



**REPORT OF THE BOARD OF DIRECTORS ON  
THE FOURTH ITEM ON THE AGENDA OF THE ORDINARY MEETING**

**Adjustment of the fees charged for the statutory audit assignment  
concerning financial years 2018 and 2019 pursuant to changes in the law**

Dear Shareholders,

the ordinary Shareholders' meeting held on April 29, 2011 resolved, upon proposal of the Board of Statutory Auditors, to appoint Reconta Ernst & Young S.p.A. (which has then changed its corporate name into the current name EY S.p.A.) as the external auditor of Enel S.p.A. for the financial years from 2011 to 2019, determining the relevant fees.

Such fees – as indicated in the same resolution of the Shareholders' meeting – were determined according to the criteria set out in Consob Communication No. 96003556 of April 18, 1996 and therefore are subject to the variation provided therein which refers to “the occurrence of exceptional and/or unforeseeable circumstances”; should these circumstances occur, the audit company shall formulate a supplement to its proposal.

In relation to certain changes in the law recently entered into force at a European and national level, which entail the performance of more complex audit activities, on February 5, 2018 EY S.p.A. formalized a request for increase of the fees set by the ordinary Shareholders' meeting on April 29, 2011, which was submitted for examination and assessment to the Board of Statutory Auditors.

Pursuant to Article 13, paragraph 1, of Legislative Decree No. 39 of January 27, 2010, the Board of Statutory Auditors then expressed the reasoned proposal reported here below which the Board of Directors thus submits to the approval of this Shareholders' Meeting.

*“Dear Shareholders,*

*You have been called in ordinary meeting in order to discuss and resolve upon the adjustment of the fees to be granted to the audit Company EY S.p.A. (hereinafter, “EY”) as a consequence of certain changes in the law recently entered into force at a European and national level, described below, which entail the performance of more complex audit activities, which were not predictable at the date of the appointment of EY as external auditor.*

*Pursuant to Article 13, paragraph 1, of Legislative Decree No. 39 of January 27, 2010 (hereinafter, “Decree 39/2010”, as amended by Legislative Decree No. 135 of July 17, 2016), the fees for the audit company shall be determined at the moment of the relevant appointment by the ordinary shareholders’ meeting, which resolves upon the reasoned proposal of the supervisory body (i.e. of the Board of Statutory Auditors); such fees are set for the entire office, with the possibility for the shareholders’ meeting to establish ad hoc criteria for their adjustment.*

*It is hereby reminded that the current engagement for the statutory audit of Enel S.p.A. (hereinafter, “Enel”) has been conferred upon EY (whose company name at the date of the appointment was Reconta Ernst & Young S.p.A.) by resolution of the ordinary Shareholders’ Meeting held on April 29, 2011, upon proposal of the Board of Statutory Auditors. Such engagement, conferred for the fiscal years from 2011 to 2019, concerns:*

- the audit of the financial statements of Enel in relation to which the audit company shall issue its audit opinion within the specific report pursuant to Article 14, paragraph 1, letter a), of Decree 39/2010;*
- the audit of the consolidated financial statements of the Enel Group, in relation to which the audit company shall issue its audit opinion within the specific report pursuant to Article 14, paragraph 1, letter a), of Decree 39/2010;*
- the limited review of the consolidated condensed half-year financial statements of the Enel Group, in compliance with Consob Communication No. 97001574 of February 20, 1997 and Consob Resolution No. 10867 of July 31, 1997;*
- the testing, in the course of the financial year, of the duly bookkeeping of the Company and the duly recording of the management facts in the Company’s accounts, pursuant to Article 14, paragraph 1, letter b), of Decree 39/2010;*

- other assignments closely connected with the statutory audit to be assigned in relation to fulfillments prescribed by laws, regulations and established practices as well as to testing procedures agreed with Enel.

For the aforementioned services, the ordinary Shareholders' Meeting held on April 29, 2011 resolved to grant EY a total amount of fees equal to Euro 3,480,791.55 for the entire nine-year period 2011-2019. For the sake of completeness, it is reminded that the proposal of Reconta Ernst & Young S.p.A. involved, in addition to Enel S.p.A., also other 352 companies identified on the basis of the perimeter of the Enel Group as per the last consolidated financial statements (concerning the financial year 2009) published at the date on which the tender procedure had commenced; with regard to such wider perimeter the same proposal provided for fees equal to approximately Euro 64 million for the entire nine-year period 2011-2019.

The engagement was then formalized on June 21, 2011 by the execution of a framework agreement for the services concerning the statutory audit of the annual and consolidated financial statements of the companies belonging to the Enel Group for the period 2011-2019 ("**Framework Agreement**").

The fees indicated above – as highlighted in the resolution of the ordinary Shareholders' Meeting held on April 29, 2011 – were determined according to the criteria set out in Consob Communication No. 96003556 of April 18, 1996 and therefore are subject to the variation provided therein which refers to "the occurrence of exceptional and/or unforeseeable circumstances"; should these circumstances occur, the audit company shall formulate a supplement to its proposal.

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By letter dated February 5, 2018 EY requested an adjustment to the fees in relation to the increased complexity of the audit activities concerning:

- the new format of the audit report applicable to Public-Interest Entities (hereinafter "PIEs", substantially coinciding with companies whose transferable securities are admitted to trading on a regulated market of any Member State of the European Union, as well as banks and insurance companies), pursuant to Article 10 of Regulation (EU) No. 537/2014;

- *the additional report to the audit committee (i.e. to the Board of Statutory Auditors), introduced for the PIEs by Article 11 of Regulation (EU) No. 537/2014; as well as*
- *the new opinion on the compliance with applicable laws of the management report and of certain information contained in the report on corporate governance and ownership structure, deriving from the amendments to Decree 39/2010 made by Legislative Decree No. 135 of July 17, 2016.*

*With regard to companies whose financial years correspond to calendar years, the above-mentioned provisions of law are applicable starting from the financial year 2017; therefore, the increase of the fees requested by EY concerns the audit activities in relation to the annual and consolidated financial statements of Enel as of December 31, 2017, 2018 and 2019 and to the financial statements, as of the same date, of some of its Italian subsidiaries.*

*Please find below a more detailed description of the amendments to the law provisions upon which the request for the increase of the fees submitted by EY is based and of the additional audit activities required by the said amendments.*

#### *1. The new format of the audit report*

*Article 10 of Regulation (EU) No. 537/2014 defines and significantly widens for PIEs the contents of the audit report; indeed, the latter shall, inter alia, describe the key audit matters faced by the external auditor during the performance of the testing activities.*

*With Resolution of the General State Accountant dated July 31, 2017 the new ISA Italia 701 audit principle (concerning the “communication of the key aspects of the statutory audit in the report of the independent auditor”) has been approved, as well as the new versions of further six audit principles (ISA Italia 260, 570, 700, 705, 706 and 710) which are applicable to the statutory audit of all the Italian companies belonging to the Enel Group.*

*Such new and updated statutory audit principles have introduced the regulation of the procedures for the preparation of the opinion on the financial statements, widening the contents of the audit report, which now shall contain inter alia:*

- the indication of the key aspects of the statutory audit, i.e., the aspects which, based upon the professional opinion of the external auditor, have been the most significant in the statutory audit of the financial statements;
- the detailed indication of the main purposes of the statutory audit, among which the identification and the assessment of the risks of material errors in the financial statements and the assessment on the appropriateness of the use of the assumption on the entity's ability to continue as a going concern.

Such new provisions entail for EY the need to carry out additional activities, mainly referring to:

- more interactions with the managers in charge of the governance activity;
- identification, analysis, exposition, as well as internal quality control procedures concerning the audit key matters;
- greater coordination within the statutory audit activities of the Enel Group with the audit teams of the subsidiaries which are qualified as PIEs and that are therefore subject to the provisions of Article 10 of Regulation (EU) No. 537/2014, for the purposes of definition of the “key audit matters”;
- critical review of the PIE information and of the procedure for the final drawing up of the financial statements (issues reported as key aspects of the statutory audit).

The greater effort connected to the above described activities was assessed by EY in 2,688 additional hours per year which, on the basis of the hourly fees provided for by the Framework Agreement, shall determine an increase of the fees equal to Euro 120,000 for each financial year (2017, 2018 and 2019), as detailed below for the Italian companies concerned.

	By Company		Group Total	
	HOURS	AMOUNT (EURO)	HOURS	AMOUNT
<b>A. New format of the audit report</b>			<b>2,688</b>	<b>120,000</b>
Enel S.p.A.	560	25,000		
e-distribuzione	448	20,000		
Enel Produzione	448	20,000		
Enel Green Power	224	10,000		
Enel Trade	178	8,000		
Enelpower	45	2,000		
Enel Italia	112	5,000		
Servizio Elettrico Nazionale	269	12,000		
Enel Energia	269	12,000		
Enel Sole	90	4,000		
Enel.SI	45	2,000		

## 2. The additional report to the audit committee

*With regard to PIEs, Article 11 of Regulation (EU) No. 537/2014 provides that the audit company shall draft and submit an additional report to the audit committee; please note that for companies (as Enel) adopting the traditional administration and control system such body shall be identified with the Board of Statutory Auditors, pursuant to the provisions of Article 19, paragraph 2, letter a), of Decree 39/2010.*

*On the basis of the European law provisions indicated above, the contents of such additional report mainly concern:*

- the elements connected to the procedure for planning and carrying out the statutory audit, as well as to the relevant methodologic choices;*
- the relationship with secondary auditors (if any) or with experts not belonging to the network of the audit company;*
- the contents of the meetings held (for the purposes of both obtaining information needed for performing the statutory audit and for the communications to the PIE's governance bodies in relation to the status of the audit work);*
- the quantitative level of materiality applied during the performance of the statutory audit, as well as the qualitative factors which were considered when setting the level of materiality;*
- events or conditions identified in the course of the audit that may cast significant doubt on the entity's ability to continue as a going concern;*
- any significant deficiencies in the internal financial control system, and/or in the accounting system of the PEI;*
- any significant matters involving actual or suspected non-compliance with laws and regulations or by-laws which were identified in the course of the audit;*
- limits to the statutory audit procedure (if any);*
- the declaration of independence.*

*Such new law provisions entail for EY an extension of the testing activities as compared to the activities requested under the previous regime for the drafting of the report on key issues (recalled by Article 19, paragraph 3, of Decree 39/2010, in the version preceding the amendments introduced by Legislative Decree No. 135 of July 17, 2016); such extension is mainly due to the increased level of*

*interactions requested, both with the managers in charge of the governance activities and with the various PIE's corporate functions.*

*The greater effort connected to the above described activities was assessed by EY in 336 additional hours per year which, on the basis of the hourly fees provided for by the Framework Agreement, shall determine an increase of the fees equal to Euro 15,000 for each financial year (2017, 2018 and 2019), to be referred only to Enel S.p.A.*

*3. The new opinion on the compliance of the management report and of certain information contained in the report on corporate governance with the applicable laws*

*The new provisions under Article 14, paragraph 2, letter e), of Decree 39/2010 (as amended by Law Decree No. 135 of July 17, 2016) require audit companies to complement the opinion on the consistency of the information contained in the management report with the financial statements also providing an opinion on the compliance of such information with the applicable laws, as well as issuing a separate statement on material errors identified in the management report (if any), on the basis of the knowledge and the understanding of the company and the relevant context acquired in the course of the audit of the financial statements.*

*Therefore, the Resolution of the General State Accountant dated June 15, 2017 amended the audit principle SA Italia 720B (concerning "the liabilities of the subject entrusted with the statutory audit in relation to the information contained in the management report and in the report on corporate governance and ownership structure required by applicable laws").*

*The new opinion on the compliance of the management report and of certain information contained in the report on corporate governance and ownership structure with the applicable laws, as well as the statement on material errors (if any), entail for EY the need to carry out additional activities, concerning mainly:*

- the identification of the provisions of law which may be directly or indirectly linked to information to be provided in the management report;*
- the understanding of the administrative-financial procedures which underlie the preparation of the management report, as well as of the sources of the informative elements and of the relevant controls of the company;*

- the comparison of such information with the financial statements and/or with details used for their drafting and/or with the general accounting system and/or the underlying accounting records.

The greater effort connected to the above described activities was assessed by EY in 4,031 additional hours per year which, on the basis of the hourly fees provided for by the Framework Agreement, shall determine an increase of the fees equal to Euro 180,000 for each financial year (2017, 2018 and 2019), as detailed below for the Italian companies concerned.

	By Company		Group Total	
	HOURS	AMOUNT (EURO)	HOURS	AMOUNT
<b>C) New opinion on the compliance of the management report with the provisions of law</b>			<b>4.031</b>	<b>180.000</b>
Enel S.p.A.*	560	25.000		
e-distribuzione	514	23.000		
Enel Produzione	493	22.000		
Enel Green Power	403	18.000		
Enel Trade	515	23.000		
Enelpower	45	2.000		
Enel Italia	134	6.000		
Servizio Elettrico Nazionale	515	23.000		
Enel Energia	515	23.000		
Enel Sole	90	4.000		
Enel.SI	45	2.000		
Enerlive	45	2.000		
3SUN	67	3.000		
EGP Sannio	90	4.000		

\* with reference to Enel S.p.A. the new opinion on compliance covers also some information contained in the corporate governance report

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EY's request for the increase of the fees described above was therefore submitted for examination and assessment to the Board of Statutory Auditors of Enel during the meeting of February 13, 2018, taking into account that the same Board of Statutory Auditors had drafted the original proposal – approved by the Shareholders' Meeting held on April 29, 2011 – for the appointment of EY as the external auditor of Enel S.p.A. and for the determination of the relevant fees.

The Board of Statutory Auditors also received the positive opinions released by the competent structures of Enel, which represented to the same Board of Statutory Auditors that the greater effort estimated by EY – and, consequently, the relevant economic request – is indeed consistent with the quantity and quality of the work to be carried out.

In consideration of the above, the Board of Statutory Auditors:



- *given that Consob Communication No. 96003556 of April 18, 1996 allows an adjustment to the fees of the audit company at “the occurrence of exceptional and/or unforeseeable circumstances”; and that both the above-mentioned resolution of the Shareholders’ Meeting held on April 29, 2011, which resolved upon the appointment of EY as external auditor of Enel, and the Framework Agreement expressly provide for the said adjustment;*
- *having considered that the amendment to the laws recently entered into force at a European and national level, described above and applicable to the statutory audit activities starting from the financial year 2017, are to be considered as circumstances unforeseeable at the moment of the appointment of EY as external auditor of Enel;*
- *having acknowledged the request for the adjustment of the fees formalized by EY on February 5, 2018 and concerning the statutory audit of the annual financial statements and consolidated financial statements of Enel as of December 31, 2017, 2018 and 2019 and of the financial statements, as of the same date, of certain Italian subsidiaries of Enel;*
- *having shared the assessment expressed by the competent internal structures of Enel, on the basis of which the additional effort estimated by EY – and, as a consequence, the relevant economic request – is indeed consistent with the quantity and the quality of the work to be carried out;*

*deems that the above-mentioned request for the increase of the fees submitted by EY is justified by the above mentioned changes in the law recently occurred at a European and national level and also appropriate in relation to the greater effort requested by the same law provisions.*

*In light of the above, the Board of Statutory Auditors informs that, during the meeting held on February 13, 2018, it has issued its prior favourable opinion (as provided under Article 7.3 of the Organizational Procedure Regarding Assignments to Auditing Companies within the Enel Group, approved by the same Board of Statutory Auditors on November 20, 2017) on the increase of the fees due to EY in relation to the greater effort requested by the mentioned European and national laws for the statutory audit of the annual financial statements of Enel and the consolidated financial statement of the Enel Group as of December 31, 2017; such*

*opinion has been issued since EY had already partially carried out and was going to carry out the additional activities described above in this report concerning the testing over such accounting documents.*

*Instead, with regard to the increase of the fees due to EY in relation to the greater effort requested by the mentioned European and national law for the statutory audit of the annual financial statements of Enel and the consolidated financial statements of the Enel Group as of December 31, 2018 and 2019, the Board of Statutory Auditors submits to Your approval the following*

### **Agenda**

*The Shareholders' Meeting of Enel S.p.A.,*

- having examined the explanatory report of the Board of Statutory Auditors;*
- having acknowledged that, following the changes in the law recently entered into force at a European and national level on the regulation of the statutory audit (referring, in particular, to the provisions of the Regulation (EU) No. 537/2014 and of the Legislative Decree No. 39 of January 27, 2010, as amended by Legislative Decree No. 135 of July 17, 2016), the audit Company EY S.p.A., appointed as external auditor of Enel S.p.A. for financial years from 2011 to 2019, submitted on February 5, 2018 a request for increase of the fees, justified by the greater effort requested on the basis of the new legal framework;*
- having considered that the Board of Statutory Auditors – which, during its meeting held on February 13, 2018, has shared the assessments expressed in this regard by the competent internal structures of Enel – deemed that the request for increase of the fees submitted by EY S.p.A. is justified by the abovementioned changes in the law recently occurred at a European and national level with regard to the statutory audit and also that the request is appropriate in relation to the greater effort requested by the new legal framework;*
- taking into account that the Board of Statutory Auditors, during the same meeting held on February 13, 2018, expressed its prior favourable opinion (as provided under Article 7.3 of the Organizational Procedure Regarding Assignments to Auditing Companies within the Enel Group, approved by the same Board of Statutory Auditors on November 20, 2017) on the increase of*

*the fees due to EY S.p.A. in relation to the greater effort requested by the new legal framework for the statutory audit of the annual financial statements of Enel S.p.A. and the consolidated financial statement of the Enel Group as of December 31, 2017;*

**resolves**

1. *to approve an increase of the fees due to the audit Company EY S.p.A. for the statutory audit of Enel S.p.A. with reference to the financial years from 2011 to 2019 – as resolved by the ordinary Sareholders' meeting held on April 29, 2011 – since “circumstances exceptional and/or unforeseeable” at the moment of the appointment of EY S.p.A. have occurred, according to the provisions of Consob Communication No. 96003556 of April 18, 1996;*
2. *consequently, to grant the audit Company EY S.p.A., within the framework of the performance of the statutory audit of the annual financial statements of Enel S.p.A. and the consolidated financial statements of the Enel Group as of December 31, 2018 and as of December 31, 2019:*
  - *an increase of Euro 25,000 (twenty-five thousand) per year (equal to 560 working hours) for the drafting of the audit report on the basis of the new contents requested by Article 10 of Regulation (EU) No. 537/2014;*
  - *an increase of Euro 15,000 (fifteen thousand) per year (equal to 336 working hours) for the drafting of the additional report to be submitted to the Board of Statutory Auditors (in its capacity as audit committee pursuant to Article 19, paragraph 2, letter a), of Legislative Decree No. 39 of January 27, 2010, as amended by Legislative Decree No. 135 of July 17, 2016);*
  - *an increase of Euro 25,000 (twenty-five thousand) per year (equal to 560 working hours) for the issuance of the opinion on the compliance of the management report and of certain information contained in the report on corporate governance of Enel S.p.A. with the applicable laws”.*