REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

(approved by the Board of Directors of Enel S.p.A. on April 5, 2012)

- YEAR 2011 -

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

Enel – report on corporate governance and ownership structure for the year 2011

Report on corporate governance and ownership structure

SECTION I: GOVERNANCE AND OWNERSHIP STRUCTURE

Introduction

The corporate governance structure of Enel S.p.A. (hereinafter, also "Enel" or the "Company") and of the group of companies that it controls (hereinafter, for the sake of brevity, the "Enel Group" or the "Group") complies with the principles contained in the edition of the Self-regulation Code of listed companies promoted by Borsa Italiana, published in March 2006 ([1])(hereinafter, for the sake of brevity, the "Self-regulation Code"), as well as with the amendments introduced in March 2010 to Article 7 of the same Code, regarding the remuneration of directors ([2]).

Furthermore, the aforementioned corporate governance structure takes inspiration from CONSOB's recommendations on this matter and, more generally, from international best practice.

In December 2011, a new edition of the Self-Regulation Code has been published; such edition has introduced some significant amendments and integrations to the 2006 edition. In accordance with the transitory rules set forth under such new edition, Enel shall comply with the new recommendations during 2012, and shall inform the public thereof through the report on corporate governance and ownership structure which shall be published in 2013.

The corporate governance system adopted by Enel and its Group is essentially aimed at creating value for the shareholders in the medium-long term, 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

Share capital structure

The capital stock of the Company consists exclusively of ordinary shares entitled to full voting rights at both ordinary and extraordinary shareholders' meetings. At the end of 2011 (and still as of the date of this report), Enel's share capital amounted to euro 9,403,357,795, divided into the same number of ordinary shares with a par value of euro 1 each.

Since November 1999, the Company's shares have been listed on the Electronic Stock Exchange organized and managed by Borsa Italiana.

Major shareholdings and shareholders' agreements

According to the entries in Enel's stock register, the reports made to the CONSOB and received by the Company, and the other available information, as of the date of this report no shareholder –

[1] The code is available on Borsa Italiana's website at http://www.borsaitaliana.it/borsaitaliana/ufficio-stampa/comunicati-stampa/2006/codiceautodisciplina.en_pdf.htm

[2] The new Article 7, as amended in March 2010, is available on Borsa Italiana's website at http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corpgovart7eng.en_pdf.htm

with the exception of the Ministry of the Economy and Finance of the Italian Republic, which owns 31.24% of the share capital, and of the group controlled by Blackrock Inc., which owns 2.74% of the share capital as asset management – owns more than 2% of the Company's share capital, nor, to the Company's knowledge, do any shareholders' agreements indicated in the Unified Financial Act regarding Enel's shares exist. Please note that, as of the end of 2011, also Natixis S.A., on the basis of Enel's stock register, owned a shareholding equal to 2.66% of the share capital, which during January 2012 fell below the 2% threshold.

The Company is therefore subject to the *de facto* control of the Ministry of the Economy and Finance, which has sufficient votes to exercise a dominant influence at ordinary shareholders' meetings of Enel. However, the aforesaid Ministry is not in any way involved in managing and coordinating the Company, in accordance with the provisions of Article 19, paragraph 6, of Decree Law No. 78/2009 (subsequently converted into Law No. 102/2009), which clarified that the regulations contained in the Italian civil code regarding the management and coordination of companies do not apply to the Italian government.

Limit to the ownership of shares and to voting rights

In implementing a provision of the regulations regarding privatizations, the Company's bylaws provide 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 attaching to the shares owned in excess of the aforesaid limit of 3% may not be exercised, and the voting rights to which each of the parties 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 it is assessed that the majority required would not have been attained without the votes expressed in excess of the aforesaid limit.

According to the regulations regarding privatizations and subsequent modifications, the provisions of the bylaws concerning the limit to share ownership and to voting rights will lapse if the limit of 3% is exceeded following a takeover bid in consequence of which the bidder holds shares amounting to at least 75% of the capital with the right to vote on resolutions regarding the appointment or removal of directors.

Special powers of the Italian government

In implementing the provisions of the regulations regarding privatizations, the Company's bylaws assign to the Italian government (represented for this purpose by the Ministry of the Economy and Finance) some special powers, which are exercisable regardless of the number of shares owned by the aforesaid Ministry.

Specifically, the Minister of the Economy and Finance, in agreement with the Minister of Productive Activities (currently the Minister of Economic Development), has the following special powers, to be

used according to the criteria established by the Decree of the President of the Council of Ministers of June 10, 2004:

a) 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;

b) 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;

c) veto to 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;

d) appointment of a Director without the right to vote (and of the related substitute in case he or she leaves the office).

It should be noted that, on March 26, 2009, the Court of Justice of the European Communities declared that, by adopting the provisions stated in Article 1, paragraph 2, of the aforesaid Decree of the President of the Council of Ministers of June 10, 2004 containing the criteria for exercising the special powers, Italy failed to meet its obligations under Articles 43 (*freedom of establishment*) and 56 (*free circulation of capital*) of the institutive Treaty of the European Community.

Thereafter, Decree of the President of the Council of Ministers dated May 20, 2010 abrogated the provision of the aforesaid Decree of the President of the Council of Ministers of June 10, 2004 censured by the Court of Justice of the European Communities, which contained the circumstances in which the special powers provided under letters a), b) and c) could be effectively exercised. Article 1, paragraph 1, of the Decree of the President of the Council of Ministers of June 10, 2004, according to which the special powers may be exercised "*only in the event of relevant and unavoidable reasons of general interest, with particular reference to public order, security, health and defense, in the form and through means which are suitable and proportional to safeguard such interests, also through the possible provision of appropriate time constraints, without prejudice to national and EU rules, and among those, in first instance, the non-discrimination principle*", remains applicable.

In order to ensure that Italian laws regarding Italian Government's special powers in privatized companies fully comply with EU principles, a new regulation on this matter has been recently drawn up and is meant to replace the regulations described above. In fact, Decree Law No. 21/2012 (which, as of the date of this report, has not been converted into Law yet) provides for new

rules on special powers concerning the governance structures of companies which operate in the defense and national security areas as well as of companies which carry out strategic activities in the areas of energy, transportation and communications.

In particular, as far as Enel is concerned, Article 2 of such Decree provides above all that the networks and the plants, the assets and the interests which have a strategic importance in the areas of energy, transportation and communications, shall be identified by means of one or more Decrees of the President of the Council of Ministers. Such decrees shall be updated at least every three years.

It is therefore provided that any resolutions, acts or transactions, adopted by a company which has one or more of the above mentioned assets and that may result in changes of the ownership, the control or the availability of the same assets or that may modify their destination, shall be notified by the company to the Presidency of the Council of Ministers (or to the Ministry of Economy and Finance if the latter holds a shareholding in the company) within 10 days and, in any case, before their execution. Resolutions concerning the transfer of subsidiaries which own the said assets shall be notified within the same term. Within 15 days from the notification, the President of the Council of Ministers, by means of a Decree consistent with the relevant resolution of the Council of Ministers: (i) may exercise its veto whenever the resolutions, the acts or the transactions may represent an extraordinary situation of a real threat of serious prejudice for public interests regarding the safety and the functioning of networks and plants as well as the continuity of supply; or (ii) may provide for specific conditions whenever it deems such conditions sufficient to protect the said public interests.

After 15 days from the notification date, the aforementioned resolutions, acts or transactions become effective, if no orders have been enacted by the President of the Council of Ministers within the same term.

Furthermore, it is provided that the purchase by a non-EU person, for any reason, of controlling shareholdings in companies which have assets identified as strategic shall be notified to the Presidency of the Council of Ministers (or to the Ministry of Economy and Finance if the latter holds a shareholding in the company) within 10 days. In the event that such purchase represents a real threat of serious prejudice for public interests regarding the safety and the functioning of networks and plants as well as the continuity of supply, it is provided that, within 15 days from the notification, the President of the Council of Ministers, by means of a Decree consistent with the relevant resolution of the Council of Ministers: (i) may impose a condition precedent to the purchase, whereby the purchaser shall assume certain undertakings aimed at protecting the said interests; or (ii) in extraordinary cases of risk for the protection of the same interests, which cannot be removed by the assumption of the foregoing undertakings, may oppose the purchase. After 15 days from the notification date, the purchase may be executed, if no orders have been enacted by the President of the Council of Ministers within the same term.

Article 2 of Decree Law No. 21/2012 also provides that the special powers set forth under the same Article may be used only on the basis of objective and non-discriminatory criteria, with

particular regard to: (i) the existence, also taking into consideration the official position of the European Union, of objective reasons which suggest the possible existence of links between the purchaser and third countries that do not recognize the principles of democracy or of the rule of law (*Stato di diritto*), that do not respect the rules of international law or who have taken risky behaviors towards the international community inferred from the nature of their alliances, or that have relationships with terrorist or criminal organizations or with persons anyhow connected to them; (ii) the capacity of the structure resulting from the act or the transaction – taking into account the financing modalities of the acquisition, and of the economic, financial, technical and organizational capacity of the purchaser – to guarantee the safety and continuity of the supplies and/or the maintenance, the safety and the functioning of networks and plants.

Should the Decree Law No. 21/2012 be converted into law without any amendments, starting from the date of entry into force of the first Decree of the President of the Council of Ministers that identifies the strategic assets, Italian privatization laws (currently in force) would be automatically cancelled and Enel Bylaws provisions set forth under such laws would automatically became ineffective.

However, pursuant to the same Decree Law No. 21/2012, Enel Bylaws provisions concerning limits to the ownership of shares and to voting rights (as well as law provisions on this matter), as described the paragraph above, shall remain effective.

Employee shareholdings: mechanism for exercising voting rights

The Unified Financial Act sets forth specific rules regarding voting proxies in listed companies, which partially deviate – for such companies – from the provisions set forth in the Civil Code and which were significantly amended following the implementation in Italy of Directive 2007/36/EC (relating to the exercise of certain rights of the shareholders of listed companies) by Legislative Decree No. 27 of 27 January, 2010.

The foregoing specific rules govern the solicitation of proxies, which is defined as the request for proxies addressed to more than two-hundred shareholders on specific voting proposals, or accompanied by recommendations, declarations and other indications suitable for the purpose of influencing the vote. However, the Unified Financial Act clarifies that the request for proxies accompanied by recommendations, declarations and other indication suitable for the purpose of influencing the vote, which is addressed by associations of shareholders to their affiliates – including those associations which put together employees who are shareholders - is not to be considered as solicitation of proxies – and, thus, is not subject to the relevant specific discipline – if such associations comply with the specific requirements set forth by the Unified Financial Act.

At the same time, the Unified Financial Act continues to hope for the by-laws of listed companies to contain provisions aimed at simplifying the exercise of voting rights through proxy by the employees who are shareholders, thus fostering their participation to the decision-making process of shareholders' meetings.

In such respect, since 1999, Enel's bylaws expressly provide that, in order to simplify the collection of proxies by the employees-shareholders of the Company and of its subsidiaries, which are affiliated to associations of shareholders which comply with the requirements prescribed by applicable laws, facilities for communication and for the collection of proxies shall be made available to such associations, pursuant to the terms and modalities to be agreed upon from time to time with their legal representatives.

In March 2008 the establishment of an employee-shareholders' association called *A.DI.G.E. – Associazione Azionisti Dipendenti Gruppo Enel* (Association of Employee-Shareholders of Enel Group) which possesses the requirements prescribed by the Unified Financial Act has been notified to the Company; the above rules provided by the bylaws of the Company apply therefore to such association.

Appointment and replacement of directors and amendments of the bylaws

The rules that regulate the appointment and replacement of directors are examined in the second section of this document (under "board of directors – Appointment, replacement, composition, and term).

As far as the rules applicable to amendments of the bylaws are concerned, extraordinary shareholders' meetings resolve thereon according to the majorities provided for by the law.

As allowed by the law, however, the Company's bylaws assign to the authority of the board of directors the resolutions concerning:

- mergers by absorption of entirely or at least 90% owned companies, as well as de-mergers corresponding to the latter;
- the establishment or closing of secondary headquarters;
- which directors are entrusted with representing the Company;
- the reduction of the share capital in the event one or more shareholders withdraw;
- the harmonization of the bylaws with provisions of law;
- moving the registered office within Italy.

Furthermore, in implementing the provisions of the regulations regarding privatizations, the Company's bylaws assign to the Italian government (represented for this purpose by the Ministry of the Economy and Finance) the special power of veto on the adoption of several resolutions – which are specified in detail in the above paragraph "Special powers of the Italian government" – liable to have a major impact on the Company and, at the same time, to entail the amendment of its bylaws.

Authorizations to increase the share capital and to buy back shares

As of the date of this report, the bylaws contain three authorizations of the board of directors to increase the share capital for as much stock-option plans addressed to the Company's and Group's executives, with the consequent exclusion of the shareholders' preemptive rights.

However, two of such authorizations concern stock-option plans (relating to years 2006 and 2007) in relation to which the board of directors has verified the failure to achieve the objectives upon which the exercise of the option rights was conditioned; therefore the said options and the relevant share capital increase authorizations have expired.

The only authorization still effective is the one according to which, in June 2008, the extraordinary session of the shareholders' meeting has authorized the board of directors, for a period of five years, to increase the share capital one or more times, divisibly, by a maximum amount of euro 9,623,735 for the 2008 stock-option plan, which had been approved by the ordinary session of the same shareholders' meeting, and in relation to which the board of directors has then verified the achievement of the objectives upon which the exercise of the option rights was conditioned. It is pointed out that unit exercise price of the stock options assigned under the 2008 stock option plan is equal to euro 7.118 and that the amount of the authorization indicated above could entail a potential maximum total dilution amounting to 0.10% of the share capital as recorded as of the date of the present report. For a detailed description of the characteristics of the 2008 stock option plan please see the comments indicated into the financial statements of the Company and the consolidated financial statements of Enel Group regarding the financial year 2011.

For the sake of completeness, it should be pointed out that the total actual dilution of the share capital as of the end of 2011 as a consequence of the exercise of the stock options assigned through the plans preceding the aforesaid ones amounted to 1.31%.

As of the date of this report, there are no authorizations for the board of directors to either issue financial instruments granting shareholding or to buy back shares.

Change-of-control clauses

A) The Credit Agreement for purchasing Endesa shares

In order to finance the purchase of the shares of the Spanish company Endesa S.A., as part of the takeover bid on the entire share capital of the said company by Enel, its subsidiary Enel Energy Europe S.r.l. and the Spanish companies Acciona S.A. and Finanzas Dos S.A. (the latter controlled by Acciona S.A.), in April 2007 Enel and its subsidiary Enel Finance International S.A. (subsequently merged in Enel Finance International N.V.) entered into a syndicated term and guarantee facility agreement (hereinafter, for the sake of brevity, the "Credit Agreement") with a pool of banks for a total amount of euro 35 billion. In April 2009, Enel and Enel Finance International negotiated with a pool of 12 banks an extension of the Credit Agreement amounting to an additional euro 8 billion and an extension (with respect to the deadlines provided for by the aforesaid Credit Agreement) of the period established for the repayment of this additional sum, with the intention of financing the acquisition by the subsidiary Enel Energy Europe S.r.l. of the 25.01% of Endesa S.A.'s share capital held by Acciona S.A. and Finanzas Dos S.A.. Specifically, it was agreed that of the additional euro 8 billion obtained through the extension of the Credit Agreement, euro 5.5 billion may be paid back in 2014 and the remaining euro 2.5 billion in 2016. Following the acquisition by the subsidiary Enel Energy Europe S.r.l. of the 25.01% of Endesa

S.A.'s capital held by Acciona S.A. and Finanzas Dos S.A., in June 2009 the aforesaid extension of the Credit Agreement, amounting to euro 8 billion, was entirely used. As of December 2011, following the repayments made, the remaining amount of the Credit Agreement – including the aforesaid additional euro 8 billion – is equal to euro 3.9 billion.

The Credit Agreement makes specific provisions for the cases (hereinafter, for the sake of brevity, the "cases of change of control") in which (i) control of Enel is acquired by one or more parties other than the Italian government or (ii) Enel or any of its subsidiaries contributes (including through mergers) a substantial portion of the assets of the Group to parties that are not part of the latter, so that the Group's creditworthiness is significantly compromised in the opinion of the pool of banks.

Specifically, if one of the aforesaid hypothetical cases of change of control occurs:

- each bank belonging to the pool may propose to renegotiate the terms and conditions of the Credit Agreement or communicate its intention of withdrawing from the contract;
- Enel and its subsidiary Enel Finance International may decide to advance the repayment of the sums received and to cancel without penalties the entire financial commitment assumed by each bank belonging to the pool (i) with which the renegotiation of the terms and conditions of the Credit Agreement has not been successful or (ii) that has communicated its intention to withdraw from the contract;
- each of the latter banks belonging to the pool may demand the early repayment of the sums paid out and the cancellation of the entire financial commitment it assumed;
- in the event that none of the banks belonging to the pool either proposes to renegotiate the terms and conditions of the Credit Agreement or communicates its intention to withdraw from the contract, the Credit Agreement remains fully effective according to the terms and conditions originally agreed on.

B) The revolving credit facility agreement

In order to meet general treasury requirements, in April 2010 Enel and its subsidiary Enel Finance International S.A. (subsequently merged in Enel Finance International N.V.) entered into a revolving credit facility agreement with a pool of banks for a total amount of euro 10 billion and, at the same time, terminated a previous agreement having the same subject, entered into in 2005, for an amount of euro 5 billion.

This contract, which is currently in force, provides, as in the contract which was terminated, for rules regarding changes of control and the related effects that are essentially the same as those in the Credit Agreement described in paragraph A) above.

C) The revolving credit facility agreement entered into with Unicredit

In order to satisfy specific treasury requirements, in December 2010 Enel entered into a revolving credit facility agreement with Unicredit S.p.A. for a total amount of euro 500 million and a term of about 18 months from the signing date .

This contract also provides that in the event that the control of Enel is acquired by one or more parties other than the Italian Government, such change of control shall be timely notified to Unicredit S.p.A.; in the event that Unicredit S.p.A. deems that the change of control may adversely affect the capacity of Enel to fulfill its obligations under the revolving credit facility agreement, it may request the suspension of the use by Enel of the funds provided under the facility agreement and the reimbursement of the amounts already drawn.

D) The EIB loan to Enel Produzione

In order to increase its investment in the field of renewable energy and environmental protection, in June 2007 the subsidiary Enel Produzione S.p.A. entered into a loan agreement with the European Investment Bank (hereinafter, for the sake of brevity, "EIB") for up to euro 450 million, which expires in July 2027.

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

E) The EIB loans to Enel Distribuzione

In order to expand its plan for installing digital meters, in December 2003 the subsidiary Enel Distribuzione S.p.A. entered into a loan agreement with the EIB in the amount of euro 500 million, which expires in December 2018.

Subsequently, in order to develop the process of making its electricity network more efficient, in November 2006 the aforesaid Enel Distribuzione S.p.A. entered into another loan agreement with the EIB in the amount of euro 600 million, which expires in December 2026.

Both such agreements are accompanied by a guarantee agreement entered into by the EIB and Enel, which provides that the Company, in its capacity as guarantor of the aforesaid loans, is obliged to inform the EIB of any changes in its control structure. After receiving such information, the EIB will examine the new situation in order to decide on a possible change in the conditions regulating the aforesaid loans to Enel Distribuzione S.p.A.

F) The Cassa Depositi e Prestiti loan to Enel Distribuzione

In April 2009, the same Enel Distribuzione S.p.A. entered into a framework loan agreement with Cassa Depositi e Prestiti S.p.A. (hereinafter, for the sake of brevity, "CDP") for an amount of euro 800 million, which will expire in December 2028 and is also aimed at developing the process of making the power network of said subsidiary more efficient. During 2011 the parties have entered into two extensions of the framework loan agreement for a total amount of euro 540 million.

This agreement is also accompanied by a guarantee agreement entered into by CDP and Enel, according to which the Company, as the surety for the aforesaid loan, is obliged to inform CDP (i) of any change in the composition of the capital of Enel Distribuzione S.p.A. that could entail the loss of the control of said company, as well as (ii) of any significant deterioration of the situation or prospects of Enel Distribuzione S.p.A.'s and/or Enel's balance sheet, income statement, cash flow, or operations. The materialization of such cases may entail the obligation for Enel Distribuzione S.p.A. to repay immediately to CDP the loan received.

Compensation of the directors in case of early termination of the relationship, also following a takeover bid

The payment arrangements with the persons who currently hold, respectively, the positions of chairman and chief executive officer (as well as general manager) of Enel provide for forms of compensation in case of early termination of the relationship following their resignation or dismissal without a just cause.

For a detailed description of such compensations please make reference to paragraph 1.2.9 of the first section of the remuneration report approved by the board of directors on April 5, 2012, upon proposal of the compensation committee, which is available at the Company's registered office, on the Company's website and on Borsa Italiana's website.

There are no agreements providing for specific compensation in the event the relationship of any member of the board of directors is terminated following a takeover bid.

Organizational structure

In compliance with the 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) supervising the Company's compliance with the law and bylaws, as well as the observance of correct management principles in the carrying out of the Company's activities, (ii) supervising the financial information process and the adequacy of the Company's organizational structure, internal auditing system, and administration and accounting system, (iii) supervising the audit of the annual financial statements and of the consolidated financial statements and the independence of the external auditor and, finally (iv) ascertaining how the corporate governance rules provided by the Self-regulation Code are actually implemented;
- shareholders' meetings, called to resolve – in either an ordinary or an extraordinary session – on, among other things, (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 purchase and sale of own shares, (iv) stock-based compensation plans, (v) amendments of the Company's bylaws, and (vi) the issue of convertible bonds.

The external audit of the accounts is entrusted to a specialized firm registered with the CONSOB and expressly appointed, after the board of statutory auditors has made a grounded proposal, by a shareholders' meeting.

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SECTION II: IMPLEMENTATION OF THE RECOMMENDATIONS OF THE SELF-REGULATION CODE AND ADDITIONAL INFORMATION

Board of Directors

Role and powers

The board of directors plays a central role in the Company's governance structure. In consideration of its role, the board of directors meets regularly and works so as to ensure the effective performance of its duties.

In particular, and in accordance with the provisions of the law and specific resolutions of the board itself (and, in particular, with the one lately adopted in May 2011), the board of directors:

- establishes the corporate governance system for the Company and the Group;
- constitutes the Board's internal committees, appoints their members and, by approving their internal regulations, defines their duties;
- 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 powers in force, the chief executive officer is vested with the broadest powers for the management of the Company, with the exception of those powers that are assigned otherwise by the law or by the Company's bylaws or which are reserved to the board of directors according to 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 are summarized in a special quarterly report. In particular, with regard to all the most significant transactions carried out using the powers of his office (including atypical or unusual transactions or ones 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 consulting the board of statutory auditors, the compensation of the chief executive officer and of the other directors who hold specific offices; and determines the compensation of the members of its internal committees;
- establishes, on the basis of the analysis and proposals made by the dedicated committee, the policy for the compensation of the Company's directors and of the executives with strategic responsibilities of the Company and of the Group and decides with regard to the adoption of the incentive plans addressed to all the executives;

- on the basis of the information received, evaluates the adequacy of the Company's and the Group's organizational, administrative, and accounting structure and resolves on the changes in the general 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 of the Group (which reports the annual budgets and long-term plans drafted by the Group companies);
  - strategic agreements, also determining – upon proposal by the chief executive officer and after consulting the chairman – 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, balance sheets, income statements, or cash flows, particularly in cases where they are carried out with related parties or are 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 the 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 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 main companies of the Group and designates the directors and statutory auditors of the aforesaid companies;
- appoints the general manager and grants the related powers;
- evaluates the general performance of the Company and the Group, with particular reference to conflicts of interest, using the information received from the chief executive officer and verifies periodically the achievement of the objectives set;
- formulates proposals to submit to shareholders' meetings and reports 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, replacement, 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 by an ordinary shareholders' meeting (which determines their

number within such limits) 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 by virtue of the legislation regarding privatizations and a specific provision of the bylaws (as explained in the first section of this report under "Ownership Structure – Special powers of the Italian Government"). To date, the Italian government has not exercised such power of appointment yet.

According to the current legislation, all the directors must possess the requisites of honorableness required for statutory auditors of listed companies, and for the company representatives of entities participating in the equity of financial intermediaries.

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 system aimed at ensuring the presence in 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.

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

Furthermore – pursuant to the amendments of the Unified Financial Act introduced in July 2011, aiming at ensuring the balance between genders in managing and supervisory boards of companies with listed shares, and to the relevant CONSOB's regulations, and in compliance with the bylaws amendments that, accordingly, shall be submitted to the approval of the shareholders' meeting called for the approval of the 2011 Company's financial statements – on the occasion of the next three renewals of the board of directors following to August 12, 2012, those slates which contain a number of candidates equal to or above three shall also include candidates belonging to different genders, as indicated in the notice of the meeting. With regard to the modalities of appointment of the board of directors, the said bylaws amendments shall introduce in the Company's bylaws a correction mechanism ("sliding clause") to be used in the event that, following the vote, the balance between genders, as provided for by the applicable laws, is not fulfilled.

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

least 21 days before the date of the meeting, so as to ensure a transparent process for the appointment of the board of directors.

A report with exhaustive information regarding the personal and professional characteristics of the candidates, accompanied by a statement as to whether or not the latter qualify as independent according to the provisions of law and of the Self-regulation Code, must be filed at the Company's registered office together with the slates, as well as published promptly on both the Company's and Borsa Italiana's websites.

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

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

- the presence of the necessary number of directors possessing the requirements of independence established by the law (that is to say, at least one director if the board consists of no more than seven members or two directors if the Board consists of more than seven members);
- the compliance with the applicable laws on balance between genders (accordingly to the aforesaid bylaws amendments that shall be submitted to the Company's shareholders' meeting called for the approval of the 2011 financial statements); and
- the principle of a proportional representation of minorities in the board of directors.

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

- if one or more of the directors leaving their office vacant were drawn from a slate also containing candidates who were not elected, the replacement must be made by appointing, in progressive order, persons drawn from the slate to which the directors in question belonged, provided that said persons are still eligible and willing to accept the office;
- in any case, in replacing directors who leave their office vacant, the board of directors must ensure the presence of the necessary number of directors possessing the requirements of independence established by the law, and ensuring the compliance with the applicable laws on balance between genders (accordingly to the aforesaid bylaws amendments that shall be submitted to the Company's shareholders' meeting called for the approval of the 2011 financial statements);
- if the majority of the directors appointed by a shareholders' meeting leaves the office vacant, the entire board is to be deemed to have resigned and the directors still in office must promptly call a shareholders' meeting to elect a new board.

The board of directors has decided – most recently in May 2011 – to 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 that conforms to the provisions of the law and is in line with the recommendations of the Self-regulation Code.

It should be noted that the Company has not adopted specific plans for the succession of the executive directors, since as of the date hereof, in consideration of Enel's shareholding structure, (i) the person to be appointed as chief executive officer, considering the specific professional and managerial experiences required by such office, is *de facto* easily identifiable among the candidates of the slate presented by the main shareholder, the Ministry of Economy and Finance, whilst (ii) the chairman of the board of directors is appointed directly by the shareholders' meeting, upon proposal and with the decisive vote of the main shareholder.

As resolved by the ordinary shareholders' meeting of April 29, 2011, the board of directors in office is composed of nine members, whose term expires when the 2013 financial statements are approved. As a result of the appointments made by the aforesaid shareholders' meeting, as of the date of this report the board of directors is composed of the members indicated here below, together with the specification of the slates on which they were nominated. The slates were presented by the Ministry of the Economy and Finance (which at the time owned 31.24% of the Company's share capital) and by a group of 20 institutional investors (which at the time owned a total of 0.98% of the Company's share capital).

- Paolo Andrea Colombo, 51 years, chairman (designated in the slate presented by the Ministry of the Economy and Finance);
- Fulvio Conti, 64 years, chief executive officer and general manager (designated in the slate presented by the Ministry of the Economy and Finance);
- Alessandro Banchi, 65 years, director (designated in the slate presented by institutional investors);
- Lorenzo Codogno, 52 years, director (designated in the slate presented by the Ministry of the Economy and Finance);
- Mauro Miccio, 56 years, director (designated in the slate presented by the Ministry of the Economy and Finance);
- Fernando Napolitanto, 47 years, director (designated in the slate presented by the Ministry of the Economy and Finance);
- Pedro Solbes Mira, 69 years, director (designated in the slate presented by institutional investors);
- Angelo Taraborelli, 63 years, director (designated in the slate presented by institutional investors);
- Gianfranco Tosi, 64 years, director (designated in the slate presented by the Ministry of the Economy and Finance).

A brief description of the professional profiles of the members of the board of directors above mentioned is contained in the attachment No. 1 to this report.

The directors are aware of the duties and responsibilities connected with the office they hold and are constantly informed by the relevant corporate departments of the most important legislative

and regulatory changes concerning the Company and the performance of their duties. In order to be able to perform their role even more effectively, they also participate to initiatives aimed at increasing their knowledge of the structure 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.

Remuneration
Shareholders' meetings determine the remuneration of the members of the board of directors. The board of directors sets the additional remuneration for the members of the committees with consultative and proposing functions instituted within the board of directors, upon proposal of the compensation committee, after consulting the board of statutory auditors. The total remuneration of the chairman and of the chief executive officer/general manager is also established by the board of directors, upon proposal of the compensation committee and after consulting the board of statutory auditors.
For a detailed description of the structure and of the amount of the remuneration here above related to the financial year 2011, please make reference to the second section of the remuneration report, approved by the board of directors on April 5, 2012, upon proposal of the remuneration committee, which is available at the Company's registered office, on the Company's website and on Borsa Italiana's website.

Limit to the number of offices held by directors
The directors accept their office and maintain it when they deem that they can devote the necessary time to the diligent performance of their duties, , taking into account both the number and the nature of the offices they hold in 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 out 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, which has been amended and updated in August 2011) a policy regarding the maximum number of offices that its members may hold in the boards of directors and the boards of statutory auditors of other companies of significant size in order to ensure that the persons concerned have sufficient time available to effectively perform the role they have on the board of directors of Enel.
In accordance with the recommendations of the Self-regulation Code, the aforesaid policy considers significant to this end only the offices held on the boards of directors and the 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 operating in the fields of insurance, banking, securities intermediation, mutual funds, or finance;

c) other Italian and foreign companies with shares not listed on regulated markets that, even though they operate in fields other than those specified under letter b) above, have assets exceeding euro 1 billion and/or revenues exceeding euro 1.7 billion according to their 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 in the board of directors of Enel and in 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 upon implementation of the aforesaid policy – and taking into account the inquiry carried out by the board of directors most recently in January 2012 – each of Enel's directors currently holds a number of offices in the boards of directors or boards of statutory auditors of other companies of significant size that is compatible with the limit established by the aforesaid policy.

Board meetings and the role of the Chairman

In 2011, the board of directors held 16 meetings, which lasted an average of about 3 hours each. The directors' participation was regular and the meetings were also attended by the board of statutory auditors and by a magistrate representing the Court of Accounts. For the financial year 2012, 13 Board's meetings have been scheduled, 4 of which have already been held.

The activities of the board of directors are coordinated by the chairman, which has a proactive and supervisory role on the functioning of the board. In particular, the chairman calls the meetings of the board, 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 boards resolutions are implemented, chairs shareholders' meetings, and – like the chief executive officer – is empowered to represent the Company legally.

In addition to the powers set forth in the law and bylaws regarding the functioning of the corporate bodies (shareholders' meeting and board of directors), the chairman is also entrusted - according to a board resolution adopted in May 2011 - with the duties of (i) participating in the formulation of corporate strategies in agreement with the chief executive officer, without prejudice to the powers granted to the latter by the board of directors in this regard, as well as (ii) overseeing internal auditing in agreement with the chief executive officer, with the related corporate department remaining under the latter. In this regard, however, it is provided that decisions concerning the appointment and removal 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 its Committees

During the end of 2011, the board of directors, with the assistance of a specialized consultancy firm, which does not have any other professional or business relationship with Enel or with the other companies of Enel Group, began (and completed in February 2012) an evaluation of the size, composition, and functioning of the board itself and its committees (so-called board review), in accordance with the most advanced practices of corporate governance disseminated abroad that have been adopted by the Self-regulation Code. This board review follows similar initiatives yearly undertaken by the board of directors starting from 2004.

Conducted by means of a questionnaire filled out by each director during individual interviews carried out by the consultancy firm, the analysis was intended to represent an overview of the activities of the board of directors during the first months of its mandate, and, as usual, it focused on the most significant issues regarding the board of directors, such as: (i) the structure, composition, role, and responsibilities of such body; (ii) the conduct of board meetings, the related information flows and the decision-making processes adopted; (iii) the composition and functioning of the committees instituted within the board; (iv) the evaluation of the adequacy of the organizational structures that support the works of the board of directors and of its committees.

Among the strengths that emerged from the 2011 board review there are, above all, the commitment of all directors to quickly reach the maximum cohesion within the board, in order to favor the building of the same cooperative climate and team spirit which characterized the former board of directors, accordingly to the results of the previous board review; the information flows on which the board's decision-making process is based, that the directors consider to be complete, effective and usually timely; the minutes of the meetings recording the debates and the resolutions of the boards, that are considered to be precise and accurate. The size of the board of directors, the expertise among its members, the number and the duration of the board's meetings are considered to be appropriate. The activities carried out by the chairman and the ways he coordinates the works of the board of directors are very positively assessed by the other directors, which have also expressed a positive assessment on the transparency of the information provided by the top management during the board's meetings and on the contributes and analysis on the most significant issues which have been provided by the top managers during the board's meetings and that have given the chance to enrich the board's debate with other information. With regard to the committees set up within the board, it has been expressed a large consensus on the adequacy of their composition, their role and the effectiveness of the activities carried out, as well as for the support given by the dedicated corporate functions. The overall picture here above induce to affirm that – as pointed out by the consultancy firm, that is based also on a benchmark analysis specially provided – Enel's board of directors and its internal committees work in an efficient and transparent way, in full compliance with corporate governance best practices.

With reference to the auspice represented during the previous board review regarding the presence, within the board, of one or more non-executive members with competence in the field of the energy business and experience on the international scene, also in order to strengthen the Group's multinational profile, it has been noted that such auspice has been fulfilled on the occasion of the renewal of the board of directors in April 2011; it has also been noted the approval of the suggestion – made during the previous board review – to dedicate more time during board's meetings to understand the business and the areas at risk connected with the internationalization of the Group.

Continuing an initiative introduced after the first board review (conducted in 2004), the annual meeting of the strategic committee was again organized also in 2011, in October, and was dedicated to the analysis and in-depth study by the members of the board of directors of the long-term strategies in the different business sectors of the Group. At the conclusion of the board review, the directors highlighted the great usefulness of such meeting as part of their training.

Among the few areas of improvement pointed out by some directors, it has been suggested the opportunity, on the one side, to add to the most voluminous and complex documents submitted to the board's attention some synthetic notes which summarize the most significant contents of the same documents, and, on the other side, to accelerate as much as possible the delivery of the documents to the directors, which, in any case, is already considered to be well-timed; furthermore, it has been underlined the need for the board of directors to achieve a right balance between the time and attention to dedicate to the exam of business strategies and the time and attention to dedicate to corporate governance issues, in consideration of the fact that the legal framework on these latter issues is becoming more and more complex.

Executive and 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 with 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.

Directors who do not correspond to any of the aforesaid categories qualify as non-executive.

According to the analysis carried out in May 2011 by the board of directors in office as of the date of the present report, with the exception of the chairman and the chief executive officer/general manager, the other 7 members of the same board of directors (Alessandro Banchi, Lorenzo Codogno, Mauro Miccio, Fernando Napolitano, Pedro Solbes Mira, Angelo Taraborrelli and Gianfranco Tosi) are 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 questions under discussion from different perspectives and consequently the adoption of 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, immediately after the appointment (May 2011) and, subsequently, during January 2012, the board of directors attested that directors Alessandro Banchi, Mauro Miccio, Pedro Solbes Mira, Angelo Taraborrelli, and Gianfranco Tosi are independent pursuant to the Self-regulation Code.

Specifically, directors were considered independent if they neither have nor have recently had relations, not even indirectly, with the Company or with parties connected with the Company that could currently condition the autonomy of their judgment.

As usual, the procedure followed in this regard by the board of directors began with an examination of a document with information showing the offices held and the relations maintained by the non-executive directors that could be significant for the purpose of assessing their respective independence. This phase was followed by the self-assessment carried out by each of the non-executive directors regarding his personal position, after which came the final assessment made collectively by the board of directors, with the abstention, in turn, of the individual members whose position was under examination.

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

In this regard, it is pointed out that, during the aforesaid evaluations of May 2011 and January 2012 on the independence of the non-executive directors, the board of directors, in compliance with the above mentioned principle of the prevalence of substance over form, has qualified as independent, pursuant to the Self-regulation Code, also the director Gianfranco Tosi, having decided to more properly evaluate his independence on the basis of the independent judgment shown by Mr. Tosi towards the Company, its executive directors and its main shareholder, the Ministry of Economy and Finance, that presented his candidature, rather than on the basis of the

fact that Mr. Tosi has been one of the directors of Enel for more than nine years during the last twelve years.

Furthermore, the board of directors has confirmed the validity of the specific quantitative parameters – adopted for the first time during the independence evaluation carried out in February 2010 – applicable to the commercial, financial, or professional relations that may take place, directly or indirectly, between directors and the Company. Unless there are specific circumstances, to be evaluated on a case by case basis, the exceeding of such parameters (specified in the Table 1 attached to the present report, together with the cases in which, according to the Self-regulation Code, the requisites of independence must be considered lacking) should, in principle, preclude the possession by the non-executive director in question of the requisites of independence provided for by the aforesaid Code. In this regard, please note that, during the aforesaid evaluations of May 2011 and January 2012 on the independence of the non-executive directors, the board of directors acknowledged that no business, financial or professional relationships, direct or indirect, exist nor have existed during the previous financial year, between the above mentioned independent directors and the Company or persons connected to the Company.

During the reviews carried out in May 2011 and January 2012, the board of directors ascertained that the foregoing five non-executive directors – *i.e.* Alessandro Banchi, Mauro Miccio, Pedro Solbes Mira, Angelo Taraborrelli and Gianfranco Tosi – also possessed the requisite of independence provided by law (namely by the Unified Financial Act) for the statutory auditors of listed companies (such requisites are also clearly specified in the Table 1 attached to this report).

During the months of May 2011 and February 2012, the board of statutory auditors established that, in carrying out the aforesaid evaluations of the independence of its non-executive members, the board of directors correctly applied the criteria recommended by the Self-regulation Code, following for such 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.

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

The independent directors have met, without the presence of the other directors, in December 2011. On that occasion, they shared their evaluations on the functioning of the board of directors and appointed the director Mauro Miccio as their coordinator for the next meetings.

Since 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 owns a controlling interest in the Company.

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 consultative and proposing functions and entrusting them with issues that are sensitive and sources of possible conflicts of interest.

Each of such committees consists of at least 3 non-executive directors, the majority of whom are independent, and are appointed by the board of directors, which appoints one of them as chairman and also establishes the duties of the Committee by a special resolution.

In December 2006, the board of directors approved special organizational regulations (amended and integrated in June 2011) that govern the composition, tasks, and working procedures of the compensation committee and the internal control committee.

In carrying out their duties, the committees in question are empowered to access the information and corporate departments necessary to perform their respective tasks and may avail themselves of external consultants at the Company's expense within the limits of the budget approved by the board of directors. In this regard it should be noted that, in the event that the compensation committee decides to have recourse to external consultants in order to obtain information on the market practices concerning remuneration policies, it previously verifies that the consultant is not in any situation which may actually jeopardize his judgment independence.

Each committee appoints a secretary, who needs not to be one of its members, to whom the task of drawing up the minutes of the meetings is entrusted.

The chairman of the board of statutory auditors, or another designated auditor, attends the meetings of each committee. Upon invitation by the chaiman of the relevant committee, meetings may also be attended by other members of the board of directors or representatives of the company's functions or third parties whose presence may support the performance of the committee's duties. The meetings of the compensation committee are normally attended also by the head of the "Human Resources and Organization" function, and the meetings of the internal control committee are also normally attended by the person in charge of the internal control; the meetings of the latter committee may be attended by the chairman of the board of directors and by the executive director charged with the supervision of the functionality of the internal control system, upon express invitation of the chairman of the internal control committee or when they are in the condition to provide the committee with proper in-depth examinations on specific items of the agenda.

In November 2010, the board of directors, during the approval of a new procedure for transactions with related parties, in compliance with the requirements prescribed by CONSOB with regulation adopted in March, 2010, established a new internal committee; this committee is called to release specific opinions about transactions with related parties carried out by Enel, directly or through its subsidiaries, in the cases described and in compliance with the procedure above.

Subsequently, in May 2011, the board of directors established another internal committee with consultative and proposing functions regarding corporate governance matters, with the duty of

supervising the procedures and the regulations adopted in this respect within the company and to formulate amendment proposals in order to adjust their contents to the national and international best practices, considering the changes of the related applicable laws.
The organizational regulations of the committee for transactions with related parties and of the corporate governance committee regulate the functioning of such committees basically in accordance with the principles contained in the organizational regulations of the compensation committee and of the internal control committee.

Compensation Committee
The compensation of the directors and of the executives with strategic responsibilities is established in an amount that is sufficient to attract, retain, and motivate people gifted with the professional qualities required for successfully managing the Company.
In this regard, the compensation committee must ensure that the compensation of the executive directors and of the executives with strategic responsibilities is defined in such a way as to align their interests with pursuing the priority objective of the creation of value for the shareholders in the medium-long term. In particular, a significant portion of the compensation of the executive directors and executives with strategic responsibilities is linked to achieving specific performance objectives, also including non-economic objectives, identified in advance and determined in line with the guidelines set forth in the remuneration policy.
The compensation of non-executive directors is commensurate with the commitment required to each of them, taking into account their participation to 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 linked to the economic results achieved by the Company and the Group and that the non-executive directors are not beneficiaries of stock-based incentive plans.
No directors may attend those meetings of the committee that are called to resolve upon the proposals regarding their remuneration, to be submitted to the board of directors, except in case of proposals concerning all the members of the committees established within the board of directors.
Specifically, the compensation committee is entrusted with the following consultative and proposing tasks (as lastly amended and integrated by the board of directors in June 2011 upon implementation of the amendments of Article 7 of the Self-regulation Code):

- to present proposals to the board of directors for the compensation of the directors and the executives with strategic responsibilities, evaluating periodically the adequacy, the overall consistency and the concrete application of the adopted policy and on the basis of the information provided by the chief executive officer concerning the implementation of such policy with respect to the executives with strategic responsibilities;
- to submit to the board of directors proposals for the remuneration of the executive directors and the other directors who hold particular offices, as well as for the identification of performance objectives related to the variable component of such remuneration, monitoring the

implementation of the resolutions adopted by the board and verifying, particularly, the actual achievement of performance objectives;

- to examine in advance the annual report on remuneration to be made available to the public in view of the annual shareholders' meeting called for the approval of the financial statements.

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

In addition to those recommended by the Self-regulation Code, the compensation committee also performs the task 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.

During 2011, the compensation committee consisted of directors Augusto Fantozzi (acting as chairman), Giulio Ballio, and Fernando Napolitano in the period between January and April, whilst starting from May until the end of the year it consisted of directors Fernando Napolitano (acting as chairman), Alessandro Banchi and Pedro Solbes Mira. The board of directors verified that they all have an adequate experience and expertise in financial matters.

Also during 2011, the compensation committee held 8 meetings, characterized by the regular attendance of its members (and of the chairman of the board of statutory auditors) and by an average duration of 1 hour and 30 minutes each; the committee recurred to external consultants, at Company's expenses.

During 2011, the compensation committee started to elaborate the guidelines of the remuneration policy of the directors and of the executives with strategic responsibilities, then set forth in detail during the first months of 2012, in order to permit to the board of directors to resolve upon the approval of such policy on April 5, 2012. The compensation committee – in addition to elaborating the long-term incentive plan for the year 2011 and carrying out a review of the performance of the existing incentive plans – worked on defining the remuneration of the chairman and the chief executive officer/general manager for the mandate 2011-2013; in this respect, the committee also worked on the implementation aspects of the variable component of the compensation of the chairman and the chief executive officer/general manager, in particular setting the annual economic and managerial objectives to assign them (as well as verifying the attainment of the objectives of the previous year). Lastly, the committee submitted to the board of directors the proposals concerning the compensation of the members of all the internal committees and monitored the evolution of the national applicable laws concerning the compensation of directors and top managers of listed companies, in the light of the implementation process of the relevant E.U.'s recommendations of 2004 and 2009.

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 within the board competences, the relations between the Company and the external auditor by preliminarily gathering the relevant facts.

Specifically, the internal control committee is entrusted with the following consultative and proposing tasks (as lastly defined by the board of directors, in June 2011):

- 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, at the request of the executive director who is assigned the task, on specific aspects regarding the identification of the Company's and the 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 results indicated in the report of the external auditors and in the letter of suggestions, if any;
- to perform the additional tasks assigned to the committee by the board of directors, with particular regard to the assessment of the adequacy of the commitment dedicated to the issues related to social responsibility of companies, and the completeness and transparency of the information provided in this regard through the sustainability report (the latter task having been assigned to the committee starting from February 2010);
- to report to the board of directors at least once every six months on the work performed and on the adequacy of the internal control system.

During 2011, the internal control committee consisted of directors Gianfranco Tosi (acting as chairman), Lorenzo Codogno (to whom the board of directors at that time had acknowledged the requisite of appropriate experience in accounting and finance), Renzo Costi, and Alessandro Luciano during the period between January and April, whilst starting from May until the end of the year it consisted of directors Gianfranco Tosi (still acting as chairman), Lorenzo Codogno (with reference to whom the board of directors confirmed the adequate experience in accounting and finance matters), Mauro Miccio and Angelo Taraborelli.

Also during 2011, the internal control committee held 13 meetings, which were characterized by the regular attendance of its members (as well as of the chairman of the board of statutory auditors) and an average duration of 2 hours each.

During 2011, the activity of the internal control committee focused first of all on the evaluation of the work plan prepared by the head of internal auditing, on the results of the audits performed during the preceding year, as well as on the examination of an amendment made by the

Company's "Audit" function, concerning the identification of the main risks within the Group (so called risk assessment); the committee thus formulated, within its competences, a positive assessment of the adequacy, efficiency and effective functioning of the internal control system during the previous exercise. During 2011, the committee also expressed a favourable opinion, within the limits of its authority, on the assignment of some specific additional tasks to entities belonging to the network of the Group's main external auditor (pursuant to the relevant procedure, adopted in 2009, concerning the assignment of engagements to the auditing firms which operate within the Group) and examined the effects of new legislative developments and the new international accounting standards on Enel Group's 2010 consolidated financial statements and 2011 half-year financial report. In 2011 the committee also supervised the preparation of the sustainability report and has been updated on the main activities carried out by the Group concerning corporate social responsibility, assessed the reports received during the previous financial year on the basis of the provisions of the Code of Ethics, examined the comments made by the Court of Accounts in the report on the management for the year 2009 and examined the considerations made by the competent Company's functions in this regard, monitoring moreover the observance of the compliance program adopted pursuant to Legislative Decree No. 231 of June 8, 2001 (and also seeing to the updating of the aforesaid program). Finally, the committee acknowledged the permanent compliance within the Group with the laws and regulations on accounting transparency, the appropriateness of the organizational structure and of the internal control systems of the subsidiaries set up under and governed by the laws of non-EU countries.

Related Parties Committee

The related parties committee is composed of at least 3 independent directors, appointed by the board of directors, which appoints a chairman between them and resolves moreover upon the duties assigned to the committee itself, in accordance with the provisions of the specific procedure for the discipline of the transactions with related parties, adopted by the same board of directors in November 2010 (in compliance with the requirements set forth under CONSOB's specific regulation approved on March 2010), which rules have become effective starting from January 2011.

According to the provisions contained in the said procedure and in the organizational regulation, the related parties committee, basically, has the duty to formulate specific reasoned opinions on the interest of Enel – as well as of Enel's direct or indirect controlled companies that may be concerned, time by time – in the completion of transactions with related parties, expressing an assessment concerning the convenience and substantial fairness of the relevant conditions, subject to prior receiving of timely and adequate information. In connection to transactions of major importance (as defined in the aforementioned procedure), such committee may also require information and make comments to the chief executive officer and those persons in charge of the negotiations or the inquiry regarding aspects connected to the information received. Lastly, the committee decides upon those cases, submitted to its attention by the advisory board established

pursuant to the same procedure, in relation to which the identification of a related party is disputed. In the exercise of its duties the committee may avail itself, at the expense of Enel, of the assistance of one or more experts chosen by the committee among people of proven expertise and competence on the subject matters of the transactions in relation to which the committee is called to give its opinion, after having verified their independence and the absence of conflicts of interests.

During 2011, the committee was composed of directors Augusto Fantozzi (acting as chairman), Giulio Ballio and Renzo Costi during the period between January and April, whilst starting from May until the end of the year it was composed of directors Alessandro Banchi (acting as chairman), Pedro Solbes Mira, Angelo Taraborrelli and Gianfranco Tosi.

Moreover, during 2011 the committee held 2 meetings, characterized by the regular attendance of its members (as well as of the chairman of the board of statutory auditors) and an average duration of 1 hour and 15 minutes each.

During 2011 the related parties committee expressed its favourable opinion on the proposal of the compensation committee regarding the remuneration of the chairman and of the chief executive officer/general manager for the mandate 2011-2013, before such proposal was examined by the board of directors and submitted to the board of statutory auditors for its approval. Furthermore the committee carried out an accurate examination of the contents of CONSOB's regulations and of the specific Company's procedure for the regulation of transactions with related parties, in order to verify terms and conditions of the application of such documents in light of the actual activity of the Company.

Corporate Governance Committee

The corporate governance committee is composed of at least 3 directors, most of them non executive, of which at least one in possession of independence requirements; the members of the committee are appointed by the board of directors, which also appoints, among them, the chairman of the committee and establishes the duties of the same committee.

According to the provisions contained in its organizational regulation, the corporate governance committee, which has preliminary, consultative and proposing functions, shall assist the board of directors with respect to the assessments and decisions related to the corporate governance of the Company and of the Group. Within these duties, the committee has the following specific tasks:

- to monitor the evolution of laws, as well as national and international best practices, in relation to corporate governance, updating the board of directors in case of significant changes;
- to verify that the corporate governance system adopted by the Company and the Group is compliant with applicable laws, recommendations set forth under the Self-regulation Code and national and international best practices;
- to submit to the board of directors proposals for the adjustment of the aforementioned corporate governance system, if it is deemed necessary or appropriate;

- to prepare the board review process, submitting to the board of directors proposals regarding the engagement of a consultancy firm specialized in this sector, identifying the issues that shall be the subject-matter of the assessment and determining the timing and conditions of the same process;
- to previously examine the annual report on corporate governance to be included in the documentation of the annual financial statements;
- to perform additional tasks assigned it by the board of directors.

During 2011 the corporate governance committee was composed of directors Andrea Colombo (acting as chairman), Lorenzo Codogno, Mauro Miccio and Fernando Napolitano.

During 2011 the corporate governance committee held 5 meetings since its establishment (occurred in May), characterized by the regular attendance of its members (as well as of the chairman of the board of statutory auditors) and an average duration of 1 hour and 15 minutes each; the committee recurred to external consultants, at Company's expenses.

During 2011 the corporate governance committee, first of all, has carried out a precise examination of the implementation level and modalities within Enel of the recommendations set forth under the Self-regulation Code in order to ensure the continuing observance of high corporate governance standards by the Company and the Group. Moreover, the committee updated a few important policies and company's procedures, in particular with regard to (i) the guidelines regarding the maximum number of offices that Enel's directors may hold in the boards of directors and the boards of statutory auditors of companies of a significant size, in order to ensure that those concerned dispose of sufficient time to effectively perform the role they have in the board of directors of Enel, as well as to (ii) the regulations for the internal management and handling of confidential information and for the publication of documents and information concerning the Company and the Group, with specific reference to privileged information. Lastly, the corporate governance committee worked on the preparation of the board review process, identifying, by means of a specific selection procedure, a consultancy firm to be entrusted with the task of supporting the board of directors and its committees in the self-assessment procedure regarding the financial year 2011.

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 by an ordinary shareholders' meeting for a period of three accounting periods and may be re-appointed when their term expires.

In order to ensure that the board of statutory auditors can effectively perform its duties and in accordance with the recommendations of the Self-regulation Code, since December 2006, the board of directors, within the limits of its authority, expressly granted the board of statutory auditors:

- the power to oversee the independence of the external auditor, 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 relevant network performed for the Company and the Group (this power was expressly granted to the board of statutory auditors by Legislative Decree No. 39 of January 27, 2010, which implemented in Italy Directive 2006/43/EC, concerning the auditing of the annual and consolidated financial statements);
- the power – which may also be exercised individually by the statutory auditors – to request the Company's "Audit" function to perform checks on specific corporate operating areas or transactions;
- the power to promptly exchange information relevant for performing their respective duties with the internal control committee.

According to the legislation in force, the members of the board of statutory auditors must possess the requisites of honourableness provided for the company representatives of entities which participate into the equity of financial intermediaries, in addition to those established for the statutory auditors of listed companies. They must also possess the requisites of professional competence required by the law of statutory auditors of listed companies, as supplemented by special provisions of the bylaws. Finally, they must possess the requisites of independence specified by the law for statutory auditors of listed companies.

In accordance with the provisions of the Unified Financial Act, the limit to the number of offices on the boards of directors and the boards of statutory auditors that the members of Enel's board of statutory auditors may hold in Italian corporations was established by the CONSOB with specific regulation.

As in its provisions for the board of directors – and in compliance with the Unified Financial Act – the bylaws provide that the appointment of the entire board of statutory auditors take place according to the slate vote system, which aims to ensure the presence on the Board of a regular auditor (who is entitled to the office of chairman) and an alternate auditor (who will take the office of chairman if the incumbent leaves it before the end of his term) designated by minority shareholders.

This electoral system provides that the slates, in which the candidates must be listed in progressive order, may be presented by shareholders that, alone or together with other shareholders, own the minimum equity interest in the Company, as determined by CONSOB with regulation, for the presentation of slates of candidates to the office of director (specifically, pursuant to the stock exchange capitalization of the shares of Enel, at the date of this report the equity interest requested is equal to at least 0.5% of the share capital).

Moreover – in implementing the amendments to the Unified Financial Act introduced in July 2011 with the purpose to ensure the balance between genders in the management and control bodies of listed companies, as well as in compliance with the relevant CONSOB's regulations, and according to the amendments to the bylaws that will be consequently submitted to the Company's shareholders' meeting called to resolve upon the approval of the financial statements 2011 – at the

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

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

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

- the observance of the principle of the representation of minority shareholders on the board of statutory auditors*;* as well as
- the observance of the applicable laws concerning the balance of genders (on the basis of the above mentioned bylaws amendments which will be submitted to the Company's shareholders' meeting called for the approval of the financial statements 2011).

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 April 29, 2010, the term of the current board of statutory auditors will expire when the 2012 financial statements are approved. As a result of the appointments made at the aforesaid shareholders' meeting, at the date of this report, the board of statutory auditors consists of the regular members indicated here below, together with the slates on which they were appointed. Such slates were presented by the Ministry of the Economy and Finance (which at the time owned 13.88% of the Company's share capital) and by a group of 20 institutional investors (which at the time owned a total of 19% of the Company's share capital).

- Sergio Duca, 64 years, chairman (designated in the slate presented by institutional investors);
- Carlo Conte, 64 years, regular auditor (designated in the slate presented by the Ministry of Economy and Finance);
- Gennaro Mariconda, 69 years, regular auditor (designated in the slate presented by the Ministry of Economy and Finance).

A brief professional profile of the above mentioned regular auditors is described under Attachment 2 to this report.

The shareholders' meeting determines the remuneration of the regular members of the board of statutory auditors. Specifically, in April 2010 the ordinary shareholders' meeting set the remuneration to which the chairman of the board of statutory auditors is entitled at euro 85,000 gross a year and the remuneration to which each of the other regular statutory auditors is entitled at euro 75,000 gross a year, in addition to the reimbursement of the expenses necessary for the performance of their duties.

During 2011, the board of statutory auditors held 22 meetings, lasting an average of about 2 hours each, which were regularly attended by the regular auditors and the magistrate representing the Court of Accounts.

During February 2012, the board of statutory auditors established that the chairman, Sergio Duca, and the regular auditor Gennaro Mariconda possess the requisites 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 established that, even though he does not possess the aforesaid requisites of independence (because he is a general manager at the Ministry of the Economy and Finance, the reference 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.

At the date of this report, with respect to the above-mentioned CONSOB's rules on the limits to the number of offices on the boards of directors and the boards of statutory auditors that the members of board of statutory auditors may hold in Italian corporations (which set a maximum limit of 6 points to the offices that may be hold by a statutory auditor), the regular statutory auditors have communicated to the Authority the following data regarding the number of offices held as well as the points thereof:

- Sergio Duca: 4 offices amounting to 3.35 points;
- Carlo Conte: 5 offices amounting to 2.15 points;
- Gennaro Mariconda: 1 office amounting to 1.0 point;

Auditing firm

The external audit of Enel's financial statements and the Group's consolidated financial statements is entrusted to Reconta Ernst & Young S.p.A.

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

Since 2009, a special procedure was formalized for regulating the appointments of auditing firms that do business with the Group. According to this procedure, the internal control committee and the board of statutory auditors shall express a preliminary binding opinion on the assignment of each additional task –other than the main task of auditing and for which no incompatibility is provided for by the law – to the Group's main external auditor or to entities belonging to the auditor's network. The assignment of such additional tasks is allowed only in determined

circumstances of demonstrated necessity, from the legal or economic point of view or in terms of service quality.

Oversight of the Court of Accounts

The Court of Accounts oversees the financial management of Enel, availing itself for this purpose of an appointed magistrate. During 2011 this role was performed, at first, during the period from January to April, by the substitute delegated judge Igina Maio, and starting from May by the delegated judge Francesco Paolo Romanelli. In January 2009, the board of directors resolved to pay the magistrate appointed by the Court of Accounts an attendance allowance of euro 1,000 for each meeting of corporate bodies attended. This position has been confirmed by the board of directors in June 2011.

The magistrate appointed by the Court of Accounts attends the meetings of the board of directors and the board of statutory auditors. The Court of Accounts presents an annual report on the results of the oversight performed to the office of the President of the Senate and the office of the President of the House of Deputies.

Executive in charge of preparing the corporate accounting documents

In compliance with the provisions of the Unified Financial Act and of the Company's bylaws, starting from 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 (renamed "Accounting, Finance, and Control" in June 2009), in the person of Luigi Ferraris, to the position of executive in charge of preparing the corporate accounting documents. As ascertained by the board of directors in June 2007, such executive possesses the professional qualifications introduced in the Company's bylaws on May 2007 in compliance with the Unified Financial Act.

The duty of this executive is to establish appropriate administrative and accounting procedures for the preparation of the stand-alone financial statements 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, 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 financial 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 regarding the stand-alone financial statements, the consolidated financial statements, and the half-year financial report: (i) the adequacy and actual application of the aforesaid administrative and accounting procedures during the period to which such accounting documents refer; (ii) the compliance of the contents of these documents to the international accounting standards applicable within the European Union; (iii) the correspondence of the

aforesaid documents to the accounting records and their suitability for providing a true and fair view of the Company's and the Group's balance sheet, income statements, and cash flows; (iv) that the report on operations accompanying the stand-alone financial statements and the consolidated financial statements contain a reliable analysis of the performance and results of the year, as well as of the situation of the Company and the Group, together with a description of the main risks and uncertainties to which they are exposed; (v) that the report on operations included in the half-year financial report contains a reliable analysis of the most important events that occurred during the first six months of the period, together with a description of the main risks and uncertainties in the remaining six months of the period and information on the significant transactions with related parties.

The contents of the certification that the executive in question and the chief executive officer must issue in accordance with the foregoing are set by CONSOB with a specific regulation.

Internal control system

With regard to internal control, since several years the Group has been adopting a special system aimed at (i) checking the appropriateness of Group procedures in terms of 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 the corporate directives and guidelines for sound and efficient management.

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

- line auditing (or first level), 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;
- the second level controls, which are assigned to (i) the management control function (which is part of ENEL's "Administration, Finance and Control" function) with regard to the monitoring of the business-financial trend of the Company and of the Group, and (ii) the "Group Risk Management" function with regard to elaboration of policies aimed at managing the main risks (concerning, for example, the interest and exchange rates and the commodities risk);
- internal auditing, which is entrusted to the Company's "Audit" function 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 appropriateness of the audits themselves and the results actually achieved by their application. This activity under consideration is therefore applied to all the corporate processes of the Company and of the 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.

The responsibility for adopting an adequate 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 observed in this regard that since December 2006, the board of directors acknowledged the identification of the main risks regarding the Group (so called risk assessment) and of specific criteria for measuring, managing, and monitoring the aforesaid risks – in accordance with the content of a special document drawn up by the Company's "Audit" function – and agreed on the compatibility of the aforesaid risks with sound and correct corporate management. Subsequently, in February 2008 and lastly in February 2012, the board of directors examined and shared specific updates on the Group risk assessment, prepared by the Company's "Audit" function;
- appoints one or more executive directors to supervise the functioning of the internal control system. During 2011 such office was first jointly held by the chairman and the chief executive officer in the period from January until June, as determined by the board of directors since December 2006. Starting from July 2011 the board of directors entrusted this role exclusively to the chief executive officer, in light of the powers' structure adopted within the Company and in consideration of the instructions provided by the Self-regulation Code on this matter (which provides that such office is usually assigned to the chief executive officer);
- evaluates the appropriateness, efficiency, and actual functioning of the internal control system at least once a year. It should be noted that in March 2011 and, most recently, in February 2012, 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 the related compensation in line with the relevant corporate policies. In this regard, in January 2008, the board of directors, having acknowledged that there was a new head of the Company's "Audit" function (in the person of Francesca Di Carlo), confirmed the latter as the person in charge of the internal control system and confirmed her compensation as the same as she was already receiving.

The executive director assigned to supervise the functioning of the internal control system in turn:

- oversees 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 submits them periodically to the board of directors for examination;
- carries 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. He also supervises the adaptation of this system to the dynamics of operating conditions and to the legislative and regulatory framework;

- makes 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;
- has direct access to all the information that is useful for the performance of his or her duties;
- has adequate means at his or her disposal for performing the assigned tasks;
- reports on his or her activities to the executive director assigned to supervise the functioning of the internal control system, to the internal control committee, and to the board of statutory auditors. Specifically, he or she reports on the procedures through which risk management is conducted, as well as on the observance of the plans devised to limit them, and expresses his or her evaluation of the suitability of the internal control system for achieving an acceptable level of overall risk.

In line with the most advanced corporate governance practices, in June 2009 the Company created a specific "Group Risk Management" function, whose mission is to ensure the effective implementation at the Group level of the process of managing all financial, operating, strategic, and business risks with a significant impact, as well as the main risks that, for whatever reason, may affect the Company's and the Group's balance sheet, income statement, and cash-flow statement.

During 2011, the main activities carried out by the "Group Risk Management" function were:

- the preparation and the first implementation of the risk governance of the Group, upon agreement with the operative Divisions and the personnel of the interested functions;
- the drafting of the guidelines for the management of the financial risks, commodity and credit, comprising the definition of the operative limit system;
- the definition of the enterprise risk management model of the Group, the start-up and completion of the first assessment of the main risk sources with potential impact on the achievement of the strategic and business purposes, the analysis of the results and the presentation of the most significant outcomes to the top management;
- the start-up of the activities of some local risk management structures;
- the definition of report formats on the different risk categories and the activation of a periodic communication flow with the operative divisions and the top management;
- the establishment and the start-up of special risk committees, established both on central level and in the different countries where the Group operates; the definition by such committees of the qualitative and quantitative risk limits assigned to the risk owners and of the procedure aimed at monitoring their observance;
- the development of an integrated model (so called business plan @risk) aimed at the analysis (i) of the quantitative risks related to the achievement of the targets of the budget and of the industrial plan and (ii) of the economic and financial profitability of the huge investments,

through appropriate sensitiveness, scenario and probabilistic analysis; that with the purpose of evaluating the effects of the amendments of exogenous variables (*i.e.* prices, rates, inflation, energy demand, gross domestic product, etc.) on the expected results in terms of cash flow of the Group and financial sustainability, and on the overall portfolio risk;

- the individuation, the purchase, the parameterization and the implementation of the software solutions for the industrial risk management and enterprise risk management activities;
- the development of specific methodologies for the analysis and the measuring of the different risks.

The system of risk management and internal control of financial information

As part of the internal control system, the Group has had for several years a specific system of risk management and internal control regarding the process of financial information (in the present section, for the sake of brevity, referred to as the "System").

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

The executive in charge of preparing the corporate accounting documents supervised the development and execution of a specific model for assessing the System and adopted a special set of procedures – of which all the personnel concerned has been informed – which records the methods adopted and the responsibilities of the aforesaid personnel as part of the activities of defining, maintaining, and monitoring the System in question. Specifically, the Group issued a procedure that regulates the reference model of the control system and a procedure describing the process of assessing the internal system for controlling financial information, which defines roles and responsibilities within the Company's organization, providing for a specific flow of internal certifications.

The controls adopted have been monitored to check both their design (*i.e.*, that the control, if operative, is structured in order to mitigate the identified risk in an acceptable way) and their actual effectiveness.

The management responsible for the activities, risks and controls and the Company's "Audit" function are entrusted with responsibilities regarding the periodic testing of the System.

The assessment of the controls on financial information was based on the criteria established in the model "Internal Controls – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (the so-called "COSO Report"), supplemented with regard to the IT aspects by the model "Control Objectives for Information and related Technology" (the so-called "COBIT"). Furthermore, the internal controls concerning the correct book-keeping provided for in section 404 of the Sarbanes-Oxley Act are applied by some Latin-American

companies of the Group having ADS (American Depositary Shares) listed on the New York Stock Exchange.

The process of assessment of the System, defined in Enel as Management Assessment Process (and in the rest of the present section referred to, for the sake of brevity, as "MAP"), which is progressively extended to newly acquired subsidiaries of a material significance, is divided into the following macro-phases:

- definition of the perimeter and identification of the risks;
- assessment of the design and effectiveness of the controls (the so-called line monitoring);
- independent monitoring, entrusted to the Company's "Audit" function;
- reporting, internal certifications, consolidation, and summary of the assessments;
- certification of the chief executive officer and of the executive in charge of preparing the corporate accounting documents regarding stand-alone financial statements, consolidated financial statements, the half-year financial report.

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

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

Risks are identified at both the entity level and the process level. In the former, the risks identified are considered in any case to have a significant impact on financial information, regardless of the probability of such impact. Process-level risks, on the other hand, are assessed – regardless of relevant controls (so called "*valutazione a livello inerente*") - in terms of potential impact and the probability of occurrence, on the basis of both qualitative and quantitative elements.

Following the identification and assessment of the risks, controls were established that are aimed at reducing to an acceptable level the risk connected with the failure to achieve the objectives of the System, at both the entity and the process level.

Controls at entity level are catalogued in compliance with the five sections provided in the COSO Report: control environment, risk assessment, control activities, information & communication and communication, monitoring activities.

Within the scope of the companies identified as significant, the processes at greatest risk were defined and assessed and the top-down risk-based approach was applied. In accordance with this approach, the Company then identified and assessed the risks with the greatest impact and the related controls, both general and specific, aimed at reducing the possibility of the aforesaid risks occurring to an acceptable level.

In order to assess the appropriateness of the System, provision has been made for, every six months, a specific phase of the MAP, which consists in the monitoring by the process managers (that is, the individuals in charge of the activities, risks and controls) aimed at testing the design and effectiveness of each of the controls identified.

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

The Company's "Audit" function is entrusted with the task of performing an "independent" assessment of the effectiveness of the MAP.

The results of the assessments performed by both the line management and the "Audit" function of the Company are communicated to the executive in charge of preparing the corporate accounting documents through specific periodic flows of summarized information (so called "reporting"), which classify any deficiencies in the effectiveness and/or design of the controls – for the purposes of their potential impact on financial information – into simple deficiencies, significant weaknesses, or material deficiencies.

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

These flows are also used for the periodic information about the adequacy of the System, provided by the executive in charge with regard to the board of statutory auditors, to the internal control committee, and to the external auditor.

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

Non-EU foreign subsidiaries

During 2011, the internal control committee checked that the Group was consistently complying with the regulations, established by CONSOB as part of its Market Regulation, regarding accounting transparency, as well as the adequacy of the organizational structure, and the internal control systems of subsidiaries set up and regulated under the law of non-EU countries (hereinafter, for the sake of brevity, referred to as "non-EU foreign subsidiaries").

In particular, the following should be noted in this regard:

- according to the data contained in the financial statements as of December 31, 2010 and in application of the parameter concerning material significance for consolidation purposes introduced in the CONSOB's Market Regulation with effect from July 1, 2008, 14 non-EU foreign subsidiaries were identified within the Enel Group to which the regulations were

- the balance sheet and income statement for 2011 of all the above companies, as included in the reporting package used for the preparation of the Enel Group's consolidated financial statements for 2011, will be made available to the public by Enel at least 15 days before the date set for the shareholders' meeting convened for the approval of the 2011 financial statements of Enel, together with the summary reports regarding the main data of the last financial reports of the subsidiaries and affiliated companies (according to the procedures described in CONSOB's Issuers Regulation);
- the bylaws and the composition and powers of the corporate bodies of the above companies were obtained by Enel and are available to CONSOB, in updated form, where the latter should so request for supervisory purposes;
- Enel has ensured that all the above companies: (i) provide the external auditor of the parent company with the information necessary to perform the annual and interim audits of Enel; (ii) use an administrative and accounting system appropriate for regular reporting to the management and the external auditor of Enel of the income statement, balance sheet and financial data necessary for the preparation of the Group's consolidated financial statements.

Transactions with related parties

Starting from December 2006, the board of directors – implementing the provisions of the Italian Civil Code (which, until then, the CONSOB had not specifically adopted), as well as the recommendations of the Self-regulation Code – has adopted an internal regulation aimed at identifying 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. Such regulation was applied until the end of 2010, and since January 1, 2011, a new procedure for transactions with related parties, which main contents are described here below and that has been approved by the board of directors in November 2010 and in compliance with the requirements provided by CONSOB with a specific regulation adopted in March 2010, implementing the provisions of the civil Code, finds full application.

According to such procedure, the transactions with related parties can be divided in the following three categories:

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

In order to allow the related parties committee to express a previous reasoned opinion on Enel's interest in the completion of transactions with related parties, as well as the convenience and substantial fairness of the relevant conditions, the procedure determines specific information flow. In particular:

- for transactions of minor importance, the Company's chief executive officer or the proposing function, through the "Corporate Affairs" function provide the related parties committee, in reasonable advance and, in any case, in general, at least 10 days before the date of the issue of the opinion released by the committee itself, with complete and adequate information about each transaction of minor importance, providing any appropriate updates thereof;
- for transactions of major importance, the Company's chief executive officer, through the "Corporate Affairs" function, provides the related parties committee, promptly – and, in any case within the day following the date in which the board of directors of Enel has been informed for the first time – complete and adequate information regarding each transaction of major importance, providing any appropriate updates thereof. The related parties committee, or one or more of its delegated members, may require information and make comments to the chief executive officer of Enel and to those persons in charge of the negotiations or the inquiry regarding aspects which are the subject-matter of the information flows, as well as require any other information deemed to be useful for the assessment of the transaction.

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

- for the transactions of minor importance, such opinion is not binding. Nevertheless, Enel shall make available to the public, within fifteen days after the close of each quarter, a document containing an indication of the counterpart, of the object and the consideration of the

transactions of minor importance approved in the reference quarter in the presence of a negative opinion of the related parties committee, as well as of the reasons why it was deemed suitable not to share that opinion;

- for the transactions of major importance, if the related parties committee issues a negative opinion, the board of directors of the Company, if set forth in the bylaws of the Company (introduced during the extraordinary shareholders' meeting of April 29, 2011), may submit the transaction of major importance to the ordinary shareholders' meeting for its authorization. The shareholders' meeting, without prejudice to the majorities required by law, bylaws and provisions applicable in case of conflict of interest, approves its resolution with the favourable vote of at least half of the voting unrelated shareholders (so called whitewash). In any case, the completion of major importance transactions is prevented only if the unrelated shareholders present at the shareholders' meeting represent at least 10% of the share capital with voting rights.

In compliance with applicable laws and the procedure, if the relation exists with a director of the Company or with a party related by means of him, the interested director shall promptly notify the board of directors of the nature, the terms, the origin and the range of its interest, leaving the board of directors' meeting during the adoption of the resolution if this does not jeopardize the permanence of the constitutive *quorum* and if the board of directors does not decide differently.

If the relation exists with the chief executive officer of the Company or with a related party by means of him, in addition to the above he will abstain from the execution of the transaction, and entrust the board of directors with executing the transaction.

If the relation exists with one of the regular statutory auditors of the Company or with a related party by means of them, the interested auditor promptly notifies the other auditors and the chairman of the board of directors of the nature, the terms, the origin and the range of its interest.

The procedure provides that the minutes of the resolutions with which the board of directors of the Company approves the transactions with related parties, both of major importance and of minor importance – or, in the latter case, the decisions of the competent delegated body – shall bear adequate reasons about the convenience of Enel in the completion of the transactions and the convenience and substantial correctness of their underlying terms.

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

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

- atypical or unusual transactions, by which is meant ones that because of their significance/importance, nature of the counterparties, their object, the way in which the transfer price is determined, the timing of the events (i.e. proximity of the closing of the financial year) may give rise to doubts with regard to the accuracy/completeness of the information in the financial statements, conflicts of interest, the safeguard of the Company's assets, or the protection of minority shareholders of Enel;
- transactions whose equivalent-value exceeds 25 million euro, with the exception of those transactions excluded from the scope of application of the procedure (details follow below).

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

Pursuant to CONSOB regulations, the following transactions with related parties are excluded from the scope of application of the procedure:

a) shareholders' meetings resolutions in relation to the establishment of the compensation due to all the members of the board of directors and of the board of statutory auditors;
b) the transactions for small amounts, as identified in the procedure itself;
c) the compensation plans based on financial instruments, approved by the shareholders' meeting pursuant to the provisions of the Unified Financial Act and its executive operations;
d) resolutions other than those indicated under letter a), in relation to the remuneration of the Company's directors holding a special office, together with the remuneration of executives with strategic responsibilities of companies of the Group, provided that:
   - Enel has adopted a remuneration policy;
   - in the definition of the remuneration policy, a committee consisting solely of non-executive directors – the majority of whom shall be independent - has been involved;
   - a report illustrating the remuneration policy has been submitted for advisory vote of the shareholders' meeting of Enel;
   - the remuneration awarded is consistent with this policy;
e) regular transactions completed at market-equivalent or standard terms;
f) transactions with or between companies controlled, even jointly, by Enel, as well as transactions with companies affiliated with Enel, provided that in the controlled or affiliated companies that are counterparties to the transaction no significant interests (as identified in the procedure) of another Enel's related party exist.

Lastly, a simplified procedure for the approval of related parties transactions, that are not attributed to the shareholders' meeting, is also provided in case of urgency, it being understood that a

subsequent non binding vote concerning such transactions by the first ordinary shareholders' meeting of the Company is required.

Processing of corporate information

As early as February of 2000, the board of directors approved special rules (supplemented in March 2006 and, lastly, amended and updated in September 2011) for the internal 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 directors and statutory auditors of the Company 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 authority, establishing that the dissemination of information regarding individual subsidiaries must in any case be agreed upon with the Enel'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 into contact with the press and other mass media (or financial analysts and institutional investors).

Following the adoption by Italian law of the E.U. regulations regarding market abuse and the coming into force of the implementing regulations issued by CONSOB, in April 2006 the Company established (and began to regularly update) a Group register recording the persons, both legal and natural, who have access to privileged information through the exercise of his or her employment, profession or duties 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 CONSOB's supervision of compliance with the regulations provided to safeguard market integrity.

Following the adoption by Italian law of the E.U. regulations regarding market abuse and the coming into force of the implementing regulations issued by CONSOB, as from April 2006 significant changes were introduced 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's representatives, and persons closely connected with them.

During 2011, the regulations regarding internal dealing applied to the purchase, sale, subscription and exchange of the shares of Enel and of the subsidiaries Endesa S.A. and Enel Green Power S.p.A., 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 regular statutory auditors of Enel, the directors of the subsidiary Endesa S.A., as well as 28 other managerial positions identified in Enel and Endesa S.A. in accordance with the relevant regulations, insofar as 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 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 stand-alone financial statements and the half-year report.

This initiative of the board of directors was prompted by the will to improve the Company's governance standards with respect to the relevant regulations, through the adoption of a measure 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 to 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 part of its "Accounting, Finance, and Control" function, and (ii) a unit within the "Corporate Affairs" function in charge of communicating with shareholders in general.

It was also decided to further enhance communication with investors through the creation of a special section of the Company's website (www.enel.com, investor 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' meetings regulations, information and documents regarding shareholders' meetings, documents regarding

corporate governance, the code of ethics, and the compliance program pursuant to Legislative Decree No. 231/2001, as well as a general chart of the organization of the Group).

Shareholders' Meetings

The recommendation contained in the Self-regulation Code to consider shareholders' meetings as important occasions for discussion between a company's shareholders and its board of directors (even considering a wide range of different communication channels between companies with listed shares and shareholders, institutional investors, and the market) was carefully assessed and fully accepted by the Company, which, in addition to ensuring the regular attendance of its directors at shareholders' meetings, deemed it advisable to adopt specific measures to adequately enhance such meetings; in particular, reference is made to the provision of the Company's bylaws aimed at enhancing proxy solicitation among the employee shareholders of the Company and its subsidiaries and at facilitating their participation in the decision-making process of the shareholders' meeting (this provision is specifically described in the first part of the report, under "Ownership structure" – "Employee shareholdings: mechanism for exercising voting rights").

The applicable law regarding the functioning of the shareholders' meetings of listed companies, provided in the Civil Code, in the Unified Financial Act and in the implementing regulations adopted by CONSOB, was significantly amended after the enactment of Legislative Decree No. 27 of January 27, 2010, which implemented in Italy Directive 2007/36/EC (concerning the enforcement of certain shareholders' rights in listed companies) and that modified, among others, the laws regarding the terms for the shareholders' meetings, the number of the meetings, the quorums, the exercise of the right to convene the meeting and to put items on the agenda by minority shareholders, the information before the meeting, the representation at the meeting, the identification of the shareholders and the introduction of the record date with the aim of identifying the title to participate and vote in the meeting.

Some of the most significant new regulations introduced by Legislative Decree No. 27/2010 are synthetically illustrated below, together with some articles of Enel's bylaws dedicated to shareholders' meetings.

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

On the basis of the Enel's bylaws, ordinary and extraordinary shareholders' meetings are held in single session, are convened and resolve with the majorities prescribed by applicable laws and are normally held in the municipality where the Company's registered office is located; the board of directors may determine otherwise, provided the venue is in Italy. The ordinary shareholders'

meeting must be convened at least once per year within one hundred and eighty days after the end of the accounting period, for the approval of the financial statements.

The Unified Financial Act provides that the title to participate and to vote in the shareholders' meeting must be certified by a notice in favour of the person entitled to vote, sent to the issuer by the intermediary and issued on the basis of the accounting records at the end of the seventh trading day prior to the date set for the shareholders' meeting (so called "record date").

Shareholders may ask questions on the items on the agenda before the shareholders' meeting; questions submitted before the Meeting will be answered no later than during the meeting.

Shareholders may also notify electronically their proxies to the Company, by sending the proxies through the specific section of the Company's website indicated in the notice of the meeting. Shareholders may also be represented in the meeting by a representative in conflict of interest, provided that (i) the latter has communicated in writing to the shareholder the circumstances giving rise to the conflict of interest and (ii) specific voting instructions were given for each resolution in respect of which the representative has to vote on behalf of the shareholder.

Pursuant to the Unified Financial Act and the Enel's bylaws, shareholders are also entitled to grant to a representative appointed by the Company a proxy with voting instructions upon all or specific items on the agenda, that must be sent to the interested person no later than the end of the second trading day before the date set for the shareholders' meeting; this proxy, whose costs shall not be born by the shareholders and that must be filled out through a schedule prepared by CONSOB, is valid only for those proposals in relation to which voting instructions were given.

On the basis of the Unified Financial Act, in the end of 2010 CONSOB issued the provisions governing the participation in the shareholders' meeting by electronic means, which are applicable only when expressly referred to by the bylaws. In consideration of the evolution and reliability of technical devices, Enel's bylaws empowers the board of directors to provide, with respect to single shareholders' meetings, the participation by electronic means, specifying the conditions for such participation in the notice of the meeting.

Shareholders' meetings are governed, in addition to the law and bylaws, by a specific regulation approved at the ordinary shareholders' meeting of 25 May 2001 (as subsequently amended and integrated in 2010). The contents of such regulation are in line with the most advanced models for companies with listed shares expressly drawn up by several professional associations (Assonime and ABI).

Shareholders' meetings shall be chaired by the chairman of the board of directors or, if it happens that he or she is not available, by the deputy chairman if one has been appointed, or if both are absent, by a person designated by the board, failing which the meeting shall elect its chairman. The chairman of a shareholders' meeting shall be assisted by a secretary, except if the drafting of the minutes is entrusted to a notary public.

The chairman of a shareholders' meeting, among other things, verifies the regular constitution of the meeting, assesses the identity and legitimacy of those attending, regulates the proceedings and ascertains the results of the vote.

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

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

Code of Ethics

Awareness of the social and environmental effects that accompany the activities carried out by the Group, as well as consideration of the importance of both a cooperative approach with stakeholders and the good reputation of the Group (in both internal and external relations) inspired the drawing up of the Group's code of ethics, which was approved by the Company's board of directors in March 2002 and updated in March 2004 and, most recently, in September 2009 and February 2010.

The code expresses the commitments and ethical responsibilities involved in the conduct of business, regulating and harmonizing corporate behaviour in accordance with 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 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, the creation of value for shareholders, the value of human resources, the transparency and completeness of information, service quality, and the protection of the environment;
- criteria of behaviour towards each class of stakeholders, which specify the guidelines and rules that Enel's officers and employees must follow in order to ensure observance of the general principles and prevent the risk of unethical actions;
- implementation mechanisms, which describe the control system devised to ensure observance of the code of ethics and its continual improvement.

The revision of the code of ethics carried out in September 2009 and ended in February 2010 was prompted by the necessity of updating this document in the light of the legal and organizational changes that had taken place since its previous version was published, as well as by the intention to further align its content with international best practice. Among the most significant amendments made at that time were (i) the updating of the corporate mission, (ii) adoption of the prohibition of intimidation, mobbing, and stalking in the workplace, and (iii) an express provision of the obligation for suppliers to comply with regulations regarding health and safety in the workplace, as well as (iv) the exclusion in principle of the possibility for Group companies to grant requests for contributions for the same kind of activities in which Enel Cuore Onlus is engaged.

Compliance program pursuant to Legislative Decree No. 231 of June 8, 2001

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

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

The compliance program in question consists of a general part (in which are described, among other things, the content of Legislative Decree No. 231/2001, the objectives of the program and how it works, the duties of the control body responsible for supervising the functioning of and compliance with the program and seeing to its updating, the information flow, the training of the employees and the penalty regime) and separate special parts concerning the different kinds of crimes provided for by Legislative Decree No. 231/2001, which the aforesaid program aims to prevent.

In particular, the special parts elaborated so far concern crimes against the public administration, corporate crimes, crimes related to terrorism or subversion of democratic order, crimes against individual personality, market abuse crimes and administrative torts, manslaughter and serious or very serious injuries committed by breaching the applicable laws on protection of health and safety at work, crimes of receiving stolen goods, money laundering and using of laundered money, illegal goods or utilities the origin of which is unknown, computer crimes and illegal data handling and organized crimes.

Over the years the compliance program has been periodically updated and amended in order to take into account, mainly (i) the new cases introduced by the legislation as precondition crimes ("*reati presupposto*") of the liability regulated under the Legislative Decree 231/2001, (ii) case law on this matter, (iii) the expertise matured and the evolution of the Company's organizational

structure, (iv) the need to rationalize some contents of the text of compliance program and to coordinate the different special parts.

The compliance program adopted by Enel is also implemented by the subsidiaries subject to Italian law, which are responsible for adapting its contents in light of the specific activities which they carry out.

Enel also approved specific guidelines aimed at rendering the principles of the compliance program applicable to the most significant international subsidiaries of the Group (identified also in consideration of the kind of activity carried out) in order to make such companies aware of the importance of ensuring correct and transparent business conditions, and to prevent the risk of administrative liability of Enel or of any of its Italian subsidiaries, pursuant to Legislative Decree No. 231/2001, due to the illegal conduct of the aforesaid international subsidiaries in their business activities.

Enel has appointed a collective body to supervise the functioning and observance of the said program and to update it (so-called “supervisory body”); in particular, such supervisory body can be composed of a number of members between three and five, appointed by the board of directors. Such members may be chosen either from within or outside the Company or the Group, with specific expertise and professional experience (in any case it is requested the presence of the Head of the “Audit” function of the Company). During 2011, the supervisory body was composed of an external member with expertise on corporate organization matters (Matteo Guiliano Caroli), acting also as chairman of the body, and of the heads of the following Enel’s functions: “Audit”, “Legal Affairs” and “Corporate Affairs”, since they have specific professional expertise regarding the application of the compliance program and are not directly involved in operating activities. The duration of the office of the members of the supervisory body is aligned to the office of the board of directors of the Company and therefore their term will expire at the date of approval of the financial report 2013.

During 2011, the supervisory body, while monitoring the functioning and the observance of the program:

- held 14 meetings, during which it discussed: (i) the analysis, carried out also with the assistance of the Company’s management, of the main business areas of the Company which are significant for the program and the exam of the control procedures of such areas; (ii) the proposals for the updating of the program; (iii) the approval of the monitoring and supervisory activity plan for the year 2011 and the examination of the activities effectively carried out;
- promoted the amendment of the program, particularly with reference to the general part and to the special part concerning the prevention of organized crimes;
- verified the implementation of the guidelines in the main international controlled companies;
- promoted training initiatives, differentiated according to the recipients and necessary to ensure a constant updating of the personnel on the contents of the compliance program;

- constantly reported its activities to the chairman of the board of directors and to the chief executive officer and, on a regular basis, to the internal control committee and to the board of statutory auditors.

Zero tolerance towards corruption plan

In June 2006, the board of directors approved the adoption of the zero tolerance towards corruption plan ("ZTC plan") in order to give substance to Enel's adherence to the Global Compact (an action program sponsored by the U.N. in 2000) and to the PACI – Partnership Against Corruption Initiative (sponsored by the Davos World Economic Forum in 2005).

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

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Attached below are the professional profiles of the members of the board of directors and of the regular auditors in office at the date of the present report, together with three tables that summarize some of the most significant information contained in the second section of the report.

ATTACHMENT 1: Biography of the members of the Board of Directors

- Paolo Andrea Colombo, 51 years, chairman (designated in the slate presented by the Ministry for the Economy and Finance).

A graduate with full marks of the “Bocconi” University in Milan with a degree in business economy in 1984, where he was tenured professor from 1989 until 2010 of accounting and financial statements and where he actually is tenured senior contract professor. Starting from 1985 he carried out professional activities as certified chartered accountant and auditor.

Since 2006 he is founding member of Borghesi Colombo & Associati, an Italian independent consulting company which offers a broad range of services in corporate finance and business consultancy to Italian and international clients.

He held the office of member of the board of directors of several and significant industrial and financial companies, which include Eni, Saipem, Telecom Italia Mobile, Pirelli Pneumatici, Publitalia ’80 (Mediaset Group), RCS Quotidiani, RCS Libri, RCS Broadcast e Fila Holding (RCS Mediagroup), Sias, Interbanca e Aurora (Unipol Group). Furthermore, he held the office of chairman of the board of statutory auditors of Saipem, Stream and Ansaldo STS, and of member of the board of statutory auditors of Winterthur and Credit Suisse Italy, Banca Intesa, Lottomatica, Montedison, Techint Finanziaria, HDPNet and Internazionale F.C.

Currently he is director of Mediaset and Versace, and chairman of the board of statutory auditors of GE Capital Interbanca and of Aviva Vita and member of the board of statutory auditors of A. Moratti S.a.p.a. and of Humanitas Mirasole. Chairman of the board of directors of Enel since May 2011.

- Fulvio Conti, 64 years, chief executive officer and general manager (designated in the slate presented by the Ministry of Economy and Finance)

A graduate of the University of Rome “La Sapienza” with a degree in Economics, in 1969 he joined the Mobil Group, where he held a number of executive positions in Italy and abroad and in 1989 and 1990 he was in charge of finance for Europe. Head of the accounting, finance and control department for Europe of the American company Campbell in 1991.

After having been Head of the accounting, finance, and control department of Montecatini (from 1991 to 1993), he subsequently held the office of Head of finance of Montedison-Compart (between 1993 and 1996), responsible for the financial restructuring of the Group. General manager and chief financial officer of the Italian National Railways between 1996 and 1998, he also held important positions in other companies of the Group (including Metropolis and Grandi Stazioni). Deputy- chairman of Eurofima in 1997, he held the office of general manager and chief financial officer of Telecom Italia from 1998 until 1999, holding also in this case important positions in other companies of the 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 chief executive officer and general manager of Enel since May 2005. He is currently also a director of Barclays Plc and of AON Corporation, chairman of Eurelectric and deputy chairman of Endesa, as well as director of the Accademia Nazionale di Santa Cecilia and of the Italian Technology Institute.

- Alessandro Banchi, 65 years, director (designated in the slate presented by institutional investors).

Graduate in Chemical Engineering at the University of Bologna in 1969, he started his professional career in the pharmacology industry in 1971. In 1973 he joined the Italian branch office of the chemical-pharmaceutical multinational Boehringer Ingelheim, holding different management positions both in Italy and abroad, up to becoming Italy's country manager from 1992 until 1999. In the Boehringer Ingelheim group he held the office of managing director of Pharma Marketing and Sales (which operates worldwide) from 2000 until 2008, where he also held the office of chairman (and CEO) of its executive committee starting from 2004. In 2009 he left the Boehringer Ingelheim group to carry out professional advice on pharmaceutical matters.
Officer of the Republic of Italy, he held offices in Italian and foreign sector associations of chemical and pharmaceutical industry; in this regard, he was chairman of AESGP and ANIFA (respectively, European and Italian Association of pharmaceutical industries of counter products), member of the board of directors of Federchimica and of the Board of Farmindustria, as well as in the G10 at the European Commission in Brussels. He is member of Enel's board of directors since May 2011.

- Lorenzo Codogno, 52 years, director (designated in the slate presented by the Ministry of the Economy and Finance).

After studying at the University of Padua, he completed his studies in the United States, where he earned a master's degree in Finance (1986-87) at Syracuse University (New York). He was deputy manager of Credito Italiano (now Unicredit), where he worked in the research department. Subsequently, from 1995 to 2006, he worked for Bank of America, first in Milan and from 1998 in London, where he held the position of managing director, senior economist and the co-head of economic analysis in Europe. In 2006 he joined the Ministry of the Economy and Finance, where he is currently general director in the Treasury Department and head of the Economic and Financial Analysis and Planning Directorate. This directorate is in charge of macroeconomic forecasting, cyclical and structural analysis of the Italian and international economy, and analysis of monetary and financial issues. He is also chairman of the European Union's Economic Policy Committee (a body of which he was deputy chairman from January 2008 to December 2009 and head of the Italian delegation from May 2006 to December 2009), as well as head of the Italian delegation to the OECD's Economic Policy Committee and Working Party 1 (of which he has been deputy chairman since October 2007). Within the European Union's Economic Policy Committee, he was also chairman (from November 2006 to January 2010) of the Lisbon Methodology Working

Group, whose purpose is to develop methodological approaches to track, analyse and model structural reforms. In addition, he is the author of numerous scientific publications and of articles in the specialised press. Before joining the Ministry, he was economic commentator on the main international economic and financial networks. He was a director of MTS (a company that manages markets for bond trading, now part of the London Stock Exchange group) from 1999 to 2003 and is currently a member of the administrative committee of the ISAE (an economic research institute), as well as of the scientific committee of the "Fondazione Masi" and a member of the board of directors of the "Fondazione universitaria economia Tor Vergata CEIS". He has been a director of Enel since June 2008.

- Mauro Miccio, 56 years, director (designated in the slate presented by the Ministry of Economy and Finance).

Graduate with full marks in Law at "La Sapienza" University of Rome in 1978, he started his professional career in the publishing Group Abete as managing director for the publishing sector (1981) and chief executive officer of the press agency ASCA. He has been director of Ente Cinema (currently Cinecittà Luce) from 1993 until 1996, and chairman of Cinecittà Multiplex, director of Rai from 1994 until 1996 and Acea from 2000 until 2002. Furthermore he held the office of managing director of A.S. Roma from 1997 until 2000 and chief executive officer of Rugby Roma from 1999 until 2000, of Agenzia per la Moda from 1998 until 2001 and Eur S.p.A. from 2003 until 2009.
Former chairman of FERPI (Federazione Relazioni Pubbliche), ICI (Interassociazione della Comunicazione di Impresa), of the National Rugby League and of the organization committee of the "*Baseball World Cup* 2009", he has been deputy chairman of the *European Rugby League*. He was several times member of the Superior Communication Council at the Ministry of Communication and consultant of AGCOM, with whom he collaborated for the definition of the frequency sharing plan for the digital terrestrial television. He held and holds significant offices inside the Confindustria system, he is managing director of Assoimmobiliare, is member of the executive Committee of the "S.O.S. – il Telefono Azzurro onlus" association and of the "Fondazione San Matteo" for the promotion of the social doctrine of the Catholic Church and the realization of humanitarian projects in the developing countries.
Professor of matters related to the communication sector at the University of Catania (from 1999 until 2002) and "Roma Tre", where he currently teaches communication sociology, he collaborates furthermore with other Communication Science university faculties and with various journalistic headlines as expert of communication and marketing and he is author of several publications related to this matter. Currently he is director of Sipra. He was a member of the board of directors of Enel from 2002 until 2005, and now holds again the office since May 2011.

- Fernando Napolitano, 47 years, director (designated in 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, first earning 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 (now named Booz & Company Italia), a management and technology consulting firm, where he was appointed 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; in Booz & Company he was chief executive officer until June 2011, with assignments also of an international scope.
From July 2011 he is founding member of WIMW (*Why Italy Matters to the World*), with registered office in New York, with the purpose of facilitating the meeting of Italian SME with U.S. investors.
From November 2001 to April 2006 he served in the committee for surface digital television instituted by the Communications Ministry and from July 2002 to September 2006 he was director of the Italian Centre for Aerospace Research. He has been a director of Enel since May 2002 and held the same office at Data Service (currently B.E.E. Team) from May 2007 to October 2008.

- Pedro Solbes Mira, 69 years, director (designated in the slate presented by institutional investors).

A graduate in Law at the Complutense University of Madrid and Ph.D in Politics Sciences at the same university, he carried out advanced studies in European economy at the l'*Université Libre de Bruxelles*.
He began his political career in 1968 as officer at the Ministry of Economics of Spain, holding prestigious offices at Spanish and European institutions. In particular, he held the office of Deputy Minister of International Affairs in Spain from 1986 until 1991 as responsible for the relations with the European Community, from 1991 until 1993 ha was Minister of Agriculture, Nutrition and Fishing, while from 1993 until 1996 and from 2004 until 2009 he was Minister of Economic and Financial Affairs. Within the European area he was Officer of Business and Monetary Affairs from 1999 until 2004. He was member of the Spanish Parliament in 1996 and 2007, and left the parliamentary office in 2009.
He is currently Head of the Supervisory Board of EFRAG (*European Financial Reporting Advisory Group*), member of the *Conseil de Garants di Notre Europe Foundation*, Head of the executive committee of FRIDE (Spanish private foundation for international relations and foreign communication) and Head of the Spanish section of the Hispanic-Chinese Forum.

Before holding ministerial offices, he was member of the board of directors of a number of Spanish companies as representative of the public shareholder. Currently, he is director of Barclays Bank Espana. He holds the office of Enel's Director since May 2011.

- Angelo Taraborrelli, 63 years, director (designated in the slate presented by institutional investors).

A graduate with full marks in Law at the University of Siena in 1971, he obtained a master degree in hydrocarbon business at the High School of Hydrocarbon "Enrico Mattei".
He began his professional activity at Eni in 1973, where he held various management offices, up to the role of Director of Planning and Control of Saipem. Then he held the office of the holding's deputy Head of Strategic control and Up-stream development and Gas (in 1996) and, subsequently (in 1998), the office of deputy head of Planning and Industrial Control. Subsequently he held the office of deputy chairman of Snamprogetti (from 2001 until 2002) and has been chief executive officer for AgipPetroli's business (2002). From the beginning of 2003, after the incorporation of the aforementioned company in the holding, he was deputy general manager of the marketing area at the Refining & Marketing Division. From 2004 until 2007 he was general manager of Eni with responsible for the Refining & Marketing Division. Until September 2007, he was director of Galp (a Portuguese oil company), deputy chairman of Unione Petrolifera (association of the oil companies operating in Italy), director of Eni Foundation and chairman of Eni Trading & Shipping. From 2007 until 2009 he held the office of chief executive officer and general manager of Syndial, Eni's company operating in chemicals and environmental intervention fields.
In 2009 he left Eni in order to carry out consultancy in oil industry matters; then he was appointed as distinguished associate of Energy Market Consultants (consultancy firm in oil industry matters with legal office in London) in 2010. He is Enel's director since May 2011.

- Gianfranco Tosi, 64 years, director (designated in 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). Author of more than 60 publications, he has been extensively involved in scientific activities. 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 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. 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.

ATTACHMENT 2: Biography of the members of the Board of Statutory Auditors

- Sergio Duca, 64 years, chairman (designated in the slate presented by institutional investors).

Sergio Duca graduated cum laude in Economics and Business from the "Bocconi" University in Milan. A certified chartered accountant and auditor, as well as auditor authorized by the U.K. Department of Trade and Industry, he acquired broad experience through the PricewaterhouseCoopers network as the external auditor of important Italian listed companies, including Fiat, Telecom Italia, and Sanpaolo IMI. He was the chairman of PricewaterhouseCoopers S.p.A. from 1997 until July 2007, when he resigned from his office and ceased to be a shareholder of that firm because he had reached the age limit provided for by the bylaws. After serving as, among other things, member of the Edison Foundation's advisory board and the Bocconi University's development committee, as well as chairman of the Bocconi Alumni Association's board of auditors and a member of the board of auditors of the ANDAF (Italian Association of Chief Financial Officers), he was chairman of the board of statutory auditors of Tosetti Value SIM and an independent director of Sella Gestione SGR until April 2010. Member of the Ned Community, an association of non-executive directors, he currently holds high offices on the boards of directors and the boards of statutory auditors of important Italian companies, associations, and foundations, serving as chairman of the board of statutory auditors of the Lottomatica Group, chairman of the board of directors of Orizzonte SGR, an independent director of Autostrada Torino-Milano, a member of the supervisory board of Exor instituted pursuant to Legislative Decree No. 231/2001, and chairman of the board of auditors of the Silvio Tronchetti Provera Foundation and the Compagnia di San Paolo, as well as a member of the boards of auditors of the Intesa San Paolo Foundation Onlus, and the ISPI (Institute for the Study of International Politics). He has been chairman of Enel's board of statutory auditors since April 2010.

- Carlo Conte, 64 years, regular auditor (designated in the slate presented by the Ministry of the Economy and Finance).

After graduating with a degree in Economics and Commerce from "La Sapienza" University in Rome, he remained active in the academic world, teaching at the University of Chieti (1988-1989) and the LUISS Guido Carli in Rome (1989-1995). He currently teaches public accounting at the latter's School of Management, the Civil Service School, and the Economy and Finance School, as well as administration and governmental accounting at Bocconi University in Milan. 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 the OECD. A statutory auditor of Enel since 2004, he has also performed and still performs the same duties in a number of other bodies, institutions, and companies.

- Gennaro Mariconda, 69 years, regular auditor (designated in the slate presented by the Ministry of the Economy and Finance).

He has been a notary public since 1970 and a notary public in Rome since 1977. From 1995 to 2001 he was a member of the National Council of Notaries, of which he was President from 1998 to 2001. As part of his activity as a notary, he has taken part in the most important reorganizations, transformations, and mergers of banks and other Italian companies, such as Banca di Roma, Medio Credito Centrale, Capitalia, IMI-San Paolo, Beni Stabili, and Autostrade. Since 1966 he has taught at a number of Italian universities and is currently a professor of private law at the University of Cassino's School of Economics and Commerce. He has served as a director of RCS Editori, Beni Stabili, as well as of the Istituto Regionale di Studi Giuridici Arturo Carlo Jemolo. He is currently a member of the editorial board of the journals "Notariato" and "Rivista dell'esecuzione forzata". A statutory auditor of Enel since 2007, he is the author of numerous technical legal studies – mainly on civil and commercial law – and he has also published articles, interviews, and essays in the most important Italian newspapers and magazines.

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

Board of Directors											Internal Control Committee		Compen-sation Committee		Related Parties Committee		*Corporate Governance* Committee		Executive Committee *(if any)*
Office	Members	In office since	In office until	Slate (M/m) (*)	Exe-cutive	Non Exe-cutive	Indep. Pur-suant S.C. (*****)	Indep. Pur-suant U.F.A. (******)	(****) (%)	Other offices (**)	(***)	(****)	(***)	(****)	(***)	(****)	(***)	(****)	
Chairman	Colombo Paolo Andrea	5/ 2011	12/2011	M	X				100%	3							X	100%	Non existent
C.E.O. / General Manager	Conti Fulvio	1/2011	12/2011	M	X				100%	2									
Director	Banchi Alessandro	5/2011	12/2011	m		X	X	X	91%	-			X	100%	X	100%			
Director	Codogno Lorenzo	1/2011	12/2011	M		X			75%	-	X	92%					X	100%	
Director	Miccio Mauro	5/ 2011	12/2011	M		X	X	X	91%	-	X	100%					X	100%	
Director	Napolitano Fernando	1/2011	12/2011	M		X			100%	-			X	88%			X	60%	
Director	Solbes Mira Pedro	5/2011	12/2011	m		X	X	X	100%	1			X	80%	X	100%			
Director	Taraborrelli Angelo	5/2011	12/2011	m		X	X	X	100%	-	X	100%			X	100%			
Director	Tosi Gianfranco	1/2011	12/2011	M		X	X	X	100%	-	X	100%			X	50%			
Directors expired during 2011																			
Chairman	Gnudi Piero	1/2011	5/2011	M	X				100%	2									Non existent
Director	Ballio Giulio	1/2011	5/2011	m		X	X	X	100%	-			X	100%	X	N.A.			
Director	Costi Renzo	1/2011	5/2011	m		X	X	X	100%	1	X	100%			X	N.A.			
Director	Fantozzi Augusto	1/2011	5/2011	m		X	X	X	100%	5			X	100%	X	N.A.			
Director	Luciano Alessandro	1/2011	5/2011	M		X	X	X	80%	-	X	100%							
Quorum required for the presentation of slates for the appointment of the board of directors: 0.5% of the share capital. (*****)																			
Number of Meetings held during the fiscal year 2011				BoD: 16		Internal Control Committee: 13			Compensation Committee: 8			Related Parties Committee: 2			*Corporate Governance* Committee: 5				

NOTES

(*) This column shows M/m depending on whether the Director has been drawn from the slate voted by the majority (M) or by the minority (m) of the shareholders who attended the Meeting.

(**) This column shows the number of offices held by the interested person in the management and control bodies (offices) of other relevant companies, identified through the policy adopted in this respect by the board of directors. In this regard, it should be noted that, at the date of the present report, the current directors of Enel hold the following offices which importance shall be considered to this purpose:

1) Paolo Andrea Colombo: director of Mediaset S.p.A.; chairman of the board of statutory auditors of GE Capital Interbanca S.p.A. and Aviva Vita S.p.A.;
2) Fulvio Conti: director of Barclays Plc. and of AON Corporation;
3) Pedro Solbes Mira: director of Barclays Espana S.A..

(***) In these columns, an "X" indicates the committee(s) of which each Director is a member.

(****) These columns show the percentage of the meetings of, respectively, the board of directors and the committee(s) attended by each Director. All absences were appropriately explained.

(*****) In this column, an "X" indicates the possess of the requisite of independence provided by Article 3 of the Self-regulation Code. Specifically, according to applicative criterion 3.C.1 of the Self-regulation Code, a director should normally be considered lacking the requisites of independence in the following cases:

a) if, directly or indirectly – including through subsidiaries, fiduciaries, or third parties, he or she controls the issuer or is able to exercise considerable influence on it or has entered into a shareholders' agreement through which one or more persons can exercise control or considerable influence on the issuer;
b) if he or she is, or during the three preceding accounting periods has been, an important representative [(3)] of the issuer, a strategically important subsidiary, or a company under common control along with the issuer or of a company or an organization that, even together with others through a shareholders' agreement, controls the issuer or is able to exercise considerable influence on it;
c) if, directly or indirectly (for example, through subsidiaries or companies of which he or she is an important representative or as a partner in a professional firm or consultancy) he or she has, or had in the preceding accounting period, a significant commercial, financial, or professional relationship:
   - with the issuer, a subsidiary of it, or any of the related important representatives;
   - with a party who, even together with others through a shareholders' agreement, controls the issuer or – if it is a company or an organization – with the related important representatives;

   or is, or during the three preceding accounting periods was, an employee of one of the aforesaid entities.

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

[(3)] It should be noted that, according to applicative criterion 3.C.2 of the Self-regulation Code, the following are to be considered "important representatives" of a company or an organization (including for the purposes of the provisions of the other letters of applicative criterion 3.C.1): the legal representative, the president of the organization, the chairman of the board of directors, the executive directors, and the executives with strategic responsibilities of the company or organization under consideration.

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

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

d) if he or she receives, or has received in the three preceding accounting periods, from the issuer or from a subsidiary or controlling company significant additional compensation with respect to his or her "fixed" pay as a non-executive director of the issuer, including participation in incentive plans connected with the company's performance, including those involving stock based plans;
e) if he or she has been a director of the issuer for more than nine years in the last twelve years;
f) if he holds the office of chief executive officer in another company in which an executive director of the issuer holds a directorship;
g) if he or she is a shareholder or a director of a company or an organization belonging to the network of the firm entrusted with the external audit of the issuer;
h) if he or she is a close family member [(4)] of a person who is in one of the conditions referred to in the preceding items.

(******) In this column, an "X" indicates the possess of the requisite of independence provided for the statutory auditors of listed companies by Article 148, Subsection 3, of the Unified Financial Act, applicable to the directors pursuant to Article 147-*ter,* Subsection 4, of the Unified Financial Act. Pursuant to the provisions of Article 148, paragraph 3, of the Unified Financial Act, the following do not qualify as independent:

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

[(4)] The comment on Article 3 of the Self-regulation Code states in this regard that, "in principle, the following should be considered not independent: the parents, the spouse (unless legally separated), life partner *more uxorio* , and co-habitant family members of a person who could not be considered an independent director."

TABLE 2: Enel's Board of Statutory Auditors

Office	Members	In office from	In office until	Slate (M/m) (*)	(**)	Number of offices (***)
Chairman	Duca Sergio	1/2011	12/2011	m	100%	4
Regular Auditor	Conte Carlo	1/2011	12/2011	M	100%	5
Regular Auditor	Mariconda Gennaro	1/2011	12/2011	M	95%	1
Alternate Auditor	Salsone Antonia Francesca	1/2011	12/2011	M	-	-
Alternate Auditor	Tutino Franco	1/2011	12/2011	m	-	-
Quorum required for the presentation of slates for the appointment of the board of statutory auditors: 0.5% of the share capital. (****)						
Number of meetings held in the fiscal year 2011: 22						

NOTE

(*) This column shows M/m depending on whether the auditor has been drawn from the slate voted by the majority (M) or by the minority (m) of the shareholders who attended the Meeting.

(**) This column shows the percentage of participation of each regular auditor at the board of statutory auditors' meetings. All absences were appropriately explained.

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

(****) This *quorum* applies with effect from the meetings whose notice of call is published after October 31, 2010. For the meetings convened until that date, the *quorum* was equal to 1% of the share capital.

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) and 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 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 of 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 on the personal and professional characteristics of the candidates?	X		
Were the candidacies for the office of director accompanied by a statement that the candidates qualify as independent?	X		
Were the candidacies for the office of statutory auditor filed at least 10 days (*) beforehand?	X		
Were the candidacies for the office of statutory auditor accompanied by exhaustive information on the personal and professional characteristics of the candidates?	X		
Shareholders' meetings			
Has the company approved regulations for shareholders' meetings?	X		
Are the regulations 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 slates of candidates for the offices of director and statutory auditor was increased from 10 to 15 days. The deadline of 10 days was applicable to the Company under the provisions of the regulations regarding privatizations (Article 4, Law No. 474 of July 30, 1994) with effect from the meetings whose notice of call has been published within October 31, 2010. For the meetings whose notice of call is published after October 31, 2010, the Unified Financial Act (as amended by Legislative Decree No. 27 of January 27, 2010) provides that the slates must be files at the Company's registered office at least 25 days before the date set for the Shareholders' Meeting convened to resolve upon the appointment of the members of the Board of Directors or of the Board of Statutory Auditors and must be published by the Company at least 21 days before the date set for the same Meeting.

(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		
The person in charge is not head of an operating area?	X		
Organizational position of the person in charge of internal control	Head of the Company's Internal Audit 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	▪ Relations with institutional investors: *Investor Relations* – Viale Regina Margherita, 137 – 00198 Rome, Italy – tel. ++39 06/83057975 – fax ++39 06/83053771 – e-mail: investor.relations@enel.com ▪ Relations with retail shareholders: Department of Corporate Affairs – Viale Regina Margherita, 137 – 00198 Rome, Italy – tel. ++39 06/83054000 – fax ++39 06/83055028 – e-mail: azionisti.retail@enel.com		