned produced an annual report on internal control that primarily included a self-assessment\(^5\) of the risk management and the activities that concern them, and the description of the actions designed to ensure progress. Each self-assessment gives rise to a commitment by the Director of the entity on the level of risk management to be attained and on the actions taken. This is the ninth consecutive year that the Group has commissioned this report\(^6\). Each year a summary of these documents and how they could be interpreted in terms of the state of internal control in the Group is provided to the Chairman and CEO and the Audit Committee, then to the Board of Directors.

The Audit Division performs full audits on these entities, which include a review of the robustness of their internal control, at a frequency of three to five years, depending on their size.

Concerning the other Group subsidiaries (regulated subsidiaries, and significant shareholdings), risk control is the responsibility of EDF’s representatives within the governance bodies. For each subsidiary, these representatives are responsible for implementing risk mapping, producing a description of the internal control and audit systems, and providing regular information on risk mapping and the audit activities (audit programme and main findings), as well as verifying the effectiveness and the relevance of each of these systems through periodic audits\(^7\).

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\(^1\) The composition of the Commitments Committee within the Group Executive Committee is the same as that of the Executive Committee.

\(^2\) The composition of the Risks Committee is the same as that of the Executive Committee. It met for the first time on 13 April 2015.

\(^3\) In preparing this report, EDF ensured consistency with the AMF Reference Framework, which is itself based on changes observed in the main international frameworks, in particular COSO II and ISO 31000. The first Internal Control Manual was written and distributed on 22 January 2007. It has subsequently been updated each year. In 2015, the Internal Control Manual was restructured in order to improve the clarity of the requirements and to facilitate oversight of their implementation.

\(^4\) Since 2015, Dalkia and Citelum have been fully integrated into the EDF internal control and risk management system.

\(^5\) Self-assessments report on all the areas mentioned in the Internal Control Manual, and in particular all the areas of action mentioned in the AMF Reference Framework.

\(^6\) New self-assessment models are being experimented for the 2015 fiscal year.

\(^7\) For regulated subsidiaries, these responsibilities are exercised within the limits laid down by the regulations in force.
The Corporate Audit Division and the Corporate Risk Management Division provide support for:

- the EDF representatives within its major subsidiaries, to help them implement and manage the initiative within governance bodies;
- the heads of the Divisions to which they report, who are tasked with providing the same level of support to the EDF representatives within subsidiaries of lesser importance within their area of responsibility, and reporting back on this in their annual self-assessment reports.

In 2015, as part of the “CAP 2030” project launched by the Executive Committee, a project to overhaul the Internal Control function was initiated. Its main objectives were approved by the Chairman and CEO in September 2015. This project aims to propose actions to improve the internal control function, by increasing the responsibility of managers, by simplifying self-assessment tools and by clarifying the various requirement benchmarks identified in the internal control guide. This project has been implemented gradually since 2015, and aims to publish all its findings by the end of 2016 or the start of 2017.

2.1.3 The contribution to internal control by the Risk Management Division, the Group Audit function, the Corporate Finance Division and the Legal Affairs Division

2.1.3.1 Risk Management Division

For many years, EDF has implemented a policy for managing its operating (e.g. industrial, environmental and health), financial and organisational risks.

Over and above these sector-specific policies, in response to a constantly changing environment, back in 2003 EDF decided to establish an overarching process for managing and controlling its risks with the aim of improving existing procedures, in particular by creating the Risk Management Division (“DRG”), which is primarily responsible for:

- ensuring that each Group entity carries out risk mapping, either directly for the EDF scope and that of the controlled subsidiaries, or through the governance bodies for the regulated subsidiaries and jointly-controlled affiliates, and establishing and updating the consolidated risk mapping of the Group’s major risks (see § 2.2.2);
- warning the Chairman and CEO and the Executive Committee of emerging risks and risks that have not been adequately identified;
- consolidating the deployment of the risk control policy, either directly within the EDF scope and that of the controlled subsidiaries, or through the governance bodies for the regulated subsidiaries and jointly-controlled affiliates (see § 2.2) in particular by ensuring the comprehensiveness and consistency of the various sector-specific risk control policies (see § 2.3.1.1);
- ensuring the deployment of the internal control policy and steering the internal control function (see §2.1.2);
- ensuring the deployment of the energy market risk policy within the EDF scope and that of the controlled subsidiaries and, more generally, ensuring the control of these energy market risks either directly within the EDF scope and that of the controlled subsidiaries, or through the governance bodies for the regulated subsidiaries and jointly-controlled affiliates (see § 2.3.1.1.1);
- defining and implementing financial risk control (interest, currency exchange, liquidity, equities and credit risks) and counterparty default risk control for the EDF scope and that of the controlled subsidiaries and ensuring the control of these financial risks through the governance bodies for the regulated subsidiaries and jointly-controlled affiliates (see § 2.3.1.1);
- managing the comprehensiveness and relevance of the risk analyses performed on long-term investment and commitment projects, which are submitted to Executive Committee-level bodies for approval;
- ensuring the deployment of the crisis management policy for the EDF scope and that of the controlled subsidiaries, and defining the terms of exchange and coordination with all subsidiaries during periods of crisis and guaranteeing the operational readiness of the crisis management system at Group level (see § 2.2.3);
- defining, coordinating and deploying the prevention and control systems that are needed to manage risks of fraud and commercial non-compliance1 (corruption, money laundering, financing of terrorism, compliance with international sanctions, etc.); ensuring the management of these risks for the perimeter of EDF and its controlled subsidiaries, as well as for planned investments and commitments, in conjunction with the Legal Division.

2.1.3.2 Group Audit function

The Group Audit function is made up of all the audit resources of the Group, EDF and the subsidiaries that perform internal audit activities. Following a decision by the Chairman and CEO, the management of this function is entrusted to the Group Senior Vice President, Audit. The audit function includes the Corporate Audit Division and the audit teams that are specific to each of the main French and foreign subsidiaries and affiliates. The relationships between the Corporate Audit Division and the various audit teams, along with their respective prerogatives, take into account the fact that they are part of teams at EDF, the controlled subsidiaries or the regulated subsidiaries. The Corporate Audit Division is responsible for the operational coordination of the function (joint appointment and joint assessment of subsidiary Audit Directors by the Corporate Audit Division – excluding RTE and ERDF – exchanges of best practices, training initiatives, pooling of tools and methods, etc.). In 2015, the Group Audit function employed 116 persons2.

One of the components of the “CAP 2030” project is audit. Further to the steps to improve internal control that the management has been asked to take, the objective, which was approved in September 20153 by the Executive Committee, involves refocusing the audit of the Group on its role as a third line of defence. With this in mind, some business line audit teams, whose role was more that of a second level of internal control, should expect to be reassigned to the internal control of the structures concerned4.

Operating standards for EDF and the controlled subsidiaries

- The Corporate Audit Division applies international standards as defined by the Institute of Internal Auditors and ensures that these standards are promoted and upheld within the scope of control.

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1 A transfer of this activity to the new Group Ethics and Compliance Division has been approved for 2016.
3 After review by the Executive Committee, meeting as a committee on change, and presentation to the Audit Committee.
4 Business line audit teams for EDF SA (Production, Engineering, Trade and Asia Pacific), and audit teams for EDF Polska, EDF Trading and EDF Luminus.
The duties, powers and responsibilities of the auditors, as well as the rights and duties of the audited entities, are defined in a charter that was updated on 3 September 2010. This charter, which was signed by the Chairman and CEO, highlights the independence of the audit function and outlines the missions and commitments of the internal audit function, together with the duties and the prerogatives of auditors and audited entities. It is used in conjunction with an ethics code that applies to the entire group audit function. The aim of this code is to promote an ethics-aware culture, and to emphasise that auditors must comply with and apply certain relevant, fundamental principles for the profession and for the internal audit practices.

The Corporate Audit Division reports to the General Secretary. The Senior Vice President, Corporate Audit, also benefits from direct access to the Chairman and CEO and reports on audit work to the Audit Committee; he provides relevant information to the Audit Committee on the adequacy of the audit manpower for the assurance assignments to be carried out.

All the Auditors in the Corporate Audit Division and the Audit departments of EDF and its controlled subsidiaries (excluding the regulated subsidiaries) are trained to use the same methodology, which is consistent with international standards. They are recruited from EDF's various business lines, as well as from external audit firms. Each auditor is assessed at the end of each mission and a transfer to audit is considered a positive career move. A memorandum of understanding was signed to this effect in March 2006 between the Corporate Audit Division and the EDF Senior Executive Development Division.

The key processes that are essential to the proper functioning of the Corporate Audit Division throughout the chain of its activities (from the drawing up of audit programs to the monitoring of the implementation of recommendations) are outlined and overseen.

In 2014, the audit function voluntarily submitted itself to an assessment by the IFACI, which certified that its practices comply with the international standards for the profession, as it did in 2008, then in 2011 and 2012.

**Operating rules for EDF and the controlled subsidiaries**

The Corporate Audit Division and the subsidiary audit divisions oversee the internal control procedures in the various divisions and controlled subsidiaries. The Corporate Audit Division conducts crosscutting corporate and subsidiary audits, and also audits on their scope of responsibility. The Corporate Audit Division is the only structure that is authorised to perform subsidiary audits that involve a corporate-level risk.

The audit programme is reviewed by the Chairman and CEO and the Risk Committee, then approved by the EDF Audit Committee, which reports back to the Board of Directors. The audit programme takes into account:
- the need to audit, at intervals adapted to their size, the Group’s main entities (Divisions and subsidiaries), in order to assess, in particular, the management of their internal control system;
- the main “Head of Group” accounting and financial processes (human resources and information systems);
- major projects;
- the major risks identified in the risk mapping, which are not covered by the above audits, at a frequency that is appropriate for the risk criticality;
- monitoring of decisions taken by Executive Management.

The plan for the subsidiary audit teams is coordinated with that of the Corporate Audit Division.

All audits give rise to recommendations, which, after being approved by the audited entities and their management, form the basis for action plans on their part that are submitted to the Corporate Audit Division. During the 12 to 18 months following the audit, the Corporate Audit Division monitors the implementation of these corrective actions or any other action decided on by the management with the aim of eradicating the dysfunctions identified by the audit. An audit is only considered to have reached a satisfactory conclusion when these dysfunctions have been eliminated. In contrast, an unsatisfactory conclusion to an audit or one where reservations are expressed triggers an appropriate management alert.

These principles are applied by the entire audit function under the same terms.

The Corporate Audit Division issues half-yearly summary reports, which resume the key audit facts for the entire scope of the Group audit function, the main corporate audit findings and the corresponding recommendations, as well as the results of corporate audits conducted during the period. It also identifies possible recurring or generic problems that appeared over the course of several audits conducted during the period, which warrant particular attention of the management. It provides an overview through the audit of the level of risk control in the Group. This report is presented first to the Chairman and CEO, then to the Audit Committee and the Board of Directors.

### 2.1.3.3 Corporate Finance Division

The Corporate Finance Division monitors changes that affect the markets and financial techniques, and also analyses project financial risks. The internal control systems for the Management Control, Accounting and Tax business lines are incorporated into the Group’s Internal Control Policy (proposed key requirements, which may be adapted by operational entities) and concern the implementation of function-specific policies. These policies concern, in particular, in the area of management control: the management cycle, expense commitments and investment monitoring, and, in the areas of accounting and tax, the reliability of accounting and tax information.

Management Control has the following remits:
- manage the forecasting processes for the Group’s management cycle (budgets, forecast updates and medium-term plans), summarise these processes and proposes trade-offs at Division and subsidiary level for the Group as a whole. In its analyses, Management Control is required to issue warnings and make proposals, before decisions are taken, regarding the financial consequences of the contemplated transactions, or the proposed performance levels;
- assist operations management in performance steering: tracking of budget implementation (for which forecast adjustments are issued twice a year, as well as a monthly reporting package that covers the results achieved to date and update of the most recent forecast adjustment) is tracked through regular, general performance reviews within the Divisions and controlled subsidiaries;
- perform the financial control function for the Group, by contributing, in particular, to the investment control processes and by performing economic and financial optimisation analyses;
- be the driving force behind the preparation of medium- and long-term financial trajectories.

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1. The French Institute of Audit and Internal Control.
The Finance Management Heads of the business line Divisions and Subsidiaries sit on the Management Committees of the entities to which they are assigned. They are appointed and assessed by the operations management and the Management Control business line.

Accounting has the following remits:
- prepare and publish the EDF parent company financial statements, as well as the Group’s consolidated financial statements;
- ensure the quality of accounting by designing a set of Group standards that detail the accounting practices and chart of accounts to be applied;
- update, for EDF, the internal control standards concerning the management of accounting and financial information.

The accounting internal control policies for the subsidiaries are the responsibility of each legal structure concerned.

Moreover, the investment projects that are assessed by the CECG are appraised and analysed upstream, prescriptively, in order to anticipate the impacts and ensure the reliability of the potential financial trajectories for the Group balance sheet and income statements.

Tax has the following remits:
- guarantee the consistency of tax policies within the Group;
- ensure the proper performance of legal and filing obligations, in particular by monitoring changes in legal and regulatory obligations;
- track deferred tax positions in the accounts, as well as periodic justification of the accounts;
- identify and reduce Group tax risks.

### 2.1.3.4 Legal Affairs Division

The remit of the Legal Affairs Division, which reports to the General Secretary’s office, is to protect the interests of the Group and to ensure the legal certainty of its activities, by providing support, counsel and expert assistance. It is also to anticipate and organise this protection of the Group’s interests in a sustainable manner, and to contribute to the Group’s performance, in particular by optimising contractual structures and legal solutions.

In order to enhance the overall management of Group legal risks, on 23 September 2014 the Chairman and CEO took a decision to create a Group legal function, under the management of the Group General Counsel.

In addition to the Legal Affairs Division’s contribution to the Group’s internal control outlined in paragraphs 2.1.4 and 2.3.3, Group-level legal reporting has been implemented on a quarterly basis for litigation and major or sensitive cases.

Moreover, a contract library is used to guarantee knowledge of and control over EDF’s sensitive contract archives. This contract library, which is an integral part of the internal control system, is a secure information system for the centralised archiving and scanning of the major contractual commitments of EDF and certain subsidiaries (excluding the regulated subsidiaries and jointly-controlled affiliates). This system was complemented by a new decision and a practical memorandum on the management of major contracts, according to which the original counterparts of major contracts that meet certain specific criteria are centralised in a secure national storage facility.

In addition, the Legal Affairs Division has set up a knowledge management system in order to capitalise on, harmonise and share the Legal Affairs Division’s precedents and positions, as well as monitoring legal developments in the field of legislation and case law that are of major interest for the Group.

### 2.1.4 Delegations of powers and technical authorisations

The Chairman and CEO delegates some of his powers to the Board of Directors, in particular to certain members of the management team.

In the area of procurements, the existing organisation is designed to ensure that control is maintained over purchases. Based on a series of thresholds, procurement contracts are signed by the Chairman, a Group Senior Executive Vice President or one of their delegated representatives after being approved by the Senior Vice President, Purchasing, or his or her delegated representatives; this approval confirms that the contract complies with the procurement process. Each Group Senior Executive Vice President must also reinforce the internal control procedures on procurement contracts that are submitted for his or her signature and those handled directly by their respective divisions. The exercise of the nuclear operator’s responsibility is delegated by the Chairman and CEO to the Group Senior Executive Vice President, Nuclear and Thermal and to the Group Senior Executive Vice President, New Nuclear Projects and Engineering, who, in turn, sub-delegate to the Directors of the Divisions concerned, who themselves have sub-delegated powers to the unit directors.

Each facility head, subject to prior evaluation of the appropriate skills, issues authorisations. These requirements apply to all workers, be they employees of EDF or external service providers.

The Legal Affairs Division drafts and updates delegations of powers where required by changes to EDF’s organisation. In addition, a handbook on delegations of powers written by the Legal Affairs Division, which was released in November 2008, was updated and re-released in 2010. This handbook is designed as a tool for informing and raising awareness at EDF entities on the nature, consequences and management rules for delegations of powers.

### 2.1.5 Ethics and Environmental Quality Initiatives

#### 2.1.5.1 Ethics & compliance initiative

In a decision dated 2 April 2013 issued to the members of the Executive Committee and the Group Management Committee, the CEOs of the Group Companies and to the Country Directors, the Chairman and CEO launched the deployment of the Group Ethics Charter; this decision is a second stage, namely the extension to Group level of an initiative that was launched in this area in 2004 and initially confined to EDF SA. The Chairman had set as a common objective that all Group employees should be aware of the new ethics standards before the end of 2013.

In each company and major division of EDF SA, the Group’s senior executives have appointed an Ethics Officer, whom they have entrusted with promoting the Ethics Charter within their Service Line, ensuring the prevention and handling of Ethics problems and being proactive in the furtherance of the Group’s Ethics initiative.

In addition to its Chair, the Group’s Ethics & Deontology Committee has five voting members who are Group senior executives. Geographical parity (France/other countries) and gender parity are maintained within this Committee. The executive secretary of the Committee is the EDF Ethics & Deontology Advisor. It also has three non-voting members who represent the Group’s HR Division, the Group Legal Affairs Division and the Risk Management Division.
The Committee is a forum for advice, consultation and support and is called upon to issue positions and make recommendations to the management on all matters relating to Group ethics and their implementation. It also responds to all internal and external consultation requests and to all ethics alerts at Group level (known as “central” alerts). It is provided with the reports produced by the EDF ethics advisor on the results of central alerts and of each company on the results of local alerts, as well as the implementation of the ethics policy. On behalf of the Committee, its Chair reports to the EDF Board of Directors’ Ethics Committee.

The Group Ethics Charter guarantees that any Group employee who is confronted with a situation that is contrary to the Group’s values and commitments has the right to alert his or her manager or a dedicated contact person in his or her company, or, if necessary and in the last resort, the Group’s Ethics & Deontology Committee, in total confidence and without risk, in particular via a secure email address (alerte-ethique@edf.com or ethics-alert@edf.com).

In 2015, the EDF’s Ethics function was enhanced: the ethics committee meeting of 15 June decided to structure the Ethics & Compliance function at the level of the EDF group. It approved the scope, remits and organisational principles of the function.

The first task of the Group Ethics & Compliance Division (“DECG”), which was set up in December 2015, will be to propose a “Group ethics & compliance programme” to the EDF Chairman, in order to federate the monitoring of EDF’s compliance with the national and international laws and regulations to which the Group is subject due to its activity and geographical locations.

As support for the procedures that have already been implemented by certain Group companies that operate in national regulatory environments (EDF Energy, Edison, EDF Inc. and EDF Energies Nouvelles) or specific regulatory environments (EDF Trading), the DECG will be tasked with giving the EDF group (i) an ethics and compliance policy for the Group as a whole (benchmarks, etc.), (ii) a harmonised and consistent Group-wide framework for management and control, and (iii) increased visibility of the Group’s capacity to mitigate compliance-related risks.

2.1.5.2 Environmental Quality Policy

For many years, the EDF group has taken into account the strategic issues associated with sustainable development, and has made sustainable development a fully-fledged component of its overarching strategy. This Group policy was materialised by the signature in 2009 of shared commitments by senior executives from the Group’s principal companies. This policy provides a framework to facilitate consistency between the initiatives taken by these companies and is built around three priorities:

- combating climate change, controlling and limiting impacts on the environment, in particular the protection of biodiversity;
- giving everyone access to energy and developing local action links;
- contributing to the debate on sustainable development.

The EDF Group Sustainable Development Committee (“SDC”) coordinates the implementation of this policy. The “CAP 2030” strategic project, which aims to make EDF “a successful and responsible energy company, the champion of low-carbon growth”, adds new prospects to the Group’s Sustainable Development and environmental drive. Sustainable Development Targets, which are linked to CAP 2030 and that specify the Group’s trajectory are currently being defined and will be implemented early in 2016. The policies in this area will be aligned with these objectives.

The Sustainable Development Committee acts as an Environment Board at Group level, and is in charge of steering the Environmental Management System in compliance with ISO 14001.

The EDF Group maintains its ISO 14001 certification, which was obtained for the first time on 9 April 2002. The certification scope includes EDF (all its operating entities and most of its functional entities), a number of French subsidiaries (including ERDF, Electricité de Strasbourg and EDF Énergies Nouvelles) as well as numerous international subsidiaries, including EDF Energy, Edison and EDF Luminus. In May 2015, the independent organisation AFNOR Certification issued a new ISO 14001 certificate to the expanded Group, following the addition of Dalkia in particular. Certification now covers 98% of the Group’s 2015 consolidated revenue.

The processes implemented within the framework of this certification help strengthen the management of the Group’s environmental risks, in particular the regulatory aspect and the challenging environmental topics, by giving its stakeholders the assurance of a structured and adapted organisation.

2.1.6 Organisation and steering of the Information Systems (“IS”)

Each Company and Group entity (Divisions or subsidiaries) has project ownership responsibilities for its specified scope. The Group Information Systems Division (“Group DSI”) is responsible for infrastructures and shared services. Depending on the policies adopted and in liaison with each Division, project management responsibilities are shared between the Division concerned and the IT and Telecommunications Shared Services Division, which acts as a cross-functional operator for EDF and certain subsidiaries.

The Finance Information System (“IS”) is used by several Group Divisions and is of strategic importance in terms of data integrity and application availability. The Finance IS Division is entrusted with the project management via a delegation from the Group Executive Director who is responsible for Finance. It oversees the day-to-day functioning of applications, manages changes and takes all requisite steps to ensure the security of this IS.

Stricter governance for the IS function was implemented pursuant to the Chairman’s decision of 19 December 2011 to improve Group steering of support functions. This governance is characterised by a broader scope of application, which includes all the Group’s non-regulated subsidiaries and more integrated management, which is entrusted to the Group Information Systems Division in order to guarantee IS synergies and performance for the benefit of business line strategy, in particular for the financial trajectory, security and availability of the IS.

Depending on their nature and the scope concerned, strategic decisions and choices are reviewed either by one of the EDF Committees mentioned in paragraph 2.1.1 or by the Committee of the Heads of Information Systems or the IS Group Committee, on which the Group’s subsidiaries are also represented, with the exception of the regulated subsidiaries. An IT Industrial Policy Committee decides on the industrial IT strategies for the scope of EDF SA and makes recommendations for the subsidiaries.

Moreover, the Group IS Division, which reports to the Group Executive Vice President, Finance, is also responsible for ensuring the strategic consistency of the information systems in the medium term: to this end, a vision of the information systems for 2020, along with the associated strategic policies, was designed with the assistance of the Service Lines.

2.1.7 External controls

As is the case for all listed companies, EDF is subject to the regulatory control of the French financial markets authority (Autorité des Marchés Financiers – AMF).
Due to the French State being a majority shareholder in EDF, the company can also be audited by the National Audit Office (Cour des Comptes), State Auditors, the Inspectorate of Finances, the French National Assembly and Senate Commissions for Economic Affairs or ad hoc investigative commissions, and the Public Procurement Contracts Commission.

As required by French law, the Statutory Auditors certify the annual financial statements (parent company and consolidated statements) and carry out a limited review of the Group’s summary consolidated half-year financial statements. They also issue an opinion on the annual report by the Chairman of the Board of Directors that is prepared pursuant to Article L. 225-37 of the French Commercial Code.

Owing to the nature of its business activities, EDF is also subject to control by the French Energy Regulation Commission (Commission de Régulation de l’Énergie– “CRE”) and by the Nuclear Security Authority (Autorité de Sûreté Nucléaire – “ASN”).

The findings of these various external reviews bodies are incorporated into the internal control and audit programmes, in particular.

2.2 Risk management and control

2.2.1 Risk management and control policy

The objectives of the risk control policy are to:

- contribute to securing the Group’s strategic and operating trajectory, and in order to do so:
  - identify and grade risks in all areas (operational risks, external risks, strategic risks, including risks that are linked to the consistency of actions with the Group’s values, and those linked to protecting the Group’s value, assets and reputation), with a view to ensuring a constant increase in the robustness of risk management;
  - ensure the Group’s entities are made responsible and accountable for identifying, assessing and handling risks, so that each executive is aware of the risks inherent in his or her activities and implements the action required to control these risks;
- ensure that EDF senior executives and governance bodies have an aggregated and regularly-updated picture of the major risks and their level of control;
- meet the increasing information requirements of external stakeholders with regard to the management of risks across the organisation.

The operating and functional entities are responsible for managing the risks that fall within their scope of activity, under the responsibility of Group Executive Management. Regular reports are provided on the management of Group risks during Risks Committee meetings.

The Group’s risk control policy is either implemented directly (for EDF and the controlled subsidiaries), or through governance bodies (for regulated subsidiaries and jointly-controlled affiliates).

This policy is supported by a risk control function that is separate from the risk management functions. This function provides, inter alia, a consistent approach to the identification, assessment and management of risks.

2.2.2 Risk mapping process

In accordance with these principles, the EDF Group issues consolidated mapping of its major risks for the EDF scope and that of its controlled and jointly-controlled affiliates. This consolidated risk mapping is based on maps established by each operating or functional entity using a common methodology (typology, identification and assessment principles, risk control measures, etc.). Each risk identified must be the subject of a detailed action plan. Responsibility for the priority risks falls to one or more risk “sponsors” on the Executive Committee.

In-depth discussions concerning the up-dating of risk mapping are regularly held between the Group Risk Control Division (see §2.1.3.1) and each of the contributing operating or functional entities. These discussions aim to review the relevance of the risk identification, as well as the robustness of the management initiatives taken.

The consolidated risk mapping drawn up at the end of the year is approved by the Risks Committee and, following review by the Audit Committee, presented to the EDF Board of Directors.

Since 2015, as part of the group risk mapping process, the Risks Committee has identified a more restricted set of “priority risks”, which were selected due to their operational or strategic importance. The connection between these risks and the “CAP 2030” strategic project was given priority so that, to the extent possible, risk management plans are included in the corresponding workshops.

The risk mapping and management initiative is one aspect of the strong complementarity with Group internal control and with internal audit, for which the programme is designed on the basis of, inter alia, the major risks identified. Moreover, the risk mapping process also provides a foundation for a number of other processes: the Insurance Strategy and its implementation, the analysis of risks involved in projects reviewed by EDF’s decision-making bodies (the Executive Committee, the Commitments Committee that reports to the Group Executive Committee (CECEG), etc.); in particular, through risk mapping, the risk control process helps secure the long-term investments and commitments process by monitoring the quality of the risk analysis of projects submitted to the CECEG. Lastly, the main risks to which the Group is exposed are described in the “risk factors” chapter of the 2015 Reference Document, in accordance with the consolidated risk mapping for the group at the end of 2015.

2.2.3 Crisis management policy

The crisis management policy, which was formalised by a decision of the Chairman and CEO in June 2005, defines the organisational and crisis management principles for the perimeter formed by EDF and its controlled subsidiaries, and describes all the procedures required to implement it. The primary focus of the policy is:

- ensuring the existence of crisis management structures and standing reporting procedures for alerts, in all Group entities;
- verifying the existence of and regular updating of appropriate crisis management procedures, in light of the risks incurred in each EDF Division and in the controlled subsidiaries;
- defining, for crisis periods, the procedures for co-ordinating with all subsidiaries (potentially via the Divisions to which they report;

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1 Function comprising the establishment managers for risk mapping and control (see § 2.3.1.1)
• ensuring that feedback from crises and crisis exercises is systematically taken into account, so as to avoid or limit the consequence of similar future crises;
• verifying the existence of professionalization initiatives for all crisis management stakeholders.

The internal control procedure for the crisis management policy is incorporated into the Group’s internal control system. Moreover, a programme of crisis exercises enables the effectiveness of these procedures and their overall consistence to be regularly stress-tested. Finally, the crisis management organisation is regularly readjusted to reflect any significant changes in internal organisation or the external environment, as well as in the light of lessons learned following a major crisis.

2.3 Group control activities

2.3.1 Control procedures relating to the correct functioning of internal processes

2.3.1.1 Sector-specific risk control systems

2.3.1.1.1 Energy market risk control

Each year the Executive Management approves the entities’ hedging strategies, as well as the associated risk limits, which are presented to it by the Risk Management Division (“DRG”) in accordance with the budget process. These strategies are based on a Group energy market risk policy, which was approved by a decision of the Chairman and CEO during the Executive Committee meeting of 30 April 2013. This policy defines how these risks should be managed for the perimeter formed by EDF and the subsidiaries over which it exercises operating control and stipulates all the necessary procedures for its implementation and the control of its application. Concerning jointly-controlled affiliates and companies over which there is no operations control, the Energy Market Risk Policy and the associated control procedure are reviewed within the framework of the governance bodies of these companies.

This policy describes:
• the governance and measurement system, clearly separating the risk management and risk control responsibilities and enabling the tracking of exposure within the perimeter defined above;
• the risk control procedures involving EDF Executive Management in the event that risk limits are exceeded. Particularly rigorous risk control procedures are in operation at EDF Trading, given the specificity of the trading activities;
• the function responsible for controlling Energy Market Risks, which has a two-tier organisational structure, as well as the entities that ensure operating control and the Control department within Corporate Risk Management ensuring the second level of control.

The EDF Audit Committee issues an opinion to the Board of Directors on the Energy Market Risks Policy and the changes to be made to it proposed by the DRG.

2.3.1.1.2 Financial and investment risk control

The Risk Management Division, among other things, is responsible for controlling market risks (interest rate, foreign exchange, equity and credit risks), liquidity risk and counterparty risk for EDF and the controlled subsidiaries. This control is exercised through:
• verifying the proper application of financial risk management principles described in the framework and of the Group’s policy on counterparty default risk, in particular through support and control missions (methodology, organisation, exposure monitoring, regular calculation of risk indicators and control of compliance with Group risk limits);
• controlling market positions in EDF’s trading room, which is responsible for cash management. For these activities, a system of indicators and risk limits, which is verified daily and on a weekly basis, is used to track and control financial risk exposure. This involves the Finance and Investments Division (“DFI”), the trading room and the Corporate Risk Management Division, which are expected to take immediate action if a limit is exceeded.
• controlling the financial and counterparty risks associated with investments made for the “Dedicated Assets” portfolio (within the Corporate Finance Division), for which management responsibility is assumed by the Listed Asset Management (financial portfolio) and EDF-Invest (non-listed portfolio; private equity, infrastructure and real estate) sections of the Finance and Investments Division. The policy for identifying, managing and mitigating EDF SA’s financial risks was updated and approved by the EDF Board meeting of 11 February 2015. An annual risk management mandate, as well as specific working environments, have been implemented by the Risk Management Division in order to define the risk management principles and the acceptable risk limits for both portfolios, as well as the overall risk limits. The Operations Management Committee chaired by the Senior Vice President, Finance and Investments is the steering organisation for the financial portfolio (listed assets), whereas the Investment Committee chaired by the Group Senior Executive Vice President, Finance is the structure that oversees the private equity portfolio. Representatives of the Risk Management Division attend these two committees in order to design the risk management strategy for the two portfolios with the managers. Moreover, the Monitoring Committee for Dedicated Assets, which is chaired by the Group Senior Executive Vice President, Finance, is responsible for the overall monitoring of the portfolio;
• controlling the completeness and relevance of the risk analysis performed on long-term investment projects and commitments, which are submitted for decisions at Executive Committee-level bodies.

In order to guarantee the independence of the financial risk control structure vis-à-vis the activities responsible for managing these risks, the Financial Risk Control Department reports to the Risk Management Division.

1 For RTE, coordination during crisis periods is organised under the aegis of the authorities.
2 For regulated subsidiaries, these responsibilities are exercised within the limits laid down by the regulations in force.
2.3.1.2 Specific controls

2.3.1.2.1 Procedure for approving commitments

In accordance with the Group's "commitments process", for which the framework is provided by a procedure dating from September 2011, the Commitments Committee which reports to the Group Executive Committee ("CECEG"), which is made up of all the members of the Executive Committee, reviews potential Group commitments, excluding regulated subsidiaries and jointly-controlled affiliates, once the Executive Committee has adopted a favourable position in principle with respect to the commitment concerned. This review covers, in particular:

- investment, disinvestment, merger and acquisition projects in excess of €50 million;
- expenditure on supplies, works or services for an amount in excess of €200 million;
- long-term purchase or sale contracts that exceed annual limits of 5 TWh for electricity, 10 TWh for gas and €150 million for coal, fuel oil, CO₂ emission credits and allowances;
- the multi-year supply programme for reactors and back-end nuclear fuel cycle services;
- operations to transfer obligations regarding decommissioning or the back-end of the nuclear fuel cycle.

Group Executive Committee meetings are systematically preceded by meetings attended by experts at corporate level (Group Risk Division, Legal Affairs Division, Corporate Finance Division, Upstream-Downstream Optimization & Trading Division, Sustainable Development Division, Strategy Division, Procurements Division, etc.) and project managers in order to verify the exhaustiveness and depth of the risk analysis on the projects submitted. This work is based on methodology standards for the analysis of the risks involved in development projects, which take into account the full impact of a project.

Where necessary, planned commitments are then reviewed by the Board of Directors, as described in paragraph 1.2.4.

The "Investments Steering" Guide states that planned commitments below the threshold for referring matters to the Group Executive Committee will be reviewed by the governance bodies that are specific to each entity.

In addition, and in order to improve the industrial and financial control of operations projects and activities in France and abroad, "golden rules" that are applicable to all contracts signed by the Group were approved by the Chairman and CEO in January 2013 and have been implemented. These "golden rules" constitute a framework, which, when associated with a monitoring process, makes it possible to measure the risks taken by the Group within the scope of its operations.

2.3.1.2.2 Information Systems ("IS") control

Organisation of the internal control of the Information Systems function

The internal control system for the Information Systems function is part of the Group's Internal Control Policy (that contains proposed key requirements that are common to the entire Group) and covers the implementation of the function's policies and management of the main crosscutting risks. These policies address, in particular, infrastructures and shared services, Information Systems security, IS project governance, IS risk management and compliance with the French Act on Information Technology, Data Files and Civil Liberties.

For the record, EDF's Information Systems internal control standards are based on the COBIT (Control Objectives for Information and related Technology) external standards.

The Group Information Systems Division ("Group DSI") has coordinated the internal control and coverage of risks that are specific to Information Systems issues since 2009 at two levels within the function's organisation: a network of IS Risk and Internal Control Officers and the Committee of the Heads of Information Systems who represent the divisions. The Group IS Division ensures close coordination between the IS Risk and Internal Control Officers’ and the IS Security Managers’ ("RSSI") networks, thereby making it possible to improve risk coverage and internal control for EDF. These networks will be progressively extended to include the subsidiaries.

The Committee of the IS Directors in France mandates the Security Committee ("COSEC") to plan and coordinate cross-functional security work. It fulfils the following roles, in particular:

- Contribution to the preparation and updating of the documents that make up the EDF SA security guidelines. Coordination of leadership, raising awareness, training and support for the service lines of the IT function in the field of Information System security;
- Taking into account institutional and technical monitoring of security on the basis of global feedback (implementation, compliance, effectiveness, incidents, reporting, reviews and audits);
- Review of complex applications for derogations from the security policy.

The EDF group's Information Systems Security Policy ("PSSI") structures the information system security policies and organisation for the Group's IS. The IS Group Committee receives reports on the implementation of the PSSI. The adjustment of this policy, as well as the level of security, are monitored for EDF SA and in the Group's subsidiaries through two dedicated committees:

- for EDF SA, on a monthly basis by a committee chaired by the EDF Group's Head of IS Security, and brings together the Heads of Information Systems Security from all the entities within the EDF scope;
- for the main subsidiaries, on a quarterly basis by a committee chaired by the Head of EDF Group Information Systems Security, which brings together the Heads of Information Systems Security at the main subsidiaries.

Actions in the field of IS security

Key points for 2015 were:

- the framing of strategic policies objectives in the field of IS security with a 2020 horizon, in order to adapt the IS vision for 2020 mentioned in paragraph 2.1.6;

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1 Excluding financial investments and disinvestments linked to the management of dedicated assets and pension assets, for which the governance is specific. See § 1.4.2.
the publication, by business lines, of a mapping of applications with increased security, and the implementation of a procedure to centralise this mapping;

the performance of a "cyber attack" crisis exercise with the involvement of part of EDF's top management;

the implementation of two “Business Continuity Plan” exercises for the two EDF data centres, and the implementation of business continuity plans in most of the subsidiaries;

regular meetings by the Review Board for Service Outsourcing Requests ("BIPSE"), which has been tasked with performing security analyses on outsourced services, since it was set up in 2012;

the commissioning of cyber surveillance tools in order to provide better visibility of IS security incidents through the generation of alerts and reporting data;

the signature, by the Chairman, of a framework agreement between the Ministry of Defence and the EDF group concerning the Cyber Excellence Unit.

2.3.1.2.3 Administration and monitoring of subsidiaries

Under the new “Corporate Officers” policy signed by the Chairman and CEO on 15 January 2015, each EDF subsidiary or shareholding (with the exception of the regulated subsidiaries) reports to a Senior Executive who is a member of the Executive Committee or to his or her delegated representative. These Senior Executives, or their representatives, put forward the corporate officers who will represent EDF on the governance bodies of these companies; final approval for appointments is given by the Chairman and CEO of EDF.

This policy also includes a requirement to obtain the agreement of the Executive Management prior to incorporating any subsidiaries or acquiring any shareholdings, both in and outside France.

The Directors and Companies Delegation, which was set up in 2002, pays particular attention to:

- updates to company reporting line mapping, in the light of decisions taken by the Executive Management concerned;
- the tracking of “target composition profiles” which foresee the assembly of the necessary collective skills, as well as the profiles necessary to represent EDF effectively on the governance bodies of subsidiaries and shareholdings;
- compliance with the appointment process for corporate officers;
- improving the professional standards of corporate officers (induction training seminar for new officers with the support of the Corporate University, information through the intranet site for the directors’ community).

2.3.1.3 Other control policies

The EDF Group’s insurance policy, which was approved by the Chief Financial Officer in October 2012, was implemented in 2013.

This new policy, which is a genuine integration tool for the Group’s entities and subsidiaries, specifies the insurance scope, which covers all the Group’s activities and perimeter.

In addition to these governance documents:

- since 2004, in an Audit Committee meeting, the Director of the Group’s Insurance Division gives a situation report on the scope and the cost of insuring EDF’s risks with a policy or by transferring the risks to the financial markets;
- since 2011, a Strategic Insurance Guidelines Committee (“COSA”), which is chaired by the Group Senior Executive Vice President, Finance, stimulates discussions between business lines and investors on changes to and methods for implementing the Insurance Strategy, in particular the main characteristics of the coverage schemes for insurance risks.

2.3.2 Internal control procedures relating to the reliability of accounting and financial information

2.3.2.1 AMF Reference Framework

The section of the Internal Control Manual that covers control over accounting and financial information was completely restructured in 2011 in order to conform to the AMF Reference Framework, as revised in 2010.

2.3.2.2 Group accounting standards and principles

The accounting standards used by the EDF Group (the scope of the Group’s consolidated financial statements is detailed in the notes to the consolidated financial statements (cf. chapter 6 of the 2015 Reference Document)) conform to the international accounting standards as published by the International Accounting Standards Board (“IASB”), and approved by the European Union, which have been applicable as of 31 December 2015. These international standards comprise IAS (International Accounting Standards), IFRS (International Financial Reporting Standards) and SIC and IFRIC interpretations. The accounting rules and methods are described in the Group manual on accounting principles and summarised in the notes to the consolidated financial statements.

A network of correspondents in the Operating Divisions and subsidiaries facilitates sharing instructions and consistent accounting implementation from one Group entity to another.

2.3.2.3 Procedures for preparing and controlling the consolidated financial statements

The Consolidation Department (part of the Accounts Consolidation Division) prepares the consolidated financial statements based on data input locally by each entity (parent company entities and subsidiaries), in accordance with Group standards and instructions, using a single chart of accounts. The consolidation scope is defined after identifying all the undertakings that are controlled, jointly controlled or under significant influence that is material in nature. The non-significant nature of shareholdings that potentially fall within the scope of the Group’s consolidation is reviewed each quarter, and submitted to the auditors for review once a year.

The half-yearly consolidated financial statements are presented to the Audit Committee then to the Board of Directors, at each half-yearly closing off of the accounts.
The annual consolidated financial statements are presented to the Audit Committee, then closed off on 31 December of the fiscal year by the EDF Board of Directors and approved by the general shareholders’ meeting.

Each time the half-yearly and annual financial statements are closed off, instructions are issued that specify all the deliverables expected from each person who plays a role in the publication of the financial statements, and in preparing the management report and the reference document used for annual closings. Meetings between the EDF divisions and the subsidiaries are used to prepare these financial statements and anticipate any changes in certain forms of accounting treatment in order to ensure that the financial and accounting information published is reliable. Subsequent analysis of the conditions under which the deliverables were produced (compliance with deadlines, quality of information, etc.) allows for a steady improvement in the process for preparing and analysing the consolidated financial statements.

A monthly reporting package containing information on the balance sheet and income statement accounts has been used since 2011. This has made it possible to anticipate the recognition of complex operations and helped make the results more reliable.

The use of a common financial language by Accounting and Management Control contributes to the consistency of the Group’s steering. This common language is one of the ways of ensuring continuity between:

- actual data obtained from accounting and the data produced during the forecasting phases;
- external financial communication and internal steering.

This common language facilitates dialogue and cooperation between these two functions at all levels of the organisation and helps ensure the exchange of information between those who play a key role and the quality of the information produced.

### 2.3.2.4 Procedures for preparing and controlling the parent company financial statements

The parent company financial statements are prepared on a half-yearly and annual basis by the Parent Company Accounts Department (part of the Consolidation Accounting Division).

The parent company financial statements are closed off on 31 December of the fiscal year by the EDF Board of Directors and then approved by the general shareholders’ meeting.

The Board of Directors closes off the half-yearly parent company financial statements on 30 June of the fiscal year. EDF’s transactional accounting (excluding the Nuclear Fuel Department, Island Energy Systems and the Senior Executive Development Division for payroll accounting) is entrusted to an “Accounting” shared services centre within the Shared Services Division. The handling of transactional accounting is organised by process. "Governance pacts" establish the respective responsibilities of the operating branches and divisions, the “Accounting” shared services centre or, as applicable, the accounting operators located in the operations business lines, and the Consolidation Accounting Division.

Meetings are held each quarter with EDF’s divisions in order to prepare the financial statements and anticipate changes in certain types of accounting treatment, in order to ensure the reliability of the accounting and financial information that is published.

Each operating branch and functional Head makes an annual commitment regarding the quality of the Internal Control system in the field of Accounting and Finance, the improvement targets for the coming period, and the accuracy and exhaustiveness of the accounting information for which he or she is responsible by sending a letter of commitment to the Head of Accounting Consolidation.

The accounting internal control system is incorporated into the Group internal control system. EDF uses benchmark indicators, which make it possible to measure the extent to which certain aspects of accounting information are compliant, by process.

### 2.3.3 Internal control procedures relating to compliance with laws and regulations

The Legal Affairs Division has a remit to track changes in the law and regulations. It issues warnings and raises awareness within the relevant Divisions in light of any changes that are liable to impact the Group.

Pursuant to a joint decision of 1 June 2007, completed by a decision of 12 May 2011, the Legal Affairs and Corporate Audit Divisions adopted an action plan aimed at formalising the role of Legal Affairs in defining the control objectives mandated in the different EDF entities, so that they can be taken into account in the entities’ own internal control plans. These control objectives aim to ensure that these entities:

- inform the Legal Affairs Division of the regulatory areas that particularly concern them, to ensure that the Division can perform its monitoring assignment optimally, without forgetting crosscutting legal issues (e.g. anti-competitive practices and insider trading);
- systematically involve the Legal Affairs Division as early as possible in matters involving significant strategic issues and legal risks;
- check that their delegations of power effectively reflect their organisation and are updated as required;
- check that the drafts for major contracts are written with the assistance of lawyers, and, once signed, are sent to the Legal Division for inclusion in the Group’s contract library;
- check that the lawsuits brought by the entities are periodically reviewed by the Legal Division;
- identify their needs in terms of legal awareness within the fields that concern them, including crosscutting needs, and notify them to the Legal Affairs Division.

Since 2010 the Legal Affairs Division has implemented a Competition Law Compliance Programme, with three objectives:

1. raising awareness of competition rules through training, information and practice;
2. enabling employees to acquire competition law expertise (for preventive, defensive and offensive use); and
3. reviewing compliance with competition rules.

Moreover, by decision of 22 January 2014, the Chairman and CEO launched an anti-corruption compliance programme that is applicable to all business lines, divisions and subsidiaries controlled by the EDF Group. A mechanism to prevent corruption is included in the compliance policy that will be deployed over the course of 2016 by the Group Ethics and Compliance Division.

A control mechanism for consultants (as in “intermediaries and business providers”) has also been set up at EDF; it is run by the General Secretariat. It includes, in particular, an analysis of the reputation and probity of the Group’s counterparties.

#### 2.3.3.1 Regulations relating to industrial operations

##### 2.3.3.1.1 The nuclear sector
Numerous control procedures exist in the field of industrial operations. For the nuclear sector, the regulations in force are specific to each country where facilities are located. External controls are organised by the relevant national authorities (the Nuclear Safety Authority in France ("ASN"), the Health and Safety Executive Nuclear Directorate, which is now part of the Office for Nuclear Regulation in the United Kingdom, the Nuclear Regulatory Commission in the United States, the National Nuclear Safety Administration in China, etc.).

Within EDF, this responsibility falls to the following executives and/or entities:
- the Nuclear Safety Council, which is chaired by the EDF Group Chairman, meets several times a year and in February reviews the annual "Nuclear Safety and Radioprotection and Security" report;
- the General Inspector for nuclear safety and radioprotection ("IGSNR") who, on behalf of the Chairman, ensures that all aspects of safety and radiation protection issues in the nuclear facilities for which EDF has operating responsibility are fully taken into account and whose annual report is made public;
- the Nuclear Inspectorate, a department that reports directly to the Senior Vice President, Nuclear Operations ("DPN"), and the Audit Assessment Taskforce, which functionally reports to the Senior Vice President, Nuclear Engineering and New Projects ("DPENN"), the verification work of which makes it possible to regularly assess the level of safety in all the various operations and engineering entities;
- the Audit function carries out various audits each year in the nuclear field (engineering fuels and operations).

Articles L. 594-1 et seq. of the French Environment Code and the implementing legislation (the Decree of 23 February 2007 and the Order of 21 March 2007) on securing financing for nuclear expenses, require the Company to produce a report on the procedures and systems used to assess the expenses linked to the sustainable management of radioactive matter and waste. This report must specify the methods applied to calculate the related provisions and the choices made for the composition and management of the assets allocated to covering the provisions.

Two laws were enacted in 2015:
- Law no. 2015-992 of 17 August 2015 on energy transition for green growth;
- Law no. 2015-715 of 6 August 2015 for growth, business and equal opportunities, known as the "Macron Act".

Various pieces of legislation will be adopted to implement these laws, in particular concerning environmental assessment and public involvement, a subject that has major implications for the completion of the Group's industrial projects.

Since June 2007, and in accordance with the legislative and regulatory framework, EDF files a report with the administrative authority every three years and sends an update letter yearly. These reports and update letters are given an in-depth review by the Nuclear Commitments Monitoring Committee, which then reports to the EDF Board of Directors before sending the reports and letters to the administrative authority. The report on internal control that is appended to the updating letter was delivered by the Board of Directors.

The Order of 7 February 2012 that laid down the basic rules on Basic Nuclear Facilities (BNF), is part of the recasting of the general regulations that are applicable to BNF. Along with the amended Decree no. 2007-1557 of 2 November 2007, known as the "procedures" decree, this Order, most of the articles of which entered into force on 1 July 2013, is a major implementing piece of legislation for the Nuclear Transparency and Safety Act, which is now incorporated into the French Environment Code, for which the application rules are explained by ASN decisions and guides.

Immediately following the Fukushima accident of 11 March 2011, EDF acted responsibly in its capacity as a nuclear operator by applying the lessons learned to its own facilities the same month.

The ASN notified its findings to the French government in a report dated 3 January 2012, which contains an opinion (no. 2012-AV-0139) in which the ASN states, in particular: "Following the supplementary safety assessments of the priority nuclear facilities, ASN considers that the facilities examined offer a sufficient level of safety for it not to request the immediate shutdown of any of them. At the same time, ASN considers that for the continuation of their operation, an increase in the robustness of the facilities to extreme situations, beyond their existing safety margins, is necessary, as rapidly as possible."

The schedule for the implementation of the technical requirements that were issued by the ASN on 26 June 2012 was adhered to strictly in 2014. In particular, the plants implemented the post-Fukushima crisis management benchmark (that takes into account the Nuclear Rapid Action Force ("FARN").) and since 1 January 2016 the FARN has been in a position to intervene in six phases on the same site in less than 24 hours, in order to provide and implement additional human and material resources to cool the reactors and pools.

The WANO (World Association of Nuclear Operators) carried out three international peer reviews on French nuclear power stations in 2015, at Golfech, Penly and Cattenom. The annual programme involves reviewing each power station on average every four years. These reviews allow experienced professionals from around the world to observe our working practices in the field for themselves. A comparison can thus be made with the best international practices in all fields of nuclear power station operation. Since 1 January 2014, the WANO uses the new international benchmarks for its reviews (PO&Cs: Performance Objectives and Criteria), which now focus more on the safety of nuclear facilities. Following a review, the Unit Director of the site commits to implementing an action plan drawn up in consultation with the WANO team. The aim of these actions is to respond to the recommendations that were made. Two years after the review, a team of around ten WANO experts assesses the effectiveness of the action plan implemented by the site through a follow-up review. The recommendations made during the Peer Review are thus assessed a second time. In 2015, three follow-up reviews were conducted at Civaux, Fessenheim and Blayais. This follow-up allows a site to step up its actions in any areas where it is found to be lacking, with the assistance of international experts who, at the site's request, can also come to the site to carry out technical support missions ("TSMs"). All these actions enable sites to benefit from an outside expert review and align themselves with international best practices.

An OSART (Operational Safety Review Team – review of a nuclear power station organised by the IAEA) was conducted in Dampierre in 2015.

### 2.3.3.1.2 The hydropower sector

In the hydropower sector, safety is ensured by all the steps taken when the hydropower facilities are designed and during their operation, in order to ensure the protection of persons and property against the dangers linked to water and that are due to the presence or operation of the structures. Hydropower safety is a major, ongoing concern of the producer. It has three main aspects:

- the mitigation of risks linked to operation: changes in the level of bodies of water or the flow rate of waterways upstream of the structures;
- the management of the structures during high-water periods, in order to ensure the safety of the facilities and the populations;
- the prevention of the major risk represented by the failure of a hydropower structure, via the surveillance and maintenance of the structures under
the monitoring of the State departments, primarily the Regional Directorates for the Environment, Development and Housing ("DREAL"). Sixty-eight of the largest dams must follow a specific administrative procedure ("specific intervention plan") that is implemented by the Prefect who has jurisdiction over them.

EDF regularly monitors and maintains its dams, in particular by ongoing physical examination. Real-time sampling and analysis of multiple data parameters (measurements of settling, pressure and leaks, combined with the visual inspection of the concrete and checks on the mechanical sections, etc.) enable EDF to obtain regular diagnoses of the state of its dams. In Grenoble and Toulouse, EDF’s teams can analyse remotely and, if need be, in real time, the largest or most difficult to access dams, using a series of sensors.

Moreover, for each of the 150 major dams, a complete overhaul is performed every ten years, combined with drainage or an inspection of the structure using underwater apparatus. These operations are performed under the strict supervision of the State departments (the DREAL and STEEGBH – Technical Department for the Electrical Energy of Major Dams and Hydropower).

In 2015, EDF carried out 120 safety reviews of structures that are currently being operated (see chapter 1 of the Reference Document).

From an organisational standpoint, each year the Hydropower Safety Inspector prepares a report for the Chairman and CEO of EDF, to whom he directly reports, as well as for the hydropower safety stakeholders. The purpose of this report is, on the basis of analysis, inspection and assessment work performed by the Hydropower Safety Inspector, to provide an opinion on the level of hydropower safety of the Group’s facilities and to provide avenues for reflection and progress in order to guarantee the improvement and consolidation thereof. This report is made public on the Group’s website.

In other operations-related fields, each entity is responsible for defining and implementing the adequate control procedures.

### 2.3.3.2 Other regulations

For the safety of its facilities, EDF implements the measures stipulated by the public authorities for the protection of these facilities, on all its sites.

Control procedures are also used for the application of labour and employment regulations.

Since January 2014, the Group’s health and safety policy defines a framework for common consistency of which the policies of the Group’s various subsidiaries and their action plans are a part. This Group policy applies to all companies controlled by the EDF Group in all countries where EDF operates, and concerns its employees, as well as those of its sub-contractors who work on its facilities and on its premises. It provides for the implementation of an annual group safety review by the EDF Executive Committee.

In 2015, during the first annual review of the Group, the major strategic health and safety policies were defined for the CAP 2030 programme, which is the foundation for the three-year action plans and will be adapted for implementation in each of the Group’s companies.

### 2.3.4 Internal control procedures relating to the application of Executive Management instructions and policies

As part of the deployment of internal control within the Group, the monitoring of the effective implementation of major decisions and policies is taken into account by their inclusion in the Internal Control Reference Manual. Moreover, audits may be included in the corporate audit programme in order to check the correct implementation of these decisions and policies, and that the targets set within this framework are attained.

### 2.4 Information communication and circulation

In addition to the communication and reporting initiatives outlined within this report, the following specific initiatives are noteworthy:

- Since EDF shares were listed for trading in 2005, EDF has established procedures that aim to provide a framework for and ensure the reliability of EDF financial disclosure processes and content, as well as to prevent market abuse. Accordingly, a procedure has been defined to organise the respective roles within the Company with regard to the preparation, validation and dissemination of financial disclosure data. A system for validating financial information, designed to ensure the validation and consistency of EDF’s different financial communication sources, to review and validate the contents of all financial communication channels has been set up. This Committee comprises representatives from the Corporate Finance, Communication and Legal Affairs Divisions. Furthermore, since 2006 the EDF group has adopted a Stock Market Compliance Charter that summarises the principles and rules that are applicable to transactions involving EDF securities or those of the EDF group’s listed subsidiaries. In parallel with the publication of this Code, initiatives to raise awareness of stock market rules have been taken vis-à-vis Group employees’, in particular concerning the precautions and obligations associated with holding inside information and the blackout periods during which senior executives and certain employees who are party to insider information may not trade in the Company’s shares.

- The Code of Conduct: compliance with the codes of conduct for the regulated subsidiaries is monitored annually by these subsidiaries, and verified by the French Energy Regulation Commission, which publishes the results of its checks in its annual report.
This report was prepared by a working group coordinated by the EDF Corporate Audit Division, which includes representatives of the Legal Affairs, Corporate Risk Management and Corporate Finance Divisions, as well as the General Secretary to the Board of Directors. Various contributors, such as the Group Ethics and Compliance Division, the Information Systems Division, the Sustainable Development Division and the Investors and Markets Division were also involved. This report was discussed with the statutory auditors. It was successively reviewed by the Financial Disclosure Committee (4 February 2016) and the Group General Secretary (4 February 2016) before being approved by the Board of Directors’ meeting of 15 February 2016, in accordance with Article L. 225-37 of the French Commercial Code.


The Chairman and CEO of EDF,

Jean-Bernard Lévy