



**ENEL GROUP**

**CORPORATE GOVERNANCE GUIDELINES**

**PART I**  
**GENERAL GOVERNANCE PRINCIPLES AS PILLARS**  
**OF ENEL GROUP'S STRATEGY**

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SECTION I – SCOPE AND IMPLEMENTATION

Article 1 – Scope and applicable regime

1.1 These Governance Guidelines set down some of the principles upon which Enel Group's corporate governance is founded and the implementation guidelines thereof, with a view to achieving its uniform application across Enel Group companies.

1.2 These Governance Guidelines while recognizing the benefits of Enel's coordination of Enel Group's strategies and plans, ensure due respect for the legal independence of Enel Subsidiaries, within a framework aimed at adequately protecting the Corporate Interest of each single Subsidiary and the rights of its Stakeholders. All the above with particular regard to Related Party Transactions and Conflict of Interests.

1.3 These Governance Guidelines shall apply to all Enel Subsidiaries, unless otherwise provided by Enel competent bodies.

1.4 Capital letters used in these Governance Guidelines refer to the definitions included in Annexes 1 and 2, which form an integral part thereof.

Article 2 – Implementation

2.1 Once approved by Enel's board of directors, these



Governance Guidelines shall enter into force and apply to each Enel Subsidiary as from the time it has been adopted by the competent governing body and shall remain in force until it is expressly repealed.

2.2 Likewise, any amendment to these Governance Guidelines, once approved by Enel's board of directors, shall be adopted, for each Enel Subsidiary, by the respective competent governing body.

## SECTION II – GOVERNANCE GENERAL PRINCIPLES OF THE ENEL GROUP

### Article 3 – General Principles

3.1 These Governance Guidelines are based on the following general principles:

- (1) Enel Group companies recognize the benefits of pursuing the efficient management of the Enel Group as a whole, based on the Group's strategic plans approved by the competent corporate bodies, while at the same time ensuring an appropriate protection of the Corporate Interest of each Subsidiary, the fair treatment of Enel Group companies' public and private Stakeholders and an equitable sharing between Enel Group companies of the benefits and costs arising from affiliation to the Enel Group;
- (2) Enel and its subsidiaries undertake to properly identify, prevent and solve Conflicts of Interests among Enel Group companies and among Enel Group companies and their respective Directors, managers, officers, and other related individuals;
- (3) Enel Subsidiaries undertake to recognize Enel's role in properly coordinating Enel Group's strategies and plans, subject to Enel's regard for the independent decision-making processes of Enel

Subsidiaries;

- (4) Enel Group companies undertake to arrange an Information Flows system that is adequate for the purposes of planning, oversight, risk control, consolidation of financial statements, and any other appropriate coordination activities of Enel Group's business;
- (5) Enel Group companies undertake to design adequate mechanisms that allow their governing bodies to supervise their critical risks and, in particular, those arising from potential Conflicts of Interests, so that such risks can be properly identified, measured and mitigated. Specifically, the creation of "risk maps" shall be encouraged, together with the establishment of a compliance system pursuant to best practices of corporate governance and international codes of ethics; and
- (6) Enel Group companies undertake to promote transparency and awareness in implementing the general principles above.

3.2 In coordinating Enel Group's strategies and plans, Enel shall take all possible measures in order that value-generating activities and the synergies arising from the affiliation to Enel Group are allocated, wherever discretion in doing so is involved, in an equitable way to the affected Enel Subsidiary.

### SECTION III– INFORMATION FLOWS

#### Article 4 – Information Flows

4.1 Enel Group companies shall exchange any kind of information the communication of which is not contrary to Applicable Regulations and is instrumental to Enel's coordination of the Enel

Group's strategies and plans.

4.2 Information Flows are always deemed to be instrumental to Enel's coordination of the Enel Group's strategies and plans in the following areas: (a) planning, coordination and monitoring of Enel Group's activities; (b) audit and risk control of the Enel Group; (c) consolidation of the Enel Group's financial statements; and (d) compliance with legal requirements.

## **PART II**

### **DUTY OF LOYALTY AND CONFLICT OF INTERESTS**

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#### **SECTION I – GENERAL PRINCIPLES AND DUTY OF LOYALTY**

##### **Article 5 – General principles**

5.1 The provisions in this Part establish procedures and rules of conduct with a view to (i) ensuring utmost compliance with the duty of loyalty owed by Directors of Enel Group companies and (ii) preventing situations that might negatively affect the fulfilment of the same duty.

5.2 Conflict of Interests arising in connection with Related Party Transactions are regulated in Part III.

##### **Article 6 – Directors' duty of loyalty**

6.1 For the purposes of the provisions in this Section, the duty of loyalty of Directors means the duty to act in good faith in the pursuit of the Corporate Interest of the company they serve.

6.2 The duty of loyalty of Directors includes, among others, and in addition to what is specifically provided for Conflict of Interests, the

prohibition for each Director of:

a) making use of corporate assets or confidential corporate information to extract private benefits for himself or herself or for third parties;

b) availing himself or herself of the corporate name, or of his or her role as a Director, in order to unduly influence transactions so as to extract private benefits for himself or herself or for third parties;

c) taking advantage of corporate opportunities to extract private benefits for himself or herself or for third parties;

d) taking advantages or compensation from third parties, other than the company he or she serves or other companies belonging to the Enel Group, because of his or her role as a Director, except in case of common practices of courtesy; and

e) carrying out activities, for his or her own account or on behalf of third parties, involving actual or potential competition with the company he or she serves. In this regard, activities carried out for other companies belonging to the Enel Group are expressly excluded.

## SECTION II – REGULATION OF CONFLICT OF INTERESTS

### Article 7 – Conflict of Interests

7.1 As indicated in Annex 1, Conflict of Interests is deemed as the situation where a Director has, for his or her own account or on behalf of third parties, an interest whose achievement might hinder the achievement of the Corporate Interest of the company to which he or she owes a duty of loyalty.

7.2 The existence of a Conflict of Interests is to be evaluated and ascertained taking into account the specific circumstances of each

situation.

#### Article 8 – Special provisions

8.1 Pursuant to Article 7 above, a Conflict of Interests does not occur in any of the following circumstances:

a) when, considering its features, the transaction is not actually capable of giving rise to a conflict between the Director's interest and the Corporate Interest of the Enel Group company he or she serves;

b) when the transaction is an implementing measure of (i) strategic decisions already duly approved by the competent corporate body of the Enel Group company involved or (ii) a duly approved framework agreement, so long as no discretion is involved in the implementation of either.

8.2 In cases different from those provided under paragraph 8.1 above, the procedure on Conflict of Interests under Article 10 below is not applicable where the transaction is: (i) carried out in the ordinary course of business, (ii) concluded at standard terms, and (iii) for small amounts. In this case, the board resolution of the Enel Group company shall spell out the reasons why the transaction is in the Corporate Interest.

#### Article 9 – Duty of disclosure of interests

9.1 Directors of Enel Group companies shall inform the board of directors, through its chairman, of any interest that they may have, for their own account or on behalf of third parties, in a specific transaction, specifying the nature, the terms, the origin and the extent of such interest.

9.2 The board of directors of Enel Group companies, following the procedures provided for in Article 10, shall confirm whether a

Conflict of Interests actually occurs.

9.3 The board of directors of Enel Group companies can activate the above mentioned procedures of its own initiative any time it is aware of any circumstance that so requires.

Article 10 – Procedures to ascertain Conflict of Interests and conducts required in case of ascertained Conflict of Interests

10.1 The activities provided for under Article 9 are carried out by (i) an advisory body composed of the heads of Administration, Finance and Control, Legal, and Audit Functions of the relevant Enel Group company and (ii) the competent committee provided for by Applicable Regulations, if any, and set up within the board of directors of the relevant Enel Group company.

10.2 Directors involved in the enquiries must provide any useful information and document requested by the advisory body and/or the board committee (if any) indicated in paragraph 10.1.

10.3 The advisory body and/or the board committee (if any) indicated in paragraph 10.1, based on the information received, shall issue a report to the board of directors expressing their respective non-binding opinion on the actual existence of a Conflict of Interests.

10.4 The board of directors of the relevant Enel Group company, taking the opinions of the advisory body and the board committee (if any) indicated in paragraph 10.1 into account, determines if a Conflict of Interests actually occurs.

10.5 In the event that the board of directors of the relevant Enel Group company has determined the existence of a Conflict of Interests, the board itself shall resolve whether to carry out the





transaction or not with the abstention of the interested Director.

10.6 In order to enhance the other Directors' understanding of the Conflict of Interests and the contents and implications of the transaction, the interested Director may submit to the board of directors his or her own evaluations on his or her interest and on the Corporate Interest of the relevant Enel Group company.

## PART III

### RELATED PARTY TRANSACTIONS

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#### SECTION I – GENERAL PRINCIPLES ON RELATED PARTY TRANSACTIONS

##### Article 11 – Purpose of Part III of the Governance Guidelines

11.1 The present Part sets out the principles that Enel and its Listed Subsidiaries undertake to abide by in order to ensure the transparency and the substantial and procedural fairness of the RPT they enter into, whether directly or through subsidiaries.

11.2 Specifically, the present Part aims to ensure that:

- i. Enel and its Listed Subsidiaries fulfill transparency, correctness and fairness criteria when entering, whether directly or through their respective subsidiaries, into a RPT;
- ii. while complying with the provisions of the present Part, Enel and its Listed Subsidiaries at the same time abide by Applicable Regulations on RPTs;
- iii. a balance is pursued between the advantages for Enel Listed Subsidiaries stemming from their affiliation to Enel Group and the protection of the various interests potentially affected by the RPT, especially, the Corporate Interest of those Subsidiaries and their minority shareholders.

##### Article 12 – Definition and scope of Related Party Transactions

12.1 RPT shall be understood as any transfer of resources, services or obligations between Enel or its Listed Subsidiaries and a related party, regardless of whether for valuable consideration.

RPT are deemed also to include any decision on remuneration and economic benefits, in whatever form, for members of the management and control bodies and for Executives with strategic responsibilities.

12.2 The definition of Related Party is included in Annex 2.

## SECTION II – PROCEDURES THAT GOVERN THE HANDLING OF RELATED PARTY TRANSACTIONS

### Article 13 – Procedures to approve Intragroup Transactions and Other Related Party Transactions

13.1 Both Intragroup Transactions and Other RPTs shall be approved by the board of directors of Enel and its Listed Subsidiary involved, except for cases where Applicable Regulations entrust this task, taking also in account the size and the significance of the single RPT, upon:

- the shareholders' meeting; or
- the chief executive officer; or
- the RPT Committee; or
- all or some Independent Directors.

The competent body, when adopting a resolution about a RPT, shall take into account the report released by the RPT Committee, if any such Committee exists. The RPT Committee may avail itself of fairness opinions from independent advisors of its own choice. The RPT Committee report shall contain a reasoned opinion on the interest of Enel and its relevant Listed Subsidiary in entering into the transaction and the convenience and substantial fairness of its terms. The effectiveness of such opinion, whether binding or not, is established by Applicable Regulations.

13.2 In order to avoid an excessive and unnecessary burden upon

their respective board of directors (or upon the shareholders' meeting, the RPT Committee, and Independent Directors, as the case may be), Enel and its Listed Subsidiaries shall avail themselves to the greatest possible extent of the exemptions indicated in Article 14.

In this context, Enel Listed Subsidiaries are especially encouraged to adopt framework resolutions, as indicated in Article 14.1.

#### Article 14 – Exemptions

14.1 Unless it is expressly prohibited by Applicable Regulations, article 13 shall not apply in the following cases:

- RPT with a value lower than the thresholds identified by Applicable Regulations, if any;
- Remuneration of Directors holding specific offices (e.g., chairman, deputy chairman, chief executive officer) and other Executives with strategic responsibilities, as far as such remuneration is consistent with the remuneration policy (if any) approved by the competent body of Enel or its Listed Subsidiary involved and such policy has been defined with the participation of a committee consisting solely of non-executive Directors, the majority of whom are Independent Directors;
- Ordinary Transactions carried out at Market-equivalent or Standard Terms;
- RPTs carried out with or between companies controlled, even jointly, by Enel or its Listed Subsidiary involved, as well as RPTs carried out with companies affiliated with the latter;
- RPTs falling within framework resolutions adopted by the board of directors for one or more sets of homogeneous transactions to be carried out, by Enel or its Listed Subsidiary involved and/or by their respective subsidiaries, with specified



categories of related parties, provided that the framework resolutions are effective for a limited period of time, refer to sufficiently determined RPTs, and identify a maximum expected value for RPTs to be carried out during the reference period.

14.2 Where Enel or its Listed Subsidiaries avail themselves of one or more of the exemptions mentioned above, their chief executive officer shall periodically report to the board of directors about the most significant RPTs carried out pursuant to paragraph 14.1. The board of directors shall assess whether the exemptions have been properly applied.

14.3 When dealing with Intragroup Transactions, the competent body of the Enel Listed Subsidiary involved shall assess whether any negative impact of the RPT upon the same Subsidiary's Corporate Interest is likely to be offset after giving due consideration to all of the transaction's effects and wider implications.



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**GENERAL DEFINITIONS**

For the purposes of these Guidelines the following definitions apply:

**“Applicable Regulations”** means, in respect of each of Enel Subsidiaries, the general regulations – including laws, regulations and stock exchange listing rules – applicable to such Enel Subsidiary.

**“Conflict of Interests”** means a situation where a Director has, for his or her own account or on behalf of third parties, an interest whose achievement might hinder the achievement of the Corporate Interest of the company to which he or she owes a duty of loyalty.

**“Corporate Interest”** means the interest of a company as it emerges from the company’s business in the reference market and in the context of the group to which the company belongs, considering also the advantages deriving from the affiliation to such a group.

**“Director(s)”** means the member(s) of the board of directors or other equivalent body and those managers that have been granted the powers to manage the company in the absence of executive directors (e.g. the “general manager” or “*gerente general*”).

**“Enel”** means Enel S.p.A., a company duly incorporated under Italian law and whose shares are listed in a regulated market. According to its bylaws, Enel provides its subsidiaries with strategic guidelines and coordination with regard to both their industrial organization and the business activities in which they engage.

**“Enel Group”** means the group whose ultimate parent company is Enel. Enel Group is therefore made up by Enel and the Enel Subsidiaries. Enel directly or indirectly controls Enel Subsidiaries.

**“Enel Listed Subsidiaries”** means Enel Subsidiaries, wherever incorporated, whose shares are listed in a regulated market. When used in the singular, such definition refers to any of the above mentioned companies.

**“Enel Subsidiaries”** means companies, wherever incorporated, directly or indirectly under the control of Enel. **“Control”** shall be deemed to exist, for each company, as determined in accordance with the Applicable Regulations. When used in the singular, such definition refers to any of the above mentioned companies.

**“Governance Guidelines”** means the present Enel Group Corporate Governance Guidelines, whose aim is to achieve a uniform application of its provisions across Enel Group companies.

**“Independent Directors”** means directors of Enel Group companies who do

not maintain, directly or indirectly or on behalf of third parties, nor have recently maintained, any business relationships with the company they serve or with persons linked to it, of such a significance as to influence their autonomous judgment. To be considered as such, Independent Directors shall possess the relevant requisites under Applicable Regulations, as well as comply with corporate governance recommendations of the relevant jurisdiction involved.

**“Information Flows”** means the exchange of any kind of information between Enel and any Enel Subsidiary or between two or more Enel Subsidiaries, by any means or method.

**“Market-equivalent or Standard Terms”** means terms that are usually applied to unrelated parties for transactions of the same nature and risk profile, or which are based on regulated tariffs or prices fixed by independent third parties, or applied to entities which Enel or Enel Listed Subsidiaries (or their respective subsidiaries) are otherwise legally bound to transact with at a fixed price.

**“Ordinary Transactions”** means Related Party Transactions entered into by Enel or an Enel Listed Subsidiary and/or by any of their respective subsidiaries either (a) in the ordinary course of business or (b) of a financial nature, so long as the financing needs are related to the ordinary course of business;

**“Related Party Transaction”** or **“RPT”** means Related Party Transaction(s) as defined in Part III of the Governance Guidelines. For the purpose of the provision in Part III, they are divided into:

- **“Intragroup Transactions”**, meaning RPTs between different companies of the Enel Group (i.e., between Enel and any Enel Subsidiary or between two or more Enel Subsidiaries);
- **“Other RPTs”**, meaning RPTs carried out between Enel and/or an Enel Subsidiary, on the one hand, and a related party that is neither Enel nor an Enel Subsidiary, on the other.

**“RPT Committee”** means any committee, fully composed by Independent Directors, or, as an alternative and so long as this is consistent with the Applicable Regulations, by non-executive directors, the majority of whom are Independent Directors, in charge of expressing written reasoned opinions on RPTs.

**“Stakeholders”** means minority shareholders and other individuals or entities that are affected by the business activities of an Enel Subsidiary and/or by the context in which the latter operates.

**DEFINITION OF RELATED PARTY**

**“Related Party”** - Unless Applicable Regulations otherwise provide, means an entity or a natural person, as the case may be, that:

- (a) directly or indirectly, through subsidiaries, trustees or an intermediary:
  - (i) controls the company, is controlled by the company, or is under common control with the company;
  - (ii) has joint control over the company;
  - (iii) has significant influence over the company;
  - (iv) otherwise holds a significant shareholding in the company;
- (b) is an affiliate of the company;
- (c) is a joint venture in which the company is a participant;
- (d) is one of the Executives with strategic responsibilities of the company or its parent;
- (e) is a Close Relative of a person referred to in paragraphs (a) or (d);
- (f) is an entity in which a person referred to in paragraphs (d) or (e) exercises control, joint control or significant influence;
- (g) is a person, whether legal or natural, having the right to give binding instructions to the company and having an interest in the execution of the RPT;
- (h) is an entity one of whose Executives with strategic responsibilities is at the same time – or has been within the last 18 months – an Executive with strategic responsibilities of the company;
- (i) is a supplementary pension fund, collective or individual, established for the employees of the company or any other entity that is a related party;
- (l) is a person that the by-laws of the company or the RPT Committee, as the case may be, have specifically identified as a related party of the company.

For the purpose of the above definition of “Related Party”, the following definitions further apply:

- **Control** is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. It is assumed that control exists when a person owns, directly or indirectly through subsidiaries, more than half of the voting rights of an entity unless, in exceptional cases, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when a person owns half or less of the voting rights exercisable at shareholders' meeting if it, he or she has:
  - (a) control of more than half of the voting rights by virtue of agreement with other investors;
  - (b) the power to govern the financial and operating policies of the entity under a statute or agreement;
  - (c) the power to appoint or remove the majority of the members of the board of directors or equivalent body, and control of the entity is held by that board or body;



- (d) the power to cast the majority of the voting rights at meetings of the board of directors or equivalent body, and control of the entity is held by that board or body.  
Applicable Regulations may establish whether control can actually be exercised by the State and/or Municipalities and/or public bodies and/or subsidiaries thereof.
- “Joint control” is the contractually agreed sharing of control over an economic activity.
  - “Significant influence” is the power to participate in the determination of financial and operating policies of an entity without having control. Significant influence may be gained by share ownership, by-laws provisions or agreements.  
If a person owns, directly or indirectly (e.g. through subsidiaries), 20% or more of the voting rights of the investee, it is presumed to have significant influence, unless it can be clearly demonstrated otherwise.  
The aforesaid share ownership threshold can be lowered by Applicable Regulations up to a minimum of no less than 10% of the voting rights of the investee. Conversely, if the person owns, directly or indirectly (e.g. through subsidiaries), less than 20% of the voting rights of the investee – or the lower share ownership threshold identified by Applicable Regulations – it is presumed not to have significant influence, unless such influence can be clearly demonstrated. The presence of a person in possession of absolute or relative majority of voting rights does not necessarily preclude another person from having significant influence. Significant influence can usually be inferred if one or more of the following circumstances occur:
    - (a) representation on the board of directors or equivalent body of the investee;
    - (b) participation in the decision making process, including participation in decisions about dividends or other corporate distributions;
    - (c) the presence of significant transactions between the investor and the investee;
    - (d) exchange of managerial personnel;
    - (e) provision of essential technical information.
  - “Significant shareholding” means a shareholding above the threshold, if any, identified as such by Applicable Regulations for the purposes of Related Party Transaction discipline.
  - “Executives with strategic responsibilities” are those persons who have the power and responsibility, directly or indirectly, for planning, directing and controlling activities of the company, including Directors (whether executive or not) of the company.
  - “Close Relatives” of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the company. They may include:
    - (a) the individual’s children, the spouse not legally separated and the domestic partner;

- (b) the children of individual's spouse not legally separated or domestic partner;
- (c) dependants of the individual or of that individual's spouse not legally separated or domestic partner.

Other cases may be established by Applicable Regulations, including a specific kinship or affinity degree deemed relevant for the purpose of the definition of Close Relatives.

- A “subsidiary company” is an entity, with or without legal personality, including a partnership, controlled by another entity.
- An “affiliated company” is an entity, with or without legal personality, including a partnership, in which a shareholder exercises significant influence but not control or joint control.
- A “joint venture” is a contractual arrangement whereby two or more parties undertake an economic activity subject to joint control.

Principles of interpretation of the above definitions  
concerning Related Parties

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

In jurisdictions where Regulation (EC) No. 1606/2002 is applicable, the definitions provided for in the present Annex are interpreted by reference to the set of International Financial Reporting Standards adopted in compliance with the procedure laid down in Article 6 thereof.