

Report on corporate governance

Section 1: Governance structure

Introduction

During 2006, the corporate governance system in place in the Company and the Group was updated with the intention of ensuring that it both conforms to the recommendations expressed in the new edition of the Self-regulation Code of Italian listed companies promoted by Borsa Italiana, published in March 2006 (hereinafter, for the sake of brevity, the “Self-regulation Code”) and corresponds to the recommendations made in this regard by the CONSOB and, more generally, to international best practice.

The aim of this corporate governance system is essentially the creation of value for the shareholders, taking into account the social importance of the Group’s activities and the consequent need, in carrying them out, to adequately consider all the interests involved.

Ownership structure

The capital stock of the Company consists exclusively of registered ordinary shares fully paid up and entitled to full voting rights at both Ordinary and Extraordinary Shareholders’ Meetings.

According to the entries in the stock register and the information available as of March 2007, no shareholder – with the exception of the Italian Ministry of the Economy and Finance, which owns 21.12% of the share capital, and the Cassa Depositi e Prestiti (a joint-stock company controlled by the aforesaid Ministry), which owns 10.15% of the share capital – owns more than 2% of the Company’s share capital, nor, to the Company’s knowledge, do any agreements regarding Enel’s shares exist among its shareholders.

The Company is therefore subject to the de facto control of the Ministry of the Economy and Finance. However, the latter has declared that it is not in any way involved in managing and coordinating the Company.

Both the Assicurazioni Generali group (during June 2006) and the Banca Intesa group (during November 2006) have been temporarily in possession of a shareholding constituting slightly more than 2% of the Company’s share capital.

Limit to the ownership of shares

Implementing a provision of the regulations regarding privatizations, the Company’s bylaws provides that – except for the government, public bodies, and parties subject to their respective control – no shareholder may own, directly or indirectly, Enel shares that constitute more than 3% of the share capital.

The voting rights regarding 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 concerned by the limit to share ownership would have been entitled will be proportionately reduced, unless there are prior joint

instructions from the shareholders concerned. In case of noncompliance, resolutions of Shareholders' Meetings may be challenged in court if the majority required would not have been attained without the votes expressed in excess of the aforesaid limit.

According to the regulations regarding privatizations, the provision of the bylaws concerning the limit to share ownership will lapse if the limit of 3% is exceeded following certain kinds of public tender offers regulated by the Unified Financial Act.

Special powers of the Italian government

Implementing the provisions of the regulations regarding privatizations, the Company's bylaws assigns the Italian government (represented for this purpose by the Ministry of the Economy and Finance) several "special powers", which are exercisable regardless of the number of Enel shares owned by the aforesaid Ministry.

Specifically, the Ministry of the Economy and Finance, in agreement with the Ministry of Productive Activities, has the following "special powers", to be used according to the criteria established by the Prime Minister's Decree of June 10, 2004:

- opposition to the acquisition of significant shareholdings (that is to say, amounting to or exceeding 3% of Enel's share capital) by parties to whom the aforesaid limit to share ownership applies. Grounds for the opposition must be given and the opposition may be expressed only in cases in which the Ministry considers the transaction to be in actual fact detrimental to vital national interests;
- opposition to shareholders' agreements referred to in the Unified Financial Act if they concern 5% or more of Enel's share capital. In this case, too, grounds must be given for the opposition, which may be expressed only in cases in which the shareholders' agreements are liable to cause concrete detriment to vital national interests;
- veto of the adoption of resolutions liable to have a major impact on the Company (by which is understood resolutions to wind up, transfer, merge, or split up the Company or to move its headquarters abroad or change its corporate purpose, as well as those aimed at abolishing or changing the content of the "special powers"). Grounds for the veto must in any case be given and the veto may be exercised only in cases in which such resolutions are liable to cause concrete detriment to vital national interests;
- appointment of a director without the right to vote.

Organizational structure

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

- a Board of Directors entrusted with the management of the Company;
- a Board of Statutory Auditors responsible for (i) ensuring compliance with the law and the Company's bylaws, as well as the observance of correct management principles in the carrying out of the Company's activities, (ii) checking the adequacy of the Company's organizational

structure, internal auditing system, and administration and accounting system, and (iii) ascertaining how the corporate governance rules provided for by the Self-regulation Code are actually implemented;

- Shareholders' Meetings, called to resolve – in either an Ordinary or an Extraordinary session – inter alia on (i) the appointment and 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 the financial statements and the allocation of net income, (iii) the acquisition and sales of own shares, (iv) stock-option plans, (v) amendments to the Company's bylaws, and (vi) the issue of convertible bonds.

The external audit of the Company's accounts is entrusted to a specialized firm registered with the CONSOB and expressly elected, after the Board of Statutory Auditors has made a grounded proposal, by a Shareholders' Meeting. Enel's external auditor is entrusted with the same task at the other Group companies.

In addition to the prohibition regarding the performance of specific kinds of services imposed on auditing firms by the Unified Financial Act (with provisions introduced at the end of 2005), the Group's code of ethics has for some time established that the external audit of the Company's financial statements and of the consolidated financial statements is incompatible with the performance of consulting activities for any Group company and such incompatibility extends to the external auditor's entire network.

Section 2: Implementation of the recommendations of the Self-regulation Code and additional information.

Board of Directors

Role and powers

The Company's Board of Directors plays a central role in the Company's organization and is entrusted with the powers and the responsibility for strategic and organizational policies, as well as with verifying the existence of the controls necessary for monitoring the performance of the Company and the Group. In consideration of its role, the Board of Directors meets regularly and is organized and works so as to ensure the effective performance of its duties.

In this context, and in accordance with the provisions of the law and specific resolutions of its own (and, in particular, of the one adopted in November 2005), the Board of Directors:

- establishes the corporate governance system for the Company and the Group and sees to the constitution and definition of the duties of the Board's internal committees, whose members it appoints;
- delegates and revokes the powers of the Chief Executive Officer, defining their content, limits, and the procedures, if any, for exercising them. In accordance with the delegations in force, the Chief Executive Officer is vested with the broadest powers for the management of the

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Company, with the exception of those assigned otherwise by the law or the Company's bylaws or that are reserved to the Board of Directors according to the resolutions of the latter, which are described below;

- receives, together with the Board of Statutory Auditors, constant and exhaustive information from the Chief Executive Officer regarding the activities carried out in the exercise of his powers, which is 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 atypical or unusual transactions or transactions with related parties whose approval is not 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 balance sheet;
- determines, on the basis of the proposals made by the dedicated Committee and after receiving the opinion of the Board of Statutory Auditors, the compensation of the Chief Executive Officer and of the other Directors who hold specific offices;
- evaluates, on the basis of the analyses and proposals made by the dedicated Committee, the criteria adopted for the compensation of the Company's and the Group's executives with strategic responsibilities and decides with regard to the adoption of the stock-option plans addressed to executives to be submitted to Shareholders' Meetings for approval;
- evaluates the adequacy of the Company's and the Group's organizational, administrative, and accounting structure and resolves on the changes in the organizational structure proposed by the Chief Executive Officer;
- establishes the corporate structure of the Group and checks if it is appropriate;
- examines and approves the strategic, business, and financial plans of the Company and the Group. In this regard, the current division of powers within the Company specifically provides for the Board of Directors to resolve on the approval of:
 - the annual budget and the long-term plan (which include the aggregates of the annual budgets and long-term plans of the Group companies);
 - strategic agreements, also determining – upon proposal by the Chief Executive Officer and after the Chairman has expressed his opinion – the strategic objectives of the Company and the Group;
- examines and approves beforehand the transactions of the Company and the Group that have a significant impact on their strategy and on their balance sheets, income statements, and cash flows, particularly in cases where they are carried out with related parties or otherwise characterized by a potential conflict of interest.

In particular, all financial transactions of a significant size – by which is meant taking on loans exceeding the value of euro 50 million, as well as granting loans and issuing guarantees in favor of third parties exceeding the value of euro 25 million – must be approved beforehand (if

they concern the Company) or evaluated (if they regard Group companies) by the Board of Directors.

In addition, the acquisition and disposal of equity investments amounting to more than euro 25 million must be approved beforehand (if they are carried out directly by the Company) or evaluated (if they concern Group companies) by the same Board of Directors. Finally, the latter approves agreements (with ministries, local governments, etc.) that entail expenditure commitments exceeding euro 25 million;

- provides for the exercise of voting rights at Shareholders' Meetings of the companies directly controlled by the Parent Company and designates the Directors and Statutory Auditors of the aforesaid companies;
- appoints the General Manager and grants the related powers;
- evaluates the general management of the Company and the Group, with particular reference to conflicts of interest, using the information received from the Chief Executive Officer and verifying periodically the achievement of the objectives set;
- formulates proposals to submit to Shareholders' Meetings and reports during the latter on the activities that have been carried out and planned, seeing that the shareholders have adequate information on the elements necessary for them to participate in a well-informed manner in the decisions that are within the authority of such Meetings.

Appointment, composition, and term

Pursuant to the provisions of the Company's bylaws, the Board of Directors consists of from three to nine members, who are appointed for a term not exceeding three accounting periods and may be reappointed at the expiration of their term. To them may be added a non-voting Director, whose appointment is reserved to the Italian government in virtue of the legislation regarding privatizations and a specific provision of the bylaws (as previously explained). To date, the Italian government has not exercised this power of appointment.

According to the current legislation, Directors must possess the requisites of honorableness required of (i) company representatives of financial intermediaries, as well as (ii) statutory auditors of listed companies.

In compliance with the legislation regulating privatizations and in accordance with the amendments made at the end of 2005 to the Unified Financial Act, the bylaws also provide for the appointment of the entire Board of Directors to take place according to the "slate-vote" mechanism aimed at ensuring the presence on the Board of Directors of members nominated by minority shareholders amounting to 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.

This electoral system currently provides that slates of candidates may be presented by the outgoing Board of Directors or by shareholders who, individually or together with other shareholders, represent at least 1% of the share capital. The slates are filed at the Company's registered office and published in newspapers with a nation-wide circulation sufficiently in advance

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of the date of the Shareholders' Meeting concerned – 20 days in advance being the deadline if the slate is presented by the outgoing Board of Directors and 10 days if the slates are presented by shareholders – thus ensuring a transparent process for the appointment of the Board of Directors. In this regard, it should be noted that, beginning with the next election of the Board of Directors, shareholders will be requested to file their slates at least 15 days before the date of the Shareholders' Meeting in compliance with the recommendations of the Self-regulation Code, as will be specifically noted in the notice of the Meeting.

A report with exhaustive information regarding the personal and professional characteristics of the candidates, accompanied by a statement of whether or not the latter qualify as independent pursuant to the law and the Self-regulation Code, is to be filed at the Company's registered office at the same time as the slates, as well as published promptly on the Company's web, as noted specifically in the notice of the Shareholders' Meeting.

The Board of Directors confirmed (in December 2006) that it can defer the creation within itself of a special nomination committee, because to date there has been no evidence that it is difficult for shareholders to find suitable candidates, so as to achieve a composition of the Board of Directors corresponding to the recommendations of the Self-regulation Code.

As resolved by the ordinary Shareholders' Meeting of May 26, 2005, the incumbent Board of Directors consists of nine members, whose term expires when the financial statements for 2007 are approved. As a result of the appointments made at the aforesaid Shareholders' Meeting, the Board thus currently consists of the following members, whose professional profiles are summarized below, together with the specification of the slate on which each of them was nominated:

- Piero Gnudi, 68, Chairman (designated on the slate presented by the Ministry of the Economy and Finance).

A graduate in economics and commerce (1962) of the University of Bologna and proprietor of an accounting firm located in Bologna, he has served on the board of directors and the board of statutory auditors of numerous important Italian companies, including STET, ENI, Enichem, and Credito Italiano. In 1995, he was appointed economic advisor to the Ministry of Industry. Since 1994, he has been on the board of directors of IRI, where he has also held the positions of supervisor of privatizations (1997) and chairman and chief executive officer (1999); later, from 2000 to 2002, he served as chairman of the IRI liquidation committee. A member of the executive of Confindustria, the steering committee of Assonime (an association of Italian corporations), the executive committee of the Aspen Institute, the committee on corporate governance of listed companies – reconstituted on the initiative of Borsa Italiana in April 2005), and president of the Mediterranean Energy Observatory (OME), he currently holds also the positions of chairman of Emittenti Titoli, director of Unicredito Italiano, and government commissioner of the Fochi Group, which is under special management. He has been Chairman of the Board of Directors of Enel since May 2002.

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- Fulvio Conti, 59, Chief Executive Officer and General Manager (designated on the slate presented by the Ministry of the Economy and Finance).

A graduate of the University of Rome “La Sapienza” with a degree in economics and commerce, in 1969 he joined the Mobil Group, where he held a number of executive positions in Italy and abroad and in 1989-90 was in charge of finance for Europe. The head of the accounting, finance, and control department of Montecatini from 1991 to 1993, he subsequently was in charge of finance at Montedison-Compart (between 1993 and 1996), overseeing the financial restructuring of that group. The general manager and chief financial officer of the Italian National Railways between 1996 and 1998, he also held important positions in other companies of that group (including Metropolis and Grandi Stazioni). Vice-chairman of Eurofima in 1997, in 1998-99 he was general manager and chief financial officer of Telecom Italia, holding also in this case important positions in other companies of that group (including Finsiel, TIM, Sirti, Italtel, Meie, and STET International). From 1999 to June 2005, he was Enel’s Chief Financial Officer. He has been the Chief Executive Officer and General Manager of Enel since May 2005, and currently is also a director of Barclays Plc.

- Giulio Ballio, 67, Director (designated on the slate presented by institutional investors).

A graduate (1963) with a degree in aeronautical engineering of the Milan Polytechnic Institute, he has also made his academic career there. A professor since 1975, since 1983 he has held the chair of steel construction at the school of engineering and since 2002 has been president of the institute. The author of many publications (which have also been published abroad), he has carried on an extensive scientific activity. Alongside his academic activity, since 1964 he has worked with several engineering firms and in 1970 founded an engineering services company (B.C.V. Progetti), where he has been involved in numerous projects as designer, site engineer, and consultant, both in Italy and abroad. A member of the National Research Council’s committee on regulations for constructing with steel from 1970 to 2000, he was a member of the Board of Steel Experts from 1975 to 1985 and chairman in 1981-82, as well as a member of the chairman’s council of the Italian Calibration Service from 1997 to 2002. He has been involved in the renovation of several important monumental buildings (including the Academia Bridge in Venice) and has coordinated research activities in the field of construction both in Italy and abroad. He has been a Director of Enel since May 2005.

- Augusto Fantozzi, 66, Director (designated on the slate presented by institutional investors).

A graduate (1963) in law from the University of Rome “La Sapienza”, he is a lawyer and the owner of a law firm with offices in Rome, Milan, Bologna, and Lugano, as well as a professor of tax law at “La Sapienza” and the LUISS “Guido Carli”. The Minister of Finance from January 1995 to May 1996 in Prime Minister Lamberto Dini’s Cabinet – where for several months he also held the offices of Minister of the Budget and Economic Planning and Minister for the Coordination of E.U. Policies

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– he was subsequently the Minister of Foreign Trade in Prime Minister Romano Prodi's Cabinet (from May 1996 to October 1998). A member of the Chamber of Deputies in the thirteenth legislature (from May 1996 to May 2001), he was chairman of the Budget, Treasury, and Economic Planning Committee (from September 1999). He has been vice-president of the Finance Council, president of the Ascotributi, and a member of the Consulta of Vatican City. A former chairman of the technical committee of the International Fiscal Association, he is the author of numerous publications and has been a member of the editorial board of Italian and international law reviews. He has also been on the board of directors of numerous companies, including the Benetton group, Lloyd Adriatico, and Citinvest, and currently holds the office of deputy chairman of the board of directors of Banca Antonveneta. He has been a Director of Enel since May 2005.

Alessandro Luciano, 55, Director (designated on the slate presented by the Ministry of the Economy and Finance).

After graduating from law school, he earned a master's degree in economics and finance in London. A lawyer, he began his career in 1974, consulting in currency law for leading Italian and foreign banks and pleading before the Currency Commission of the Treasury Ministry. At the same time, he was also concerned with the incorporation of companies and with loans from abroad, contributing to the conclusion of several transactions in favor of industries, insurance groups, and state-owned companies. Starting in 1984 he began extending his sphere of activity to the telecommunications industry, where he has been involved with entrepreneurial as well as financial and technical aspects. Formerly a consultant of STET, Techint, Snam Progetti, Aquater, Comerint, and the American company DSC Communications (on behalf of which he participated in trial studies in Italy for the ISDN, MDS, Airspan, and Video-on-demand systems), he has also been vice president of two committees of the Italian Soccer Federation. From October 1998 to March 2005, he was a commissioner of the Italian Communications Authority, where he was a member of the Board and of the Infrastructure and Networks Committee. At the Authority he was concerned with, among other things, the development, competition, and interconnection of communication networks, resolving disputes between telecommunications companies and their users. In June 2005, he became the chairman of the board of directors of Centostazioni (Italian National Railways group). He has been a Director of Enel since May 2005.

- Fernando Napolitano, 42, Director (designated on the slate presented by the Ministry of the Economy and Finance).

A graduate in economics and commerce (1987) of the University of Naples, he completed his studies in the United States, earning at first a master's degree in management at Brooklyn Polytechnic University and later attending the advanced management program at Harvard Business School. He began his career by working in the marketing division of Laben (Finmeccanica group) and then that of Procter & Gamble Italia. In 1990 he joined the Italian office of Booz Allen Hamilton, a management and technology consulting firm, where he was appointed

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partner and vice-president in 1998. Within this office he was in charge of developing activities in the fields of telecommunications, media, and aerospace, while also gaining experience in Europe, the United States, Asia, and the Middle East. He is currently chief executive officer of Booz Allen Hamilton Italia and also carries out assignments with an international scope. From November 2001 to April 2006, he has served on the committee for surface digital television instituted by the Communications Ministry and from July 2002 to September 2006 has been a director of the Italian Center for Aerospace Research. He has been a Director of Enel since May 2002.

- Francesco Taranto, 66, Director (designated on the slate presented by institutional investors). He began his career in 1959 in the office of a stockbroker in Milan and subsequently (from 1965 to 1982) worked at the Banco di Napoli, where he eventually became head of the marketable securities service. He then held numerous executive positions in the mutual funds industry, where he was first in charge of investment management at Eurogest (from 1982 to 1984) and then general manager of Interbancaria Gestioni (from 1984 to 1987). After that he worked for the Prime group (from 1987 to 2000), serving for a long time as chief executive officer of the parent company. He has also been a member of the steering committee of Assogestioni and a member of the committee for the corporate governance of listed companies sponsored by Borsa Italiana. A Director of Enel since October 2000, he currently holds the same office at Banca Carige, Cassa di Risparmio di Firenze, Unicredit Xelion Banca, Pioneer Global Asset Management (part of the Unicredito Group), Kedrios, and Alto Partners SGR.

- Gianfranco Tosi, 59, Director (designated on the slate presented by the Ministry of the Economy and Finance).

A graduate in mechanical engineering (1971) of the Polytechnic Institute of Milan, since 1972 he has held a number of positions at the same institute, becoming professor of iron metallurgy in 1982 and from 1992 also giving the course on the technology of metal materials (together with the same position at the University of Lecco). The author of more than 60 publications, he has been extensively involved in scientific activities. A member of the board of directors of several companies and consortia, he has also held positions in associations, including the vice-presidency of the Gruppo Giovani Federlombarda (with duties as regional delegate on the Comitato Centrale Giovani Imprenditori instituted within the Confindustria) and the office of member of the executive committee of the Unione Imprenditori of the Province of Varese. From December 1993 to May 2002, he was mayor of the city of Busto Arsizio. The president of the Center for Lombard Culture, established by the Lombardy Region to defend and develop the local culture, he is also a member of the association of journalists. He has been a Director of Enel since May 2002.

- Francesco Valsecchi, 42, Director (designated on the slate presented by the Ministry of the Economy and Finance).

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After graduating with honors (1987) with a degree in law from the University of Rome “La Sapienza”, he held a number of positions both there and at the LUISS “Guido Carli” in Rome regarding specifically the field of commercial law. From 1990 to 1992, he was the academic coordinator of the course for corporate lawyers organized by the LUISS business school. A lawyer and the author of several publications, since November 2001 he has been a member of the committee on the reform of civil trials instituted by the Ministry of Justice and since March 2002 has taught at the Civil Service School. Since December 1994 he has been an extraordinary member of the Technical Council of the Communications Ministry and since April 2003 has been on the committee of experts of the High Commission for the coordination of public finance and the tax system. A member of the board of directors of the Italian Postal Service (from May 2002 to May 2005), he has subsequently held important positions in several companies of such group, including the chairmanship of BancoPosta Fondi SGR (since April 2003) and Postecom (from July 2002 to April 2003). He has been a Director of Enel since May 2005.

The Directors are aware of the duties and responsibilities connected with the office they hold and are kept constantly informed by the relevant corporate departments of the most important legislative and regulatory changes concerning the Company and performance of their duties. In order to be able to perform their role even more effectively, they also participate in initiatives aimed at increasing their knowledge of the reality and dynamics of the Company.

The Directors perform their duties with full knowledge of the facts and in complete autonomy, pursuing the primary objective of creating value for the shareholders within a medium-long time frame.

Limit to the number of offices held by Directors

The Directors accept their office and maintain it in the belief that they can dedicate the necessary time to the diligent performance of their duties, taking into account both the number and the 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 professional activities they carry on and the offices they hold in associations.

In this regard, it should be noted that in December 2006, the Board of Directors approved (and formalized in a specially provided document) a policy regarding the maximum number of offices that its members may hold on the boards of directors and the boards of statutory auditors in other companies of significant size in order to ensure that the persons concerned have sufficient time available to ensure the effective performance of the role they have on the Board of Directors of Enel.

Following the recommendations of the Self-regulation Code, the aforesaid policy considers to this end the offices held on the boards of directors and boards of statutory auditors of the following kinds 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 doing business in the fields of insurance, banking, securities intermediation, mutual funds, or finance (as far as the last field is concerned, only with regard to finance companies subject to the prudential supervision of the Bank of Italy and entered on the special list referred to in article 107 of the Unified Banking Act;

c) other Italian and foreign companies with shares not listed on regulated markets that, even though they do business in fields other than those specified under letter b) above, have assets exceeding euro 1 billion or revenues exceeding euro 1.7 billion according to the latest approved financial statements.

In accordance with the recommendations of the Self-regulation Code, the policy formulated by the Board of Directors thus establishes differentiated limits to 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 Director both on the Board of Directors of Enel 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 in Enel’s subsidiaries and affiliates.

On the basis of the information provided by the Directors of the Company to implement the aforesaid policy, it has been ascertained that each of them currently holds a number of offices on the boards of directors and boards of statutory auditors of other companies of significant size that is compatible with the limits established by the same policy.

Board Meetings and the role of the Chairman

In 2006 the Board of Directors held 16 meetings, which lasted an average of more than 3 hours and 30 minutes each. Director participation was regular and the meetings were also attended by the Board of Statutory Auditors and by the magistrate representing the Court of Accounts. As far as 2007 is concerned, as of the month of March 9 meetings have been held (with respect to the 4 that were scheduled), while for the rest of the year 10 more Board meetings are planned.

The activities of the Board of Directors are coordinated by the Chairman, who calls its meetings, establishes their agenda, and presides over them, ensuring that – except in cases of urgency and necessity – the necessary documents and information are provided to the Board members in time for the Board to express its informed opinion on the matters under examination. He also ascertains whether the Board’s resolutions are implemented, chairs Shareholders’ Meetings, and – like the Chief Executive Officer – is empowered to represent the Company legally.

In short, the Chairman’s role is to stimulate and supervise the functioning of the Board of Directors as part of the fiduciary powers that make him the overseer for all shareholders of the legality and transparency of the Company’s activities.

According to a Board resolution of November 2005, the Chairman is also entrusted with the duties of (i) participating in the formulation of corporate strategies in agreement with the Chief Executive Officer, the powers granted the latter by the Board of Directors being understood, as well as (ii)

overseeing auditing in agreement with the Chief Executive Officer, with the internal auditing department remaining under the latter. In this regard, however, it is provided that decisions concerning the appointment and revocation of the head and top executives of the aforesaid department are to be made jointly by the Chairman and the Chief Executive Officer.

Finally, in agreement and coordination with the Chief Executive Officer, the Chairman maintains relations with institutional bodies and authorities.

Evaluation of the functioning of the Board of Directors and the Committees

In the second half of 2006, with the assistance of a specialized company, the Board of Directors began (and completed in February 2007) an evaluation of the size, composition, and functioning of the Board and its Committees (so-called board review), in accordance with the most advanced practices of corporate governance found abroad and adopted by the Self-regulation Code.

Conducted by means of a questionnaire filled out by each Director and followed by individual interviews carried out by the consultancy firm, the analysis focused on numerous aspects regarding the Board of Directors, such as: (i) the structure, composition, role, and responsibilities of the body; (ii) the conduct of Board meetings, the related flow of information, and the decision-making procedures adopted; (iii) the functioning and composition of the Committees formed within the Board of Directors; (iv) the strategies pursued and the performance objectives set; (v) the relations between the Board, the shareholders, and the stakeholders; and (vi) the Company's organizational structure and the plans of management turnover adopted.

Among the most positive aspects that emerged from the board review was, first of all, the atmosphere of great cohesiveness existing on the Board of Directors, which facilitates open and constructive discussion that is respectful of the contribution of each Director and tends to converge towards decisions characterized by broad agreement. It was also reported that the Board's decision-making process is supported by flows of information that the Directors consider timely and effective (although capable of improvement from both points of view), with the minutes being drawn up precisely. The Directors also gave an essentially positive evaluation of the ease with which they had access to the Chief Executive Officer and the Chairman, as well as of the role the latter performs as the person who ensures the application of sound corporate governance within the Board. The structure of the Board of Directors and the number of Board meetings were considered appropriate and – like the long-term strategic objectives – it was thought that the short-to-medium-term operating and performance objectives were clearly established. As far as the Committees formed within the Board are concerned, there was wide agreement about their role, the effectiveness of their activity, and the appropriateness of their composition.

Among the aspects that could be improved – and on which the Board of Directors will focus its attention in 2007 – were thought to be the need for greater agreement by the Board on the most important decisions, as well as with regard to the adequacy of the Company's organizational structure and the plans of management turnover. Finally, the Directors hoped that the length of the

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Board meetings (on average, 2 hours and 30 minutes each in 2005) would be increased so that the important issues on the agenda could be discussed more thoroughly.

Following up on the needs that emerged from the board review which had been carried out in 2004, it was considered advisable to organize again in 2006 a special strategic meeting, which took place in November and was dedicated to the analysis and in-depth study by the Board of Directors of the Company's and Group's long-term strategies.

Non-executive Directors

The Board of Directors consists of executive and non-executive Directors.

In accordance with the recommendations of the Self-regulation Code, the following are considered executive Directors:

- the Chief Executive Officer of the Company (or of strategically significant Group companies), as well as the related Chairman who has been granted individual powers of management or who has a specific role in the formulation of the Company's strategies;
- Directors who hold executive positions in the Company (or in strategically significant Group companies) or in the controlling entity, if the position also regards the Company.

The Directors who do not correspond to any of the aforesaid categories can be termed non-executive.

According to the analysis carried out by the Board of Directors in December 2006, with the exception of the Chairman and the Chief Executive Officer, the other 7 members of the Board of Directors currently in office (Giulio Ballio, Augusto Fantozzi, Alessandro Luciano, Fernando Napolitano, Francesco Taranto, Gianfranco Tosi and Francesco Valsecchi) can be termed non-executive Directors.

As far as the Chairman is concerned, it should be noted that the characterization of the latter as an executive Director derives from the specific role that the current division of powers assigns him with regard to the formulation of the Company's strategies, while the person concerned does not have any individual powers of management.

The number, expertise, authoritativeness and availability of time of the non-executive Directors are therefore sufficient 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 subjects under discussion from different perspectives and consequently well-considered and well-informed decisions that correspond to the corporate interest.

Independent Directors

Basing itself on the information provided by the individual persons concerned or, in any case, at the Company's disposal, in December 2006 the Board of Directors attested that all the non-executive Directors qualify as independent.

Specifically, independent directors are defined as those who do not have, nor have recently had, even indirectly, relations with the Company or with parties connected with the Company that could condition independence of judgment at the present time.

In evaluating the independence of the non-executive Directors, the Board of Directors took into account the cases in which, according to the Self-regulation Code, the requisite of independence should be considered lacking and applied in this respect the principle of the prevalence of substance over form recommended by the Code itself.

When it carried out its review in December 2006, the Board of Directors was able to ascertain that all the non-executive Directors also possessed the requisites of independence provided for the statutory auditors of listed companies, in accordance with the amendments to the Unified Financial Act made at the end of 2005.

In March 2007, the Board of Statutory Auditors ascertained that, in carrying out the aforesaid evaluation of the independence of its non-executive members, the Board of Directors correctly applied the criteria recommended by the Self-regulation Code, following for that purpose a transparent assessment procedure that enabled the Board to learn about relations that were potentially significant for the purpose of the evaluation of independence.

The independent Directors held their first meeting without the other Directors present in February 2007.

In December 2006, the Board of Directors also ascertained the absence of the conditions that, according to the Self-regulation Code require the institution of a lead independent director, in consideration of the fact that at Enel the Chairman of the Board of Directors is not the chief executive officer, nor does he own a controlling interest in the Company.

Although independence of judgment characterizes the activity of all the Directors, whether executive or not, an adequate presence (in terms of both number and expertise) of Directors who qualify as “independent” according to the aforesaid definition and have significant roles on both the Board of Directors and its Committees is considered a suitable means for ensuring that the interests of all the shareholders are appropriately balanced.

Committees

In order to ensure that it performs its duties effectively, as early as January 2000 the Board of Directors set up as part of itself a Compensation Committee and an Internal Control Committee, assigning them both advisory and proactive duties and entrusting them with issues that are sensitive and sources of possible conflicts of interest.

Each Committee consists of at least 3 non-executive Directors, the majority of whom are independent, and are appointed by the Board of Directors, which names one of them as coordinator and also establishes the duties of the Committee by a special resolution.

In December 2006, the Board of Directors approved special organizational regulations that govern the composition, tasks, and working procedures of each Committee.

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The Committees in question are empowered to access the information and corporate departments necessary to perform their duties and make avail themselves of outside consultants at Company's expense within the limits of the budget approved by the Board of Directors.

Each Committee appoints a secretary, who need not be one of its members, who is entrusted with the task of drawing up the minutes of the meetings.

The meetings of each Committee may be attended by the members of the other Committee, as well as by other members of the Board of Directors or other persons, invited by the related coordinator, whose presence may help the Committee to perform its duties better.

The meetings of the Internal Control Committee are also attended by the Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by him (in consideration of the specific duties regarding the supervision of the internal control system with which the aforesaid Board is entrusted by the laws in force concerning listed companies) and, as from December 2006, the Chairman of the Board of Directors (in his capacity as an executive Director entrusted with supervising the functioning of the internal control system). The head of internal auditing may also attend the aforesaid meetings.

Compensation Committee

The Compensation committee is entrusted first of all with the task of ensuring that the compensation of the Directors is established in an amount that is sufficient to attract, retain, and motivate Directors endowed with the professional qualities required for successfully managing the Company.

In this regard, the Committee must ensure that a significant portion of the compensation of the executive Directors and executives with strategic responsibilities is tied to the economic results achieved by the Company and the Group, as well as the attainment of specific objectives established beforehand by the Board of Directors, or – with regard to the aforesaid executives – by the Chief Executive Officer, in order to align the interests of the persons concerned with the pursuit of the primary objective of creating value for the shareholders in a medium-to-long time frame.

The Compensation Committee also ensures that the compensation of the non-executive Directors is commensurate with the commitment required of each of them, taking into account their participation on the Committees. It should be noted in this regard that, in line with the recommendations of the Self-regulation Code, this compensation is in no way tied to the economic results achieved by the Company and the Group and that the non-executive Directors are not beneficiaries of the stock-option plans.

Specifically, then, the Compensation Committee is entrusted with the following tasks, which are both advisory and proactive (as last redefined by the Board of Directors in December 2006 to implement the recommendations of the Self-regulation Code):

- to present proposals to the Board of Directors for the compensation of the Chief Executive Officer and the other Directors who hold particular offices, monitoring the application of the resolutions adopted by the Board. It should be noted in this regard that the Directors in

question are not allowed to attend the meetings of the Committee at which the proposals regarding the related compensation to present to the Board of Directors are formulated;

- to periodically review the criteria adopted for the compensation of executives with strategic responsibilities, monitor their application on the basis of the information provided by the Chief Executive Officer and formulate general recommendations for the Board of Directors on the matter.

As part of its duties, the Compensation Committee also plays a central role in elaborating and monitoring the performance of stock-option plans addressed to executives and conceived as instruments for providing incentives for them and making them loyal, which are aimed at attracting and motivating resources with appropriate ability and experience and further developing their sense of belonging and ensuring their constant, enduring effort to create value. The 2006 stock-option plan, which was drawn up by the Compensation Committee and then submitted by the Board of Directors to the Shareholders' Meeting for its approval, also included among beneficiaries the Company's Chief Executive Officer in his capacity as General Manager.

In addition to those recommended by the Self-regulation Code, the Compensation Committee also performs the function of assisting the Chief Executive Officer and the relevant corporate departments in developing the potential of the Company's managerial resources, recruiting talented people, and promoting related initiatives with universities.

In 2006, the Compensation Committee (i) consisted entirely of non-executive and independent Directors in the persons of Francesco Taranto (who acts as coordinator), Giulio Ballio, Fernando Napolitano, and Gianfranco Tosi, (ii) held 10 meetings, which all of its members attended regularly and which lasted an average of 1 hour and 10 minutes, and, finally, (iii) called on external consultants at the Company's expense.

During 2006, the Compensation Committee – in addition to elaborating the stock-option plan for that year – worked on (i) establishing the applicative aspects of the variable component of the compensation of the Chief Executive Officer and the Chairman, in particular setting the annual economic and managerial objectives to assign them. The Committee also reviewed the compensation policies and the management methods of executives in place in the Company and the Group (carrying out in this regard benchmark comparisons with the compensation paid by companies comparable to Enel) and examined in depth the different kinds of incentives that may be used in the light of the new tax regime regarding stock options.

Internal Control Committee

The Internal Control Committee has the task of assisting the Board of Directors in the latter's evaluations and decisions regarding the internal control system, the approval of the financial statements and the half-year report, and the relations between the Company and the external auditor by preliminarily gathering the relevant facts.

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Specifically, the Internal Control Committee is entrusted with the following tasks, which are both advisory and proactive (as last redefined by the Board of Directors, in December 2006 to implement the recommendations of the Self-regulation Code):

- to assist the Board of Directors in performing the tasks regarding internal control entrusted to the latter by the Self-regulation Code;
- to evaluate, together with the executive in charge of preparing the corporate accounting documents and the external auditors, the proper use of accounting principles and their uniformity for the purpose of drawing up the consolidated financial statements;
- to express opinions, upon request by the executive Director who is assigned the task, on specific aspects regarding the identification of the Company's and Group's main risks, as well as the planning, implementation, and management of the internal control system;
- to examine the work plan prepared by the head of internal auditing, as well as the latter's periodical reports;
- to assess the proposals made by auditing firms to obtain the related assignment, as well as the work plan prepared for the external audit and the results expounded in the report and, if there is one, the letter of suggestions;
- to oversee the effectiveness of the external audit process;
- to perform the additional tasks assigned it by the Board of Directors, with particular regard to the checks aimed at ensuring the transparency and the fairness of transactions with related parties;
- to report to the Board of Directors at least once every six months – when the financial statements and the half-year report are approved – on the work performed and the adequacy of the internal control system.

During 2006, the Internal Control Committee consisted entirely of non-executive, independent Directors. Specifically, (i) during the period from January to December the members were Piero Gnudi (who acted as coordinator), Augusto Fantozzi, Alessandro Luciano, and Francesco Valsecchi, while (ii) beginning in December (that is to say, in concurrence with the acknowledgment of the Chairman of the Board of Directors in his new role as executive Director according to the criteria established by the Self-regulation Code), the Committee has consisted of Augusto Fantozzi (who acts as coordinator), Alessandro Luciano, and Francesco Valsecchi. In December 2006, the Board of Directors also acknowledged that the new coordinator, Augusto Fantozzi, has the qualifications of adequate experience in accounting and finance provided for by the Self-regulation Code.

During 2006, the Internal Control Committee held 8 meetings, which were regularly attended by its members (as well as the Chairman of the Board of Statutory Auditors) and lasted an average of 1 hour and 30 minutes each.

During 2006, the work of the Internal Control Committee focused on the evaluation of (i) the work plans prepared by both the head of internal auditing and the external auditor, as well as (ii) the results of the audits performed during the preceding year, and (iii) the content of the letter of

suggestions prepared by the external auditor regarding the accounting period in question. The Committee also examined several supplementary auditing assignments for the external auditor regarding the Group, supervised the preparation of the sustainability report and the “zero tolerance of corruption – ZTC” plan, monitored the observance of the compliance program adopted pursuant to legislative decree n. 231 of June 8, 2001 (and also seeing to the updating of the aforesaid program), and oversaw the progress made in the activities aimed at ensuring the prompt issue of the management’s attestation regarding the planning, implementation, and actual functioning of the internal controls over financial reporting, in accordance with the requirements of the Sarbanes-Oxley Act (which applies to Enel because of the listing of the Company’s shares on the New York Stock Exchange, in the form of ADRs – American Depositary Receipts).

Board of Statutory Auditors

According to the provisions of the law and the Company’s bylaws, the Board of Statutory Auditors consists of three regular Auditors and two alternates, who are appointed for a period of three accounting periods and may be re-appointed when their term expires.

During 2005, in adjusting its governance rules to the regulations of the United States on audit committees contained in the Sarbanes-Oxley Act – which applies to Enel for the aforesaid reason – the Company strengthened the supervisory duties already entrusted to the Board of Statutory Auditors by Italian law, the description of which is contained in the paragraph of the present report concerning the organization of the Company.

Since July 2005, therefore, in connection with the provisions of the U.S. regulations on audit committees, the Board of Statutory Auditors has had the following duties: (i) to supervise the work of the external auditor and to approve beforehand the entrusting of the latter with additional assignments, which will in any case regard accounting; (ii) to oversee the corporate procedures that regulate the presentation of complaints and reports concerning accounting practices and the internal control system, with the possibility of availing itself of external consultants.

In order to ensure that the Board of Statutory Auditors can effectively perform its duties and in compliance with the recommendations of the Self-regulation Code, in December 2006 the Board of Directors expressly granted it, as far as it is concerned:

- the power to oversee the independence of the external auditor (in confirmation of the provisions of the U.S. regulations on audit committees), monitoring both compliance with the relevant regulatory provisions and the nature and extent of the services other than auditing that the external auditor and the firms belonging to the latter’s network may provide for the Company and the Group;
- the power – which may also be exercised individually by the Auditors – to request the Company’s Internal Auditing Department to perform checks on specific corporate operating areas or transactions;
- the power to promptly exchange with the Internal Control Committee information relevant for performing their respective duties.

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All the members of the Board of Statutory Auditors must possess the requisites of honorableness and professional competence required of statutory auditors of listed companies by the legislation in force, as supplemented by special provisions of the by-laws. According to the provisions of the Unified Financial Act, the limit to the number of offices on the boards of directors and boards of statutory auditors that the members of the Board of Statutory Auditors may hold in Italian corporations will be established by the CONSOB in specially provided regulations, which are expected to be issued by the end of March 2007. Until then, the need to ensure that the Statutory Auditors have the time necessary to perform their duties diligently is satisfied by provision of the bylaws according to which the members of the Board of Statutory Auditors may not hold the office of regular statutory auditor in more than four companies not controlled by Enel that issue securities listed on regulated markets.

As in its provisions for the Board of Directors – and in compliance with the regulations regarding privatizations, as well as in accordance with the amendments to the Unified Financial Act made at the end of 2005 – the bylaws provide that the appointment of the entire Board of Statutory Auditors take place according to the “slate vote” mechanism, which aims to ensure the presence on the Board of a regular Auditor and an alternate Auditor designated by minority shareholders.

This electoral system currently provides that shareholders who, alone or together with other shareholders, represent at least 1% of the share capital may present slates of candidates. The slates must be filed at the Company’s registered office and published in daily newspapers with nationwide circulation at least 10 days before the date of the Shareholders’ Meeting. It should be noted in this regard that, beginning with the next election of the Board of Statutory Auditors, the shareholders will be requested to file their slates at least 15 days before the day of the Shareholders’ Meeting, in compliance with the recommendations of the Self-regulation Code and according to specific note contained in the notice of the meeting. In order to ensure a transparent procedure for the appointment of the Board of Statutory Auditors, exhaustive information about the personal and professional characteristics of the candidates must be filed at the Company’s registered office at the same time as the slates, as well as promptly published on the Company’s website according to a specific note contained in the notice of the meeting. In accordance with the provisions of the Unified Financial Act, the procedures for the election of a regular auditor by “slate vote” in companies with listed shares are established by the CONSOB in specially provided regulations, which are expected to be issued by the end of March 2007. Until then, the provisions of the bylaws so far described will be valid.

In any case, the Statutory Auditors act autonomously and independently, including with regard to the shareholders who elected them.

Having been elected by the ordinary Shareholders’ Meeting of May 21, 2004, the incumbent Board of Statutory Auditors has a term that will expire when the 2006 financial statements are approved. The Chairman of the Board of Statutory Auditors elected by that Shareholders’ Meeting, Angelo Provasoli, resigned from his office in March 2005 (but with effect as from the approval of the financial statements regarding 2004) because of his intense activity in consequence of his

appointment as president of the Bocconi University in Milan and thus the ordinary Shareholders' Meeting of May 26, 2005 replaced him with Eugenio Pinto. The Board of Statutory Auditors therefore currently consists of the following regular members, for each of whom a brief professional profile is provided, as well as (where possible) the slate on which he was designated:

- Eugenio Pinto, 47, Chairman (designated by the Ministry of the Economy and Finance).

A graduate with honors in economics and commerce (1983) of the University of Rome "La Sapienza", he is currently a professor of business economics in the economics department of the LUISS "Guido Carli". The author of numerous publications, he has been a member of the group of experts on lending and saving set up by the Minister of the Treasury, as well as of the expert committee instituted to advise the Treasury Department with regard to bank foundations. He was also a member of the Zamagni Committee (instituted by the Minister of Finance to draw up tax regulations for non-profit organizations) and a consultant of the "Euro Committee" (established at the Ministry of the Treasury and entrusted with drawing up the regulations that governed the introduction of the European single currency in Italy). He is currently a member of the executive committee of the "Organismo italiano di contabilità" (the Italian standard setter on accounting principles), as well as of the expert committee of the CIRSIFID at the University of Bologna. A certified public accountant, he also consults on economic and financial matters for important public and private clients. He is currently a regular statutory auditor of, among others, Mediobanca, Alleanza Assicurazioni (Assicurazioni Generali group), and Sofid (ENI group), as well as chairman of Astaldi's board of statutory auditors. He has been a regular statutory auditor at the Banca di Roma, the Banca Nazionale dell'Agricoltura (Antonveneta group), and chairman of the board of statutory auditors of Agip Petroli (ENI group). He has been Chairman of Enel's Board of Statutory Auditors since May 2005.

- Carlo Conte, 59, regular Auditor (designated on the slate presented by the Ministry of the Economy and Finance).

After graduating in economics and commerce at "La Sapienza" University in Rome, he has remained active in the academic world. He has taught at the University of Chieti (1988-1989) and the LUISS "Guido Carli" in Rome (1989-1995) and currently teaches governmental accounting at the Civil Service School and the School of Management at the LUISS, as well as administration and governmental accounting at the Bocconi University in Milan. A certified public accountant, he is also the author of a number of publications. In 1967 he started his career in the Civil Service at the Government Accounting Office, becoming a General Manager in 2002. He currently represents the Office on a number of commissions and committees and in various research and work groups, as well as representing Italy on several committees of OECD. He has also been and still is a statutory auditor in a number of bodies, institutions, and companies. He has been a member of Enel's Board of Statutory Auditors since May 2004.

- Franco Fontana, 63, regular Auditor (designated on the slate presented by institutional investors).

A certified public accountant and professor of economics and business management, since 1973 he has taught at a number of Italian universities and has been the dean of the economics department at the LUISS “Guido Carli” since 1995. He has been director of the school of management of the aforesaid university since 1994. He has served as a member of several commissions for the reorganization of the Civil Service (Ministry of the Postal Service and Telecommunications, Ministry of Finance, Ministry of Industry, and Ministry of Health). From 1994 to 1997, he was chairman of the Cassa di Risparmio of the Province of l’Aquila. A member of Enel’s Board of Statutory Auditors since 2001, he is the author of numerous publications on the subjects of business management and organization.

During 2006, the Board of Statutory Auditors held 16 meetings, lasting an average of 1 hour and 30 minutes, which were regularly attended by the regular Auditors and by the magistrate representing the Court of Accounts.

In March 2007, the Board of Statutory Auditors certified that the Chairman, Eugenio Pinto, and the regular Auditor Franco Fontana possess the requisite of independence provided for by the Self-regulation Code with regard to directors. As far as the regular Auditor Carlo Conte is concerned, the Board of Statutory Auditors ascertained that, even though he does not possess the aforesaid requisite of independence (because he is a General Manager at the Ministry of the Economy and Finance, the controlling shareholder of the Company), he does possess the characteristics of independence provided for by the Unified Financial Act (and the related implementation regulations) with regard to statutory auditors of listed companies.

Executive in charge of preparing the corporate accounting documents

In compliance with the provisions introduced at the end of 2005 in the Unified Financial Act, a clause was inserted in the Company’s bylaws on the basis of which in June 2006 the Board of Directors, after receiving the opinion of the Board of Statutory Auditors, appointed the head of the Company’s Accounting, Planning, and Control Department to the position of executive in charge of preparing the corporate accounting documents.

The duty of this executive is to establish appropriate administrative and accounting procedures for the preparation of the financial statements of the Parent Company and the consolidated financial statements, as well as all other financial documents.

The Board of Directors ensures that this executive has adequate powers and means, as well as seeing that the administrative and accounting procedures that he establishes are actually observed.

The executive in question issues a declaration that accompanies the corporate documents and communications released to the market regarding accounting information, including interim

information, and certifies that such information corresponds to what is recorded in the Company's documents, account books, and book entries.

Together with the Chief Executive Officer, the aforesaid executive also certifies in a specially provided report attached to the financial statements of the Parent Company, the consolidated financial statements, and the half-year report (i) the adequacy and actual application of the aforesaid administrative and accounting procedures during the period to which such accounting documents refer and (ii) the correspondence of the aforesaid documents to the accounting records and their suitability for providing a truthful and fair representation of the Company's and the Group's balance sheet, income statement, and cash flows. The content of the report in question will be established by the CONSOB in specially provided regulations, which it is expected will be issued by the end of March 2007.

Internal control system

With regard to internal control, several years ago the Group adopted a special system aimed at (i) checking the adequacy of Group procedures with regard to effectiveness, efficiency, and costs, (ii) ensuring the reliability and correctness of accounting records as well as the safeguard of Company and Group assets, and (iii) ensuring that operations comply with internal and external regulations, as well as with corporate directives and guidelines for sound and efficient management.

The Group's internal control system is divided into two distinct areas of activity:

- "line auditing", which consists of all the auditing activities that the individual operating units or Group companies carry out on their own processes. Such auditing activities are primarily the responsibility of operating executives and are considered an integral part of every corporate process;
- internal auditing, which is entrusted to the Company's related department and is aimed essentially at the identification and containment of corporate risk of any kind. This objective is pursued through the monitoring of line auditing, in terms of both the adequacy of the audits themselves and the results actually achieved by their application. This auditing activity is therefore applied to all corporate processes of the Company and of Group companies. The personnel in charge of said activity is responsible for indicating both the corrective actions deemed necessary and for carrying out follow-up actions aimed at checking the results of the measures suggested.

Responsibility for adopting an appropriate internal control system consistent with the reference models and existing national and international best practice is entrusted to the Board of Directors, which, to this end and availing itself of the Internal Control Committee:

- establishes the guidelines of such system, so that the main risks regarding the Company and its subsidiaries are correctly identified, as well as properly measured, managed, and monitored, and then ensures the compatibility of such risks with sound and correct corporate management. It should be noted in this regard that in December 2006, the Board of Directors took note of the identification of the main risks regarding the Group and the establishment of

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specially provided criteria for measuring, managing, and monitoring the aforesaid risks – according to the content of a special document drawn up by the Company's Internal Auditing Department – and agreed on the compatibility of the aforesaid risks with sound and correct corporate management;

- appoints one or more executive Directors to supervise the functioning of the internal control system. In this regard, it should be noted that in December 2006 the Board of Directors entrusted this role to both the Chief Executive Officer and the Chairman, assigning the latter the task of regularly participating in the meetings of the Internal Control Committee;
- evaluates at least once a year the adequacy, efficiency, and actual functioning of the internal control system. It should be noted in this regard that in March 2007, the Board of Directors expressed a positive evaluation in this respect;
- appoints and removes one or more persons to be in charge of the internal control system, establishing his compensation in line with the relevant corporate policies. In this regard, in December 2006 the Board of Directors confirmed that the person in charge of the internal control system is the head of the Company's Internal Auditing Department and established his compensation as the same as he was already receiving.

The executive Directors assigned to oversee the functioning of the internal control system in turn:

- oversee the identification of the main corporate risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries and then submitting them periodically to the Board of Directors for examination;
- carry out the guidelines established by the Board of Directors, seeing to the planning, implementation, and management of the internal control system and constantly monitoring its overall adequacy, effectiveness, and efficiency. They also supervise the adaptation of this system to the dynamics of operating conditions and the legislative and regulatory framework;
- make proposals to the Board of Directors regarding the appointment, removal and compensation of one or more persons to be in charge of the internal control system.

The person in charge of the internal control system:

- is entrusted with ensuring that the internal control system is always adequate, fully operative, and functioning;
- is not the head of any operating area and is not hierarchically dependent on any head of operating area;
- has direct access to all the information that is useful for the performance of his duties;
- has adequate means at his disposal for performing the task assigned him;
- reports on his activity to the executive Directors assigned to supervise the functioning of the internal control system, the Internal Control Committee, and the Board of Statutory Auditors. Specifically, he reports on the procedures through which risk management is conducted, as well as on the observance of the plans devised for their containment, and expresses his evaluation of the suitability of the internal control system for achieving an acceptable level of overall risk.

Transactions with related parties

In December 2006, the Board of Directors – in compliance with the provisions of the Italian Civil Code and the recommendations of the Self-regulation Code – adopted regulations that establish the procedures for approving and carrying out transactions undertaken by the Company or its subsidiaries with related parties, in order to ensure the transparency and correctness, both substantial and procedural, of the aforesaid transactions.

According to these regulations, the Internal Control Committee is entrusted with the prior examination of the various kinds of transactions with related parties, with the exception of those that present a low level of risk for the Company and the Group (the latter including the transactions carried out between companies entirely owned by Enel, as well as those that are typical or usual, those that are regulated according to standard conditions, and those whose consideration is established on the basis of official market prices or rates established by public authorities).

After the Internal Control Committee has completed its examination, the Board of Directors gives its prior approval (if the transactions regard the Company) or prior evaluation (if the transactions regard Group companies) of the most significant transactions with related parties, by which is meant (i) atypical or unusual transactions; (ii) transactions with a value exceeding euro 25 million (with the exception of the previously mentioned ones that present a low level of risk for the Company and the Group); and (iii) other transactions that the Internal Control Committee thinks should be examined by the Board.

Transactions whose value amounts to or is less than euro 25 million and in which the relationship exists with a Director, a regular Auditor or an executive with strategic responsibilities of the Company or the Group (or with a related party through such persons) are always submitted to the Internal Control Committee for its prior examination.

For each of the transactions with related parties submitted for its prior approval or evaluation, the Board of Directors receives adequate information on all the significant aspects and the related resolutions adequately explain the reasons for and the advantageousness of the aforesaid transactions for the Company and the Group. Furthermore, it is provided for the Board of Directors to receive detailed information on the actual carrying out of the transactions that it has approved or evaluated.

In order to prevent a transaction with related parties is finalized on conditions that are different from those that would probably have been negotiated between unrelated parties, both the Internal Control Committee and the Board of Directors have the authority to avail themselves – depending on the nature, value, or other characteristics of the transaction – of the assistance of one or more independent experts of recognized professional competence.

If the relationship exists with a Director or with a related party through the latter, the Director involved must promptly inform the Board of Directors of the nature, terms, origin, and extent of his interest and leave the Board meeting when the decision is made, unless that prejudices the quorum or the Board of Directors decides otherwise.

If the relationship exists with the Chief Executive Officer or with a related party through the latter, in addition to the foregoing he abstains from carrying out the transaction and leaves the decision to the Board of Directors.

If the relationship exists with one of the regular Statutory Auditors or with a related party through the latter, the Auditor concerned promptly informs the other Statutory Auditors and the Chairman of the Board of Directors of the nature, terms, origin, and the extent of his interest.

Finally, a system of communications and certifications is provided for the purpose of promptly identifying, as early as the negotiation phase, transactions with related parties that involve Directors and regular Statutory Auditors, as well as executives with strategic responsibilities, of the Company and the Group.

Processing of corporate information

As early as February 2000, the Board of Directors approved special rules (to which additions were made in March 2006) for the management and processing of confidential information, which also contain the procedures for the external circulation of documents and information concerning the Company and the Group, with particular reference to privileged information. The Company's Directors and Statutory Auditors are obliged to comply with the provisions contained in such rules and, in any case, to maintain the confidentiality of the documents and information acquired in carrying out their duties.

The rules are aimed at keeping confidential information secret, while at the same time ensuring that the information regarding the Company and the Group made available to the market is correct, complete, adequate, timely, and non-selective.

The rules entrust Enel'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 competence, establishing that the divulgence of information regarding individual subsidiaries must in any case be agreed upon with the Parent Company's Chief Executive Officer.

The rules also establish specific procedures to be followed in circulating information regarding the Company and the Group outside the Group – with particular emphasis on privileged information – and carefully regulate the ways in which Company and Group representatives enter in contact with the press and other mass media (or financial analysts and institutional investors).

Taking into account the provisions introduced in the U.S.A. by the Sarbanes-Oxley Act – which apply to Enel for the reason explained above – in June 2003 the Board of Directors also formalized the practices and procedures applied within the Group regarding corporate information in a special document (called “Disclosure Controls and Procedures”), with the aim of ensuring the transparency, timeliness, and completeness of the documentation produced by Enel in the United States of America according to the local laws applicable to listed companies.

Following the adoption by Italian law of the E.U. regulations regarding market abuse and the coming into force of the secondary regulations issued by the CONSOB, in April 2006 the Company

instituted (and began to regularly update) a Group register recording the persons, whether legal or natural, who have access to privileged information because of the professional or other work they do or because of the tasks they perform on behalf of the Company or Group companies. The purpose of this register is to make the persons recorded therein aware of the value of the privileged information at their disposal, while at the same time facilitating the CONSOB's supervision of compliance with the regulations provided to safeguard the integrity of markets.

Also following the adoption by Italian law of the E.U. regulations regarding market abuse and the coming into force of the secondary regulations issued by the CONSOB, as from April 2006 radical changes were introduced in the regulations regarding internal dealing, that is the transparency of transactions involving the Company's shares and financial instruments connected with them carried out by the largest shareholders, Company representatives, and persons closely connected with them.

The new E.U. regulations replaced those previously adopted by Borsa Italiana, which had regulated the matter since January 2003. Therefore, as from April 2006 the Enel Group's Dealing Code – which the Board of Directors had adopted in December 2002 in compliance with the regulations issued by Borsa Italiana – also became inapplicable. The new regulations regarding internal dealing apply to the purchase, sale, subscription, and exchange of Enel shares and of financial instruments connected with them by "important persons". This category includes shareholders who own at least 10% of the Company's share capital, the Directors, and the regular Statutory Auditors, as well as 16 managerial positions currently identified within the Company on the basis of the relevant regulations, because they have regular access to privileged information and are authorized to make managerial decisions that could influence Enel's evolution and prospects.

The obligations of transparency apply to all the aforesaid transactions whose total value is at least euro 5,000 in a given year, even if carried out by persons closely connected with the "important persons".

In enacting measures to implement the aforesaid new regulations, the Board of Directors considered it advisable to provide that "important persons" (other than the shareholders who possess an interest amounting to or exceeding 10% of the Company's share capital) are obliged to abstain from carrying out transactions subject to the regulations regarding internal dealing during two blocking periods, lasting approximately one month each, around the time the Board of Directors' approves the Company's proposed financial statements and the half-year report.

This initiative of the Board of Directors was prompted by will to improve the Company's governance standards with respect to the reference regulations, maintaining in force a provision formerly contained in the Enel Group's Dealing Code and aimed at preventing the carrying out of transactions by "important persons" that the market could perceive as suspect, because they are carried out during periods of the year that are especially sensitive for corporate information.

Relations with institutional investors and shareholders in general

Ever since the listing of its shares on the stock market, the Company has deemed it appropriate for its own specific interest – as well as its duty with respect to the market – to establish an ongoing dialogue, based on mutual understanding of their respective roles, with its shareholders in general, as well as with institutional investors. Such dialogue, in any case, was to take place in accordance with the rules and procedures that regulate the divulgation of privileged information.

In this regard, in consideration of the size of the Group, it was deemed that such dialogue could be facilitated by the creation of dedicated corporate units.

The Company therefore created (i) an investor-relations unit, which is currently a part of its Finance Department, and (ii) a unit within its Corporate Affairs Department in charge of communicating with shareholders in general.

It was also decided to further facilitate communication with investors through the creation of a special section of the Company's website (www.enel.it, investor relations section), providing both financial information (financial statements, half-year and quarterly reports, presentations to the financial community, analysts' estimates, and information on trading of the securities issued by the Company) and up-to-date data and documents of interest to shareholders in general (press releases, the members of Enel's Boards, the Company's bylaws and shareholders'-meeting regulations, information and documents regarding Shareholders' Meetings, documents regarding corporate governance, the code of ethics, and the compliance program pursuant to legislative decree n. 231/2001, as well as a general chart of the organization of the Group).

Shareholders' Meetings

The suggestion contained in the Self-regulation Code to consider shareholders' meetings important occasions for discussion between a company's shareholders and its board of directors (even considering the availability of a number of different communication channels between listed companies and shareholders, institutional investors, and the market) was carefully evaluated 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 the latter.

In effect, in line with the recommendations of the special legislation regarding listed companies, a specific provision was inserted in Enel's bylaws aimed at facilitating the collection of vote proxies from shareholders who are Group employees, thus favoring their involvement in the decision-making processes of Shareholders' Meetings.

With regard to the rules that govern the right to attend Shareholders' Meetings, in compliance with the reference regulations, the bylaws assign such right to those who deposit their shares at least two days before the date set for a given Meeting and do not withdraw them before the Meeting takes place. This rule was intended to satisfy the Company's interest in knowing in advance the identity and number of the shareholders entitled to attend the Shareholders' Meeting – inter alia, for the purpose of seeing in a timely manner if a quorum can be reached – without at the same

time prejudicing the possibility for the latter to sell the shares already deposited, if they so wish (in this case, however, losing the right to attend the Shareholders' Meeting, according to the relevant regulations in force).

Furthermore, in September 1999, and thus with the listing of its shares imminent, the Company adopted special regulations to ensure the orderly and efficient conduct of Shareholders' Meetings through the detailed regulation of their different phases, while respecting the fundamental right of each shareholder to request clarification of the different matters under discussion, to express his or her opinion, and to make proposals.

Even though they do not constitute provisions of the bylaws, these regulations must be approved at an Ordinary Shareholders' Meeting, as specifically stated in the bylaws. During 2001 their content was updated in order to ensure that they correspond to the most advanced models for listed companies expressly drawn up by several professional associations (Assonime and ABI).

In the event of a significant change in the market capitalization of the Company or the composition of the shareholders, the Board of Directors evaluates the advisability of proposing to a Shareholders' Meeting bylaws amendments with regard to the minimum percentage required for exercising actions and rights provided for as a protection of minority shareholders.

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 name of the Group itself (in both internal and external relations), inspired the preparation of the Enel Group's Code of Ethics, which was approved by the Company's Board of Directors in March 2002 and updated in March 2004.

This code expresses the commitments and ethical responsibilities involved in the conduct of business, regulating and harmonizing corporate behavior according to standards requiring maximum transparency and fairness with respect to all stakeholders. Specifically, the Code of Ethics consists of:

- general principles regarding relations with stakeholders, which abstractly define the reference values guiding the Group in the carrying out of its activities. Among the aforesaid principles, specific mention should be made of the following: honesty, impartiality, confidentiality, shareholder value, the value of human resources, the transparency and completeness of information, service quality, and the protection of the environment;
- criteria of behavior 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 behavior;
- implementation mechanisms, which describe the control system devised to ensure observance of the code of ethics and its continual improvement.

Taking into account the obligations under the Sarbanes-Oxley Act of companies with shares listed in the United States of America, in June 2004 the Board of Directors also approved an additional

specific code of ethical principles regarding financial matters, which applies specifically to the Company's Chief Executive Officer and to the heads of the Finance Department and the Accounting, Planning, and Control Department.

In accordance with the requirements of U.S. law, the code concerned consists of a series of rules aimed at reasonably preventing illegal behavior, as well as promoting:

- honest and transparent financial management, which gives due consideration to any conflicts of interests;
- fair, comprehensible, complete, exact, and prompt information in the documents sent to the authorities supervising financial markets and in all other public notices;
- compliance with government rules and regulations;
- the establishment of internal procedures aimed at ensuring that any violations of the provisions of the code are promptly communicated to the persons designated therein;
- adequate public transparency regarding observance of the provisions of the code.

Compliance Program

In July 2002 the Company launched a compliance program corresponding to the requirements of legislative decree n. 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 or to the benefit of the companies themselves.

The content of the aforesaid program is consistent with the provisions of the guidelines on the subject established by industry associations and with the best practice in the United States and represents another step towards strictness, transparency and a sense of responsibility in internal relations and those with the external world. At the same time, it offers shareholders adequate insurance of efficient and fair management.

The program in question consists of a "general part" (in which are described, among other things, the content of legislative decree n. 231/2001, the objectives of the program and how it works, the duties of the internal control body responsible for supervising the functioning and observance of the program, the information flows, and the penalty regime) and separate "special parts" concerning the different kinds of crimes provided for by legislative decree n. 231/2001.

In 2006, as proposed by the Internal Control Committee, the Board of Directors updated and supplemented the compliance program by (i) revising the "general part" and the "special parts" regarding corporate crimes and crimes against the civil service, in order to take into account court rulings and the applicative experience acquired during the first years of implementation of the program, as well as (ii) approving new special parts concerning crimes of terrorism and subversion of the democratic order, crimes against the person, and crimes and administrative wrongdoing regarding market abuse.

“Zero tolerance of corruption” plan

In June 2006, the Board of Directors approved the adoption of the “zero tolerance of corruption – ZTC” plan in order to give substance to Enel’s adherence to the Global Compact (an action program promoted by the UN in 2000) and the PACI – Partnership Against Corruption Initiative (sponsored by the World Economic Forum in Davos in 2005).

The ZTC plan neither replaces nor overlaps with the code of ethics and the compliance program adopted pursuant to legislative decree n. 231/2001, but represents a more radical step regarding the subject of corruption and adopts a series of recommendations for implementing the principles formulated on the subject by Transparency International.

Attached below are three tables that summarize some of the most significant information contained in the second section of the report.

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TABLE 1: Structure of Enel's Board of Directors and Committees

Board of Directors							Internal Control Committee		Compensation Committee		Nomination Committee (if any)		Executive Committee (if any)	
Office	Members	executive	non-executive	independent	****	Number of other offices **	***	****	***	****	***	****	***	****
Chairman	Gnudi Piero (1)	X	X	X	100%	1	X	100%			Non-existent		Non-existent	
Chief Executive Officer/General Manager	Conti Fulvio	X			100%	1								
Director	Ballio Giulio (*)		X	X	94%	-			X	80%				
Director	Fantozzi Augusto (*)		X	X	100%	1	X	63%						
Director	Luciano Alessandro		X	X	100%	-	X	100%						
Director	Napolitano Fernando		X	X	100%	1			X	100%				
Director	Taranto Francesco (*)		X	X	100%	6			X	100%				
Director	Tosi Gianfranco		X	X	100%	-			X	100%				
Director	Valsecchi Francesco		X	X	100%	1	X	100%						
Quorum required for the presentation of slates for the appointment of the Board of Directors:1% of the share capital.														
Number of meetings held in 2006			Board of Directors: 16		Internal Control Committee: 8		Compensation Committee: 10		Nomination Committee: N.A.		Executive Committee: N.A.			

(continues)

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NOTES

(1) The Chairman of the Board of Directors, Piero Gnudi, was a non-executive, independent Director in the period between January and December 2006 (according to the criteria specified in the 2002 edition of the Self-regulation Code) and subsequently has been an executive Director since December 2006 (according to the criteria specified in the 2006 edition of the Self-regulation Code).

* The presence of an asterisk indicates that the Director was designated on a slate presented by minority shareholders.

** This column shows the number of offices held by the person concerned on the board of directors or the board of statutory auditors of other companies of significant size, as defined by the policy established in this regard by the Board of Directors.

*** In these columns, an "X" indicates the Committee(s) of which each Director is a member. It should be noted that, since December 2006, in consideration of his new role as an executive Director, the Chairman of the Board of Directors, Piero Gnudi, has no longer been a member of the Internal Control Committee.

**** These columns show the percentages of the meetings of, respectively, the Board of Directors and the Committees attended by each Director. All absences were appropriately explained.

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TABLE 2: Enel's Board of Statutory Auditors

Office	Members	Percentage of Board meetings attended	Number of other offices**
Chairman	Pinto Eugenio	100%	3
Regular Auditor	Conte Carlo	100%	-
Regular Auditor	Fontana Franco (*)	94%	-
Alternate Auditor	Giordano Giancarlo	N.A.	-
Alternate Auditor	Sbordoni Paolo (*)	N.A.	-
Number of meetings held in 2006: 16			
Quorum required for the presentation of slates for the appointment of the Board of Statutory Auditors: 1% of the share capital.			

NOTES

* The presence of an asterisk indicates that the Statutory Auditor was designated on a slate presented by minority shareholders.

** This column shows the number of offices held by the person concerned on the boards of directors or boards of statutory auditors of other companies listed on regulated Italian markets.

TABLE 3: Other provisions of the Self-regulation Code

	YES	NO	Summary of the reasons for any deviation from the recommendations of the Code
Delegation system and transactions with related parties			
Has the board of directors delegated powers and established:	X		
a) their limits	X		
b) how they are to be exercised	X		
c) how often it is to be informed?	X		
Has the board of directors reserved the power to examine and approve beforehand transactions having a significant impact on the company's strategy, balance sheet, income statement, or cash-flow (including transactions with related parties)?	X		
Has the board of directors established the guidelines and criteria for identifying "significant" transactions?	X		
Are the aforesaid guidelines and criteria described in the report?	X		
Has the board of directors established special procedures for the examination and approval of transactions with related parties?	X		
Are the procedures for approving transactions with related parties described in the report?	X		
Procedures of the most recent election of the board of directors and the board of statutory auditors			
Were the candidacies for the office of director filed at least 10 days (*) beforehand?	X		
Were the candidacies for the office of director accompanied by exhaustive information?	X		
Were the candidacies for the office of director accompanied by statements as to whether or not they qualified as independent?	X		
Were the candidacies for the office of statutory auditor filed at least 10 days (*) beforehand?	X		This procedure was duly observed the last time the entire board of statutory auditors was elected (in the year 2004), when the "slate-vote" mechanism was applied. When the chairman of the board of statutory auditors was replaced (during 2005), instead, the candidacies were not filed beforehand, because the election did not take place by "slate vote".
Were the candidacies for the office of statutory auditor accompanied by exhaustive information?	X		
Shareholders' meetings			
Has the company approved rules for shareholders' meetings?	X		
Are the rules attached to the report or is it stated where they can be obtained/downloaded?	X		

(*) It should be noted that in the 2006 edition of the Self-regulation Code the recommended deadline for filing the slates of candidates for the offices of director and statutory auditor was increased from 10 to 15 days.

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(continued)

	YES	NO	Summary of the reasons for any deviation from the recommendations of the Code
Internal control			
Has the company appointed the person in charge of internal control?	X		
Is the person in charge hierarchically independent of heads of operating areas?	X		
Organizational position of the person in charge of internal control	Head of the Internal Auditing Department		
Investor relations			
Has the company appointed a head of investor relations?	X		
Organizational unit of the head of investor relations and related contact information	<ul style="list-style-type: none"> ▪ Relations with institutional investors: Investor Relations – Viale Regina Margherita, 137 – 00198 Rome, Italy – tel. ++39.06.83053437 – fax ++39.06.83053771 – e-mail: investor.relations@enel.it ▪ Relations with retail shareholders: Department of Corporate Affairs – Viale Regina Margherita, 137 – 00198 Rome, Italy – tel. ++39.06.83052081 – fax ++39.06.83052129 – e-mail: azionisti.retail@enel.it 		