



**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

(approved by the Board of Directors of Enel S.p.A. on March 22, 2018)

- YEAR 2017 -  
[www.enel.com](http://www.enel.com)

(Drawn up pursuant to Articles 123-*bis* of the Consolidated Financial Act  
and 144-*decies* of CONSOB Issuers' Regulation)

**TABLE OF CONTENTS**

**ENEL: CORPORATE GOVERNANCE PROFILE AND STRUCTURE .....3**

A. KEY DATA OF THE ENEL GROUP .....3

B. OWNERSHIP STRUCTURE .....4

C. CORPORATE GOVERNANCE MODEL.....4

D. COMPOSITION OF THE BOARD OF DIRECTORS AND THE COMMITTEES .....5

E. FUNCTIONING OF THE BOARD OF DIRECTORS AND THE COMMITTEES .....7

F. CONTROL AND RISK SYSTEM .....7

G. ANALYSIS OF PRIORITIES AND DETERMINATION OF SUSTAINABILITY TARGETS .....11

**SECTION I: OWNERSHIP STRUCTURE ..... 13**

1. OWNERSHIP STRUCTURE .....13

1.1 SHARE CAPITAL STRUCTURE .....13

1.2 MAJOR SHAREHOLDINGS AND SHAREHOLDERS’ AGREEMENTS .....13

1.3 LIMIT ON THE OWNERSHIP OF SHARES AND VOTING RIGHTS .....13

1.4 SPECIAL POWERS OF THE ITALIAN GOVERNMENT 13

1.5 EMPLOYEE-SHAREHOLDINGS: MECHANISM FOR EXERCISING VOTING RIGHTS .....13

1.6 APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS OF THE BYLAWS .....14

1.7 AUTHORIZATIONS TO INCREASE THE SHARE CAPITAL AND TO BUY BACK SHARES .....14

1.8 CHANGE-OF-CONTROL CLAUSES .....14

1.9 COMPENSATION OWED TO DIRECTORS IN THE EVENT OF EARLY TERMINATION OF THE RELATIONSHIP, INCLUDING AS THE RESULT OF A TAKEOVER BID .....16

**SECTION II: IMPLEMENTATION OF THE RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE AND ADDITIONAL INFORMATION ..... 17**

1. BOARD OF DIRECTORS .....17

1.1 CURRENT COMPOSITION AND TERM.....17

1.2 APPOINTMENT, REPLACEMENT AND CONTINGENCY PLAN .....17

1.3 ROLE AND FUNCTIONS .....19

1.4 BOARD MEETINGS .....22

1.5 CHAIRMAN .....22

1.6 CHIEF EXECUTIVE OFFICER .....23

1.7 EXECUTIVE AND NON-EXECUTIVE DIRECTORS.....23

1.8 INDEPENDENT DIRECTORS .....23

1.9 LIMITS ON THE NUMBER OF OFFICES HELD BY DIRECTORS.....24

1.10 EVALUATION OF THE FUNCTIONING OF THE BOARD OF DIRECTORS AND ITS COMMITTEES .....25

1.11 BOARD INDUCTION AND UPDATE ..... 26

1.12 DIVERSITY POLICY OF THE BOARD OF DIRECTORS 27

1.13 REMUNERATION ..... 28

2. COMMITTEES ..... 28

2.1 ORGANIZATIONAL AND FUNCTIONING RULES..... 28

2.2 NOMINATION AND COMPENSATION COMMITTEE 29

2.3 CONTROL AND RISK COMMITTEE..... 31

2.4 RELATED PARTIES COMMITTEE ..... 32

2.5 CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE ..... 33

3. BOARD OF STATUTORY AUDITORS..... 35

3.1 CURRENT COMPOSITION AND TERM..... 35

3.2 APPOINTMENT AND REPLACEMENT ..... 35

3.3 TASKS AND PREROGATIVES ..... 36

3.4 MEETINGS..... 36

3.5 DIVERSITY POLICY OF THE BOARD OF STATUTORY AUDITORS ..... 37

3.6 REMUNERATION ..... 37

4. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM..... 38

5. EXECUTIVE IN CHARGE OF PREPARING THE CORPORATE ACCOUNTING DOCUMENTS..... 39

5.1 THE SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL INFORMATION ..... 39

6. EXTERNAL CONTROLS ..... 42

6.1 AUDITING FIRM..... 42

6.2 OVERSIGHT OF THE ITALIAN COURT OF AUDITORS (CORTE DEI CONTI) ..... 42

7. RELATIONS WITH INSTITUTIONAL INVESTORS AND SHAREHOLDERS IN GENERAL ..... 42

8. SHAREHOLDERS’ MEETINGS ..... 44

9. OTHER CORPORATE GOVERNANCE PRACTICES .... 45

9.1 TRANSACTIONS WITH RELATED PARTIES ..... 45

9.2 PROCESSING OF CORPORATE INFORMATION ..... 47

9.3 CODE OF ETHICS ..... 47

9.4 ORGANIZATIONAL AND MANAGEMENT MODEL. 48

9.5 “ZERO TOLERANCE FOR CORRUPTION” PLAN AND ANTI – CORRUPTION MANAGEMENT SYSTEM ..... 49

9.6 HUMAN RIGHTS POLICY ..... 49

**SCHEDULE 1: BIOGRAPHY OF THE MEMBERS OF THE BOARD OF DIRECTORS.....50**

**SCHEDULE 2: BIOGRAPHY OF THE REGULAR MEMBERS OF THE BOARD OF STATUTORY AUDITORS .....55**

**TABLE 1: STRUCTURE OF ENEL’S BOARD OF DIRECTORS AND COMMITTEES .....58**

**TABLE 2: STRUCTURE OF ENEL’S BOARD OF STATUTORY AUDITORS..... 61**

## Report on corporate governance and ownership structure

### ENEL: CORPORATE GOVERNANCE PROFILE AND STRUCTURE

Enel S.p.A. (“Enel” or the “Company”) is the parent company of a multinational group that is one of the worldwide leaders in the electricity and gas sector, with a particular *focus* on Europe and Latin America (the “Enel Group” or the “Group”). The Group operates in more than 30 countries (in 5 continents), where it produces energy through a net installed

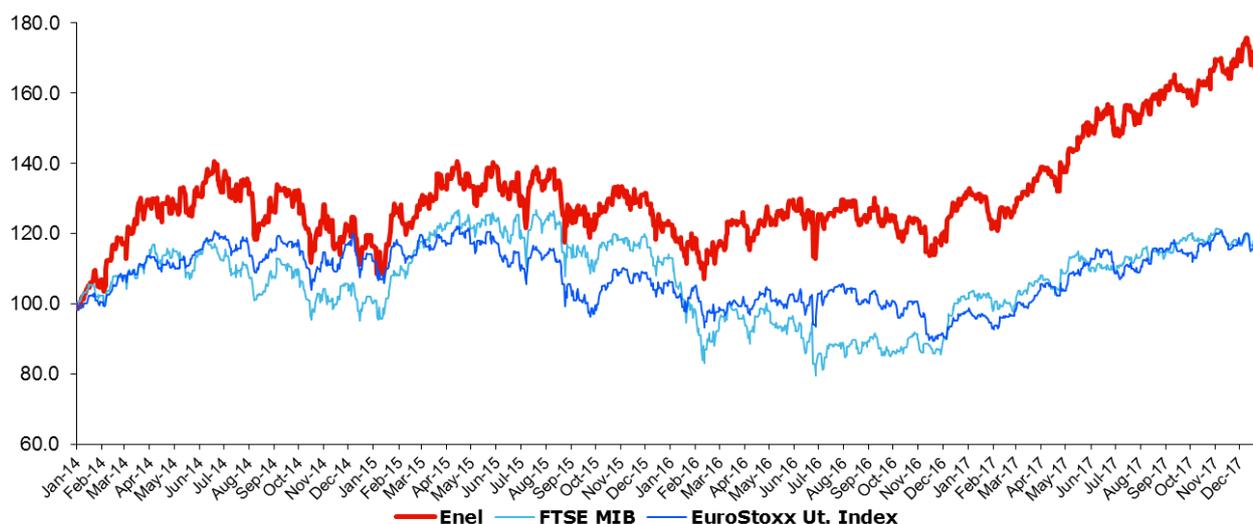
capacity of about 85 GW and distributes electricity on a network of approximately 2.2 million kilometres. The Group has the largest customer base among European operators in the sector with approximately 65 million customers throughout the world.

#### A. Key data of the Enel Group

(in millions of euros)

Data	2017	2016	Change
EBITDA	15,653	15,276	2.47%
Group net income	3,779	2,570	47.04%
Net financial debt (as of December 31)	37,410	37,553	-0.38%
Capitalisation (as of December 31)	52,155	40,910	27.49%
Employees (as of December 31)	62,900	62,080	1.32%

#### Performance of Enel’s stock compared to the FTSE MIB index and Euro Stoxx Utilities Index from January 1, 2014 to December 31, 2017 (base 100)



Source: Bloomberg data

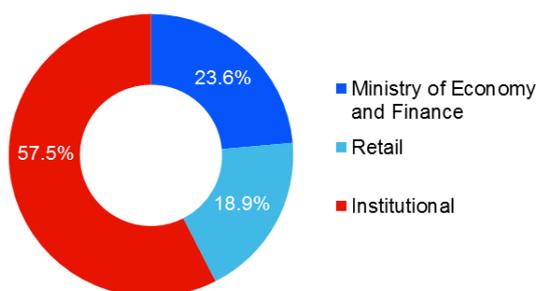
## B. Ownership structure

Since 1999 Enel is listed on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. and has the highest number of shareholders of all Italian companies (circa 850,000 counting both retail and institutional investors). Enel's shareholders include the most important international investment funds, insurance companies, pension funds and ethical funds, also thanks to the implementation by

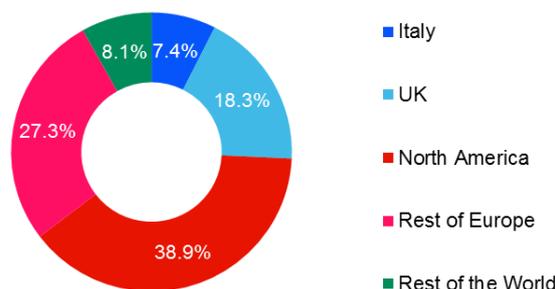
Enel and the Group of the best international practices on transparency and corporate governance.

In addition, as of the date of this report, the Enel Group includes 13 listed companies whose shares are listed on the Argentine, Brazilian, Chilean, Peruvian, Russian, Spanish and United States Stock Exchanges.

Ownership structure as of 31 December 2017



Geographical allocation of institutional investors



## C. Corporate governance model

The corporate governance structure of Enel complies with the principles set forth in the Corporate Governance Code for listed companies <sup>(1)</sup> (the “Corporate Governance Code”), as last amended in July 2015, adopted by the Company. The aforementioned corporate governance structure is also inspired by CONSOB's recommendations on this matter and, more generally, international best practice.

The corporate governance system adopted by Enel and its Group is essentially aimed at creating value for the shareholders over the medium-long term, taking into account the social importance of the Group's business operations and the consequent need, in conducting such operations, to adequately consider all the interests involved.

In compliance with the current legal framework applicable in Italy to listed companies, the organizational structure of the Company includes:

- a board of directors responsible for managing the Company;
- a board of statutory auditors responsible for monitoring (i) the Company's compliance with

the law and bylaws, as well as compliance with proper management principles in the carrying out of the Company's activities, (ii) the process of financial disclosure and the adequacy of the Company's organizational structure, internal auditing system, and administration and accounting system, (iii) the audit of the stand-alone and the consolidated financial statements and the independence of the external auditing firm and, lastly (iv) how the corporate governance rules provided by the Corporate Governance Code are actually implemented;

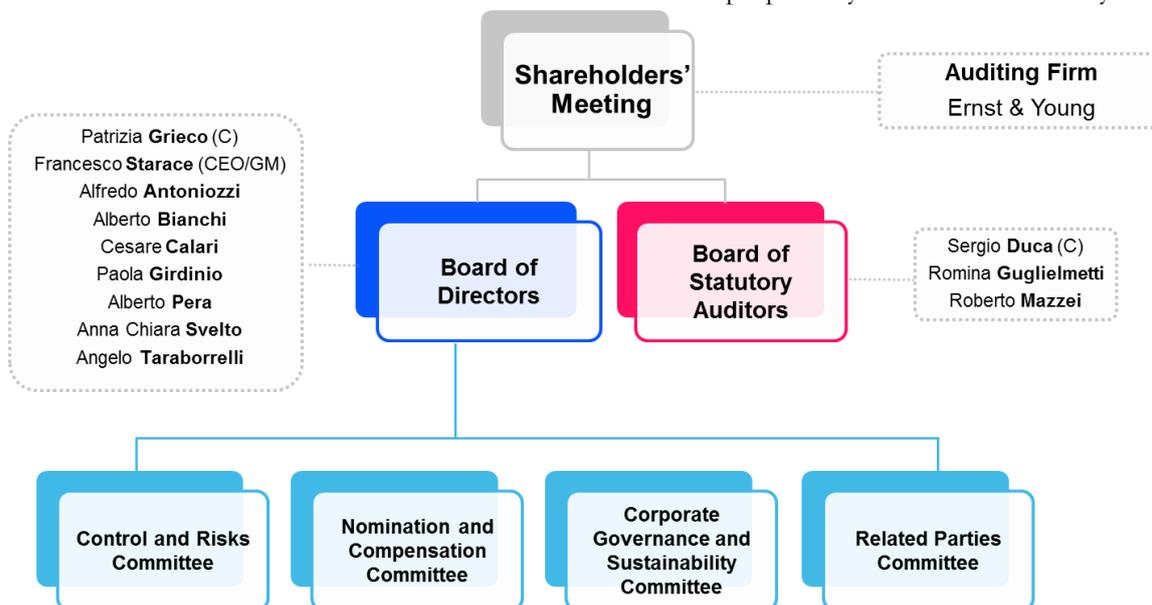
- a shareholders' meetings, called to resolve – in either an ordinary or extraordinary session – among other things, upon: (i) the appointment or removal of members of the board of directors and the board of statutory auditors, as well as their compensation and responsibilities, (ii) the approval of financial statements and the allocation of net earnings, (iii) the purchase and sale of treasury shares, (iv) stock-based compensation plans, (v) amendments to the

<sup>(1)</sup> The code is available in its current edition on Borsa Italiana's website (<http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015engclean.en.pdf>).

## Enel – report on corporate governance and ownership structure for year 2017

Company's bylaws, and (vi) the issue of convertible bonds.

The external audit of the accounts is entrusted to a specialized firm enrolled in the relevant registry and appointed by the shareholders' meeting, upon a reasoned proposal by the board of statutory auditors.



### D. Composition of the board of directors and the committees

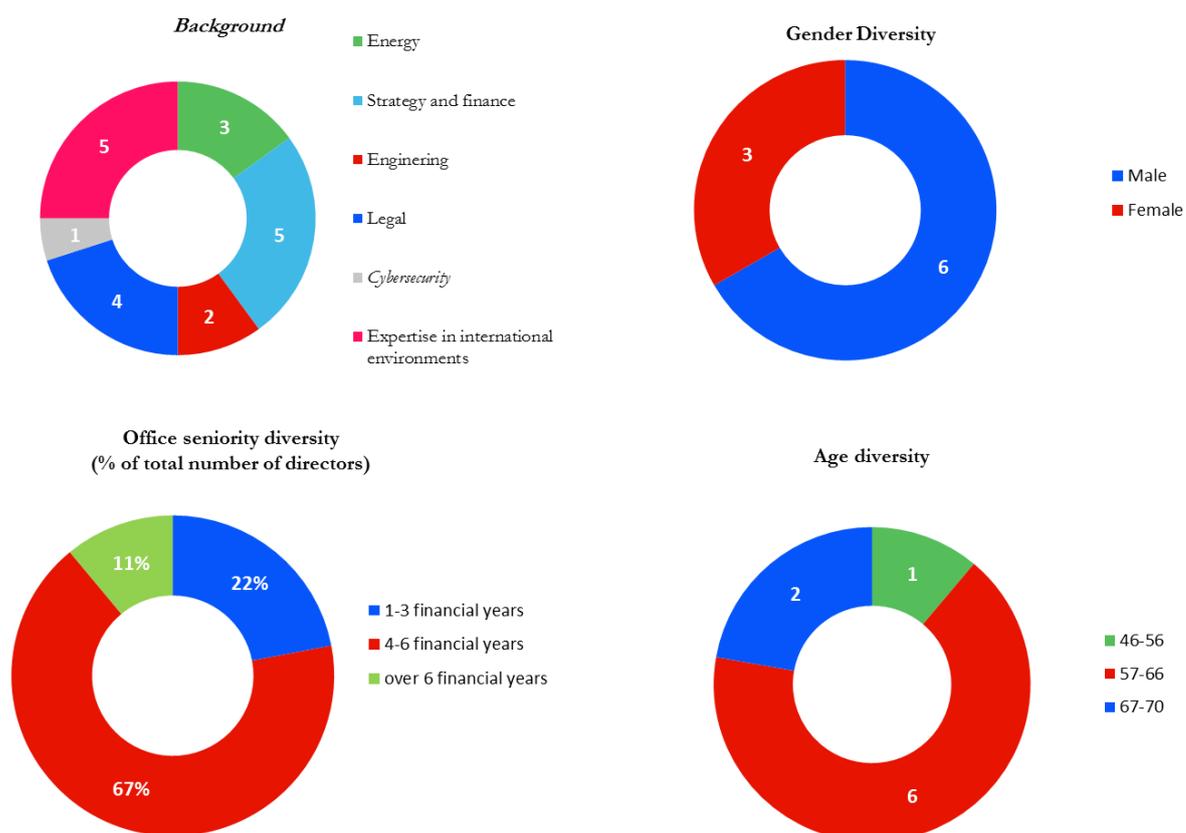
The following tables set forth, in short, the main data on the composition of the current board of directors and board committees.

Composition of the current Board of Directors							
Director	Office	Role	M/m	CRC	NCC	RPC	CGSC
Patrizia Grieco	Chairman	Non-executive	M				✓ (C)
Francesco Starace	CEO/GM	Executive	M				
Alfredo Antoniozzi	Director	Independent	M			✓	✓
Alberto Bianchi	Director	Independent	M		✓ (C)	✓	
Cesare Calari	Director	Independent	m		✓	✓	
Paola Girdinio	Director	Independent	M	✓	✓		
Alberto Pera	Director	Independent	M	✓	✓		
Anna Chiara Svelto	Director	Independent	m	✓		✓ (C)	
Angelo Taraborrelli	Director	Independent	m	✓ (C)			✓

CEO/GM: Chief Executive Officer/General Manager  
M/m: Drawn from the Majority/minority slate  
CRC: Control and Risk Committee  
C: Chairman of the Committee

NCC: Nomination and Compensation Committee  
RPC: Related Parties Committee  
CGSC: Corporate Governance and Sustainability Committee

## Enel – report on corporate governance and ownership structure for year 2017



Changes with respect to the previous mandate			
	Current mandate	Previous mandate	FTSE/MIB <sup>1</sup>
Number of directors	9	9	13.5
Directors designated by the minority	3 (33.3%)	3 (33.3%)	2.9 (21.5%)
Female members of the BoD	3 (33.3%)	3 (33.3%)	34.9% <sup>2</sup>
Independent directors under the Corporate Governance Code	7 (77.7%) <sup>3</sup>	7 (77.7%) <sup>3</sup>	7.4 (55.1%)
Average age of directors	62	62	58.3
Seniority in office (in financial years)	3.9	3.6	4.9
Executive status of the Chairman	no	no	-
Lead independent director	no	no	-

<sup>1</sup> Source: Assonime, Note Studi 2/2018, “La Corporate Governance in Italia: autodisciplina, remunerazioni e comply-or-explain (anno 2017)”, February 2018.

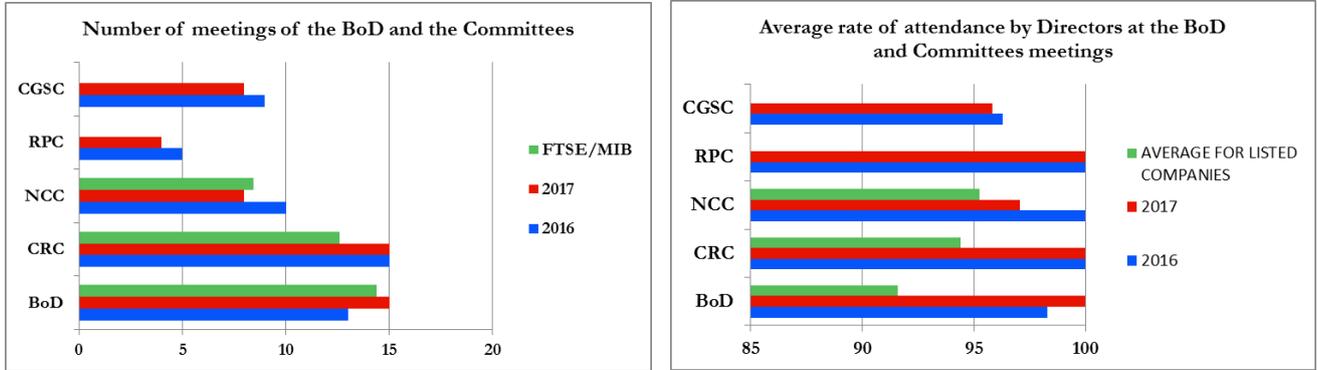
<sup>2</sup> Source: Consob, “Report on corporate governance of Italian listed companies”, February 2018.

<sup>3</sup> It should be noted that the number of directors who are independent under the Consolidated Financial Act is equal to 8.

## Enel – report on corporate governance and ownership structure for year 2017

### E. Functioning of the board of directors and committees

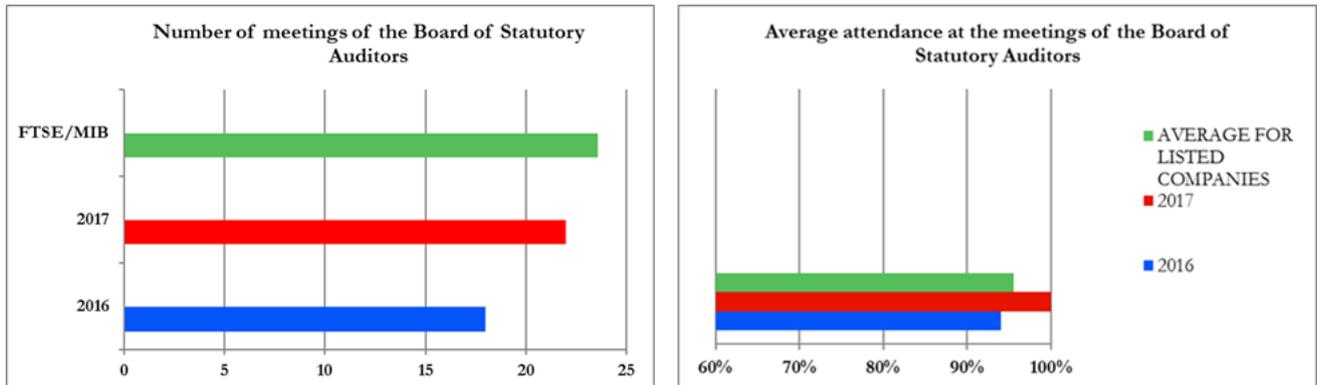
The following graphs provide a summary of the main data on the functioning of the board of directors and the board committees during 2017.



Board review process	Completion	Type of evaluation	Reviewer
Board review 2017	Yes	Independent	Korn Ferry

### F. Control and risk system

The following tables provide a summary of the main data on the functioning of the board of statutory auditors during 2017.



## Enel – report on corporate governance and ownership structure for year 2017

Main elements of the risk control system	Yes/No
Existence of a document setting forth the guidelines of the internal control and risk management system	Yes
Existence of a Mandate of the Audit Function approved by the Board of Directors	Yes
Existence of special organizational structures in charge of risk management activities	Yes
Annual assessment on the compatibility of the business risks with a management of the business that is consistent with the strategic objectives identified	Yes
Preparation of specific compliance programs (231 Model, Zero Tolerance for Corruption, Human Rights Policy, <i>etc.</i> )	Yes
Preparation of a contingency plan in order to ensure the normal management of the Company in the event of “crisis management” ( <i>i.e.</i> early cessation of the Chief Executive Officer before the expiry of the ordinary term of office)	Yes

The following chart identifies and summarizes the main risks to which the Enel Group is exposed, as well as of the main activities carried out to mitigate their effects and ensure that they are adequately managed. For a more detailed analysis, please refer to the 2017 Annual Report, which is available at the company’s registered office and on the corporate website ([www.enel.com](http://www.enel.com)).

## Enel – report on corporate governance and ownership structure for year 2017

MAIN RISKS	BASELINE SCENARIO AND RISK DESCRIPTION	MITIGATION ACTIONS AND RELATED STRATEGIC OBJECTIVES
Strategic risks connected with the evolution of the market, competition and regulation	<p>The markets and the businesses where the Group operates are subject to a gradual and increasing competition and evolution, from a technological and regulatory standpoint, with different timing from Country to Country. As a result, the Group faces an increasing competitive pressure.</p> <p>Furthermore, the Group operates in regulated markets or regimes. Thus, changes in the rules of functioning of those markets and regimes, as well as their provisions and obligations, can influence the management's evolution and the Group's results.</p>	<p>The business risks stemming from the Group's natural presence in competitive markets have been faced with a strategy of integration through the value chain, with a greater drive for technological innovation, diversification and geographical expansion. Specifically, the actions enacted have produced the evolution of the customer <i>portfolio</i> on the free market, in a downstream integration logic on the final markets, the optimization of the productive mix, by improving the competitiveness of the plants on the basis of a cost leadership, as well as the search for new markets with a high growth potential and the development of renewable sources through adequate investment plans in different Countries.</p> <p>In view of the risks deriving from regulatory factors, the Company has intensified the relations with local government and regulatory bodies, by adopting a transparent, collaborative and proactive approach to face and remove the sources of instability in the regulatory framework.</p>
Market risks	<p>Exposure to the prices volatility of fuels and electricity commodities on international markets, which may significantly affect the business results.</p> <p>Exposure to the variations on the availability of fuels supplies.</p>	<p>The commodities price risk management policy aims at protecting margins by:</p> <ul style="list-style-type: none"> <li>- contracting in advance the sourcing of fuels and the sales of electricity and gas to clients;</li> <li>- using derivatives to cover the financial exposure.</li> </ul> <p>The diversification of supply sources, in terms of suppliers and geographical areas, would mitigate the lack of fuels.</p>
Market risks	<p>Exposure to exchange rate volatility among the account currency and other currencies that may generate unexpected variations on economic and financial figures, emerging from the financial statements of each Company of the Group. The consolidated financial statements are also exposed to the exchange risk associated with the consolidation values of equity investments denominated in currencies other than the euro (translation risk).</p> <p>The geographical diversification, the access to international financial markets and the operations of commodities on different currencies are sources of volatility.</p>	<p>The exchange rate risk management policy aims at ensuring the systematic coverage of each Company exposure through hedging strategies that typically involve the use of derivatives.</p> <p>The translation risk is not covered.</p>
Market risks	<p>Exposure to volatility of interest rates on international markets that might bring about unexpected variations on net financial expenses or on the value of assets and liabilities measured at fair value.</p> <p>The financing conditions for new debts and the floating-rate indebtedness constitute the main sources of uncertainty.</p>	<p>The interest rate risk management policy aims at limiting the costs of funding and its volatility through the optimization of the financial liabilities <i>portfolio</i> and even through simultaneous or early hedging of exposures by derivative agreements.</p>
Credit risk	<p>Exposure arising from changes in the creditworthiness of counterparties which causes:</p> <ul style="list-style-type: none"> <li>- an increase in the average payment times for trade receivables or insolvency and payment default (default risk);</li> <li>- deterioration of the market value of the creditor position (spread risk).</li> </ul>	<p>The credit risk management policy provides for a preliminary evaluation of the creditworthiness of counterparties and the adoption of instruments for mitigation, such as the acquisition of collateral securities and guarantees. Furthermore, the assignments of receivables <i>pro soluto</i> allow the total elimination from the financial statements of the corresponding assigned assets, consequently eliminating the corresponding risk.</p> <p>With reference to the financial and commodities operations, the risk mitigation is achieved through the <i>portfolio</i> diversification and through the adoption of specific standard framework agreements providing for risk mitigation clauses (<i>e.g.</i> netting) and, potentially, cash collateral exchange.</p>
Liquidity risk	<p>Risk that the Group, although solvent, could not promptly fulfil its obligations or could fulfil them only at unfavourable economic conditions due to situations of financial distress or systemic crisis (<i>e.g.</i> credit crunch, sovereign debt crisis, <i>etc.</i>) or to changed perception on its riskiness by the market.</p>	<p>The liquidity risk management policy aims at maintaining sufficient liquidity in order to fulfil the expected obligations in a predetermined timeframe without relying on other financing resources. It also aims at maintaining a prudential liquidity reserve so as to fulfil unexpected obligations. In order to fulfil the medium/long-term obligations, the Company follows a debt-management strategy which sets</p>

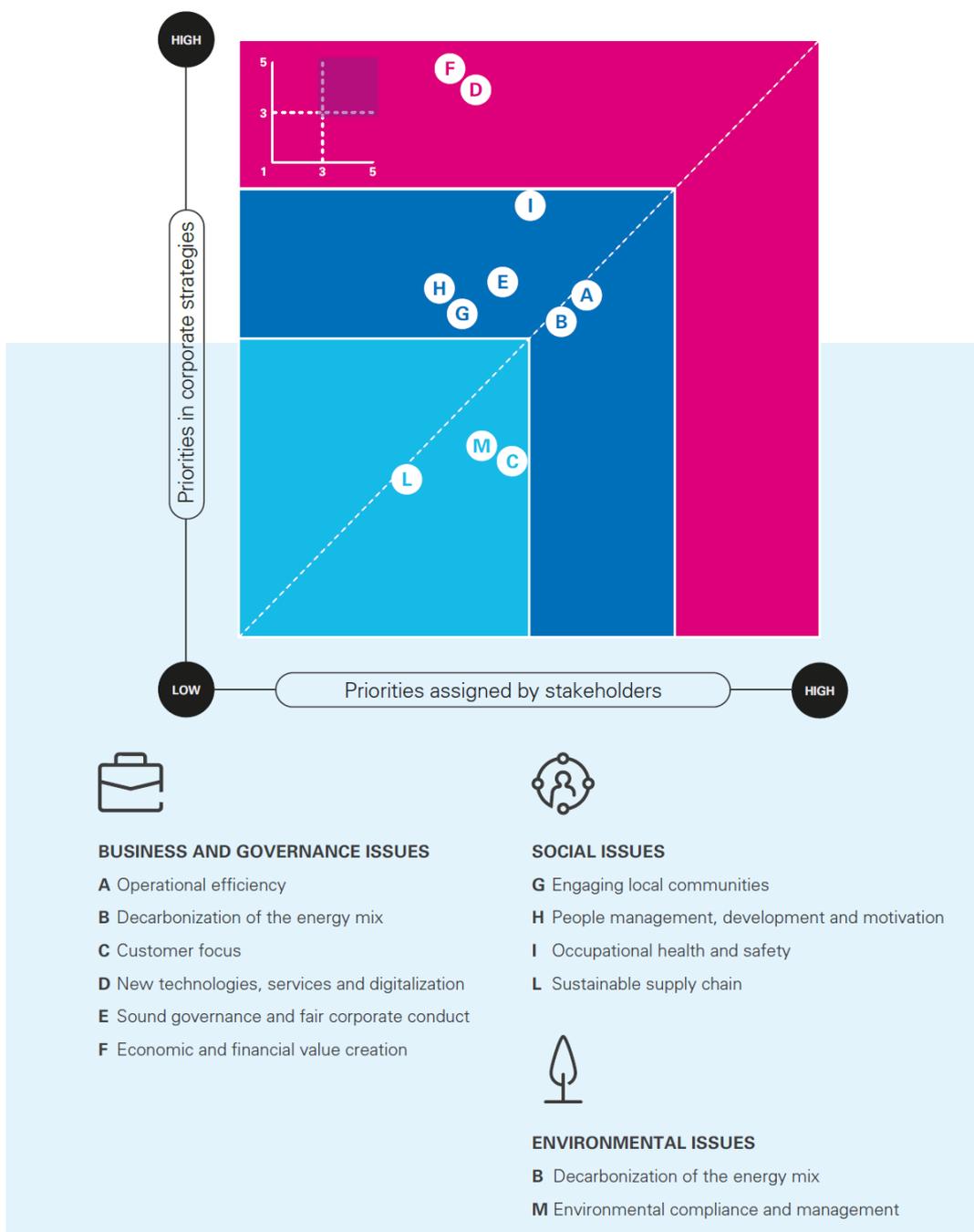
## Enel – report on corporate governance and ownership structure for year 2017

	Among the factors that define the riskiness perceived by the market, the credit worthiness assigned by rating agencies plays a key role since it influences the possibility to access to financing resources and to corresponding economic conditions (credit spread).	forth a diversified structure of the financing resources which are used to cover the financial needs and a balanced profile of maturities.
Country risk	The strong international presence of the Group - with revenues which come from foreign countries for more than 50% by now - exposes the Group itself to possible negative impacts over income flows and over the protection of company's assets arising from macro-economic, financial, geo-politics and social risks connected with the operations in a specific Country.	Definition and implementation of a strategy for the geographical diversification, also supported by econometric models for the evaluation of the Country risk.
Industrial and environmental risks	Within the current climatic <i>scenario</i> , extreme meteorological events and natural disasters expose the Group to the risk of damages to the assets and infrastructures with the consequent possibility of extended unavailability of the concerned assets.	In order to mitigate these risks, the Group adopts the best prevention and protection strategies also with the purpose of reducing the possible impacts on the communities and the areas surrounding the assets. Thus, constant monitoring activities and weather forecast as well as activities for the increase in the resilience for the more exposed assets are constantly carried out. The totality of the Group areas is subject to ISO 14001 certification and the potential risk sources are monitored through the implementation of internationally-recognised Environmental Management Systems (EMS).
	Failure of mitigation and adaptation to climate change. Risks connected to: <ul style="list-style-type: none"> <li>- impacts on the functioning of the assets linked to gradual climate change (<i>e.g.</i> air and water temperature);</li> <li>- changes to the regulatory and legal framework connected to the fight against climate change;</li> <li>- socio-economic transformations linked to climate change.</li> </ul>	The Group is also engaged in a continuous improvement of the existing activities in terms of environmental impact, through its purposes of reducing emissions, primarily that of “zero-emission generation” by 2050, and adopts growth-oriented strategy through the development of increasingly low-carbon technologies and services in line with COP21 goals. In order to mitigate the risks stemming from legal and regulatory aspects linked to climate change, the Group keeps relationships with the Authorities and local and international regulatory bodies characterised by a transparent and collaborative approach. The Group also signed the letter supporting the implementation of the guidelines of the Task Force on Climate Related Financial Disclosure (TCFD), which has developed recommendations on disclosure of the financial impacts related to ‘non-financial’ parameters concerning climate change. Therefore, Enel created a working group which is carrying out an analysis on the following three main lines: <ul style="list-style-type: none"> <li>- climate models and definition of key climate <i>scenarios</i>;</li> <li>- mapping of risks and of the opportunities linked to climate change;</li> <li>- financial reporting related to climate change.</li> </ul>
Cyber-attack risks	Rapid technological evolution, with an increasing exposure to cybernetic attacks. More widespread cybernetic attacks and increasing level of sophistication also with regard to changes within the reference framework. Organizational complexity of the Group and several environments (data, people and industrial world).	Definition of a “Cyber Security Framework” to address and manage the cyber security activities with a “risk-based” approach and according to the “cyber security by design” principle. Such a framework provides for the involvement of business areas, the reception of legal and regulatory provisions, the use of the best possible technologies, the preparation of <i>ad hoc</i> business processes and the increase of human consciousness. Creation of the Enel’s CERT (Cyber Emergency Readiness Team), which is active, recognised and accredited by national and international communities, in order to address an industrialised response to cyber threats and accidents.

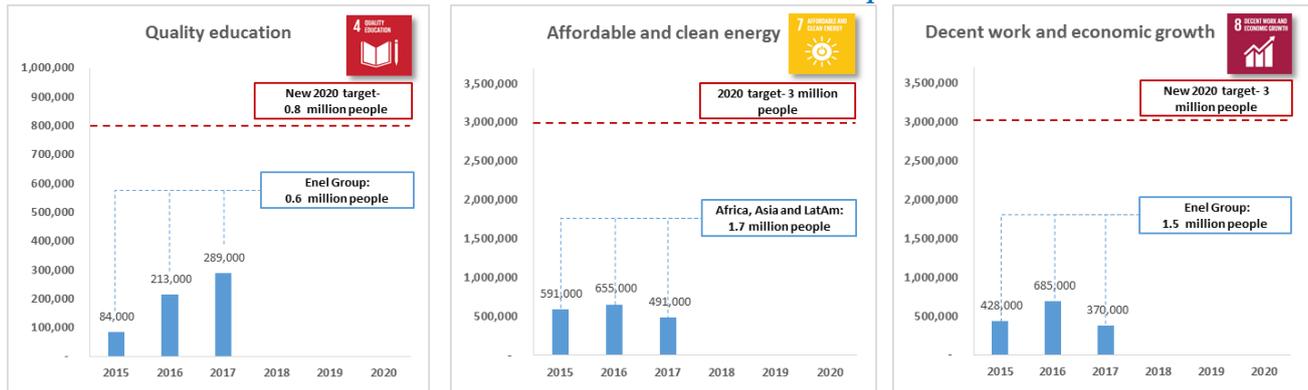
**G. Analysis of priorities and determination of sustainability targets**

In order to identify the Group’s priority actions on sustainability, over the last several years Enel has been carrying out an analysis of priorities (the so called “materiality analysis”), based on the guidelines laid down by the most used international standards such as the Global Reporting Initiative. The aim is to map and assess priorities among those matters of interest for the Enel Group’s main stakeholders, crossing them with the business strategy and the priority actions of the Group itself. The targets to be included in the Group’s Strategic Plan are determined based on the results of the materiality analysis; activities and projects developed by the corporate functions of the Group, as detailed in the Sustainability Plan, contribute to the achievement of such targets. The following schedule shows the priorities matrix as reported in 2017 Sustainability Report and in the consolidated Non-Financial Statement related to the financial year 2017.

**2017 materiality matrix**



Enel’s commitment in relation to United Nations Sustainable Development Goals



## SECTION I: OWNERSHIP STRUCTURE

### 1. Ownership structure

#### 1.1 Share capital structure

The Company's share capital consists exclusively of ordinary shares with full voting rights at both ordinary and extraordinary shareholders' meetings. At the end of 2017 (and as of the date of this report), Enel's share capital amounted to Euro 10,166,679,946, comprised of the same number of ordinary shares having a par value of Euro 1 each, which are listed on the Mercato Telematico Azionario organized and managed by Borsa Italiana.

#### 1.2 Major shareholdings and shareholders' agreements

Based upon the entries in Enel's shareholders' ledger, reports made to CONSOB and received by the Company, and other available information, as of the date of this report the Company's shareholders holding a stake exceeding 3% of the Company's share capital are:

Principal shareholders	% of the share capital
Ministry of the Economy and Finance	23.59%
BlackRock Inc.	5.62%

To the Company's knowledge, no shareholders' agreements, as defined in the Consolidated Financial Act, exist with regard to Enel's shares.

The Company is subject to the *de facto* control of the Ministry of the Economy and Finance, which has sufficient votes to exercise a dominant influence at Enel's ordinary shareholders' meetings; however, the above-mentioned Ministry is not in any way involved in managing and coordinating the Company, since the Company makes its management decisions on a fully independent basis in accordance with the structure of duties and responsibilities assigned to its corporate bodies; the foregoing is confirmed by Article 19, paragraph 6, of Law Decree No. 78/2009 (subsequently converted into Law No. 102/2009), which clarified that the regulations contained in the Italian Civil Code regarding the management and coordination of companies do not apply to the Italian Government.

#### 1.3 Limit on the ownership of shares and voting rights

In implementing the provisions of the legal framework on privatizations, the Company bylaws provide that – with the exception of the government, public bodies, and parties subject to their respective control – no shareholder may own, directly and/or

indirectly, Enel shares representing more than 3% of its share capital.

The voting rights attaching to the shares owned in excess of the aforesaid limit of 3% may not be exercised, and the voting rights to which each of the parties affected by the limit on share ownership would have been entitled will be proportionately reduced, unless there are prior joint instructions from the shareholders involved. In the event of non-compliance, resolutions passed by shareholders' meetings may be challenged in court if it is found that the majority required would not have been attained without the votes expressed in excess of the above-mentioned limit.

Under the legal framework on privatizations, as subsequently amended, the provisions of the bylaws concerning the limit on share ownership and voting rights will no longer be effective if the 3% limit is exceeded following a takeover bid following which the bidder holds shares representing at least 75% of the share capital with the right to vote on resolutions regarding the appointment and removal of directors.

There are no restrictions in relation to the transfer of Enel shares, such as the necessity to obtain a prior approval by the Company or other holders of securities.

#### 1.4 Special powers of the Italian Government

On the basis of the provisions of Presidential Decrees No. 85 and No. 86 of March 25, 2014, the legal framework on the special powers of the Italian Government in strategic sectors (set forth in Law Decree No. 21 of March 15, 2012, converted into law with modifications by Law No. 56 of May 11, 2012) does not apply to Enel, since the latter and the companies of its Group as of the date hereof do not possess any of the assets qualified as strategic under such Presidential Decrees.

During 2014, the clause set forth in Article 6.2 of the Corporate bylaws therefore ceased to be effective (and was deleted). Previously such clause assigned to the Minister of the Economy and Finance, in agreement with the Minister of Industry, certain special powers provided under the legal framework on privatizations.

#### 1.5 Employee-shareholdings: mechanism for exercising voting rights

The Consolidated Financial Act recommends that the bylaws of listed companies contain provisions aimed at simplifying the exercise of voting rights through proxy by employee-shareholders, thus

## Enel – report on corporate governance and ownership structure for year 2017

fostering their participation in the decision-making process at shareholders' meetings.

In such respect, since 1999, Enel bylaws expressly provide that for purposes of simplifying the collection of proxies by the employee-shareholders of the Company and its subsidiaries, who are affiliated with shareholders' associations which comply with the requirements imposed under applicable laws, areas for communication and for the collection of proxies shall be made available to such associations, pursuant to the terms and modalities to be agreed upon from time to time with their legal representatives.

In March 2008, the Company was informed of the establishment of an employee-shareholders' association called A.D.I.G.E. – Associazione Azionisti Dipendenti Gruppo Enel (Association of Employee-Shareholders of Enel Group), which meets the requirements set forth in the Consolidated Financial Act and is therefore subject to the above-mentioned bylaws provisions.

### *1.6 Appointment and replacement of directors and amendments of the bylaws*

The rules that regulate the appointment and replacement of directors are examined in the second section of this document (under "Board of Directors – Appointment, replacement and "contingency plan").

With regard to the rules applicable to amendments to the bylaws, extraordinary shareholders' meeting resolve on the same, in accordance with the relevant majorities provided for by law.

As permitted by law, however, the Corporate bylaws assign to the board of directors' authority on all resolutions concerning:

- mergers by incorporation of wholly-owned or at least 90% owned companies, as well as demergers of such companies;
- the establishment or closing of secondary offices/branches;
- the selection of directors with powers to represent the Company;
- the reduction of the share capital in the event that one or more shareholders should withdraw;
- the harmonization of the bylaws with applicable provisions of law;
- moving the registered office to a different location within Italy.

### *1.7 Authorizations to increase the share capital and to buy back shares*

As of the date of this report, the board of directors has not been authorized to increase the share capital nor has it been authorized to issue participating financial instruments.

It should be noted that the ordinary shareholders' meeting held on May 4, 2017 authorised the board of directors to the acquisition and subsequent disposal of own shares up to a maximum of 500 million of the Company's shares, representing approximately 4.92% of the share capital, and up to a maximum amount of Euro 2 billion. The acquisition of own shares has been authorised for eighteen months starting from the date of the Shareholders' Meeting; no deadline has been established for the disposal of the acquired own shares. Moreover, the same Shareholders' Meeting defined, on the basis of the board of directors' proposal, purposes, terms and conditions for the acquisition and sale of the Company's own shares, laying down in particular the modalities for the determination of the purchase price and the operating procedures for the implementation of the purchase operations. As of the date of this report, the Board of Directors has not exercised the right provided for by the authorization above, and, therefore, the Company does not hold own shares.

### *1.8 Change-of-control clauses*

#### A) The Revolving Facility Agreement

In December 2017, Enel and its subsidiary Enel Finance International N.V. entered into a credit line agreement with a pool of banks for an amount up to Euro 10 billion, along with the simultaneous cancellation of the Forward Start Facility Agreement entered into in February 2013. As of December 2017, the above credit line agreement whose expiration date was set in December 2022, had not been used.

The agreement makes specific provisions for events of change of control in which (i) control of Enel is acquired by one or more parties other than the Italian Government or (ii) Enel or any of its subsidiaries contributes (including through mergers) a substantial portion of the assets of the Group to parties that are not part of the latter, such that the Group's creditworthiness is significantly compromised in the opinion of the aforementioned pool of banks. Specifically, if one of such hypothetical change of control events should occur:

- each bank belonging to the pool may propose to renegotiate the terms and conditions of the

## Enel – report on corporate governance and ownership structure for year 2017

agreement or communicate its intention to withdraw from the agreement;

- Enel and its subsidiary Enel Finance International N.V. may decide to repay in advance the sums received and to cancel, without incurring any penalties, the entire financial commitment assumed by each bank belonging to the pool (i) with which the renegotiation of the terms and conditions of the credit agreement has not been successful or (ii) that has notified its intention to withdraw from the agreement;
- each of the latter banks belonging to the pool may demand the early repayment of the sums disbursed and the cancellation of the entire financial commitment undertaken;
- in the event that none of the banks belonging to the pool either proposes to renegotiate the terms and conditions of the agreement or communicates its intention to withdraw from the contract, the Revolving Facility Agreement shall remain in full force and effect in accordance with the terms and conditions originally agreed.

### B) The credit facility agreements entered into with Unicredit S.p.A.

In July 2015, Enel entered into a revolving credit facility agreement with Unicredit S.p.A. for an amount of Euro 450 million with expiration date in July 2020. As of December 2017, this credit line has not been used.

In July 2016, Enel and Unicredit S.p.A. also entered into a medium/long-term credit facility agreement in cash for a maximum amount of Euro 500 million overall with expiration date in July 2020. As of December 2017, such credit line has been totally used.

Lastly, in June 2017, Enel and Unicredit S.p.A. entered into two new credit facility agreements in cash: one is a medium/long-term agreement for an amount of Euro 200 million with expiration in June 2021, the other is a revolving facility agreement entered into for an amount of Euro 350 million with expiration date in June 2021, with the simultaneous cancellation of the credit facility agreement of Euro 550 million entered into between the parties in April 2014. As of December 2017, the credit line of Euro 200 million has been totally used, while the Euro 350 million credit line has not been used.

All the above-mentioned agreements provide that in the event that control over Enel is acquired by one or more parties other than the Italian Government, such change of control over Enel shall be timely

notified to Unicredit S.p.A. In the event that Unicredit S.p.A. deems that the change of control may adversely affect Enel's capacity to fulfil its obligations under the revolving credit facility agreement, it has the right to prevent Enel from using the available funds provided under the facility agreement and to request the reimbursement of the amounts already drawn.

### C) The EIB loan to Enel Produzione

In order to increase its investment in the field of renewable energy and environmental protection, in June 2007, the subsidiary Enel Produzione S.p.A. entered into a loan agreement with the European Investment Bank ("EIB") for up to Euro 450 million (amount that the parties subsequently agreed to reduce to Euro 400 million), which expires in July 2027. As of December 2017, following the reimbursements paid, the outstanding loan results to be equal to Euro 267 million.

This agreement provides that both Enel Produzione S.p.A. and Enel are obliged to inform the EIB of any changes in their control. If it deems that such changes could have negative consequences on the creditworthiness of Enel Produzione S.p.A. or Enel, EIB may demand additional guarantees, changes in the agreement, or alternative measures that it considers satisfactory. If Enel Produzione S.p.A. does not accept the solutions proposed, EIB shall be entitled to unilaterally terminate such loan agreement.

### D) The EIB loans to Enel Distribuzione

In order to develop the process of making its electricity grid more efficient, in November 2006 the subsidiary Enel Distribuzione S.p.A. entered into a loan agreement with the EIB for an amount of Euro 600 million, which expires in December 2026. As of December 2017, following the reimbursements paid, the outstanding loan results to be equal to Euro 360 million.

Such agreement is backed by a guarantee agreement entered into by the EIB and Enel, which provides that Enel, in its capacity as guarantor of the above-mentioned loan, is obliged to inform the EIB of any changes in its control structure. After receiving such notification, the EIB will examine the new circumstances in order to decide upon a possible change in the conditions governing such loan to Enel Distribuzione S.p.A.

In July 2017, Enel Distribuzione S.p.A. entered into a loan agreement with EIB for an amount of Euro 500 million which expires in September 2032. As of

## Enel – report on corporate governance and ownership structure for year 2017

December 2017, such loan has been used for Euro 100 million.

This agreement provides the obligation of Enel Distribuzione S.p.A. to inform the EIB of any changes in its control structure, as well as of any changes in the control structure of the parent company Enel. Should EIB consider that such changes could have negative consequences on the capacity of Enel Distribuzione S.p.A. to fulfil the undertaken obligations, EIB may demand additional guarantees, changes in the agreement, or alternative measures that it considers satisfactory. If the effects of such changes cannot be mitigated through the above-mentioned measures, EIB may cancel the loan not yet granted and ask for the advance repayment of the loan.

### E) The Cassa Depositi e Prestiti loan to Enel Distribuzione

In April 2009, Enel Distribuzione S.p.A. entered into a framework loan agreement with Cassa Depositi e Prestiti S.p.A. (“CDP”) for an amount of Euro 800 million, which will expire in December 2028. The aforementioned agreement is also aimed at developing the process of making the power grid of such subsidiary more efficient. In 2011, the parties entered into two extensions to the framework loan agreement for a total amount of Euro 540 million. As of December 2017, following the reimbursements paid, the outstanding loan results to be equal to Euro 983 million.

This agreement is also accompanied by a guarantee agreement entered into by CDP and Enel, according to which Enel, as guarantor of the aforesaid loan, is obliged to inform CDP (i) of any change in the composition of the share capital of Enel Distribuzione S.p.A. that could entail the loss of control over said company, as well as (ii) of any significant deterioration in Enel Distribuzione S.p.A.’s and/or Enel’s net worth, economic, financial, or operational situation or perspectives. The occurrence of any of such circumstances may give rise to an obligation for Enel Distribuzione S.p.A. to repay immediately to CDP the loan received.

### *1.9 Compensation owed to directors in the event of early termination of the relationship, including as the result of a takeover bid*

The payment package due to the chief executive officer (that is also the general manager) of Enel includes an end of mandate severance indemnity, which is also granted in the event of early termination

of the directorship relationship following resignation for cause or revocation without cause.

For a detailed description of such payment please see the first section of the remuneration report available to the public at the Company’s registered office and on the Company’s website, in compliance with the terms provided for by the applicable laws.

No specific indemnities are otherwise due in the event that the relationship with any member of the board of directors should terminate following a takeover bid.

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### SECTION II: IMPLEMENTATION OF THE RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE AND ADDITIONAL INFORMATION

#### 1. Board of Directors



From the left: Angelo Taraborrelli, Anna Chiara Svelto, Cesare Calari, Francesco Starace, Alberto Pera, Patrizia Grieco, Alberto Bianchi, Alfredo Antoniozzi e Paola Girdinio.

##### 1.1 Current composition and term

The board of directors in force as of the date of this report, elected by the ordinary shareholders' meeting of May 4, 2017, is composed of the following nine members:

- Patrizia Grieco, chairman;
- Francesco Starace, chief executive officer and general manager;
- Alfredo Antoniozzi;
- Alberto Bianchi;
- Cesare Calari;
- Paola Girdinio;
- Alberto Pera;
- Anna Chiara Svelto;
- Angelo Taraborrelli.

Patrizia Grieco, Francesco Starace, Alfredo Antoniozzi, Alberto Bianchi, Paola Girdinio and Alberto Pera were drawn from the slate submitted by the shareholder Ministry of the Economy and Finance (at that time holding the 23.59% of the Company's share capital) and voted by the majority of the share capital represented at the meeting (approximately the 49.98% of the Company's voting share capital), while Cesare Calari, Anna Chiara Svelto and Angelo Taraborrelli were drawn from the slate submitted by a group of 21 institutional investors (at the time holding in the aggregate the 1.88% of the Company's share capital) and voted by the minority of the share capital represented at the meeting (approximately the 49.43% of the Company's voting share capital).

The term of office of the current board of directors will expire with the approval of the annual financial statements for the year 2019.

A brief professional profile of the above-mentioned Company's directors is provided in Schedule 1 to this report.

##### 1.2 Appointment, replacement and contingency plan

Pursuant to the provisions of the Corporate bylaws, the board of directors consists of three to nine members who are appointed by the ordinary shareholders' meeting (which determines their number subject to such limits) for a term not exceeding three financial years and may be reappointed at the expiration of their term of office.

Under the current legal framework, all of the directors must meet the integrity requirements imposed upon statutory auditors of listed companies. In addition, directors must meet the additional integrity requirements provided under Article 14-*bis* of the bylaws as approved by the extraordinary shareholders' meeting held on May 22, 2014 and amended by the extraordinary shareholders' meeting held on May 28, 2015.

In compliance with the legal framework governing privatizations and in accordance with the amendments subsequently made to the Consolidated Financial Act, the bylaws provide that the appointment of the entire board of directors must take place in accordance with the slate voting system aimed at allowing the presence on the board of directors of members appointed by minority shareholders totalling three-tenths of the directors to be elected. In the event this number is a fraction, it is to be rounded up to the nearest integer.

The extraordinary shareholders' meeting of May 26, 2016 resolved to introduce in the Corporate bylaws a specific provision pursuant to which should the slate that obtained the majority of the votes not have a suitable number of candidates in order to achieve the seven-tenths of directors to be elected (rounding down any fraction to the unit), the other candidates necessary to complete the Board of Directors shall be drawn from the minority slates, if the capacity of such slates is sufficient.

Each slate must include at least two candidates meeting the independence requisites established by law (*i.e.*, those applicable to the statutory auditors of listed companies), distinctly mentioning such candidates and listing one of them as the first name on the slate.

Further, at the first three renewals of the board of directors following August 12, 2012, those slates which contain a number of candidates equal to or

## Enel – report on corporate governance and ownership structure for year 2017

over three shall also include candidates belonging to different genders, as indicated in the notice of call of the shareholders' meeting. With regard to the modalities for the appointment of the board of directors, the Corporate bylaws provide for a specific correction mechanism ("sliding clause") to be used in the event that, following the vote, a balance between genders, as required under the applicable legal framework, is not achieved.

The slates must list the candidates in progressive order and may be presented by the outgoing board of directors or by shareholders who, individually or together with other shareholders, own the minimum percentage of the share capital of the Company indicated by CONSOB with regulation (*i.e.*, considering Enel's market capitalization, as of the date of this report, the minimum percentage required is 0.5% of the share capital). The slates must be filed at the Company's registered office, by those who submit them, at least 25 days before the date on which the shareholders' meeting is called to resolve upon the appointment of the members of the board of directors. Such slates shall be published by the Company on its internet website and shall also be made available to the public at Enel's registered office at least 21 days before the date of the meeting, so as to ensure a transparent process for the appointment of the board of directors.

A report containing exhaustive information on the personal and professional qualifications of the candidates, accompanied by a statement as to whether or not they qualify as independent under the applicable provisions of law and/or the Corporate Governance Code, must be filed at the Company's registered office together with the slates, and must also be published promptly on the Company's website.

For purposes of identifying the directors to be elected, candidates listed on slates that receive a number of votes amounting to less than half the percentage required for presenting the aforesaid slates are not taken into account (*i.e.*, as of the date of this report, 0.25% of the share capital).

For the appointment of directors who, for whatever reason, are not elected in accordance with the slate voting system, the shareholders' meeting resolves in accordance with the majorities required by the law, ensuring in any case:

- the presence of the necessary number of directors meeting the independence requisites established by law (*i.e.*, at least one director if the board consists of no more than seven members or two directors if the board consists of more than seven members); and

- compliance with the applicable laws on balance between genders.

The replacement of directors is regulated by applicable provisions of law. In addition to such provisions, the bylaws provide that:

- if one or more of the directors terminating their office were drawn from a slate also containing candidates who were not elected, the replacement by the board of directors must be made by appointing, in progressive order, persons drawn from the slate to which the directors in question belonged, provided that said persons are still eligible for election and willing to accept the office;
- in any case, in replacing directors who terminate their office, the board of directors must ensure the presence of the necessary number of directors meeting the independence requisites established by the law, and ensuring the compliance with the applicable laws on balance between genders;
- if the majority of the directors appointed by a shareholders' meeting terminates the office, the entire board is to be deemed to have resigned and the directors still in office must promptly call a shareholders' meeting to elect a new board.

With regard to succession plans for executive directors, in September 2016, the board of directors upon proposal of the nomination and compensation committee, together with the corporate governance and sustainability committee, shared the contents of a specific "contingency plan", aimed at regulating the steps to be taken to ensure that the Company's activities are regularly managed in the event of early cessation of the chief executive officer before the expiry of the ordinary term of office (the so-called "crisis management" case). Based on such "contingency plan", if a crisis management case occurs:

- the chairman of the board of directors shall assume the powers for the management of the Company with the same limits previously envisaged in relation to the chief executive officer, and convene the board of directors without delay for the ratification of such powers and the consequent activities;
- taking into account the Company's ownership structure, it is deemed appropriate to acquire in advance specific instructions on the replacement of the chief executive officer by those shareholders from whose slate the chief executive officer who early terminated its office

## Enel – report on corporate governance and ownership structure for year 2017

was drawn. Such instructions will be evaluated by the board of directors in autonomy and with independent judgment;

- in the event that the shareholders from whose slate the chief executive officer who early terminated its office was drawn not provided any instruction on the relevant replacement within 15 days from the termination of the office, the board of directors shall convene a specific ordinary shareholders' meeting in order to appoint the director intended to be entrusted with the role of chief executive officer;
- should no candidacies be submitted at the shareholders' meeting lastly mentioned above nor any of the candidacies submitted by the shareholders reach the majority of the share capital represented at the meeting, the board of directors shall promptly start a process firstly aimed at selecting, with the support of a consulting firm specialized in this field, a list of candidates, from which the same board of directors shall then select the person deemed the most suitable for the role of chief executive officer, co-opting such person, appointing him/her as chief executive officer and entrusting him/her with the appropriate delegated managerial powers.

In order to ensure an adequate appreciation of merit and an effective managerial continuity, the Enel Group has also adopted a system for the management of development plans aimed at fostering the identification and differentiation of the profiles for successions in the managerial positions.

The process is aimed at ensuring appropriate organizational safeguards, identifying the most strategic positions and providing for each of them a list of potential successors and the necessary development actions in order to support respective managerial growth, taking also into account the Enel Group's commitments on diversity and inclusion.

In order to ensure the effectiveness of such a process, all the Group's managerial positions are examined taking into account the main variables according to a method in line with international best practices and providing for each of them the identification of "Ready" successors, for the short term, and "Pipeline" successors, for the medium term, with a special regard to young, women, as well as to the valorisation of the inter-functional and international experiences.

Such process goes along with a "talent management" one, aimed at identifying development projects adequate to individual and professional profiles and

to the positions the successors have been identified for.

### 1.3 Role and functions

The board of directors has a central role in the Company's governance structure, since it has powers over the strategic, organizational and control guidelines for the Company and the Group. In consideration of its role, the board of directors meets regularly and endeavours to ensure the effective performance of its duties.

In particular, and in accordance with the legal framework and specific resolutions of the Board itself (and, in particular, the one adopted in May 2017), the board of directors:

- establishes the corporate governance system for the Company and the Group. On this respect, it should be noted that the board of directors firstly approved in July 2015 some recommendations aimed at strengthening the corporate governance of Enel's subsidiaries whose shares are listed on regulated markets (currently 13 issuers) and ensuring that all such companies comply with the relevant local best practices. More recently, in December 2017 the board of directors approved specific Guidelines that set the principles which the Group's corporate governance system is based upon, which, in particular, lay down the common implementing principles on the conflict of interests involving directors and on related parties' transactions, resulting compliant with the legal framework of the Countries where the Group's companies operate, and therefore uniformly applicable;
- constitutes the Board's internal committees, with consultative and proposing powers, appoints their members and, by approving their internal rules, defines their duties. It should be noted that following the shareholders' meeting held on May 4, 2017, the board of directors, in June 2017, re-established the following committees: the control and risk committee; the nomination and compensation committee; the related parties committee; and the corporate governance and sustainability committee (for an analysis on the composition and responsibilities of such committees as well as the activities carried out by them, see the paragraph entitled "Committees" of this section of the document);
- delegates and revokes the powers of the chief executive officer, defining their content, limits, and the procedures, if any, for exercising them.

## Enel – report on corporate governance and ownership structure for year 2017

In accordance with the powers in force, granted by the board of directors in May 2017, the chief executive officer is vested with the broadest powers for the management of the Company, with the exception of those powers that are assigned otherwise by legal or regulatory provisions or by the Corporate bylaws or which are reserved to the board of directors according to resolutions of the latter, which are described below;

- receives, as well as the board of statutory auditors does, information from the chief executive officer regarding the activities carried out in the exercise of his powers, which are summarized in a special quarterly report. In particular, with regard to all the most significant transactions carried out using the powers of his office (including any atypical or unusual transactions or ones with related parties whose approval resulted not to be reserved to the board of directors), the chief executive officer reports to the board on: (i) the features of the transactions; (ii) the parties concerned and any relation they might have with the Group companies; (iii) the procedures for determining the considerations concerned; and (iv) the related effects on the income statement and the financial statement;
- determines, based on the analyses and proposals of the relevant committee, the remuneration policy of the directors and of the executives with strategic responsibilities; in implementing such policy, it determines, based on proposals of the committee and after consulting with the board of statutory auditors, the compensation of the chief executive officer and the other directors who hold specific offices and resolves upon the adoption of incentive plans aimed at the general management. In this respect, please note that the board of directors in March 2017 approved the remuneration policy and the incentive plan for the chief executive officer/general manager, and for the top management. Furthermore, in November 2017, the board of directors approved, upon proposal of the nomination and compensation committee and subject to the opinion of the related parties committee as well as of the board of statutory auditors, the resolutions concerning the remuneration and legal policy applicable to the chairman and to the chief executive officer/general for the period 2017-2019;
- on the basis of the information received, evaluates the adequacy of the Company's and the Group's organisational, administrative, and

accounting structure. Such evaluation was carried out in March 2017 and, lastly, in March 2018;

- resolves on changes to the general organisational structure proposed by the chief executive officer. It should be noted that in July 2014 the board of directors examined and approved the new Group organizational structure and lastly in October 2017 agreed upon certain amendments;
- examines and approves the strategic, business and financial plans of the Company and of the Group, whose implementation monitors periodically. It should be noted that the 2018-2022 business plan – illustrated in the annual strategic summit and further explored by the board of directors during different meetings – was approved in November 2017. In this regard, the current division of powers within the Company specifically provides that the board of directors resolves upon the approval of:
  - the annual budget and the business plan of the Group (which incorporate the annual budgets and long-term plans drafted by the Group companies);
  - strategic agreements, also defining – upon proposal by the chief executive officer – the Company's and the Group's strategic objectives;
- examines and approves in advance the transactions of the Company and of the Group that have a significant impact on their strategy, financial statements, income statements, or cash flows, particularly in cases where they are concluded with related parties or otherwise characterized by a potential conflict of interests.

In particular, all financial transactions of a significant size (meaning: (i) the Company's contracting of loans for an amount exceeding Euro 75 million and the issuance of bonds by the Company; (ii) the issuance of bonds or the entering into loans by subsidiaries where, in both cases, the grant of a guarantee by Enel is required or the transaction's amount exceeds Euro 300 million; and (iii) the grant of guarantees by Enel, in the interest of subsidiaries or third parties, in both cases, where such guarantees cover amounts exceeding Euro 50 million) must be approved in advance (if they concern the Company) or evaluated (if they regard other Group companies) by the board of directors.

In addition, acquisitions and disposals of equity investments amounting to more than Euro 50

## Enel – report on corporate governance and ownership structure for year 2017

million must be approved in advance (if they are carried out directly by the Company) or evaluated (if they concern other Group companies) by the same board of directors;

- provides guidance and assessments on the adequacy of the internal control and risk management system, defining the nature and level of risk that is compatible with the Company's and the Group's strategic objectives, in line with the prerogatives set forth in such regard in the Corporate Governance Code. In the first place, the board of directors identifies within the board one or more directors in charge of establishing and maintaining an effective internal control and risk management system (in May 2017 the board confirmed such assignment on the chief executive officer). In addition, the board of directors, having obtained the control and risk committee's opinion:
  - defines the guidelines of the internal control and risk management system so that the main risks regarding the Company and its subsidiaries – including those risks that might have an impact in the light of a medium-long term sustainability perspective – are correctly identified and properly measured, managed, and monitored, determining, moreover, the level of compatibility of such risks with the management of the company in a manner consistent with its strategic objectives. It should be observed in this regard that in November 2013, the board of directors has determined and formalized the guidelines of the internal control and risk management system (such document was lastly updated in February 2016 to ensure that its content is consistent with the amendments to the Corporate Governance Code made in July 2015). Furthermore, in November 2017, the board of directors has assessed the compatibility of the main risks related to the strategic objectives set forth in the 2018-2022 business plan with a management of the Company that is in line with such targets;
  - evaluates, at least on an annual basis, the adequacy of the internal control and risk management system taking into account the characteristics of the Company's business and the types of risks taken, as well as its effectiveness. It should be noted that in February 2018, the board of directors expressed a positive evaluation in this respect with reference to the year 2017;
  - approves, at least on an annual basis, the work plan prepared by the head of the "Audit" Function, after consulting with the board of statutory auditors and the director in charge of the internal control and risk management system. It should be noted in this regard that in February 2017, the board of directors approved the audit plan for the same year;
  - assesses, after consulting with the board of statutory auditors, the results published by the auditing firm in its management letter, if any, and in the report on the key issues arising over the course of the audit. It should be noted that the auditing firm has not prepared the management letter concerning 2016 financial statements (both statutory and consolidated), while in November 2017 the board of directors assessed the report on the key issues arising from the statutory audit carried out in 2016;
  - on the basis of a proposal formulated by the director in charge of the internal control and risk management system in accordance with the chairman, and after consulting with the board of statutory auditors, appoints and removes the head of the "Audit" Function and determines his/her compensation in accordance with the Company's policies; furthermore the board of directors verifies that the person in question is endowed with resources adequate for the performance of his/her duties. It should be noted that in accordance with such procedure, in the month of July 2014, the board of directors appointed Silvia Fiori as the head of the "Audit" Function;
- provides for the exercise of voting rights at the shareholders' meetings of the main companies of the Group and designates the directors and statutory auditors of such companies;
- appoints the general manager and grants the related powers. It should be noted that in the month of May 2017, the board of directors confirmed Francesco Starace as the Company's general manager;
- evaluates the general performance of the Company and the Group, using the information received from the chief executive officer, and verifies periodically the achievement of the objectives set;
- formulates proposals to submit to shareholders' meetings and reports at such meetings on the activities carried out and planned, ensuring that

## Enel – report on corporate governance and ownership structure for year 2017

shareholders have adequate information on the elements necessary to enable them to participate in a well-informed manner in the decisions taken in such meetings.

Among the additional activities carried out during 2017 and the first months of 2018, it should be noted that the board of directors:

- on the basis of the results of the board review concerning the 2016 financial year and in line with the Corporate Governance Code guidelines, in March 2017, after having obtained the opinion of the nomination and compensation committee and the corporate governance and sustainability committee, deemed to express to Enel's shareholders its guidelines on the optimal size and composition of the board of directors in view of the renewal of this body, summarized in a specific document published on the Company's website;
- in December 2017 approved Enel's participation to the "tax cooperative compliance", that proposes an ex ante control approach by the Tax Authority aimed at ensuring certainty in the relationship of the companies with the Tax Authority and a consequent stability of fiscal variables. In light of such participation, the board of directors also approved the fiscal strategy, that ensures a uniform management of tax system within the Group inspired by (i) punctual and correct determination and payment of taxes due under the law and following fulfilments; and (ii) mitigation of the fiscal risk, meant as the risk to incur into the infringement of tax law or in the abuse of principles and aims of tax law;
- in March 2018 examined the fifth Report on the implementation of the Corporate Governance Code and the subsequent recommendations indicated in an ad hoc communication addressed to issuers by the Italian Corporate Governance Committee, pointing out the full alignment of the corporate governance system of Enel, as illustrated in this report, with the content of such recommendation.

### 1.4 Board meetings

The following table illustrates the calendar of the board meetings held during the year 2017.

J	F	M	A	M	J	J	A	S	O	N	D
•	•	•	•	•	•	•	•	•	•	•	•
		•		•		•				•	
<b>Total</b>											15
<b>Average duration</b>											3h

Meetings scheduled for 2018

14 (4 of which have already been held)

The directors' participation was regular and the meetings were also attended by the board of statutory auditors and by a magistrate representing the Italian Court of Auditors (*Corte dei Conti*).

During 2017 the heads of the corporate functions in charge of the various matters related to the items on the agenda have been constantly invited to attend the meetings of the board of directors and, upon invitation by the chief executive officer, they have brought to the discussion their valuable contribution.

### 1.5 Chairman

In May 2017, the shareholders' meeting confirmed Patrizia Grieco as chairman of Enel's board of directors.

In performing her role as coordinator of the board of directors' activities and providing proactive guidance on the functioning of the board, the chairman calls the meetings of the board, establishes their agenda, presides over them, and endeavours to ensure that the documentation related to the items on the agenda is circulated to the directors and statutory auditors in due advance prior to the date of each meeting; in this regard, it should be noted that the board of directors confirmed its policy according to which, as a general rule, an advance notice of three days is congruous to send the relevant board of directors documentation, acknowledging however that such term could be increased or decreased, respectively, in cases where the documentation is particularly important and/or complex or in the event of urgent transactions or transactions in progress; in 2017, such term was generally complied with, and whenever this was not possible in relation to extraordinary operations underway, the Chairman still ensured that adequate and accurate in-depth analyses were carried out during the board's meetings.

The chairman also ascertains whether the Boards' resolutions are implemented, chairs shareholders' meetings, and – like the chief executive officer – is authorized to legally represent the Company.

In addition to the powers provided by law and by the bylaws regarding the functioning of the corporate bodies (the shareholders' meeting and the board of directors), the chairman is also entrusted with the duties of (i) participating, jointly with the chief executive officer, in formulating to the board of directors proposals on the appointment, revocation and compensation of the head of the Company's

## Enel – report on corporate governance and ownership structure for year 2017

“Audit” Function, which reports hierarchically to the board of directors and on which the chairman exercises a supervisory role, and (ii) performing a proactive and supervisory role in the application of corporate governance rules concerning the board of directors’ activities.

Finally, in agreement and coordination with the chief executive officer, the chairman maintains relations with institutional bodies and authorities.

### 1.6 Chief Executive Officer

In May 2017, the board of directors confirmed Francesco Starace as chief executive officer, granting him all the powers to manage the Company, with the exception of those otherwise assigned according to legal or regulatory provisions, Corporate bylaws or the structure of powers approved in May 2017 (as regards the matters which under such structure are reserved to the board of directors, see the paragraph entitled “Board of directors – Role and functions” below).

The chief executive officer is also ascribed the role of the director in charge of the internal control and risk management system, pursuant to the Corporate Governance Code (for a detailed description of the tasks that such role entails please see the Guidelines of the Internal Control and Risk Management System, available on the Company’s website).

The chief executive officer reports to the board of directors and to the board of statutory auditors, at least quarterly and in any case during the board of directors meetings, on the operations, the general trend of the Company’s results and on its predictable evolution, as well as on the most relevant transactions under any economic, financial, patrimonial aspects or on transactions which are material with regard to their size or characteristics, carried out by the Company and its subsidiaries.

### 1.7 Executive and Non-executive directors

The board of directors consists of executive and non-executive directors.

In accordance with the recommendations set forth in the Corporate Governance Code, the following directors are considered executive directors:

- the chief executive officer of the Company (or of subsidiaries having strategic relevance), including the relevant chairman when he/she is granted individual management powers or when he/she plays a specific role in the definition of the business strategies;

- directors who hold executive positions in the Company (or in subsidiaries having strategic relevance) or in the controlling entity, if the position also regards the Company.

Directors who do not fall under any of the abovementioned categories are qualified as non-executive.

According to the analysis carried out by the board of directors in May 2017 and January 2018, with the exception of the chief executive officer/general manager, all of the other members of the same board of directors (Patrizia Grieco, Alfredo Antoniozzi, Alberto Bianchi, Cesare Calari, Paola Girdinio, Alberto Pera, Anna Chiara Svelto and Angelo Taraborrelli) are non-executive directors.

The number, expertise, professionalism, authoritativeness, and availability of the non-executive directors are therefore appropriate to ensure that their judgment can have a significant influence on the decisions made by the board.

The non-executive directors bring their specific expertise to the board’s discussions, so as to facilitate an examination of the issues under discussion from different perspectives and consequently the adoption of reasoned and well-informed decisions that correspond with corporate interests.

### 1.8 Independent directors

In May 2017 and January 2018, on the basis of the information provided by the single persons concerned or otherwise available to the Company, the board of directors verified and confirmed that directors Alfredo Antoniozzi, Alberto Bianchi, Cesare Calari, Paola Girdinio, Alberto Pera, Anna Chiara Svelto and Angelo Taraborrelli are independent pursuant to the Corporate Governance Code. As regards to Patrizia Grieco, it should be noted that the independence requisite envisaged under the Corporate Governance Code was not ascertained since such Code does not consider the chairman of the board of directors as independent, it being a “top level exponent/executive” of the Company.

Specifically, directors were considered independent if they neither are part nor have recently been part to relationships, even indirectly, with the Company or with parties related to the Company that could currently compromise their autonomy of judgment.

As usual, the procedure followed by the board of directors began with an examination of an information document indicating the offices held and the relationships maintained by non-executive directors that could be deemed relevant for purposes

of assessing their respective independence; this phase was followed by the self-assessment carried out by each of the non-executive directors regarding his personal position (also based on the execution of a specific statement from each of the relevant directors), after which the final assessment was made collectively by the board of directors, with the abstention, in turn, of the individual members whose position was under examination.

In evaluating the independence of the non-executive directors, the board of directors took into account the cases in which, according to the Corporate Governance Code, the requisites of independence should be considered lacking and, in this regard, applied the principle of the prevalence of substance over form recommended by such Code.

In order to assess the independence of directors, the board of directors has continued to refer to specific quantitative parameters applicable to the commercial, financial, or professional relations that may take place, directly or indirectly, between directors and the Company; unless there are specific circumstances, to be evaluated on a case-by-case basis, the exceeding of such parameters (specified in the Table 1 attached to the present report, together with the cases in which, according to the Corporate Governance Code, the requisites of independence must be considered lacking) precludes, in principle, the relevant non-executive director's satisfaction of the independence requisites provided under such Code. In this regard, it should be noted that during the above-mentioned evaluations on the independence of the non-executive directors, lastly in January 2018, the board of directors acknowledged that none of such parameters had been exceeded.

During the above-mentioned evaluations, the board of directors also ascertained that all of the non-executive directors – *i.e.* Patrizia Grieco, Alfredo Antoniozzi, Alberto Bianchi, Cesare Calari, Paola Girdinio, Alberto Pera, Anna Chiara Svelto and Angelo Taraborrelli – also met the requisites of independence provided for by the law (namely by the Consolidated Financial Act) for the statutory auditors of listed companies (such requisites are also clearly specified in Table 1 attached to this report).

During the months of June 2017 and March 2018, the board of statutory auditors established that the board of directors, in carrying out the aforesaid evaluations, correctly applied the criteria recommended by the Corporate Governance Code, following for such purpose a transparent assessment procedure that enabled the board to learn about relations that were potentially relevant for purposes of the independence evaluation.

Even though independence of judgment characterises the activities of all directors, both executive and non-executive, an adequate presence of directors (both with respect to their number and skills) who can be qualified as independent according to the foregoing definition – having a significant role in the board of directors as well as in the committees – ensures a proper balance of the interests of all shareholders.

The independent directors held a specific meeting in December 2017, without the attendance of the other directors. During this meeting, which focused on the most important matters concerning the board of directors' functioning and the corporate management, they unanimously highlighted the optimal functioning of the board and the committees as far as organization, preparation and delivery of documents are concerned, as well as the full engagement of the board itself in strategic and managerial issues of major relevance. During the same meeting, the independent directors also expressed their general appreciation for the corporate management, the achieved results and the quality of management. In such an outstanding context, some of them pointed out the importance of ensuring a longer timeframe so that the strategic issues of major relevance can be better examined.

### *1.9 Limits on the number of offices held by directors*

The directors accept and maintain their office provided they expect to be in a position to devote the necessary time to the diligent performance of their duties, taking into account of both the number and nature of the offices they hold on the boards of directors and the boards of statutory auditors of other companies of significant size and the commitment required by the other functions or professional activities they carry out and the offices they hold in associations.

In this regard, it should be noted that since 2006 the board of directors approved a policy regarding the maximum number of offices that its members may hold on the boards of directors and the boards of statutory auditors of other companies of significant size in order to ensure that the persons concerned have enough time to effectively perform their duties on the board of directors of Enel, also taking into account their participation in committees established within the board.

In accordance with the recommendations of the Corporate Governance Code, such policy considers significant, in this regard, only those offices held on the boards of directors and the boards of statutory auditors of the following categories of companies:

- a) companies with shares listed on regulated markets, including foreign ones;
- b) Italian and foreign companies with shares not listed on regulated markets and operating in the fields of insurance, banking, securities intermediation, asset management, or finance;
- c) Italian and foreign companies other than those specified under letters a) and b) above, that have assets exceeding Euro 1 billion and/or revenues exceeding Euro 1.7 billion, based upon their most recent approved annual financial statements.

In accordance with the recommendations of the Corporate Governance Code, the policy adopted by the board of directors establishes differentiated limits upon the number of offices (made measurable by a system of specific “weights” for each kind of office), depending on (i) the commitment connected with the role performed by each person involved, both on Enel’s board of directors and on the boards of directors and the boards of statutory auditors of other companies of significant size, as well as (ii) the nature of the companies where the other roles are performed, excluding from the related calculation those performed within Enel’s subsidiaries and affiliates.

It is also expressly provided – in line with the recommendations of the Corporate Governance Code – that unless otherwise decided in accordance with a reasoned opinion expressed by the board of directors, Enel’s chief executive officer may not hold the role of director of another company with listed shares outside the Enel Group and where one of Enel’s directors acts as chief executive officer (referred to as an “interlocking directorate”).

On the basis of the information provided by the directors of the Company upon implementation of the aforesaid policy – and taking into account the inquiry carried out by the board of directors most recently in January 2018 – the number of offices that each of Enel’s directors currently holds in the boards of directors or boards of statutory auditors of other companies of significant size is compatible with the limits established under such policy.

### *1.10 Evaluation of the functioning of the board of directors and its committees*

At the end of 2017 financial year and during the first two months of 2018, the board of directors carried out, with the assistance of Korn Ferry International S.r.l. – a specialized consultancy firm and part of a network which in 2016 and 2017 had additional professional relationships with Enel, in any case not capable of concretely hindering independence – an

evaluation of the size, composition, and functioning of the board itself and its committees (board review), in compliance with the most advanced corporate governance practices followed abroad that have been adopted under the Corporate Governance Code. This board review follows similar initiatives that have been conducted on an annual basis by the board of directors since 2004.

The board review was carried out by means of a questionnaire filled out by each member of the board of directors, followed by individual interviews performed by the consultancy firm, in order to carry out an in-depth analysis of the most important issues; the members of the board of statutory auditors were also involved in this activity, as observers, in order to enrich the board of directors’ evaluation process with an additional point of view.

In particular, the questionnaire and the interviews concerned: (i) the structure and composition of the board of directors; (ii) the understanding of the role and responsibility of the board itself; (iii) the organization and conduct of board meetings, with particular regard to the thoroughness and promptness of the information flows, to the development of board’s discussions and to the decision-making processes followed; (iv) the frequency, contents and usefulness of the induction activities; (v) the role played by the chairman and the relationships among the board of directors, the chief executive officer and the top management; (vi) the participation of the board of directors in defining corporate strategies and the perception by the board itself on the efficiency and effectiveness of the internal control and risks management system; (vii) the composition and functioning of the committees and the effectiveness of their activities in supporting the board of directors; (viii) the level and modalities for implementing the sustainability principles within the Company’s and the Group’s business strategies and model.

Within the board review process, the consulting firm also reviewed the corporate documentation consisting mainly of the minutes of the board of directors’ meetings and committee meetings, in order to verify that the practices followed by such bodies complied with the legal framework applicable to the Company and the internal rules adopted by the Company; the consulting firm also conducted a benchmarking analysis, which compared Enel with other leading listed Italian and foreign companies with regard both to the modalities in which the board review is conducted, and the level of transparency in disclosing the relevant results to the market as well as to the composition and functioning of the board of directors and of the committees.

The results of the board review for the year 2017 confirm a very positive overall picture of the conduct of the board of directors and of the committees, demonstrating that these bodies operate effectively and transparently, in strict compliance with the best national and international corporate governance practices, as confirmed by the consulting firm.

In particular, the results of the board review for the year 2017 highlight the following strengths: (i) the board of directors confirms to have an adequate balance in terms of background, tenure and gender diversity of its members, and it has a clear organisational structure and organizes the functioning of the meetings so as to facilitate an effective participation to the discussion among all the members and therefore an effective discussion among them; (ii) the board of directors works in a positive environment, with a clear definition of its role and distinction of the latter from the management role; (iii) the quality, completeness and timeliness of the delivery of the board documentation are appropriate for deciding; (iv) the chairman effectively manages the meetings and facilitates the discussions within the board, whose quality, as resulting from the minutes, shows the contribution of the different professional and managerial skills and the cooperative atmosphere existing within the structure of the board; (v) the interaction of the board of directors with the top management of the Company and the Group is optimal, as may be inferred from the ongoing and appreciated involvement of key managers during the meetings; (vi) the quality of the committees' work and the support provided by them to the activity of board of directors result unanimously appreciated; (vii) the minutes both of the board meetings and of the committee meetings accurately and precisely record the conduct of the meeting and the resolutions passed.

Among the issues raised by some directors the following are noteworthy: (i) the need to further perfect the protection in some areas of competence which, in the perspective of development of corporate strategies, will request a deeper analysis (in particular with reference to digital field and the knowledge of international markets); (ii) the need to further examine some issues related to the business plan, which have been dealt with during the annual strategic summit, in order to facilitate their knowledge and make more productive the discussion among the directors and the management, being the latter perceived as very competent by the directors; (iii) the wish for a greater in-depth analysis in relation to the various phases of the process which bring to the definition of the profiles of persons which can be considered for key managerial roles.

It should be lastly noted that, following the recommendations arisen from the previous year board review, in 2016 an *ad hoc* survey on the corporate climate has been carried out, which involved the Company's and the Group's entire work-force, with a significant participation rate (84%). This survey was meant to measure both how much some essential aspects of the company's strategy are shared by the work-force and how some particularly relevant indicators of the working conditions are perceived. Overall, the answers to the survey have shown a significant consent within the company on the several aspects which were the subject of the corporate climate survey. As a result of the aforementioned survey, a well detailed action plan has been produced to satisfy the emerging needs, on the basis of which, during 2017, almost 1500 actions have been implemented on the following issues: Work-Life Balance, Lifestyle Diversity and Work Environment, Open Power Culture, Working Relationships and Organization, Health and Safety, Meritocracy.

### 1.11 Board induction and update

Directors carry out their tasks autonomously and consciously, having as their main objective the creation of value for shareholders in the medium/long-run. They are aware of the responsibilities concerning their role and, as well as the members of the board of statutory auditors, are constantly informed by the relevant business functions on the main legal and self-regulatory news regarding the Company and the exercise of their own functions.

Specifically, also during 2017, the Company organized an *ad hoc* induction program, aimed at equipping directors with a suitable knowledge of the areas where the Group operates, the corporate dynamics and their evolution, the market trend and the reference legal framework; statutory auditors were involved too. Induction initiatives put in place throughout 2017 concerned, in particular, the analysis of principles about the correct risks management and its application within the Company and the Group, the strategies followed by Enel Group to face specific risks concerning cybersecurity and the organization and the activities carried out by the new global business line E-Solutions, as well as a meeting dedicated to corporate responsibility pursuant to Legislative Decree No. 231/2001. In addition to these corporate initiatives, also throughout 2017 non-executive directors and statutory auditors were given the chance of participating at the Company's expenses to a training course on the tasks and responsibilities related to the

office as members of the board of directors and of the board of statutory auditors in listed companies, organized by Assonime and Assogestioni, which also dealt with in-depth analysis of risk management in listed companies.

Furthermore, following an initiative of the first board review (carried out in 2004), also during 2017 the annual strategic summit was organized, which took place in October and dedicated to the analysis and in-depth assessment by members of the board of directors and the board of the statutory auditors of the medium/long-term strategies in the different industries of the Group as well as to the explanation of 2018-2022 business plan draft.

### *1.12 Diversity Policy of the Board of Directors*

In January 2018, the board of directors, upon proposal of the corporate governance and sustainability committee and of the nomination and compensation committee, in implementation of the provisions provided for by the Consolidated Finance Act, approved a diversity policy that describes the optimal features of the composition of the board itself, in order for it to exercise its functions in the most effective way taking decisions with the concrete contribution of plural qualified point of views capable of examining the issues under discussion from different perspectives.

In drafting such diversity policy, the board of directors has moved from the awareness that diversity and inclusion are two fundamental elements of the business culture of a multinational company as Enel Group, operating in more than 30 Countries. In particular, valorization of diversities as a funding basis for business' sustainability in the medium/long-run, is a reference paradigm both for Group's employees and members of Enel's board of directors and board of statutory auditors.

With reference to types of diversity and the relevant objectives, the afore-mentioned policy (available at the Company's website), states that:

- on the most part, directors should be non-executive and should have the independence requisites set forth by the law and the Corporate Governance Code. An optimal composition should be characterized, in particular, by the presence of a majority of independent directors;
- when law provisions requiring gender balance are not effective anymore, it is in any case important to keep ensuring that at least 1/3 of the board of directors is constituted by directors belonging to the least represented gender, both at the appointment and during the mandate;

- the Group's international activities perspective should be taken into account ensuring the presence of at least 1/3 of directors having an adequate internationally-oriented experience. Such international profile is also considered important in order to prevent both the standardization of opinions and the development of "group thought" and is evaluated on the basis of the managerial, professional, academic and institutional activities carried out in the international context by each director;
- in order to better balance continuity and renewal in the management, a balanced combination of different seniorities – as well as different ages - should be guaranteed within the board of directors;
- non-executive directors shall have a managerial and/or professional and/or academic and/or institutional profile, such as to mix diverse and complementary experiences and skills, that are identified in the above-mentioned policy. Furthermore, as far as the different roles carried out by the chairman and the chief executive officer, the policy describes the competences, experiences and soft skills deemed more suitable for an effective performance of their respective tasks.

With reference to implementation modalities of the diversity policy, it should be noted that, considering Enel ownership structure, the board of directors has always abstained from presenting its own slate of candidates, in the event of its several renewals, since no difficulties have been faced by the shareholders to present satisfactory candidatures. Thus, the policy mainly aims at orienting the candidatures submitted by the shareholders in case of renewal of the entire board of directors ensuring in such circumstances an adequate consideration of the benefits which may derive from a harmonious composition of the board itself, in line with the various above-mentioned diversity criteria.

The nomination and compensation committee also takes into account the provisions of such policy when it is called to propose to the board of directors candidates to the office as directors, considering the proposals submitted by the shareholders' (if any) in the cases provided by its organizational regulation (for detailed explanation of such cases please refer to this section of the report under "Committees - Nomination and Compensation Committee – Tasks").

In the context of adoption of the aforementioned diversity policy, the board of directors had the

occasion of verifying that its current composition is completely compliant with the aims set forth by the policy itself for the different types of diversity.

### 1.13 Remuneration

Shareholders' meetings determine the remuneration of the members of the board of directors; the board of directors sets the additional remuneration for the members of the committees with consultative and proposing functions instituted within the board of directors, upon a proposal submitted by the nomination and compensation committee, after consulting the board of statutory auditors; the total remuneration for the chairman and for the chief executive officer/general manager is also established by the board of directors, upon a proposal submitted by the nomination and compensation committee and after consulting the board of statutory auditors.

For a detailed description of the structure and of the amount of the above-mentioned remuneration for financial year 2017, please see the remuneration report available to the public at the Company's registered office and on the Company's website, in compliance with the applicable law.

## 2. Committees

### 2.1 Organizational and functioning rules

The board of directors set up within the board itself the following four committees:

- the nomination and compensation committee;
- the control and risk committee;
- the corporate governance and sustainability committee; and
- the related parties committee.

It should be noted that the responsibilities related to compensation and nomination have thus been jointly assigned to the same committee. Such unification, in line with expressly set forth under the Corporate Governance Code, complies with the composition requisites provided under the Code for both committees and ensures the proper performance of the relevant tasks in an effective and efficient manner.

Special organizational regulations approved by the board of directors govern the composition, tasks, and functioning of the said committees.

In particular, the organizational regulations provide that:

- the nomination and compensation committee and the control and risk committee are comprised of non-executive directors, the majority of whom (including the chairman) are independent<sup>(2)</sup>;
- the corporate governance and sustainability committee is comprised of a majority of independent directors; and
- the related parties committee is comprised exclusively of independent directors.

In carrying out their duties, the committees in question are empowered to access the information and corporate functions necessary to perform their respective tasks and may avail themselves of external consultants at the Company's expense subject to the limits of the budget approved, for each committee, by the board of directors (except for the related parties committee that is not subject to budget limits in retaining external consultants). In this regard, it should be noted that in the event that the nomination and compensation committee decides to avail itself of external consultants in order to obtain information on market practices concerning remuneration policies, it previously verifies that the consultant is not in any situation which may effectively compromise his independence of judgment, while the related parties committee ascertains the independence and the absence of conflicts of interest, as well as the professional competence and skills of the consultant in relation to the subject matters concerning the transactions in which respect the committee shall issue its opinion.

Each committee appoints a secretary, who can also not be one of its members, who is assigned the task of drafting the meeting minutes. The chairmen of the nomination and compensation committee, of the control and risk committee and of the corporate governance and sustainability committee inform the board of directors on the matters discussed by each committee within their respective meetings, during the first available meeting of the board of directors following the committees' meetings.

The chairman of the board of statutory auditors, or another designated auditor, attends the meetings of each committee (the other regular statutory auditors are also entitled to attend) and, upon invitation by the chairman of the relevant committee, meetings may also be attended by other members of the board of directors or representatives of the company's functions or third parties whose presence may support the performance of the committee's duties. The meetings of the control and risk committee are

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<sup>(2)</sup> Please note that, since June 2014 the nomination and compensation committee and the control and risk committee are entirely composed of independent directors.

also normally attended by the head of the “Audit” Function, and the meetings of the nomination and compensation committee are also normally attended by the head of the “Human Resources and Organization” Function; no directors may attend those meetings of the nomination and compensation committee that are called to resolve upon proposals regarding their own compensation, to be submitted to the board of directors, except in the case of proposals concerning all the members of the committees established within the board of directors.

### 2.2 Nomination and Compensation Committee

#### Composition

During 2017, the nomination and compensation committee, until May, was composed of Alessandro Banchi (chairman), Paola Girdinio, Alberto Pera and Anna Chiara Svelto, all of whom directors having independence requisites. As of the reorganization of its composition occurred in June, the concerned committee is composed of Alberto Bianchi (chairman), Cesare Calari, Paola Girdino and Alberto Pera, all having independence requisites. The board of directors verified that Alessandro Banchi, for the previous mandate, and Cesare Calari and Alberto Pera, for the current one, have adequate experience and expertise in financial matters.

#### Tasks

The nomination and compensation committee is responsible for supporting the board of directors, through proper inquiry, the assessments and decisions of the board on the size and composition of the board itself, as well as the compensation of the executive directors and of the executives with strategic responsibilities.

Specifically, in compliance with the organizational regulation lastly amended in March 2016, the nomination and compensation committee is entrusted with the consultative and proposing tasks illustrated below.

The committee, in its capacity as nomination committee is called to:

- formulate opinions to the board of directors on the size and composition of the board and expressing recommendations on the managerial and professional profiles whose participation on the board would be deemed advisable;
- express recommendations to the board of directors on the contents of the policy on the maximum number of offices within boards of directors and control of other companies of significant size which could be considered

compatible with an effective performance of the office of director of the Company;

- express recommendations to the board of directors on possible controversial issues related to the application of the restriction on competition imposed upon directors pursuant to article 2390 of the Italian Civil Code, if the shareholders’ meeting, for organizational reasons, has authorized on a general and preliminary basis exemptions from such restriction;
- propose to the board of directors’ candidates for the role of director, taking into account possible reports received from the shareholders:
  - in the event of co-optation, if it is necessary to replace independent directors;
  - if, in the event of the renewal of the board of directors, it is envisaged that it will not be possible to draw from the slates submitted by the shareholders the required number of directors, such that the outgoing board may in this case express its own candidatures to be submitted to the shareholders’ meeting;
  - if, in the case of a renewal of the board of directors, the outgoing board decides to avail itself of the right provided under the bylaws to submit its own slate;
- in cooperation with the corporate governance and sustainability committee, assist the board of directors in drafting a “contingency plan”, which shall provide for the steps to be taken to ensure that the Company’s activities are regularly managed in the event of early cessation of the chief executive officer before the expiry of the ordinary term of office;
- in the event of early cessation of the chief executive officer before the expiry of the ordinary term of office, propose to the board of directors the new chief executive officer in accordance with the corporate governance and sustainability committee, taking also into consideration any indications provided by those shareholders that submitted the slate from which the outgoing chief executive office was drawn.

The committee, in its capacity as compensation committee is called to:

- submit to the board of directors proposals for the compensation of the directors and of the executives with strategic responsibilities, evaluating periodically the adequacy, overall consistency and actual application of the adopted policy, also on the basis of information provided by the chief executive officer

## Enel – report on corporate governance and ownership structure for year 2017

concerning the implementation of such policy with respect to the executives with strategic responsibilities;

- submit to the board of directors proposals for or expressing opinions on the remuneration of the executive directors and the other directors who hold particular offices, as well as the identification of performance targets related to the variable component of such remuneration, monitoring the implementation of the resolutions adopted by the board and verifying, in particular, the actual achievement of performance targets;
- examine in advance the annual remuneration report to be made available to the public in view of the annual shareholders' meeting called for the approval of the financial statements.

Furthermore, in its capacity as compensation committee, within the framework of its duties, the committee also plays a central role in elaborating and monitoring the performance of incentive systems (including stock-based plans, if any), addressed to the management and conceived as instruments aimed at attracting and motivating resources with appropriate abilities and experience, developing their sense of belonging and ensuring their constant, enduring effort to create value.

In addition to those recommended by the Corporate Governance Code, the nomination and compensation committee may eventually perform the task of assisting the chief executive officer and the relevant corporate functions in developing the potential of the Company's managerial resources, recruiting talented people, and promoting related initiatives with universities.

### Committee's activities in 2017

The following table illustrates the calendar of the nomination and compensation committee's meetings held during year 2017:

J	F	M	A	M	J	J	A	S	O	N	D
•	•	••				•		•	•		•
<b>Total</b>											8
<b>Average duration</b>											1h 30m

During these meetings, regularly attended by the relevant members (as well as by the chairman and by the other regular members of the board of statutory auditors), the nomination and compensation committee, also availing itself of external independent consultants (at the Company's expense), has carried out the following main activities.

The committee, in its capacity as compensation committee:

- assessed the adequacy, the overall consistency and the effective application of the remuneration policy adopted in 2016;
- defined the proposal for the remuneration policy for directors and executives with strategic responsibilities for 2017, as well as the draft of the remuneration report;
- defined the proposal for the economic and legal treatment applicable to the chairman and the chief executive officer/general manager for the 2017-2019 mandate and drafted the texts of the resolutions setting forth the relevant regulation;
- defined the proposal (i) for the short-term incentive plan (MBO) for the chief executive officer/general manager and (ii) for the long-term incentive plan (LTI) for the chief executive officer/general manager and for the top management with reference to year 2017;
- verified the level of achievement of the performance targets under the existing incentive plans;
- analysed the pleasing outcomes of the shareholders' meeting vote upon the 2017 remuneration report and the long term incentive plan (LTI) for the chief executive officer/general manager and for the top management with reference to year 2017, and, based on this analysis, started: (i) the preparation of the remuneration policy for directors and executives with strategic responsibilities for 2018; (ii) the definition of the short-term incentive plan (MBO) for the chief executive officer/general manager and of the LTI plan for the chief executive officer/general manager and for the top management with reference to year 2018.

The committee, in its capacity as nomination committee:

- together with the corporate governance and sustainability committee, supported the board of directors in preparing the guidelines addressed to Enel's shareholders on the optimal size and composition of the board itself in view of the renewal of this body;
- together with the corporate governance and sustainability committee, supported the board of directors in the preparation of the contents of the policy on diversity of the board composition.

2.3 Control and Risk Committee

Composition

In 2017, the control and risk committee was composed of Angelo Taraborrelli (chairman), Paola Girdinio, Alberto Pera and Anna Chiara Svelto, all of whom directors with independence requisites. The board of directors ascertained that director Angelo Taraborrelli has an appropriate experience in accounting and finance as well as in risk management.

Tasks

The control and risk committee has the task of supporting, through an adequate review process, the assessments and decisions of the board of directors regarding the internal control and risk management system and the approval of periodic financial reports.

Specifically, in compliance with the organizational regulation last amended in February 2016, the control and risk committee is entrusted with the following consultative and proposing tasks:

- supporting the board of directors, by formulating specific opinions in connection with the performance of the tasks regarding internal control and risk management matters assigned to the board by the Corporate Governance Code (such tasks are analysed in the paragraph entitled “Board of directors – Role and functions” above);
- assessing, together with the executive in charge of preparing the corporate accounting documents, after consulting with the auditing firm and the board of statutory auditors, the proper application of accounting principles and their consistency for purposes of preparing the periodic financial reports;
- expressing opinions on specific aspects regarding the identification of the Company’s main risks;
- reviewing the periodic reports concerning the assessment of the internal control and risk management system, as well as the other reports prepared by the “Audit” Function that are particularly significant;
- monitoring the independence, adequacy, effectiveness and efficiency of the “Audit” Function;
- performing the additional tasks assigned to the committee by the board of directors, with particular regard to:

- reviewing the contents of the sustainability report that are relevant for purposes of the internal control and risk management system, issuing in such regard a prior opinion to the board of directors called to approve such report;
- reviewing, together with the corporate governance and sustainability committee, the main corporate rules and procedures related to the internal control and risk management system which are relevant for stakeholders – namely the Compliance Program prepared pursuant to Legislative Decree No. 231/2001, the Code of Ethics, the “Zero Tolerance for Corruption” Plan and the Human Rights Policies – submitting such documents to the board of directors for approval and assessing any possible subsequent amendments or supplements to the same;
- reporting to the board of directors, at least once every six months, on the activity carried out and on the adequacy of the internal control and risk management system;
- carry out any preliminary activity to support the board of directors in its evaluations and decisions regarding the management of risks arising from events that are potentially damaging in relation to which the board has become aware of.

The committee may also ask the “Audit” Function to perform checks on specific operating areas, giving simultaneous notice to the chairman of the board of statutory auditors and, except where the subject matter of the request specifically concerns such persons’ activity, to the chairman of the board of directors and the director in charge of the internal control and risk management system.

Committee’s activities in 2017

The following table illustrates the calendar of the control and risk committee meetings held during the year 2017.

J	F	M	A	M	J	J	A	S	O	N	D
•	••	•	••			••	•	••	••	••	••
<b>Total</b>											15
<b>Average duration</b>											2h 10m

During such meetings, which were attended by all of its members (as well as by the chairman of the board of statutory auditors) and have almost always been held in joint session with the board of statutory

## Enel – report on corporate governance and ownership structure for year 2017

auditors, the control and risk committee carried out the following main activities:

- evaluated the work plan prepared by the head of the “Audit” Function for 2017, expressing, within the scope of its responsibilities, a specific favourable opinion and monitored the work in progress of such plan;
- assessed the results of the auditing activities performed during 2016 providing – based upon these results and within the scope of its responsibilities – a positive assessment of the adequacy and effectiveness of the internal control and risk management system. Lastly, in February 2018, the Committee evaluated the accounting of the audit activities, carried out throughout 2017, and expressed in this regard – on the basis of the outcomes and within the scope of its tasks – a similar favourable opinion on the adequacy and efficacy of the internal control and risk management system;
- assessed, in view of the approval of the business plan 2018-2022, the compatibility of the main business risks with a management of the company consistent with the strategic targets under such plan;
- met, in several occasions, the Enel Supervisory Body (“SB”), in order to examine both the activity plan for 2017 and the monitoring and supervisory activities carried out by the latter in 2016 on the compliance with the organizational and management model set forth under Legislative Decree No. 231/2001, having acknowledged the regular functioning of the SB and the positive evaluation expressed by the latter on the adequacy of Enel’s internal control system to prevent the commission of the offences provided for by the same model. During the meetings with the SB, the committee also examined and approved certain proposals aimed at updating the aforesaid organizational model;
- analysed the main accounting decisions, the most important accounting standards and the impact of new international accounting standards on the periodical financial reports subject to the approval by the board of directors throughout 2017. The committee has also reviewed the impairment test procedure on the consolidated financial statements for 2016 on which it has expressed, within the scope of its responsibilities, a favourable opinion;
- examined the outcomes of the line monitoring and testing activities on the internal control system on Enel Group’s financial reporting process, in view of the issuance by the chief executive officer and the executive in charge of preparing the corporate accounting documents of the declaration concerning the financial statements of Enel and the consolidated financial statements of the Enel Group related to the financial year 2017 as well as half-year financial report at June 30, 2017 of the Enel Group;
- reviewed the 2016 sustainability report expressing, within the scope of its responsibilities, a favourable opinion on the contents of the same report relevant for the purposes of internal auditing and risk management system;
- monitored the independence, adequacy, effectiveness and efficiency of the “Audit” Function, without remarks;
- assessed the reports received during the previous financial year and the first semester of 2017 on the basis of the provisions of the Code of Ethics;
- acknowledged the Group’s on-going compliance with the laws and regulations on accounting transparency, adequacy of the organizational structure and the internal control systems of the subsidiaries established under and governed by the laws of non-EU countries;
- supported the board of directors in evaluating the adequacy of the organizational, administrative and accounting structure of the Company and the Group;
- met the managers (i) of Region Europe and North Africa, (ii) of the Global Business line Thermal Generation, as well as (iii) of the functions “Global Procurement”, “Legal and Corporate Affairs” and “European Affairs”, and “Human Resources and Organisation”, for an update on the activities carried out within the scope of their respective responsibilities, on the existing risks and on the instruments used to mitigate their effects.

### 2.4 Related Parties Committee

#### Composition

During 2017, the related parties committee was composed, until May, of Alberto Bianchi (chairman), Alfredo Antoniozzi, Alessandro Banchi and Angelo Taraborrelli, all of whom directors with independence requisites. As of the reorganization of its composition occurred in June, the concerned committee is composed of Anna Chiara Svelto (chairman), Alfredo Antoniozzi, Alberto Bianchi and Cesare Calari, all of whom directors with independence requisites.

## Enel – report on corporate governance and ownership structure for year 2017

### Tasks

The related parties committee was established pursuant to the procedure on related party transactions, adopted by the board of directors in the month of November 2010. Such committee has been assigned with the essential task of issuing reasoned opinions on the interest of Enel - as well as of the companies that Enel controls, either directly or indirectly, and that may be involved in the transactions - in the completion of transactions with related parties, expressing an assessment on the advantageousness and substantial fairness of the relevant conditions, after receiving timely and adequate information in advance. In connection with transactions of major importance (as defined in the aforementioned procedure), such committee may also request information and make comments to the chief executive officer and those persons in charge of the negotiations or the inquiry on matters related to the information received. Lastly, the committee decides upon those cases, submitted to its attention by the advisory board established pursuant to the same procedure, in which the identification of a related party or the ordinary nature of a transaction is disputed.

For a more detailed analysis of the provisions of the above-mentioned corporate procedure, please refer to paragraph “Transactions with related parties” of this section of this document.

### Committee’s activities in 2017

The following table illustrates the calendar of the committee meetings held during the year 2017.

J	F	M	A	M	J	J	A	S	O	N	D
						••				•	•
<b>Total</b>											4
<b>Average duration</b>											50m

During such meetings, which were attended by all of its members (and by the chairman of the board of statutory auditors), the related parties committee carried out the following main activities:

- issued its favourable opinion in relation to resolutions concerning the economic and legal treatment applicable to the chairman and the chief executive officer and the general manager for the mandate 2017-2019;
- issued its favourable opinion in relation to the hiring of a close relative of a regular statutory auditor as head of the “Global brand and advertising management” unit at Enel Communications function;

- analysed the information, prepared on the basis of the periodic financial documents, concerning the related party transactions excluded from the application of the specific corporate procedure because of ordinary nature and executed at market-equivalent conditions or at standard terms.

### 2.5 Corporate Governance and Sustainability Committee

#### Composition

During 2017, the corporate governance and sustainability committee was composed, until May, of Patrizia Grieco (chairman), Alfredo Antoniozzi and Alberto Bianchi, all of whom directors with independence requisites provided under the Consolidated Financial Act among who Alfredo Antoniozzi and Alberto Bianchi are also independent under the Corporate Governance Code. As of the reorganization of its composition occurred in June, the concerned committee is composed of Patrizia Grieco (Chairman), Alfredo Antoniozzi and Angelo Taraborrelli, all of whom directors with independence requisites provided under the Consolidated Financial Act. Alfredo Antoniozzi and Angelo Taraborrelli are also independent pursuant to the Corporate Governance Code.

#### Tasks

The corporate governance and sustainability committee assists with preliminary functions, both proposing and consultative in nature, the board of directors on its assessments and decisions related to the corporate governance of the Company and the Group and to sustainability issues. In this regard, in accordance with the organizational regulation last amended in March 2016, the corporate governance and sustainability committee has the following specific tasks:

- monitoring the evolution of the legal framework, as well as national and international best practices in relation to corporate governance, updating the board of directors in case of significant changes;
- verifying that the corporate governance system adopted by the Company and the Group is compliant with applicable laws, recommendations set forth under the Corporate Governance Code and national and international best practices;
- submitting to the board of directors proposals for amendments of the aforementioned corporate governance system, if it is deemed necessary or appropriate;

## Enel – report on corporate governance and ownership structure for year 2017

- preparing the board review process, for the conduct of which this committee formulates to the board of directors proposals on the grant of the mandate to a firm specialized in the sector, identifying the matters to be assessed and defining the modalities and time-frames to be followed in such regard;
- supporting the board of directors, together with the nomination and compensation committee, in preparing a “contingency plan” providing the activities to be carried out in order to guarantee the proper management of the Company in case of early cessation of the chief executive officer before the expiry of the ordinary term of office (the so-called “crisis management” case);
- in the event of early cessation of the chief executive officer before the expiry of the ordinary term of office, proposing to the board of directors the new chief executive officer in accordance with the nomination and compensation committee, taking also into consideration any indications provided by those shareholders that submitted the slate from which the outgoing chief executive office was drawn;
- examining in advance the annual report on corporate governance to be included in the documentation of the annual financial statements;
- monitoring on sustainability-related issues in connection with the Company’s business and the interaction dynamics between the latter and its stakeholders;
- examining the guidelines set forth under the sustainability plan and the implementation modalities of the sustainability policy;
- monitoring the inclusion of the Company in the main sustainability indexes, as well as its participation to the most relevant international events on this matter;
- examining the general structure of the sustainability report and the structure of its contents, as well as the completeness and transparency of the disclosure provided through such report, issuing in such regard a prior opinion to the board of directors called upon to approve such document;
- examining the main corporate rules and procedures that might be relevant for stakeholders – together with the control and risk committee whenever such rules and procedures are related to the internal control and risk management system – and submitting these

documents for approval to the board of directors, evaluating whether they should subsequently be amended or supplemented;

- performing additional tasks assigned it by the board of directors.

### Committee’s activities in 2017

The following table illustrates the calendar of the corporate governance and sustainability committee meetings held during year 2017:

J	F	M	A	M	J	J	A	S	O	N	D
	••	•	•			•		•		•	•
<b>Total</b>											8
<b>Average duration</b>											1h 40m

During such meetings which were duly attended by the relevant members (as well as by the chairman and by the other regular members of the board of statutory auditors) the corporate governance and sustainability committee carried out the following main activities:

- prepared the board review process, promoting an *ad hoc* “beauty contest” for the identification of the consultancy firm to be engaged for supporting the board of directors and its committees in the self-assessment procedure for the financial year 2017;
- examined the fourth Report on the implementation of the Corporate Governance Code and the subsequent recommendations by the Italian Corporate Governance Committee, therefore sharing the structure and contents of the corporate governance report and the ownership structures for the year 2016;
- reviewed the guidelines of the 2017-2021 sustainability plan as well as those of the 2018-2022 sustainability plan;
- reviewed the 2016 sustainability report expressing, within the scope of its responsibilities, a favourable opinion on the general structure, the organization of the relative contents, as well as the completeness and transparency of the information provided thereby;
- monitored the main activities carried out on sustainability by the Enel Group in 2017, as well as the inclusion of Enel in the main sustainability indexes;
- met the supervisory board of Enel in order to examine certain proposals to update the

## Enel – report on corporate governance and ownership structure for year 2017

organizational and management model set forth under Legislative Decree No. 231/2001;

- together with the nomination and compensation committee, supported the board of directors in preparing the guidelines addressed to Enel's shareholders on the optimal size and composition of the board of directors in view of the renewal of this body;
- together with the nomination and compensation committee, supported the board of directors, in preparing the contents of the diversity policy concerning the composition of the board itself;
- analysed the developments in the national and EU legal frameworks on corporate law and corporate governance. In this context, the committee focused especially on (i) implementation in Italy of the EU market abuse regulation, proposing to the board of directors the alignment of the relevant corporate procedures; (ii) the new EU rules concerning the statutory audit and the relevant implementation in Italy; (iii) the new provisions on reporting of non-financial and diversity information by some types of companies, introduced by Legislative Decree No. 254/2016 (implementing the Directive No. 2014/95/EU);
- agreed upon and submitted for approval by the board of directors the text of the Guidelines identifying the principles upon which Group's corporate governance is based, which set forth in particular common implementing principles on conflict of interests involving directors and on related parties' transactions resulting compliant with the legal framework of the Countries where the Group's companies operate, and therefore uniformly applicable;
- examined a benchmark analysis drafted by a consultancy firm on Enel's corporate governance positioning as compared to the main national and international best practices.

### 3. Board of statutory auditors



From the left: Sergio Duca, Romina Guglielmetti and Roberto Mazzei.

#### 3.1 Current composition and term

The board of statutory auditors in force as of the date hereof, appointed by the ordinary shareholders' meeting of May 26, 2016, is composed of the following regular members:

- Sergio Duca, chairman;
- Romina Guglielmetti;
- Roberto Mazzei.

Sergio Duca was drawn from the slate submitted by an aggregation of 16 investment management companies and other institutional investors (at the time holding in the aggregate 2.15% of the Company's share capital) and voted by the minority of the share capital represented at the meeting (approximately the 14.50% of the voting capital), while Romina Guglielmetti and Roberto Mazzei were drawn from the slate submitted by the shareholder Ministry of the Economy and Finance (at the time holding 23.59% of the Company's share capital) and voted by the majority of the share capital represented at the meeting (approximately the 84.92% of the voting capital).

A brief professional profile of the abovementioned regular statutory auditors is provided in Schedule 2 to this report.

The term of office of the current board of statutory auditors will expire with the approval of the annual financial statements for the year 2018.

#### 3.2 Appointment and replacement

According to the provisions of the law and the Corporate bylaws, the board of statutory auditors consists of three regular auditors and three alternate auditors who are appointed by an ordinary shareholders' meeting for a period of three accounting periods and may be re-appointed when their term expires. Similar to the bylaws provisions applicable to the board of directors – and in compliance with the Consolidated Financial Act – the bylaws provide that the appointment of the entire board of statutory auditors must take place in accordance with a slate voting system, which aims to allow the presence on the board of a regular auditor (who is entitled to the office of chairman) and an alternate auditor (who will take the office of chairman if the incumbent leaves before the end of his term) designated by minority shareholders.

This election system provides that the slates, in which the candidates must be listed in progressive order, may be presented by shareholders which, either alone or together with other shareholders, own

the minimum equity interest in the Company, as determined by CONSOB through a regulation, for the presentation of slates of candidates for the office of director (specifically, based upon Enel's market capitalization, at the date of this report, the equity interest required is at least 0.5% of the share capital).

Moreover, at the first three renewals of the board of statutory auditors following August 12, 2012, the slates containing an overall number of candidates (considering both regular and alternate members) equal to or higher than three shall include candidates of different genders in the first two positions of the slate's section related to regular auditors and the first two positions of the slate's section related to alternate auditors.

The slates of candidates to the office of statutory auditor (as for the slates of candidates to the office of director) must be filed at the Company's registered office by those submitting them, at least 25 days before the date of the shareholders' meeting convened to resolve upon the election of the members of the board of statutory auditors. Such slates are then published by the Company on its website, and filed at the Company's registered office at least 21 days before the date scheduled for the shareholders' meeting, together with exhaustive information on the personal and professional characteristics of the candidates, in order to guarantee a clear procedure for the election of the auditing body.

When less than the entire board of statutory auditors is being elected, the shareholders' meeting resolves in accordance with the majorities required by law and without the need to follow the foregoing procedure, but in any case, in such a way as to ensure:

- the observance of the principle of the representation of minority shareholders on the board of statutory auditors; as well as
- the observance of the applicable laws on gender balance.

According to the legislation in force, the members of the board of statutory auditors must possess the requisites of integrity, professionalism and independence imposed upon the statutory auditors of listed companies, as supplemented (only as regards the professionalism requisites) by specific provisions of the bylaws. They must also comply with the limits concerning the number of offices on boards of directors and boards of statutory auditors of Italian companies as established by CONSOB through a specific regulation.

Throughout March and September 2017 and, lastly, March 2018, the board of statutory auditors has also

verified that all its regular members possess the requisites of independence set out under the Corporate Governance Code and the law. In that last occasion, the board of statutory auditors verified that the chairman Sergio Duca and the regular member Romina Guglielmetti possess the requisites of independence set out both under the Consolidated Financial Act and Corporate Governance Code for directors. As far as the regular member Roberto Mazzei is concerned, the board of statutory auditors verified, in September 2017 and, lastly, in March 2018, that he, despite having lost the requisites of independence set forth by the Corporate Governance Code for directors (following the appointment of a close relative as head of the "Global brand and Advertising Management" unit at Enel's Communications function) he is still possesses the independence requisites requested under the Consolidated Financial Act for statutory auditors of listed companies. In any case, the statutory auditors act autonomously and independently, also with regard to the shareholders who elected them.

### 3.3 Tasks and prerogatives

As part of the tasks assigned to it by law (and indicated in the first part of this report entitled "Corporate Governance Model"), and in compliance with the recommendations set forth in the Corporate Governance Code, the board of statutory auditors has:

- the power, which may also be exercised individually by the statutory auditors, to request the Company's "Audit" Function to perform checks on specific corporate operating areas or transactions;
- the power to promptly exchange information relevant for performing their respective duties with the control and risk committee.

The board of statutory auditors also act as "internal control and audit committee" pursuant to the legal framework applicable to statutory audit. In February 2017, the same board received complete information on the significant amendments introduced to such legal framework by Regulation (EU) no. 537/2014 and Legislative Decree no. 135/2016.

### 3.4 Meetings

The following table illustrates the calendar of the board of statutory auditors' meetings held during the year 2017.

J	F	M	A	M	J	J	A	S	O	N	D
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## Enel – report on corporate governance and ownership structure for year 2017

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• • • • • • • • • •	
• • • • • • • • • •	
<b>Total</b>	22
<b>Average duration</b>	2h 20m

The meetings were constantly attended by the regular auditors and the magistrate representing the Italian Court of Auditors (*Corte dei Conti*).

### 3.5 Diversity policy of the board of statutory auditors

In January 2018, the board of statutory auditors, in implementation of the provisions provided for by the Consolidated Finance Act, approved a diversity policy that describes the optimal features of the composition of the board itself, in order for it to exercise its functions in the most effective way taking decisions with the concrete contribution of plural qualified point of views capable of examining the issues under discussion from different perspectives. The inspirational principles of such policy are similar to those described with regard to the symmetrical document approved by the board of directors (for further information, please refer to this section under “Board of directors – Diversity Policy of the board of directors”).

With reference to types of diversity and the relevant objectives, the policy approved by the statutory auditors (available at the Company’s website) states that:

- when law provisions requiring gender balance are not effective anymore, it is in any case important to keep ensuring that at least 1/3 of the board of statutory auditors is constituted by statutory auditors belonging to the least represented gender, both at the appointment and during the mandate. In addition to the provisions set forth by the law, it is deemed appropriate to keep ensuring also that at least 1/3 of the board of statutory auditors is constituted by members belonging to the least represented gender;
- the Group’s international activities perspective should be taken into account ensuring the presence of at least one regular statutory auditor having an adequate internationally-oriented experience. Such international profile is also considered important in order to prevent both the standardization of opinions and the development of “group thought” and is evaluated on the basis of the managerial, professional, academic and institutional activities carried out in the international context by each statutory auditor;

- in order to balance continuity and renewal in the management, a balanced combination of different seniorities – as well as different ages - should be guaranteed within the board of statutory auditors;
- statutory auditors shall, as a whole, be competent in the business where Enel Group operates, meaning the electric power and gas sectors. To this purpose, the statutory auditors are invited to participate to an induction program organized by the Company;
- statutory auditors shall have a managerial and/or professional and/or academic and/or institutional profile, such as to mix diverse and complementary experiences and skills. In particular, at least one regular member and one alternate member shall be registered with the auditors’ register and shall have exercised statutory audit for a minimum of three years. Further requisites of professionalism are required by the law and Enel’s Corporate bylaws and are confirmed in the policy. Moreover, taking into account the key role played by the Chairman, the policy describes the soft skills more suitable for the relevant tasks.

With reference to implementation modalities of the diversity policy, Enel’s Corporate bylaws does not grant the board of directors with the right to submit a slate of candidates in view of the renewal of the board of statutory auditors. Thus, the policy exclusively aims at orienting the candidatures submitted by the shareholders in case of renewal of the entire board of statutory auditors or of integration of the relevant composition ensuring in such circumstances an adequate consideration of the benefits which may derive from a harmonious composition of the board itself, in line with the various above-mentioned diversity criteria.

In the context of adoption of the aforementioned diversity policy, the board of statutory auditors had the occasion of verifying that its current composition is completely compliant with the aims set forth by the policy itself for the different types of diversity.

### 3.6 Remuneration

The shareholders’ meeting determines the remuneration of the regular members of the board of statutory auditors, taking into account the effort required to them, the importance of their role and the dimensional and business sector characteristics of Enel. Specifically, in May 2016 the ordinary shareholders’ meeting set the gross remuneration to which the chairman of the board of statutory auditors is entitled at euro 85,000 a year and the gross

remuneration to which each of the other regular statutory auditors is entitled at euro 75,000 a year, in addition to the reimbursement of the expenses necessary for the performance of their duties.

#### 4. The internal control and risk management system

The internal control and risk management system (“SCIGR”) of Enel and of the Group consists of the set of rules, procedures, and organizational entities aimed at allowing the main corporate risks within the Group to be identified, measured, managed, and monitored.

The SCIGR is an integral part of the more general organizational and corporate governance structures adopted by the Company and by the Group and is based on Italian and international best practices. In particular, the system takes into account the recommendations of the Corporate Governance Code and is consistent with the “Internal Controls – Integrated Framework” model issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO Report”), which constitutes the internationally recognized benchmark for the analysis and integrated assessment of the effectiveness of the SCIGR.

An effective SCIGR contributes to corporate management consistent with the corporate targets determined by the board of directors, because it allows the major risks to be identified, assessed, managed, and monitored with regard to their ability to influence the achievement of the aforesaid targets. In particular, the SCIGR contributes to ensuring the safeguard of corporate assets, the efficiency and effectiveness of corporate processes, the reliability of information provided to the corporate bodies and the market, compliance with laws and regulations, as well as with the corporate bylaws and internal procedures.

Therefore, the SCIGR plays a major role in the corporate organization, contributing to decision-making that is well informed and consistent with the propensity for risk, as well as to the dissemination of appropriate information regarding risks, the law, and corporate values. In effect, the culture of control occupies a significant position on the Group’s scale of values, involving the entire corporate organization in the development and application of methods for identifying, measuring, managing, and monitoring risks.

More specifically, the SCIGR:

- provides for control actions at every operating level and clearly identifies duties and

responsibilities, so as to avoid duplications of tasks and ensure coordination among the main persons involved in the SCIGR itself;

- provides for the separation of duties and responsibilities among distinct organizational units or within the same, in order to prevent incompatible tasks being concentrated under common responsibilities; in particular, it ensures the necessary separation of operating and control activities, so as to prevent or – if that is not possible – attenuate conflicts of interest;
- is integrated, providing for the dissemination of a common language, the adoption of complementary methods and instruments for measuring and assessing risks, as well as information flows among the different functions with regard to the results of the tasks respectively entrusted to them;
- aims to ensure information systems that are reliable and appropriate for the reporting processes at the different levels to which control functions are entrusted;
- guarantees the traceability of the tasks of identifying, assessing, managing, and monitoring risks, ensuring over time the reconstruction of the sources and elements of information that support such tasks;
- is endowed with whistle-blowing procedures consistent with national and international best practices that allow employees (as well as third parties in general) to report possible irregularities or violations of the applicable law provisions and/or of internal procedures. Such whistle-blowing procedures are characterized by the existence of specific information channels aimed at ensuring the reporting persons to remain anonymous;
- reveals abnormal situations that may constitute indicators of inefficiency in the systems for measuring and controlling risks;
- ensures that the anomalies observed are promptly brought to the attention of appropriate levels of corporate responsibility, which are able to effectively implement suitable corrective measures.

The SCIGR consists of three distinct kinds of activities:

- “line” or “first-level” control, consisting of all the control tasks that the individual operating units or companies of the Group perform on their processes in order to ensure that operations are carried out properly. Such

## Enel – report on corporate governance and ownership structure for year 2017

control tasks are entrusted to the primary responsibility of operating management and are considered an integral part of every corporate process;

- “second-level” controls, which are entrusted to specific corporate functions and aimed at managing and monitoring typical categories of risk, including – by way merely of example – operating risks, market risks (such as commodity risk and financial risks), credit risks, strategic risks, legal risks and the risk of (non) compliance. A description of the main corporate risks of the Enel Group, as well as of the targets and of the financial risks management policies, please refer to the annual financial report related to the financial year 2017 made available to the public at the registered office and on the Company’s website;
- internal audit activity (“third-level” controls), aimed at checking the structure and overall functionality of the SCIGR, including by monitoring the line controls, as well as the second-level ones.

The SCIGR is subject to periodical tests and checks, taking into account the evolution of corporate operations and the situation in question, as well as both Italian and international best practices.

For a detailed description of the tasks and responsibilities of the main persons involved in the SCIGR, as well as the coordination among such persons, please see the Guidelines of the internal control and risk management system available on the Company’s website, while for a description of the activities carried out during 2017 by the board of directors and by the control and risk committee regarding the SCIGR please refer to the paragraphs “Board of Directors – Role and Functions” and “Committees – Control and Risk Committee” of this section of the document.

### 5. Executive in charge of preparing the corporate accounting documents

In 2017, the role of executive in charge of preparing Enel’s corporate accounting documents was held by the head of the “Administration, Finance and Control” function (*i.e.* Alberto De Paoli). The executive in question is appointed to such position by the board of directors after consultation with the board of statutory auditors and meets the professional qualification requisites provided under the Corporate bylaws.

For a description of the activities of such executive in charge, please refer to the “Guidelines of the internal control and risk management system”.

#### 5.1 *The system of risk management and internal control over financial information*

The executive in charge of preparing the corporate accounting documents has implemented in the context of both the Company and the Group a specific internal control and risk management system focusing on financial disclosure (the “System of ICFR”) which governs the preparation of the Company’s annual financial statements, the Group’s consolidated financial statements and the Group’s consolidated half-year report; the purpose of such System is to ensure the reliability of the financial disclosure and the adequacy of the process of drafting the mentioned financial documents in order to have a disclosure compliant with the international auditing standards accepted in the European Union.

The ICFR System is defined as the set of activities intended to identify and assess the actions or events whose materialization or absence could compromise, partially or entirely, the achievement of the objectives of the control system, supplemented by the subsequent activities of identifying the controls and defining the procedures that ensure the achievement of the objectives of credibility, accuracy, reliability, and timeliness of financial information.

The executive in charge of preparing the corporate accounting documents supervised the development and execution of a special set of procedures – which all the personnel concerned has been informed of – which records the methods adopted and the responsibilities of the aforesaid personnel as part of the activities of maintaining and monitoring the System of ICFR. Specifically, the Group set a procedure that regulates the reference model and a procedure that describes the process of managing such System, which defines the roles and responsibilities within the Company’s organization, providing for a specific flow of internal certifications.

The controls put in place have been monitored to check both their “design” (*i.e.*, that the control, if operating, is adequate to mitigate the identified risk in an acceptable way) and their actual “effectiveness”.

The System of ICFR is structured in accordance with the “Internal Controls – Integrated Framework” model issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO Report”), which consists of five components (environmental control, risk assessment, control activities, disclosure systems and

information flows, monitoring activities) which, depending upon their characteristics, operate at both the entity level and the operating process level.



The COSO Report has been supplemented with regard to IT aspects by the model “Control Objectives for Information and related Technology” (the so-called “COBIT”)

Further, the internal controls concerning proper book keeping provided for in Section 404 of the Sarbanes-Oxley Act are applied by some Latin-American companies of the Group having American Depository Shares (“ADS”) listed on the New York Stock Exchange.

The process of defining, implementing and managing the System of ICFR, which is progressively extended to cover newly acquired material companies, is carried out under the responsibility of the executive in charge of preparing the corporate accounting documents and is divided into the following phases:

- definition of the perimeter of the companies, processes, risks and controls and communication of the methodologies and instructions to the management involved;
- mapping and updating of processes, risk assessment and definition of controls, quality assurance and identification and updating of Primary Key Controls (using the Top-Down Risk-Based Approach);
- assessment of the design and effectiveness of the controls (referred to as “line monitoring”) carried out by the related management and executed through self-assessment;
- implementation of the independent testing activity by an external consulting firm, except for the Information Technology General Controls, which are subject to the “independent” monitoring of the Company’s “Audit” function;
- assessment of gaps, approval and monitoring of corrective measures;

- consolidation of results and overall assessment of the System of ICFR, in order to finalize the final certification letters to be issued by the chief executive officer and by the executive in charge of preparing the corporate accounting documents regarding the annual financial statements, consolidated financial statements and the half-year financial report, supported by a reporting flow of internal certifications;
- arrangement and publication of administrative and accounting procedures.

The perimeter of the Group companies to be included in the assessment is determined with regard to the specific level of risk, in both quantitative terms (for the level of materiality of the potential impact on the consolidated financial statements) and qualitative terms (taking into account the specific risks connected with the business or the process).

For the definition of the system, first of all a Group-level risk assessment was carried out in order to identify and evaluate the actions or events whose materialization or absence could compromise the achievement of the control system’s objectives (for example, claims in the financial statements and other control objectives connected with financial information). The risk assessment was also conducted with regard to the risks of fraud.

Risks are identified at both entity level and process level. On the one hand, the risks identified are considered in any case to have a significant impact on financial information, regardless of the likelihood of their occurrence. Process-level risks, on the other hand, are assessed – regardless of relevant controls (known as the “*valutazione a livello inerente*”) - in terms of potential impact and the probability of occurrence, on the basis of both qualitative and quantitative elements.

Following the identification and assessment of the risks, controls were established that are aimed at reducing to an acceptable level the possibility that risks may materialize, at both the entity and process levels.

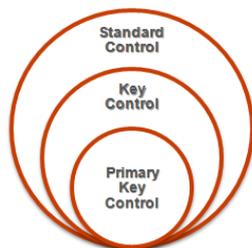
In particular, the structure of controls for companies or groups of companies provides for “Entity/Company Level Controls”, as control instruments determined on a central level and of common application in the context of the Group or of a specific area, which allow to the controlling company to address, determine and monitor the design and the effectiveness of the System of ICFR of controlled companies, or as control instruments which operate in transverse manner in respect of a single company or business line.

Entity level controls are classified in compliance with the five above-mentioned components referred to in the COSO Report.

The structure of controls in a process level provides instead specific or monitoring controls, as a set of activities, manual or automated, with the purpose of prevent, identify and correct any errors or irregularities that could occur during the carrying out of the operative activities.

In order to improve the efficiency of the System of ICFR and its sustainability over time, the controls have been sub-divided into standard controls and key controls, these latter meaning controls that are decisive for purposes of preventing false representations in accounting documents. Over-arching structural controls are also identified, meaning structural elements of the System of ICFR aimed at defining a general context that promotes the proper execution and control of operating activities. In particular, over-arching structural controls are those related to the segregation of incompatible activities and responsibilities (the so-called “Segregation of Duties”), which aims to ensure that tasks and duties that could facilitate the commission and/or concealment of frauds/errors are not concentrated with the same person. Where activities are carried out with the support of IT systems, the proper segregation is verified also with regard to the assigned roles and usernames.

Within the scope of the companies identified as significant, the processes at greatest risk were defined and assessed and the “Top-Down Risk-Based Approach” was applied. In accordance with this approach, the Company then has identified and assessed the risks with the greatest impact and the related controls (referred to as primary key controls), both with regard to general monitoring and specific controls, aimed at reducing the possibility of the aforesaid risks occurring to an acceptable level.



In order to assess the appropriateness of the process, risks and controls of financial information, every six months a specific monitoring is conducted by the process managers (that is, the individuals in charge of the activities, risks and controls) aimed at testing the design and effectiveness of the relevant process and controls.

For each corporate process assessed, an appropriate documentation (referred to as “administrative and accounting procedures”) is kept for the purpose of describing roles and responsibilities and the flows of data and information, as well as the key points of control.

The findings of the assessments performed are notified to the executive in charge of preparing the corporate accounting documents through specific periodic reporting, which classify any possible deficiencies in the effectiveness and/or design of the controls – with regard to their potential impact on financial information – into simple deficiencies, significant weaknesses, or material deficiencies.

In the event the assessments carried out reveal deficiencies, the aforesaid information flows also report the corrective actions that have been or will be undertaken to allow the objectives of the credibility, accuracy, reliability, and timeliness of financial information to be achieved.

These flows are also used for the periodic disclosure/updates on the adequacy of the System of ICFR, provided by the executive in charge of preparing the corporate accounting documents to the board of statutory auditors, the control and risk committee, and to the auditing firm.

On the basis of the aforesaid reports, and taking into account the certification issued by the heads of each corporate unit concerned, the executive in charge of preparing corporate accounting documents, together with the chief executive officer, issues a special certification regarding the adequacy and actual application of the administrative and accounting procedures established for the preparation of the stand-alone financial statements, the consolidated financial statements, or the half-year report (depending upon the relevant document in question from time to time).

Following the monitoring activities performed by the persons handling the processes, aimed at verifying the structure and functioning of the processes/sub-processes assigned to them, and the related controls identified, the documents comprising the administrative and accounting procedures (narratives, flow charts and list of controls) are extracted from the support system in order to proceed with the formalization of the same.

The administrative and accounting procedures are then issued by the executive in charge of preparing corporate accounting documents and are published on the Company’s intranet.

In order to ensure the proper application of the methodology described above, specific training sessions are periodically held, aimed at both the local

structures that handle the internal controls over the Group’s financial disclosure and the persons who handle the processes involved in the line monitoring.

Furthermore, in order to develop a transparent attitude towards the Tax Authority, throughout 2017, Enel promoted the joining to the “tax co-operative compliance” regime for the companies of the Group which meet the requisites set out by the relevant national laws. Enel Group has, therefore, committed to the implementation of an *ad hoc* reporting, management, control and recognition of the tax risk, called “Tax Control Framework” (hereinafter referred to as “TCF”) in line with the Guidelines of the OECD and the relevant implementing national laws.

Such TCF system is included in the wider ICFR System borrowing from it the materiality threshold, the process mapping criteria and risk measurement metrics.

## 6. External controls

### 6.1 Auditing firm

The auditing firm Ernst & Young S.p.A. has been entrusted with the statutory audit of Enel’s annual financial statements and of the Group’s consolidated financial statements.

The assignment was awarded to such auditing firm by the ordinary shareholders’ meeting of April 29, 2011, upon proposal of the board of statutory auditors, with reference to the fiscal years from 2011 until 2019 and for a total consideration of Euro 3.5 million.

Since 2009, for purposes of preserving the independence of auditing firms that do business within the Group, a specific procedure was adopted to govern the assignments to such auditing firms or entities belonging to their networks by companies belonging to the Group; as of its voluntary adoption, such procedure has represented a significant corporate governance pillar for the control and monitoring of the independence requisites upon the Group’s main external auditor by Enel’s board of statutory auditors. In November 2017, as a consequence of the changes in the relevant national and European legal framework, Enel’s board of statutory auditors, in its capacity of “internal control and audit committee”, provided for an update of the aforementioned procedure pursuant to art. 19 of the Legislative Decree No. 39 of January 27, 2010, with effect from January 1, 2018. In accordance with this procedure, the same board of statutory auditors is called upon to preliminarily approve the assignment by companies of the Group of any additional

assignment – other than statutory audit assignment and which would not be found incompatible by the law – to the Group’s main external auditor or to entities belonging to the auditor’s network. In relation to some typologies of additional assignments, that may not hinder the independence of the main external auditor, the board of statutory auditors shall not express an *ex ante* approval, but rather be the addressee of an *ex post* periodical information on the granting of such additional assignments. In such case, Enel’s Audit and Corporate Affairs functions shall verify from time to time the existence of the prerequisites for such simplified procedure. The additional assignments conferred to entities belonging to the network of the main external auditor by Enel’s Group companies having shares or bonds listed on regulated markets – other than Enel- or by their subsidiaries, are subject to the preliminary approval by their corporate body which exercises functions similar to those exercised by the board of statutory auditors of Enel in relation to the monitoring of the external auditor’s independence or to an *ex post* periodical information to such corporate body, in compliance with the law applicable to the concerned listed companies and to managerial autonomy of the latter.

### 6.2 Oversight of the Italian Court of Auditors (*Corte dei Conti*)

The Italian Court of Auditors (*Corte dei Conti*) oversees the financial management of Enel, availing itself for this purpose of an appointed magistrate. During 2017, this role was performed by the delegated judge Carlo Alberto Manfredi Selvaggi.

The judge appointed by the Italian Court of Auditors (*Corte dei Conti*) attends the meetings of the board of directors and of the board of statutory auditors. In this respect, the board of directors resolved to pay this judge an attendance allowance of Euro 1,000 for each meeting of corporate bodies attended.

The Italian Court of Auditors (*Corte dei Conti*) presents annually to the Presidency of the Senate of the Republic (*Senato della Repubblica*) and to the Presidency of the House of Representatives (*Camera dei Deputati*) a report on the results of the oversight performed.

## 7. Relations with institutional investors and shareholders in general

Enel deems it in line with its own specific interest – as well as with its duty towards the market – to ensure an ongoing and profitable relationship, based on mutual understanding of their respective roles, with its shareholders in general, as well as with

## Enel – report on corporate governance and ownership structure for year 2017

institutional investors, in order to increase the relevant level of understanding about the activities carried out by the Company and the Group; in such context, Enel maintains a correct and transparent dialogue with its investors, in accordance with the national and European regulations on market abuse and in line with international best practices. During the last years, this engagement activity has gone along with the increasing participation of institutional investors to the shareholders' meetings.

In particular, since its listing, Enel deemed it appropriate to establish corporate units dedicated to the dialogue with institutional investors, as well as with its shareholders in general. The Company therefore created (i) the Investor Relations unit, which is currently within the "Administration, Finance, and Control" function, and (ii) an area within the Corporate Affairs unit, which is itself part of the "Legal and Corporate Affairs" function. The Investor Relations unit deals with, *inter alia*:

- the preparation of Enel's "equity story" and the organization of meetings among the Company's top management, institutional investors and financial analysts, as well as the documentation to be submitted to the latter at the time of the disclosure to the market of periodical financial data and of the update of the Group's business plan in the context the Capital Markets Day;
- the management of relationships with rating agencies;
- the support to the Communication function – in coordination with the Corporate Affairs unit - in defining and approving Enel's price-sensitive press releases and both the development and the updating of the Company's website dedicated to investors;
- the management of the relationships with the ESG/SRI institutional investors (Environmental, Social and Governance/Socially Responsible Investment), in coordination with the Innovability function;
- the coordination of the management of the relationships with the institutional investors holding participations in the share capital of the listed subsidiaries by the competent units of the latter;
- the management, in coordination with the Corporate Affairs unit, of the relationships with institutional investors and proxy advisors on specific corporate governance issues, also in view of the shareholder's meetings.

Lastly, the investor relations unit lays down market analyses and reports on the Enel share market trends and monitors the financial analysts' *consensus*.

Furthermore, Enel avails itself of different modalities of interaction with institutional investors, which take into account, if necessary, the specific matters covered, in order to ensure a profitable and efficient dialogue for investors. These modalities include:

- an appropriate setting of the Company's website, through the creation of an *ad hoc* section (named "Investors") dedicated to institutional investors (as well as to the shareholders in general) that collects all the documents and information deemed of major relevance and which provides both economic/financial information (financial statements, half-year and quarterly reports, presentations to the financial community, analysts' estimates, and information on trading of the shares issued by Enel and its main listed subsidiaries), and up-to-date data and documents of interest to shareholders in general (price sensitive press releases, composition of Enel's corporate bodies, the Corporate bylaws and shareholders' meetings regulations, information and documents regarding shareholders' meetings, procedures and other documents regarding its corporate governance, code of ethics and the organizational and management model set forth under Legislative Decree No. 231/2001);
- the organization of *ad hoc* conference calls with financial analysts and institutional investors, during which the Company illustrates the periodical economic-financial results previously disclosed to the market; simultaneously with the starting of each conference call, the respective supporting documents are made available in the above-mentioned "Investors" section of the website. Specific conference calls may also be organized when significant extraordinary transactions with strategic relevance for the Group are disclosed to the market;
- the periodical arrangement of "roadshows", where the top management meets the most relevant institutional investors (including ESG/SRI investors) and sets out the Group's strategic plan, the most updated financial-economic data and ongoing extraordinary transactions, if any; these events are opportunities for discussion, that allow the top management to meet market's requests;
- the organization on an annual basis of a meeting with the financial community (the so called "Capital Markets Day"), event where the top management illustrates to the institutional

investors the Group's updated strategic plan. This meeting is open to all the interested institutional investors, both in person and through the Company's website.

### 8. Shareholders' Meetings

The recommendation contained in the Corporate Governance Code to consider shareholders' meetings as important occasions for discussion between the shareholders and the board of directors was carefully assessed and fully accepted by the Company, which, in addition to ensuring the regular attendance of its directors at shareholders' meetings, deemed it advisable to adopt specific measures to adequately enhance such meetings; in particular, reference is made to the provision of the Corporate bylaws aimed at enhancing proxy solicitation among the employee shareholders of the Company and its subsidiaries and at facilitating their participation in the decision-making process at shareholders' meetings (this provision is specifically described in the first part of the report, under "Ownership structure" – "Employee-shareholdings: mechanism for exercising voting rights").

The applicable law regarding the functioning of shareholders' meetings of listed companies, provided in the Italian Civil Code, in the Consolidated Financial Act and in the implementing regulations adopted by CONSOB, was significantly amended in the last years essentially to facilitate the exercise of some of the rights of the shareholders of listed companies.

It should be noted that the shareholders' meeting is competent to resolve, in both ordinary and extraordinary sessions, upon, among other things: (i) the appointment and removal of members of the board of directors and of the board of statutory auditors, determining their compensation and liability, if any; (ii) the approval of the financial statements and the allocation of the net income; (iii) the purchase and sale of own shares; (iv) stock-based compensation plans; (v) amendments to the Company bylaws; (vi) the issue of convertible bonds.

On the basis of Enel's bylaws, ordinary and extraordinary shareholders' meetings are held, as a general rule, on single call (provided however that the board of directors may establish, where deemed advisable and providing express notice in such regard in the notice of call, that the shareholders' meetings are held following more than one call), are constituted and resolve with the majorities prescribed by applicable laws and are held in the municipality where the Company's registered office

is located (unless otherwise decided by the board of directors, and provided that the venue is in Italy).

The ordinary shareholders' meeting must be convened at least once per year within 180 days after the end of the accounting period, for the approval of the financial statements.

The Consolidated Financial Act provides that entitlement to attend and vote in the shareholders' meeting must be certified by a communication sent to the issuer by the intermediary in the interest of the person entitled to vote, and issued on the basis of the accounting records at the end of the seventh trading day prior to the scheduled date of the shareholders' meeting ("record date").

Those entitled to vote may:

- ask questions on the items on the agenda, also before the shareholders' meeting by the deadline indicated in the notice of call; such questions will be answered no later than during the meeting;
- notify also electronically their proxies to the Company, by sending the proxies through the specific section of the Company's website indicated in the notice of call;
- grant proxies, even to proxy-holders in conflict of interest, provided that the latter has communicated in writing to the shareholder the circumstances giving rise to the conflict of interest and that specific voting instructions were given for each resolution in respect of which the proxy-holder has to vote on behalf of the shareholder;
- grant to a representative appointed by the Company a proxy with voting instructions upon all or some of the items on the agenda, that must be sent to the interested person no later than the end of the second trading day before the date set for the shareholders' meeting; this proxy, the costs of which shall not be borne by the shareholders and which must be filled out through a schedule prepared by CONSOB, is valid only for those proposals in relation to which voting instructions were given.

On the basis of the Consolidated Financial Act and the related implementing provisions issued by CONSOB, Enel bylaws empower the board of directors to provide for, with respect to single shareholders' meetings, the possibility of participating by electronic means, specifying the conditions for such participation in the notice of call.

Shareholders' meetings are governed, in addition to the law and corporate bylaws, by specific rules that are available on the Company's website.

Shareholders' meetings shall be chaired by the chairman of the board of directors or, in the event of his absence or impediment, by the deputy chairman, if appointed, or if both are absent, by a person designated by the board of directors; lacking a designation, the meeting shall elect its own chairman. The chairman of a shareholders' meeting shall be assisted by a secretary, whose presence may be waived if the drafting of the minutes is entrusted to a notary public. The chairman of the shareholders' meeting, among other things, verifies that the meeting is duly constituted, and verifies the identity and entitlement of those attending, regulates the proceedings and ascertains the voting results.

As regards the right of each shareholder to request to speak on the items on the agenda, the shareholders' meetings rules provide that the chairman, taking into account the nature and the importance of the specific matters under discussion, as well as the number of those requesting to take floor and the questions, if any, asked by shareholders before the shareholders' meeting to which no reply was given by the Company, shall predetermine the time limits for speaking from the floor and for rejoinders – normally no more than ten minutes for the former and five minutes for the latter – in order to ensure that the meeting is able to conclude its business at one sitting. All those entitled to vote may request the floor to speak on each of the matters under discussion only once, making observations, requesting information and making proposals. The chairman and, at his or her request, those who assist him or her, shall reply to participants who speak on matters being discussed after all of them have spoken or after each one has spoken. Those who have requested the floor shall be entitled to a brief rejoinder.

The resolutions of the meeting shall be recorded in minutes signed by the chairman and the secretary or notary public. The minutes of extraordinary shareholders' meetings shall be drafted by a notary public.

## 9. Other corporate governance practices

### 9.1 *Transactions with related parties*

A procedure has been implemented within the Group, adopted by the board of directors in compliance with CONSOB regulations, aimed at governing the approval and conclusion of related party transactions carried out by Enel, either directly or through its subsidiaries, in order to ensure the transparency and fairness of such transactions from

both a substantive and formal standpoint; such procedure is available on the Company's website.

In accordance with such procedure, transactions with related parties concluded directly by Enel may be sub-divided into the following three categories:

- transactions of “major importance”, which are those exceeding a specific quantitative threshold (equal to 5%) of three relevance indexes, that take into account the equivalent-value of the transaction, of the assets of the entity which is the target of the transaction and of the liabilities of the entity acquired. Such transactions, if not subject to the approval of the shareholders' meeting pursuant to the applicable laws or the bylaws, are necessarily subject to the board of director's approval;
- transactions of “minor importance”, which are defined as those transactions other than the transactions of “major importance” and transactions for “small amounts”;
- transactions for “small amounts”, that are those characterized by an equivalent-value lower than specific thresholds, distinguished depending on the category of related parties with whom the transactions are executed. The procedure does not apply to transactions for “small amounts”.

In order to allow the related parties committee to express a previous reasoned opinion on Enel's interest in the completion of such transactions, as well as the advantageousness and substantial fairness of the relevant conditions, the procedure determines specific information flows that for “major importance” transactions cover also their preliminary inquiry.

With regard to the effectiveness of the opinion issued by the related parties committee, the procedure provides that:

- for the transactions of “minor importance”, such opinion is not binding. Nevertheless, Enel shall make available to the public, within fifteen days after the close of each quarter, a document containing an indication of the counterpart, of the object and the consideration of the transactions of “minor importance” approved in the reference quarter in the presence of a negative opinion of the related parties committee, as well as of the reasons why it was deemed suitable not to follow that opinion;
- for the transactions of “major importance”, if the related parties committee issues a negative opinion, the board of directors of the Company, if set forth in the Corporate bylaws (as it actually is), may submit the transaction of “major

importance” to the ordinary shareholders’ meeting for its authorization. The ordinary shareholders’ meeting, without prejudice to the majorities required by law, bylaws and provisions applicable in case of conflict of interest, approves its resolution with the favourable vote of at least half of the voting unrelated shareholders (“whitewash”). In any case, the completion of transactions of “major importance” is prevented only if the unrelated shareholders present at the shareholders’ meeting represent at least 10% of the share capital with voting rights.

In compliance with applicable laws, if the relation exists with a director of the Company or with a party related through him/her, the interested director shall promptly notify the other directors and the statutory auditors of the nature, the terms, the origin and the range of his/her interest. If, on the other hand, the relation exists with the Company’s chief executive officer or with a related party linked to him/her, in addition to the above, he/she will abstain from the execution of the transaction, and entrust the board of directors with executing the transaction.

If the relation exists with one of the regular statutory auditors of the Company or with a related party linked to him/her, the interested auditor promptly notifies the other auditors and the chairman of the board of directors of the nature, the terms, the origin and the range of his/her interest.

Further, the procedure sets that the chief executive officer of the Company, in the periodical report concerning the activities carried out in execution of the powers granted to him/her, provides the board of directors and the board of statutory auditors, at least quarterly, with specific information regarding the execution of transactions with related parties of both “major importance” and “minor importance”.

A specific procedure is prescribed for transactions with related parties carried out by Enel not directly but through subsidiaries. In such cases it is set forth that the board of directors of the Company, or the competent delegated body on the basis of the structure of powers in force from time to time, makes - with the prior non-binding opinion of the related parties committee – a previous assessment of the transactions with related parties carried out by companies directly and/or indirectly controlled by Enel which fall within one or more of the following categories:

- atypical or unusual transactions;
- transactions whose equivalent-value exceeds Euro 10 million, with the exception of those

transactions excluded from the scope of application of the procedure.

As observed above with reference to the transactions of “minor importance” carried out directly by Enel, also for the transactions carried out through subsidiaries it is provided that, if the board of directors of the Company, or the competent delegated body on the basis of the applicable structure of powers in force from time to time, has issued a favourable opinion concerning the carrying out of transactions of subsidiaries which are relevant for the purposes of the procedure, although the related parties committee issued a negative opinion, Enel shall make available to the public a specific document containing the reasons for disregarding such opinion.

The procedure does not apply to specific types of related parties transactions identified by CONSOB, among which the main are the regular transactions completed at market-equivalent or standard terms and the transactions with or between companies controlled, even jointly, by Enel, as well as transactions with companies affiliated with Enel, provided that in the controlled or affiliated companies that are counterparties to the transaction no significant interests (as identified in the procedure) of another Enel’s related party exist.

A simplified procedure is then provided in the event of urgency for the approval of related parties transactions that are not attributed to the shareholders’ meeting, it being understood that a subsequent non-binding vote concerning such transactions by the next ordinary shareholders’ meeting of the Company is required.

Finally, please note that, in January 2015, the board of directors approved a specific best practice guideline on corporate governance pursuant to which:

- Enel and other companies of the Group shall abstain from granting any form of financing to directors (or to either natural or legal persons referable to directors as related parties); and
- the directors shall immediately inform the board of directors and the related parties committee about any professional engagement or commercial relationships (other than ordinary relationships concerning the supply of electricity and/or gas) with Enel or other companies of the Group, even where the envisaged considerations are lower than the minimum threshold (*i.e.*, Euro 50,000 aggregated on an annual basis) established by the aforesaid company procedure on related parties transactions.

### 9.2 Processing of corporate information

The Group applies special rules for the internal management and processing of confidential information, under which the directors and statutory auditors are required to keep confidential the documents and information acquired in carrying out their duties.

Such rules – updated in March 2017 in order to include the amendments introduced on market abuse – are aimed at keeping secret the confidential information, while at the same time ensuring that the corporate data and information disclosed to the market are correct, complete, adequate, timely, and non-selective.

The rules entrust the Company's chief executive officer and the chief executive officers of the Group companies with the general responsibility of managing the confidential information concerning their respective spheres of authority, establishing that the dissemination of confidential information regarding individual subsidiaries must in any case be agreed upon with Enel's chief executive officer.

The rules also establish specific procedures to be followed in circulating company documents and information outside the Group – providing for specific rules for the disclosure of inside information and financial information – and carefully regulate the ways in which the company representatives enter into contact with the press and other mass media, as well as financial analysts and institutional investors.

Such rules are available to the public on the Company's website.

In 2017, in compliance with the European and national regulation on market abuse, Enel has:

- kept regularly updated the register for all individuals and legal entities with access to inside information through the exercise of his or her employment, profession or duties on behalf of the Company or the other companies belonging to the Group. In June 2017, the policy adopted by the Company on this regard was updated in order to take into account the substantial new provisions introduced by the EU legislation;
- applied to the Group the rules on internal dealing, concerning the transparency of transactions involving the shares or bonds issued by the Company, derivatives or other related financial instruments linked thereto carried out by major shareholders, representatives/exponents of the company, and persons closely associated with them. In particular, in 2017, the legal framework

on internal dealing applied to the types of transactions identified by the relevant EU laws, insofar as they concerned the shares or bonds issued by Enel, derivatives or other related financial instruments linked thereto, and carried out by "relevant persons". This category includes shareholders who own at least 10% of the Company's share capital, the directors and regular statutory auditors of Enel, as well as 11 other managerial positions identified within Enel by the chief executive officer in accordance with the criteria indicated in the applicable law, since they have regular access to inside information and the power to take managerial decisions that could affect the future developments and business prospects of the Company. Please note that in March 2017, the board of directors of Enel, having acknowledged the material amendments introduced in 2016 by the relevant EU applicable law, deemed appropriate to approve an *ad hoc* company regulation on internal dealing, updated in July 2017, that is available to the public at the Company's website.

### 9.3 Code of Ethics

Awareness of the social and environmental effects that accompany the activities carried out by the Group, as well as consideration of the importance of both a cooperative approach with stakeholders and the good reputation of the Group itself (in both internal and external relations) inspired the drawing up of the Group's code of ethics, which was approved by the Company's board of directors since March 2002.

The code (updated several times and most recently in December 2013) expresses the commitments and ethical responsibilities involved in the conduct of business, regulating and harmonizing corporate behaviour in accordance with standards calling for maximum transparency and fairness for all stakeholders. Specifically, the code of ethics consists of:

- general principles regarding relations with stakeholders, which define the principal values guiding the Group in the conduct of its operations. Among the aforesaid principles, specific mention should be made of the following: honesty, impartiality, confidentiality, the creation of value for shareholders, the value of human resources, the transparency and completeness of information, service quality, and the protection of the environment;
- criteria of behaviour towards each class of stakeholders, which specify the guidelines and

rules that Enel's officers and employees must follow in order to ensure observance of the general principles and prevent the risk of unethical actions;

- implementation mechanisms, which describe the control system devised to ensure observance of the code of ethics and its continual improvement.

### 9.4 Organizational and management Model

Since July 2002, the Company's board of directors has adopted an organizational and management model (the "Model") in accordance with the requirements of Legislative Decree no. 231 of June 8, 2001, which introduced into the Italian legal system a regime of administrative (but in fact criminal) liability with respect to companies for several kinds of crimes committed by their directors, executives, or employees in the interest of or to the benefit of the companies themselves.

The Model consists of a "general part" and separate "special parts", supplemented and updated from time to time in order to reflect the development both of the business organizational structure and of the different kinds of crimes that fall under Legislative Decree No. 231/2001, which the aforesaid Model aims to prevent.

At the same time, Enel encourages, from a general standpoint, the activities aimed at updating the organisational and management model adopted by the other Italian companies of the Group, in order to foster its correct and uniform implementation, also in light of the Group's organizational and operational structure.

In September 2016, Enel's board of directors has also approved the "Enel Global Compliance Program" ("EGCP"), a document addressed to the foreign companies of the Group. Such document is a governance tool aimed at strengthening the ethical and professional commitment of the Group to prevent the commission of crimes abroad (such as by way of example offences against the public administration, fraudulent accounting, money laundering, crimes committed in violation of the rules on work-place safety, environmental crimes) which may trigger the company's criminal liability and the related reputation risks.

The EGCP has been prepared in light of the main and leading international sources on the matter (*i.e.*, main international conventions to combat corruption, British Bribery Act, the United States Foreign Corrupt Practices Act), as well as taking into account the current organizational structure of the

Group and the specific relevant regulation applicable within the legal frameworks in which the various companies of the Group operate. Throughout 2017, the adoption of the aforementioned document by the Group's main foreign companies was completed.

The body called to supervise the effective application of the aforementioned Model and to monitor its updating (the "supervisory body" or, merely, "SB") may be composed of a number of members ranging between three and five, who are appointed by the board of directors. Such members may be chosen either from within or outside the Company or the Group, with specific expertise and professional experience. During 2017, the SB was composed of three external members with specific professional expertise on corporate organization matters, Matteo Giuliano Caroli (who is also chairman of the body) Nicola Nicoletti e Claudio Sartorelli, as well as of the heads of the "Audit" and of the Legal and Corporate Affairs functions; please note that, in December 2017, the board of directors re-determined in three the total number of members of the SB, in light of the willingness expressed by the heads of the "Audit" and "Legal and Corporate Affairs" functions to resign from the office as members of the same supervisory body, justified by the purpose of further enhancing the role of the external members in order to ensure full independence to the activity of the SB. The duration of the office of the members of the SB is aligned to the office of the board of directors of the Company and therefore their term will expire at the date of approval of the 2019 financial statements.

During 2017, the SB, in carrying out its activities aimed at verifying the compliance of the effective corporate conducts with those set forth under the aforesaid organizational and management model:

- held 14 meetings, during which it discussed the analysis - carried out also with the assistance of the relevant management - of the main business areas of the Company which are significant for the model and the exam of the control procedures of such areas;
- held meetings with supervisory bodies (or similar bodies) of the other companies of the Group, also in order to strengthen the monitoring upon control and defence procedures implemented by the said companies;
- encouraged the updating of the organizational and management model in order to take into account the specific law amendments and the changes occurred in the organizational structure. Such updating specifically concerned the "general part", as well as the special parts "A" (crimes against the Public Administration, the

## Enel – report on corporate governance and ownership structure for year 2017

crime of inducing not to make statements or to make false statements to the judicial authority) and “B” (corporate crimes);

- promoted training initiatives, differentiated according to the recipients and necessary to ensure a constant updating of the personnel on the contents of the Model;
- reported its activities to the chairman of the board of directors and to the chief executive officer and, on a regular basis, to the board of directors (through the control and risk committee) and to the board of statutory auditors.

### 9.5 “Zero tolerance for corruption” plan and anti – corruption management system

The Company has enacted since 2006 the “zero tolerance for corruption” plan - ZTC (“ZTC plan”) in order to give substance to Enel’s adherence to the Global Compact (an action program sponsored by the U.N. in 2000) and to the PACI – Partnership Against Corruption Initiative (sponsored by the Davos World Economic Forum in 2005).

The ZTC plan supplements the code of ethics and the organizational and management model adopted pursuant to Legislative Decree No. 231/2001, representing a more significant step regarding corruption and aimed at adopting a series of recommendations for the implementation of the principles formulated by Transparency International.

Throughout 2017 Enel has been among the first companies in the world to obtain the certificate the compliance of its anti-corruption management

system with the international standard ISO 37001:2016 (“Anti bribery management system”). Such certification has been released after an independent assessment procedure carried out by a prominent accredited certification body, which was conducted in two different phases having the aim firstly of ascertaining the adequacy of the design of Enel’s anti-corruption management system (in terms of governance, roles and responsibilities, control mechanisms, *etc.*) and then assessing the level of its concrete application and effectiveness. This assessment procedure is currently being extended to the Group’s main national and foreign subsidiaries.

From an organizational standpoint, the Company created, within the Legal and Corporate Affairs function, an *ad hoc* unit, entrusted with drafting the Group’s guidelines on compliance (criminal, environmental, *etc.*) and corporate responsibility issues, in accordance with both international best practices and national applicable laws of the Countries where the Group itself operates. Such unit is the structure in charge for the anti-corruption management system, for the purposes of the above-mentioned ISO 37001:2016 certification.

### 9.6 Human Rights policy

The Company enacted in 2013 a policy on human rights that reflects the “Guidelines on Business and Human Rights” issued by the U.N., and corroborates and deepens the commitments already provided for under the code of ethics, the compliance program of Legislative Decree No. 231/2001 and the ZTC (“Zero Tolerance for Corruption”) plan with regard to human rights matters.

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## SCHEDULE 1: Biography of the members of the board of directors



**Patrizia Grieco**

**Year of birth:** 1952

**Office:** Chairman

**Participation in committees:** Corporate Governance and Sustainability Committee (Chairman)

**In office since:** May 2014

**Number of offices held in other relevant companies according to Enel's Policy:** 3

**Slate of origin:** Majority

Graduated in law at the University of Milan, she starts her career in Italtel in 1977 assuming the office as head of the legal and general affairs directorate in 1994. Still in Italtel, in 1999 she is appointed as general manager to re-organize and reposition the company, in which she becomes chief executive officer in 2002. Then, she is the chief executive officer of Siemens Informatica since 2003 to 2006 (becoming member of the executive council Siemens Business Service at worldwide level) and, later, partner of Value Partners and chief executive officer of the Group Value Team (today NTT Data), which provides IT consultancy and services in Italy and abroad, from 2006 until 2008. From 2008 until 2013 she holds the office of chief executive officer at Olivetti, where in 2011 she becomes also the chairman. She was also director of Fiat Industrial (from 2012 to 2016) and is currently director of Anima Holding (from 2014), Ferrari (from 2016), Amplifon (from 2016), CIR (from 2017) (\*). She is also a member of the steering committee and the general council of Assonime and of the board of directors of Bocconi University. In 2017, she was appointed chairman of the Italian Committee for Corporate Governance. Such Committee aims at promoting best corporate governance practices among Italian listed companies.



**Francesco Starace**

**Year of birth:** 1955

**Office:** Chief Executive Officer and General Manager

**Participation in committees:** -

**In office since:** May 2014

**Number of offices held in other relevant companies according to Enel's Policy:** 0

**Slate of origin:** Majority

He graduated in nuclear engineering at the Polytechnic Institute of Milan. He began his career as a security analyst for electroneuclear plants at Nira Ansaldo (from 1981 until 1982) and then, from 1982 until 1987, held numerous management roles in Italy, the United States, Saudi Arabia, Egypt and United Arab Emirates for Sae Sadelmi, which at the time belonged to the General Electric group. From 1987 until 2000, he worked at ABB and later at Alstom Power Corporation, where he was also Chief Executive Officer of ABB Combustion Engineering Italia (from 1997 until 1998) and later (from 1998 until 2000), senior vice president of global sales and turnkey plants for the gas turbine division. He joined Enel Group in 2000, where he held several key management positions, including head of the “power” business area (from July 2002 until October 2005), head of the “market” division (from November 2005 until September 2008) and, lastly, the role of chief executive officer and general manager of Enel Green Power (from October 2008 until May 2014). In May 2015, he was appointed in the board of directors of the United Nations Global Compact. Furthermore, in January 2016 he was appointed co-chair of the World Economic Forum’s Energy Utilities and Energy Technologies Community. In October 2016, he was finally appointed co-chair of the B20 Climate & Resource Efficiency Task Force. In June 2017, he was appointed as chairman of Eurelectric, the European-wide electric industry association. In September 2017, he was also appointed by the European Commission as member of the “multi-stakeholder platform on the implementation of the sustainable development goals in the EU”.

\* Patrizia Grieco resigned the directorship of CIR S.p.A. with effect from April 28, 2018.



### Alfredo Antoniozzi

**Year of birth:** 1956

**Office:** Independent Director

**Participation in committees:** Corporate Governance and Sustainability Committee and Related Parties Committee

**In office since:** May 2015

**Number of offices held in other relevant companies according to Enel's Policy:** 0

**Slate of origin:** Majority

He graduated in law at the University “La Sapienza” of Rome in 1980 and then achieved a specialization in labour law, practicing his activity in a law firm. From 1981 to 1990 he was City Councilman at the Municipality of Rome, taking on the office as Counsellor for the Educational Politics; later, he held the office of Counsellor for General Affairs with delegated powers concerning the institutional and international relations for the Municipality of Rome. From 1990 to 2004 he was Region Councilman at the Lazio Region, where he held the office as Counsellor for Transport. Furthermore, from 2008 to 2012 he held the office as Counsellor for Heritage and Special Projects at the Municipality of Rome. From 2004 to 2014 he was Member of the European Parliament, where he was a member of the Justice Commission, Legal Commission and Constitutional Affairs Commission. During the same period he also took part in the Delegations for European relationships with the United States of America and the Arabic Peninsula and Central America; he was also a member of the Delegation at Parliamentary Committee on relationships EU-Mexico.



### Alberto Bianchi

**Year of birth:** 1954

**Office:** Independent Director

**Participation in committees:** Nomination and Compensation Committee (Chairman) and Related Parties Committee

**In office since:** May 2014

**No. of offices in other relevant companies according to Enel's Policy:** 0

**Slate of origin:** Majority

After having graduated in law and being admitted to the Italian bar, he started to practice as a lawyer in 1986 in administrative, commercial, corporate and bankruptcy law. Among these areas, he started carrying out his activity in the law firm of Professor Alberto Predieri (from 1983 to 2001); after the death of the owner (August 2001), he founded the law firm Bianchi e Associati, with main office in Florence and branch offices in Rome and Milan. From 2001 to 2007 he was liquidator of EFIM (body for the financing of the manufacturing industries); after the suppression of the abovementioned body, he was appointed (in July 2007) by the Minister of Economy and Finance as “*ad acta*” commissioner for the compulsory winding up of the companies managed by Ligestra (company of the Fintecna Group), office that he still holds. He was also member of the liquidator board of Finanziaria Ernesto Breda (from 1994 to 2001), director of Rai New Media, chairman of Firenze Fiera (from 2002 to 2006) and of Dada (internet company listed in the stock exchange from 2011 to 2013). Currently he is chairman of the board of directors of “Edizioni di Storia e Letteratura”, and director and external auditor of several associations and foundations. From March 2016, he is member of the Steering Committee of the Foundation Cassa di Risparmio di Firenze.



### Cesare Calari

**Year of birth:** 1954

**Office:** Independent director

**Participation in committees:** Nomination and Compensation Committee and Related Parties Committee

**In office since:** May 2017

**Number of offices held in other relevant companies according to Enel's Policy:** 0

**Slate of origin:** Minority

In 1977 he graduated in law at the University of Bologna and in 1979 he earned a master of arts at the School of Advanced International Studies of Johns Hopkins University (Washington DC). After a short period spent working at the Bank of Italy (1980-1981), in 1981 he joined the World Bank Group, where from 1982 to 2001 he held positions of increasing responsibility within the International Finance Corporation, an affiliate of the World Bank Group whose aim is to support the private sector in developing countries. Among the positions held within the International Finance Corporation, it's worth to mention that of Head of the Sub-Saharan Africa department (from 1997 to 2000) and that of Head of the global financial markets group (from 2000 to 2001). From 2001 to 2006 he was Vice President of the World Bank, responsible for the Bank's operations and strategies in the financial sector, for its work on international financial architecture and for anti-money laundering; during this period, he was also member of the Financial Stability Board (formerly Financial Stability Forum) and Chairman of CGAP (Consultative Group to Assist the Poor), a trust fund for the promotion of microfinance. Since October 2006 he has been partner and managing director of Encourage Capital (formerly Wolfensohn Fund Management), a U.S. company managing private equity investments with high social and environmental impact, and member of the investment committee of Wolfensohn Capital Partners, a private equity fund specialized in emerging markets. Covering such roles, he has gained a wide managerial and strategic experience in the financial services sector, as well as a broad knowledge of corporate and project finance and issues related to corporate governance and regulation of the financial sector worldwide. He has been member of the boards of directors of companies operating in different businesses, such as the Czech Zivnostenska Banka (from 1992 to 1995), the Chilean Moneda Asset Management (from 2001 to 2005), the Italian Assicurazioni Generali (from 2010 to 2013) and Terna (from 2014 to 2017), the Polish International Bank in Poland (from 1991 to 1994) and Meritum Bank (from 2011 to 2013), the Turkish Global Ports Holding (from 2013 to 2016) and the Hungarian Nomura Magyar (from 1991 to 1994). In addition, he has lectured as an adjunct professor of International Finance at Johns Hopkins University, SAIS, in Washington.

## Enel – report on corporate governance and ownership structure for year 2017



### Paola Girdinio

**Year of birth:** 1956

**Office:** Independent director

**Participation in committees:** Nomination and Compensation Committee and Control and Risk Committee

**In office since:** May 2014

**Number of offices held in other relevant companies according to Enel's Policy:** 0

**Slate of origin:** Majority

She graduated in physics science at the University of Genova, in which she was at the beginning researcher (from 1983 to 1987) then she became, first, associate professor (from 1987 to 2000) and then full professor (from 2000 as at today) of electro technology in the engineering department. At the same University of Genova she has been also headmaster of the faculty of electrical engineering (from 2001 to 2007), member of the executive board of the centre of the permanent training (from 2006 to 2008), chief of the department of electrical engineering (from 2007 to 2008), headmaster of the faculty of engineering (from 2008 to 2012) and member of the board of directors of the university (from 2012 to 2016). She is the author of several scientific publications on national and international magazines, in which she specialized in electromagnetic events and the related industrial compatibility. Member of the board of director of Ansaldo STS from 2011 to 2014, and of Ansaldo Energia (from 2014 to 2016), of the “Distretto ligure delle tecnologie marine” (from 2010 to 2016) and of Banca Carige (from 2016 to June 2017), she currently holds the same office in the company D'Appolonia of the Rina Group (from 2011). She has been a member of the regency board of Genova of the Bank of Italy (from 2011 to 2016), and she is currently president of the scientific committee for the project “smart city” made by Comune di Genova (from 2011), and member of the scientific committee of Eurispes (from 2013). From 2015 she is the chairman of the National Observatory for the Cyber Security, Resilience & Business Continuity of Electrical Systems to which belong some of the most important national companies operating in this field.



### Alberto Pera

**Year of birth:** 1949

**Office:** Independent director

**Participation in committees:** Nomination and Compensation Committee and Control and Risk Committee

**In office since:** May 2014

**Number of offices held in other relevant companies according to Enel's Policy:** 1

**Slate of origin:** Majority

He graduated in economics at the University “La Sapienza” of Rome and in law at the University of Macerata, he became lawyer and he earned the master's degree of science in economics at the London School of Economics. After a period as a researcher at the Faculty of Economics, University of Rome (1974-1978), he started his career as chief of the analysis of the monetary markets at the Banca Nazionale del Lavoro (from 1978 to 1979), he has been also economist at the division of the international markets of capitals of the International Monetary Fund (from 1980 to 1985). Chief of the economics studies of IRI (from 1985 to 1990, in which he also studied the items related to the privatizations of the companies controlled by IRI and he studied the liberalization of the markets), he has been also advisor of the Minister of Industry for the industrial policies of competition (from 1986 to 1990, minding the first Italian antitrust law); in this period he has been member of the board of directors of Italcable (STET Group, from 1986 to 1990) and chairman of Seleco (from 1988 to 1990). From 1987 to 1991 he was a professor of economics of public enterprises at the “Catholic” University in Milan. First Secretary General of the Authority of the Competition and the Market (from 1990 to 2000), he has represented the abovementioned Authority at the meetings of the general managers of the competition of the European Union members. From 2001 to 2014 he was partner at the Gianni, Orioni, Grippo, Cappelli & Partners Law Firm, in which he has founded the antitrust and regulation department, and where he is now of counsel from January 2015. He is currently chairman of the board of directors of Bancapulia (since September 2016), since he had been a member of the board of directors of the parent company Veneto Banca (from August 2016 to June 2017).

## Enel – report on corporate governance and ownership structure for year 2017



**Anna Chiara Svelto**

**Year of birth:** 1968

**Office:** Independent director

**Participation on committees:** Related Parties Committee (chairman) and Control and Risk Committee

**In office since:** May 2014

**Number of offices held in other relevant companies according to Enel's policy:** 1

**Slate of origin:** Minority

She graduated in law at the University of Milan, she became lawyer in September 1995. From March 1996 to February 1998 she worked at the legal affairs directorate of Edison, becoming later chief of the legal and corporate affairs directorate of Shell Italia from March 1998 to September 2000. Then she joined the Pirelli Group, in which she worked until May 2016, holding several managerial positions in the parent company, and specifically acting as chief of corporate affairs and compliance department, secretary of the board of directors and secretary of the advisory committees instituted inside the board of directors. From April 2013 to February 2014 she has been director and member of the control and risk and corporate governance committee of Prelios, while from April 2016 she is independent director and member of the remuneration committee of ASTM. From June 2016 she joined UBI Banca, as chief general counsel.



**Angelo Taraborrelli**

**Year of birth:** 1948

**Office:** Independent Director

**Participation in committees:** Control and Risk Committee (Chairman) and Corporate Governance and Sustainability Committee

**In office since:** May 2011

**No. of offices in other relevant companies according to Enel's Policy:** 0

**Slate of origin:** Minority

After the graduation with honors in Law at the University of Siena in 1971, he obtained a master degree in hydrocarbon business at the High School of Hydrocarbon "Enrico Mattei". He began his professional activity at Eni in 1973, where he held various management offices, up to the role of Director of Planning and Control of Saipem in 1992. Then he held the office of the holding's deputy Head of Strategic control and Up-stream development and Gas (in 1996) and, subsequently (in 1998), the office of deputy head of Planning and Industrial Control. Subsequently he held the office of deputy Chairman of Snamprogetti (from 2001 until 2002) and has been chief executive officer for AgipPetroli's business (2002). From the beginning of 2003, after the incorporation of the aforementioned company in the holding, he was deputy general manager of the marketing area at the Refining & Marketing Division. From 2004 until 2007 he was general manager of Eni responsible for the Refining & Marketing Division. Until September 2007, he was director of Galp (a Portuguese oil company), deputy Chairman of Unione Petrolifera (association of the oil companies operating in Italy), director of Eni Foundation and Chairman of Eni Trading & Shipping. From 2007 until 2009 he held the office of chief executive officer and general manager of Syndial, Eni's company operating in chemicals and environmental intervention fields. In 2009 he left Eni in order to carry out consultancy in oil industry matters; then he was appointed as distinguished associate of Energy Market Consultants (consultancy firm in oil industry matters with registered office in London) in 2010. From the academic year 2015-2016 he is Adjunct Professor at LUISS Guido Carli University of Rome for the course "Energetic and Environmental Policies".

SCHEDULE 2: Biography of the regular members of the board of statutory auditors



**Sergio Duca**

**Year of birth:** 1947

**Office:** Chairman of the Board of Statutory Auditors

**In office since:** April 2010

**No. of offices in other relevant companies according to CONSOB regulation:** 1

**Slate of origin:** Minority

He graduated with honors in Economics and Business from the “Bocconi” University in Milan. Certified chartered accountant and auditor, as well as auditor authorized by the U.K. Department of Trade and Industry, he acquired broad experience through the PricewaterhouseCoopers network as external auditor of important Italian listed companies (including Fiat, Telecom Italia and Sanpaolo IMI). Chairman of PricewaterhouseCoopers S.p.A. since 1997, in July 2007 he resigned from his office and ceased to be partner of this firm because he had reached the age limit provided for by the bylaws. After serving as, among other things, member of the Edison Foundation’s advisory board and the Bocconi University’s development committee, as well as chairman of the Bocconi Alumni Association’s board of auditors and a member of the board of auditors of the ANDAF (Italian Association of Chief Financial Officers), he was chairman of the board of statutory auditors (and then regular statutory auditor) of Exor until January 2016 and of GTech until April 2015, chairman of the board of external auditors of Compagnia di San Paolo and of Silvio Tronchetti Provera Foundation, chairman of the board of statutory auditors of Tosetti Value SIM, as well as chairman of the board of directors of Orizzonte SGR until October 2016 and independent director of Autostrade Torino-Milano and Sella Gestione SGR. Member of the Ned Community, an association of non-executive directors, he currently holds high offices on the boards of directors and the boards of statutory auditors of important Italian and foreign companies, associations, and foundations, serving as chairman of the board of auditors of the Foundation for the School of the Compagnia di San Paolo and of ISPI (Institute for the Study of International Politics), as well as member of the board of directors, chairman of the audit committee and financial expert of Ferrari, member of the board of statutory auditors of Basic Net and member of the board of external auditors of the Intesa San Paolo Foundation.



### Romina Guglielmetti

**Year of birth:** 1973

**Office:** Regular Statutory Auditor

**In office since:** June 2016

**No. of offices in other relevant companies according to CONSOB regulation:** 0

**Slate of origin:** Majority

After the graduation in law at Parma University and becoming a lawyer, she has started to practice the profession of lawyer. She was senior associate of Bonelli Erede law firm and of counsel of Marchetti notary office; she cooperated from 2007 to 2013 with Santa Maria law firm (in which she was also partner) and she is currently founding partner of Starclx – Guglielmetti associated law firm. During her professional activity she has in particular deepened the subjects of corporate governance, corporate law and financial intermediaries. From years she is specialized in corporate governance of, among others, listed and public companies, with specific regard to the profiles of internal controls, gender diversity and succession plans. She is associate of Nedcommunity (the Italian association of non-executive directors) and PWA (Professional Women Association) and she was an advisor of the Ministry of Equal Opportunities from 2013 to 2015 in the context of the first application of the Law No. 120/2011 on the gender quotas. She is currently member of the board of directors of important companies, also listed, holding in particular the office of director (and, usually, also of member of the committees with consultative and proposing functions established within the same management bodies) of Tod's, Servizi Italia, Compass Banca, Pininfarina, MB Facta, ACF Fiorentina. She is member of the steering committee of Nedcommunity as well as professor in courses and seminars. She lectures at LUISS Guido Carli University of Rome..



### Roberto Mazzei

**Year of birth:** 1962

**Office:** Regular Statutory Auditor

**In office since:** June 2016

**No. of offices in other relevant companies according to CONSOB regulation:** 2

**Slate of origin:** Majority

After he graduated in 1986 in business administration at the “Bocconi” University of Milan, he continued his academic activity at the same university, where he was professor of the department of corporate and real estate finance at the management school from 1988 to 2006 and, subsequently, full professor. He is currently associate professor of corporate finance at the University of Sassari, while he was researcher at the Cattolica University of Milan. He is author of several scientific publications on the subject of corporate finance and from 1999 he is also chartered accountant and auditor, activity in which context he provides in particular advice on valuation of companies, intangible assets and impairment. During the nineties he dealt with consulting projects for the World Bank and for the European Bank for Reconstruction and Development in relation to reconstruction measures in certain Eastern-Europe countries. In 1995 he was one of the founding partner of Medinvest, company that during the following years provided financial advice in several relevant extraordinary financial transactions involving some listed companies; the activity of Medinvest, starting from 2000, developed also in the field of “merchant banking” with the incorporation of Medinvest International, of which Professor Mazzei is still the managing shareholder. At the end of 2009 the activity of financial advice of Medinvest was transferred to Centrobanca. Furthermore, during the period 2004-2007 he monitored, with Pirelli Re and Lehman, the incorporation of the real estate fund Diomira and the following acquisition of the real estate portfolios of ENPAM and UBI Banca. From 2010 to 2014 he was partner and chairman of Principa SGR, one of the main Italian venture capital companies, that he left at the beginning of 2015. He held and currently holds several offices on the board of directors and on the board of statutory auditors of important companies, also listed, belonging to private or public groups. In particular he was chairman of the board of directors of the Istituto Poligrafico e Zecca dello Stato (from 2009 to 2011), director of Alenia Aeronautica (from 2003 to 2012), founding shareholder and (from 2006 to 2009) director of Banzai, director of Ansaldo Breda (from 2012 to 2013), as well as statutory auditor of Snam

## Enel – report on corporate governance and ownership structure for year 2017

(from 2006 to 2012) and Eni Power (from 2006 to 2009). He is currently chairman of the board of directors of GWM Capital Management and director of Bridge Management and Ki Group (companies listed on AIM Italia market), Finanziaria Tosinvest, Im3D (technological start-up in diagnosis in medical imaging), as well as chairman of the board of statutory auditors of Biancamano (company listed on the MTA of Borsa Italiana).

## Enel – report on corporate governance and ownership structure for the year 2016

### TABLE 1: Structure of Enel’s Board of Directors and Committees

Board of Directors													Control and Risk Committee		Nomination and Compensation Committee		Related Parties Committee		Corporate Governance and Sustainability Committee		
Office	Members	Year of birth	Date of first appointment *	In office since	In office until	Slate **	Exec.	Non-exec.	Indep. under Corporate Governance Code ***	Indep. under TUF ****	No. of other offices *****	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	
<b>Chairman</b>	Grieco Patrizia	1952	2014	1/2017	12/2017	M		✓		✓	3	15/15								8/8	C
<b>CEO/GM<sup>◊</sup></b>	Starace Francesco	1955	2014	1/2017	12/2017	M	✓				-	15/15									
<b>Director</b>	Antoniozzi Alfredo	1956	2015	1/2017	12/2017	M		✓	✓	✓	-	15/15					4/4	M	8/8	M	
<b>Director</b>	Bianchi Alberto	1954	2014	1/2017	12/2017	M		✓	✓	✓	-	15/15			4/4	Cb	4/4	CaMb	3/4	Ma	
<b>Director</b>	Calari Cesare	1954	2017	5/2017	12/2017	m		✓	✓	✓	-	10/10			4/4	Mb	4/4	Mb			
<b>Director</b>	Girdinio Paola	1956	2014	1/2017	12/2017	M		✓	✓	✓	-	15/15	15/15	M	8/8	M					
<b>Director</b>	Pera Alberto	1949	2014	1/2017	12/2017	M		✓	✓	✓	1	15/15	15/15	M	7/8	M					
<b>Director</b>	Svelto Anna Chiara	1968	2014	1/2017	12/2017	m		✓	✓	✓	1	15/15	15/15	M	4/4	Ma	4/4	Cb			
<b>Director</b>	Taraborrelli Angelo	1948	2011	1/2017	12/2017	m		✓	✓	✓	-	15/15	15/15	C			0/0	Ma	4/4	Mb	
<b>DIRECTORS CEASED DURING THE REFERENCE FINANCIAL YEAR</b>																					
<b>Director</b>	Banchi Alessandro	1946	2011	1/2017	5/2017	m		✓	✓	✓	2	5/5			4/4	Ca	0/0	Ma			
<b>No. of meetings held in year 2017</b>		<b>Board of Directors: 15</b>			<b>Control and Risk Committee: 15</b>			<b>Nomination and Compensation Committee: 8</b>			<b>Related Parties Committee: 4</b>			<b>Corporate Governance and Sustainability Committee: 8</b>							
<b>Quorum required for the submission of slates for the election of the board of directors (pursuant to art. 147-ter of the Consolidated Financial Act): 0.5% of share capital</b>																					

#### NOTES

• This symbol indicates the director in charge of the internal control and risk management system.

◊ This symbol indicates the main person in charge of managing the issuer (*Chief Executive Officer* or CEO).

\* The phrase “date of first appointment” of each director means the date on which the director was appointed for the very first time to the Board of Directors.

\*\* This column shows M/m depending on whether the director has been drawn from the slate voted by the majority (M) or by the minority (m) of the share capital represented at the Meeting.

## Enel – report on corporate governance and ownership structure for the year 2016

\*\*\* In this column, a “✓” indicates the possess of the requisite of independence provided by Article 3 of the Corporate Governance Code for listed companies. Specifically, according to applicative criterion 3.C.1 of the Corporate Governance Code, a director should normally be considered lacking the requisites of independence in the following cases:

- a) if directly or indirectly, including through subsidiaries, fiduciaries or third parties, he or she controls the issuer or is able to exercise considerable influence on it, or has entered into a shareholders’ agreement through which one or more persons can exercise control or considerable influence on the issuer;
- b) if he/she is, or has been in the preceding three fiscal years, a significant representative<sup>(3)</sup> of the issuer, of a subsidiary having strategic relevance or of a company under common control with the issuer, or of a company or entity controlling the issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders’ agreement;
- c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship:
  - with the issuer, one of its subsidiaries, or any of its significant representatives;
  - with a subject who, also jointly with others through a shareholders’ agreement, controls the issuer, or – in case of a company or an entity – with the relevant significant representatives;or is, or has been in the preceding three fiscal years, an employee of the above-mentioned subjects.

In this regard, in February 2010 the Company’s board of directors established the following quantitative criteria applicable to the aforesaid commercial, financial, or professional relations:

- **commercial or financial relations:** (i) 5% of the annual turnover of the company or organisation of which the director has control or is an important representative, or of the professional or consulting firm of which he is a partner, and/or (ii) 5% of the annual costs incurred by the Enel Group through the same kind of contractual relations;
- **professional services:** (i) 5% of the annual turnover of the company or organisation of which the director has the control or is an important representative or of the professional or consulting firm of which he is a partner, and/or (ii) 2.5% of the annual costs incurred by the Enel Group through similar assignments.

In principle, unless there are specific circumstances that should be concretely examined, exceeding these limits should mean that the non-executive director to whom they apply does not possess the requisites of independence provided for by the Corporate Governance Code;

- d) if he/she receives, or has received in the three preceding financial years, from the issuer or from a subsidiary or controlling company, significant additional compensation with respect to his or her “fixed” pay as a non-executive director of the issuer and compensation for participation on the committees with consultative and proposing functions established within the board of directors, also in the form of participation in incentive plans connected with the company’s performance, including those involving stock based plans;
- e) if he/she was a director of the issuer for more than nine years in the last twelve years;
- f) if he/she is vested with the executive director office in another company in which an executive director of the issuer holds the office of director;
- g) if he/she is shareholder or quotaholder or director of a legal entity belonging to the same network as the company appointed for the auditing of the issuer;
- h) if he/she is a close relative<sup>(4)</sup> of a person who is in any of the positions listed in the above paragraphs.

\*\*\*\* In this column, a “✓” indicates the possess of the requisites of independence provided for the statutory auditors of listed companies by Article 148, paragraph 3, of the Consolidated Financial Act, applicable to the directors pursuant to Article 147-ter, paragraph 4, of the Consolidated Financial Act. Pursuant to the provisions of Article 148, paragraph 3, of the Consolidated Financial Act, the following do not qualify as independent:

- a) persons who are in the situations provided for by Article 2382 of the Civil Code (that is, in the state of incapacitation, disqualification, or bankruptcy or who have been sentenced to a punishment that entails debarment, even temporary, from public offices or incapacitation from performing executive functions);
- b) the spouse, relatives, and in-laws within the fourth degree of the directors of the company, as well as the directors, spouse, relatives, and in-laws within the fourth degree of the directors of its subsidiaries, of the companies of which it is a subsidiary, and of those under common control;
- c) persons who are connected with the company, its subsidiaries, the companies of which it is a subsidiary, or those under common control, or with the directors of the company or the parties referred to under the preceding letter b) by relations as an employee or a self-employed person or other economic or professional relations that could compromise their independence.

\*\*\*\*\* This column indicates the number of offices held by the person in question on management and control bodies of other large companies, identified on the basis of the policy formulated in such regard by the board of directors. In such regard, let us point out that as of the date of this report, the directors of Enel hold the following offices that are considered relevant for such purpose:

- 1) Patrizia Grieco: independent director of Anima Holding S.p.A., Amplifon S.p.A. and Ferrari N.V. Patrizia Grieco resigned the directorship of CIR S.p.A. with effect from April 28, 2018.
- 2) Alberto Pera: chairman of the board of directors of Bancapulia S.p.A.;

<sup>(3)</sup> It should be noted that, according to applicative criterion 3.C.2 of the Corporate Governance Code, the following are to be considered “significant representatives” of a company or an organisation (including for the purposes of the provisions of the other letters of applicative criterion 3.C.1): the chairman of the entity, the chairman of the Board of Directors, the executive directors and key management personnel of the relevant company or entity.

<sup>(4)</sup> The comment on Article 3 of the Corporate Governance Code states in this regard that “parents, children, the spouse who is not legally separated, the companion living together and family members living together with a person, who could not be considered as an independent director, should be judged theoretically as being not independent”.

## Enel – report on corporate governance and ownership structure for the year 2016

3) Annachiara Svelto: independent director of ASTM S.p.A.

(\*) This column indicates the directors' attendance at meetings of, respectively, the board of directors and the committees (specifically, the number of meetings attended by the person in question out of the total number of meetings that he/she could have attended). All absences were adequately justified.

(\*\*) This column indicates the role of the director on the committee: "C": chairman; "M": member. Furthermore, the letter "a" indicates that the role was taken on from January 1, 2017 to May 4, 2017; the letter "b" means that the role has been taken on as of the reorganization of the Committees' composition (that took place on June 15, 2017) up to December 31, 2017.

## Enel – report on corporate governance and ownership structure for the year 2016

### TABLE 2: Structure of Enel’s Board of Statutory Auditors

Office	Members	Year of birth	Date of first appointment *	In office since	In office until	Slate (*)	Independence under the Corporate Governance Code	Attendance of meetings of the board of statutory auditors (**)	Number of other offices (***)
<b>Chairman</b>	Duca Sergio	1947	2010	1/2017	12/2017	m	✓	22/22	1
<b>Regular auditor</b>	Guglielmetti Romina	1973	2016	1/2017	12/2017	M	✓	22/22	-
<b>Regular auditor</b>	Mazzei Roberto	1962	2016	1/2017	12/2017	M		22/22	2
<b>Alternate auditor</b>	Barbiero Michela	1969	2016	1/2017	12/2017	M	-	-	-
<b>Alternate auditor</b>	Tono Alfonso	1971	2016	1/2017	12/2017	M	-	-	-
<b>Alternate auditor</b>	Tutino Franco	1947	2010	1/2017	12/2017	m	-	-	-
<b>Number of meetings held in year 2017: 22</b>									
<b>Quorum required for the submission of slates for the election of the board of statutory auditors (pursuant to art. 148 of the Consolidated Financial Act): 0.5% of the share capital</b>									

#### NOTES

\* The phrase “date of first appointment” of each auditor means the date on which the auditor was appointed for the very first time to the board of statutory auditors.

(\*) This column shows M/m depending on whether the auditor has been drawn from the slate voted by the majority (M) or by the minority (m) of the share capital represented at the Meeting.

(\*\*) This column indicates the auditors’ attendance of meetings of the board of statutory auditors (specifically, the number of meetings attended by the person in question out of the total number of meetings that he/she could have attended).

(\*\*\*) This column shows the number of offices that the person concerned has declared to Consob to hold on the boards of directors or the boards of statutory auditors of Italian corporations pursuant to Article 148-*bis* of the Consolidated Financial Act. The entire list of the offices is published by CONSOB and is available on its internet website, pursuant to Article 144-*quinquiesdecies* of CONSOB Issuers’ Regulation.