



AUDIT FUNCTION CHARTER

(approved by the Board of Directors of Enel S.p.A. on February 25th, 2015)



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1. INTRODUCTION AND SCOPE OF THE DOCUMENT

The present document defines purpose, authority, responsibility and other relevant provisions governing the activities of the Audit Function of Enel Group.

In particular, this document provides for:

- mission of the Audit Function;
- scope of internal audit activities;
- professional framework of reference for the Audit Function;
- roles and the responsibilities of the Audit Function;
- Audit Function's authority and independence;
- organizational positioning of the Audit Function;
- internal audit planning;
- reporting and monitoring of internal audit activities;
- Quality Assurance and Improvement Program developed by the Audit Function.

2. MISSION

The Audit Function assesses systematically and independently the effectiveness and adequacy of Enel Group's Internal Control and Risk Management System ("**ICRMS**")¹ and supports Group's organisational structures in monitoring risks and identifying risk mitigation actions.

3. SCOPE

The Audit Function is integrated for the whole Enel Group. All existing Audit Units of the Group report to the Head of Audit.

The Audit Charter shall be applied in compliance with any applicable law, regulation and governance rules, including any stock exchange and unbundling relevant provision, which in any case prevail over the provisions contained in this document.

4. PROFESSIONALISM

The Institute of Internal Auditors has issued the International Professional Practices Framework (**IPPF**) that constitutes the framework of reference for Internal Auditing activities.

The Audit Function governs itself by adherence to the IPPF mandatory guidance, which consists of:

1. the **Definition** of internal audit as "*an independent, objective assurance and consulting*

¹ As defined in the Guidelines of internal control and risk management system approved by the Board of Directors of Enel S.p.A..

activity designed to add value and improve an organization's operations. Internal audit helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes";

2. the **Code of Ethics of the Institute of Internal Auditors**, which defines:
 - the *fundamental principles* for the profession and for the conducting of internal audit activities;
 - the *rules of conduct*, that describe behavior norms expected of internal auditors;
3. the Standards (**International Standards for Professional Practice**) that ensure internal audit activities are conducted in a uniform manner and define standards and criteria for the management of operational processes. These standards are constituted by:
 - *Attribute standards*, which refer to the characteristics that individuals and organizations carrying out internal audit activities must possess;
 - *Performance standards*, which describe the operational modes of the internal audit activities and provide quality criteria for its evaluation.

In addition, the Audit Function follows the Internal Audit Guidelines and Enel relevant policies and procedures.

5. ROLES AND RESPONSIBILITIES

The Audit Function is in charge of:

- performing the risk assessment, drafting the yearly risk based audit plan at Group level, carrying out audit activities and monitoring action plans implementation;
- periodically informing Enel S.p.A. top management on audit results and relevant issues and supporting the Control and Risk Committee and Board of Statutory Auditors in the performance of their function;
- supporting Enel S.p.A. 231 Supervisory Committee in the fulfilment of its duties, monitoring the implementation of Enel compliance programs (Code of Ethics, Zero Tolerance Corruption Plan, Human Rights Policy, 231 Guidelines) in all the Group's companies, coordinating the investigation on suspected violations of provisions contained in the above mentioned documentation;
- ensuring independent monitoring on design adequacy and operational effectiveness of the Internal Control System over Financial Reporting at Group level;
- defining and updating Enel Group's Audit methodology in line with professional standards and assuring periodical Quality Review program.

Roles and responsibilities of specific organisational units pertaining to the Audit Function are detailed in the organizational directives of the Audit Function.

6. AUTHORITY AND INDEPENDENCE

The Audit Function, bearing strict accountability for confidentiality and safeguarding processed data and acquired information, is authorized full, free, and unrestricted access to any and all of Enel Group records, physical properties, and personnel pertinent to carrying out any audit engagement. All employees are requested to assist the Audit Function in fulfilling its roles and responsibilities. The Audit Function also has free and unrestricted access to the Board of Directors of Enel S.p.A.².

The Audit Function remains free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or audit report content, to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors have no direct operational responsibility or authority over any of the activities audited; accordingly, they do not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activities or processes being examined; internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

The Head of Audit Function confirms to the Board of Directors and its Control and Risk Committee, at least annually, the organizational independence of the Audit Function.

7. ORGANIZATION

The Audit Function, acting under the supervision of the Board of Directors Chairman, hierarchically reports to Enel S.p.A. Board of Directors; it maintains a functional reporting line with Group CEO, who is in charge of setting up and maintaining an effective Internal Control and Risk Management System ("ICRMS").

The Board of Directors of Enel S.p.A.:

- approves the Internal Audit Charter;
- approves the annual Internal Audit Plan³;
- ensures that Audit Function is provided with the adequate resources to perform its duties;
- periodically receives from Control and Risk Committee adequate information about the reports prepared by the Head of Audit Function on performed activities;
- evaluates, at least annually - and except in the case of unforeseen events, which

² Communications, reporting and other interactions of the Head of Audit Function with the Board of Directors may occur by means of its Chairman, or its Control and Risk Committee, or the Director in charge of the ICRMS, as appropriate.

³ The Board of Directors approves the Audit Plan upon agreement of the Control and Risk Committee and after hearing the Board of Statutory Auditors and the Director in Charge of the ICRMS.

would require additional in-depth analysis to verify control adequacy pertaining to specific circumstances - the adequacy and the effectiveness of the ICRMS taking into account the characteristics of the Company, of the Enel Group, its risk profile and effectiveness;

- appoints and removes the Head of Audit Function, defining his/her remuneration according to Group's policies⁴.

The Control and Risk Committee monitors the independence, adequacy, effectiveness and efficiency of the Audit Function.

The Head of Audit Function communicates and interacts upon need with the Board of Directors.

8. INTERNAL AUDIT PLAN

The Head of Audit Function annually submits for approval to the Board of Directors of Enel S.p.A. an Internal Audit Plan. This document contains a work schedule as well as budget and resource requirements for the next civil year. The Head of Audit Function reports to the Board of Directors the impact of potential resource limitations and/or significant interim changes to the approved Plan.

The Internal Audit Plan is developed on the basis of a structured process of analysis and prioritization of the main risks, including input of Enel S.p.A. Top Management as well as Board of Directors, Control and Risk Committee and the Board of Statutory Auditors.

The Head of Audit Function reviews and adjusts the Plan when needed, in case of changes occurred in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved Internal Audit Plan is communicated to the Control and Risk Committee (and by the latter to the Board of Directors) and to the Board of Statutory Auditors through periodic activity reports.

9. REPORTING AND MONITORING

A written report is prepared and issued by the Head of Audit Function or his/her designee following the conclusion of each internal audit engagement; this document is distributed as appropriate.

Internal audit reports indicate management's responses and corrective actions taken or to be taken, with specific due dates and responsibilities, with regard to the identified issues.

The Audit Function is responsible for executing follow-up on identified issues and provided recommendations. All significant issues are subject to monitoring until cleared.

The Head of Audit Function periodically reports to Enel S.p.A.'s Control and Risk Committee (and by the latter to the Board of Directors) and Board of Statutory Auditors on its own

⁴ The decisions about appointment, removal and remuneration of the Head of the Audit Function are adopted by the Board of Directors upon proposal of the Director in charge of the ICRMS in agreement with Board' Chairman, after obtaining the favorable opinion of the Control and Risk Committee, after hearing the Board of Statutory Auditors.

activity, on the way risks are managed, as well as on the observance of action plans defined for risk mitigation. Reporting also includes significant risk exposures and potential issues pertaining to the ICRMS.

10. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Audit Function develops and maintains a quality assurance and improvement program covering all aspects of the internal audit activity. The program includes an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the professional Standards as previously recalled in art. 4, and an evaluation of whether internal auditors comply with the Code of Ethics of the Institute of Internal Auditors. The program also assesses the efficiency and effectiveness of Internal Audit and identifies areas of improvement.

The Head of the Audit Function reports to Enel S.p.A.'s Control and Risk Committee (and by the latter to the Board of Directors) and to the Board of Statutory Auditors on its quality assurance and improvement program, including results of internal assessments (which are performed on an ongoing basis) and external assessments (which are conducted at least every five years).