



CORPORATE GOVERNANCE REPORT

Enel Green Power – corporate governance report

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Corporate Government Report

SEZIONE I: STRUTTURA DI GOVERNANCE

Foreword

This report (the “**Report**”) illustrates the Enel Green Power S.p.A. (“**Enel Green Power**” or “the **Company**”) corporate governance system, in force at the start of dealing of the company’s shares on the Screen-based Stock Market organised and managed by Borsa Italiana S.p.A. (the “**MTA**”). This system is organised into a series of standards, rules and procedures that are in line with the standards contained in the Self-Discipline Code of the listed Italian companies promoted by Borsa Italiana, published in March 2006 and available on the Borsa Italiana website at the address http://www.borsaitaliana.it/borsaitaliana/ufficio-stampa/comunicati-stampa/2006/codiceautodisciplina_pdf.htm (the “**Self-Discipline Code**”) which the company adhered to on 11 June 2010.

The above-stated corporate governance system is mainly oriented towards the goal of creating value for the shareholders, in the awareness of the social significance of the activities that the company undertakes and of the consequent need to consider all the interests involved when being carried out.

Corporate Organisation

In compliance with what is foreseen by Italian legislation on listed companies, the company organisation is characterised by the following elements:

- A board of directors appointed to manage the company;
- An auditing board called upon (i) to supervise the observance of the law and the company's articles of association, and also the observance of the standards of correct administration when carrying out corporate activities, (ii) to control the suitability of the internal auditing system's organisational structure and the company's administrative-accounting system, (iii) to check the implementation methods for the corporate governance regulations, foreseen by the Self-Discipline Code and (iv) to supervise the financial information process, the legal accounting audits and the independence of the auditing company;
- A shareholders' assembly, which can decide on the following matters – in ordinary or extraordinary meetings: (i) the appointment and annulment of members of the board of directors and the auditing board and the relative fees and responsibilities; (ii) the approval of the financial statement and the allocation of profits; (iii) the purchase and alienation of own shares; (iv) the shareholders' plans; (v) amendment to the articles of association; (vi) the issue of convertible bonds.

The auditing of account is entrusted to a specialised company enrolled in the CONSOB list, which is specifically appointed by the shareholders' assembly further to a proposal put forward by the auditing board.

SECTION II: IMPLEMENTATION OF SELF-DISCIPLINE CODE'S RECOMMENDATIONS AND FURTHER INFORMATION

Board of Directors

Role and functions

The company's Board of Directors plays a central role in corporate organisation and is in charge of the managers and departments of the company's organisational and strategic policies, and the verification of the existence of the necessary controls for monitoring the company's progress. Bearing in mind its role, the board of directors meets regularly and organises and works in order to guarantee that it carries out its duties efficiently.

In this context, the board of directors, based on the law and what is foreseen in its own specific resolutions (and in particular the latest one, adopted on 5 October 2010):

- Defines the *corporate governance* system within the company and the group and sets up and identifies the members of internal board committees, and then appoints the members;
- Defines, based on the indications supplied by the specific committee, the guidelines for the internal auditing system, regularly checks its adequacy and operations, making sure that the main company risks are identified and managed suitable and that the necessary controls exist to monitor the company and group's progress;
- Determines, based on formulas proposed by the specific committee and having consulted the auditing board, remuneration for the managing director and the other directors who occupy particular roles;
- On the basis of analyses and proposals formulated by the committee, it evaluates the general criteria that, on direction from the managing director, are adopted with regards to remuneration policy for the company and group's top management, and decides on the adoption of bonus plans for management in general;
- Assesses the suitability of the administrative, organisational and accounting set-up of the company and the group and decides on the changes to be made to the general organisational set-up as proposed by the managing director;
- Based on information received from the managing director, it assesses the general management trends of the company and group, with particular concern for conflicts of interest, and regularly checks that planned results have been achieved;
- Appoints the general manager and confers relative powers;
- Approves and amends the company and group's general organisational set-up;
- Receives, as does the auditing board, constant and full information from the managing director about the activities carried out by proxies, on a quarterly basis written in a specific report;
- Defines the group's corporate structure, checking its suitability;
- Examines and approves the company and group's strategic, industrial and financial plans. On such matters, the current organisation of corporate powers foresees that, in particular the

board of directors must approve the following plans:

- For the annual and multi-year budget (which groups together annual budgets and multi-year plans formulated by the group's companies);
- Strategic agreements, also determining the company and group's strategic goals;
- Examines and approves beforehand the company and group's operations with a significant strategic, economic, asset and financial importance, especially if carried out with connected parts or otherwise characterised by a potential conflict of interest;
- Draws up proposals to be submitted to the shareholders' assembly meetings and reports to the assembly meetings about planned and completed activities, working to make sure that the shareholders have sufficient information on necessary elements so that they can participate in the assembly meetings' decision-making activities with all necessary knowledge available;
- approves proposals on exercising voting rights during the assembly meetings of the main subsidiaries and the appointment of members of their administrative and control bodies.

Appointment replacement, composition and duration of appointment

According to the provisions of the company's articles of association in force on the date of commencement of the dealing of the company's shares on the screen-based Stock market organised and managed by Borsa Italiana S.p.A. (the "**Articles of association**"), the board of directors comprises a number from seven to thirteen members, appointed by the shareholders' ordinary assembly meeting (that determines the number of members within said limits) for a period of maximum three financial years and who can be re-elected at the end of their mandate.

Based on the current legislation in force, all the directors have the requisites of reputation foreseen for the auditors of listed companies.

In implementing the Consolidated Finance Act, the articles of association also foresee that the appointment of the entire board of directors takes place according to the "list vote" mechanism, aimed at guaranteeing a presence of members appointed by minority shareholders on the board, in the proportion of three-tenths of the directors to be elected, rounded up if required by a fraction number.

Each list must include at least two candidates with the requisites of independence as established by law (i.e. the requisites foreseen for auditors of listed companies), mentioning such candidates separately and indicating one of them in first position on the list.

The lists, in which the candidates are listed by progressive number, can be submitted by the outgoing board of directors or by the shareholders who, alone or together with other shareholders, are the holders of the minimum shareholding in the corporate capital established by Consob regulation.

The lists must be deposited at the corporate registered offices and published in compliance with the current regulations in force. On this matter, the Articles of association foresee a temporary rule pursuant to which should the entire board of directors be renewed during an assembly meeting for

which the notice of summons is published before the date indicated in article 7 , paragraph 1 of the Legislative Decree, nr. 27, dated 27 January 2010, (i.e. 31 October 2010), the lists must be deposited at the company's registered offices at least fifteen days prior to the date set for the first calling of the assembly meeting or at least twenty days before if the lists are submitted by the outgoing board of directors. After this date, the deadline for depositing and publishing the lists foreseen by the above-stated legislative decree will apply (twenty-five and twenty-one days before the date set for the meeting, respectively).

A full information sheet about the personal and professional characteristics of the candidates - accompanied by an indication of the possible suitability of the candidates to qualify themselves as independent, pursuant to the law and/or the Self-Discipline Code – is deposited at the company registered office, and is published on the company website and on the Borsa Italian website.

In order to distribute the directors to be elected, the candidates indicated in lists that have obtained a number of votes below half the percentage required to present the lists themselves are not taken into consideration.

To appoint directors who have not been elected according to the “list voting” system for any reason, the assembly meeting decides with legal majorities and so that the necessary number of directors with the requisites of independence established by law are however guaranteed (i.e. at least one director if the board has seven members, or two directors if the board comprises more than seven members).

The substitution of directors is regulated by legal dispositions. In addition to what is set out in the dispositions, the Articles of association state that:

- if one or more of the retiring (for any reason) directors was taken from a list containing names of non-elected candidates, substitution is carried out by appointing people from the list following a progressive order, that the retiring director belonged to and that can still be elected and are willing to accept the appointment;
- in any case, substitution of the retired directors is carried out by the board of directors, ensuring the presence of the necessary number of directors with the requisites of independence as established by the law;
- if the majority of the directors appointed by the assembly are no longer available, the entire board is considered to have resigned and the assembly must be summoned without delay by the directors who have maintained their roles to re-elect the board.

The board of directors has delayed the constitution of a specific committee for appointment proposals, as it believes that the list voting system is a suitable mechanism for forming the board of directors that respects the requirements of law and in line with what is recommended by the Self-Discipline Code.

According to what was decided by the ordinary assembly meeting on 5 October 2010, the current board of directors comprises seven members, whose mandate will expire when the financial statement for the year 2012 is approved. According to the appointments made during said

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assembly meeting – without applying the “list voting” mechanism indicated above, which will only be implemented starting from the commencement date of the dealing of the company shares on the MTA – the board is currently made up of the members listed below, each name followed by a short professional profile.

Luigi Ferraris (Chairman) – Born in Legnano (MI) on 23 February 1962. A degree in Economics and Business Studies from the University of Genoa. He has filled several positions in the administration and control departments of several Italian and overseas companies, including Eltag Bailey Process Automation, part of the Finmeccanica Group, where he was Area Controller for Europe until 1999. In 1999, he entered the Enel Group as the finance director of Eurogen, Elettrogen and Interpower (formerly Gencos). In 2001, he was appointed finance director of the Infrastructures and Networks Division. Since June 2005, he has been head of the Administration, Planning and Control Department, since November 2009, Administration, Finance and Control. He is currently a member of the board of directors of the main Enel S.p.A subsidiaries (including Endesa) and chairman of the Enel shared services company (Enel Servizi S.r.l.). He is also a lecturer at the LUISS University in Rome, and holds the course “Management control systems”.

Francesco Starace (managing director and general manager) – Born in Rome on 22 September 1955. A degree in Nuclear Engineering from Milan Polytechnic. From 1982 to 1987, he filled several executive management positions in Italy, the United States, Saudi Arabia, Egypt and the Arab Emirates, in the tenders and planning department of the company General Electric. From 1987 to 2000 he worked for ABB and then Alstom Powers Corporation, where he was also managing director of the company ABB Combustion Engineering Italia and later in Zurich where he was global and turnkey systems sales manager for the gas turbine division. He entered the Enel Group in 2000 as manager of Energy Management at Enel Produzione. He was the Market Division manager from 2005 to 2008. He is currently manager of the Renewable Energies Division and is also a director in some of the companies belonging to the Renewable Energies Division.

Carlo Angelici (director) – Born in Rome on 9 April 1945, with a degree in law from the University of Rome obtained in the academic year 1966/67. Since 1974 he has covered several teaching roles (banking law, bankruptcy law, industrial law, mercantile law and insurance law) in various Italian Universities. He has been a tenured lecturer of mercantile law since 1983. He is currently the lecturer of mercantile law at the Faculty of Law at the La Sapienza University in Rome. He was appointed Head of the Law Faculty at La Sapienza University in Rome in 1995, and held this position until 2009. He is the author of several scientific works on corporate, trade and insurance matters. He was also a lecturer of historiography of the French Revolution at the Human Sciences Faculty at the La Sapienza University of Rome. He collaborated on the reform of Italian corporate law, taking part in several government commissions (“Mirone” commission in 1998, “Vietti” commission in 2001, and the coordination commission in 2003) that dealt with the subject. He was a legal advisor to the Treasury Ministry in the period 1999-2000. He was appointed to the ENEL S.p.A. board of directors from 1999 to 2002, was secretary of the board of directors at Alitalia

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S.p.A. from 2001 to 2003, the Telecom Italia Mobile S.p.A. board of directors from 2004 to 2005, the Stretto di Messina S.p.A. board of directors from 2005 to 2008 and the SACE BT board of directors from 2007 to 2010. He is currently a director of the board (as an independent director appointed by the minorities) at Pirelli & C. S.p.A.

Andrea Brentan (director) – Born in Tangiers (Morocco) on 3 March 1949. A degree in Engineering from Milan Polytechnic. He was a researcher at New York University from 1975 to 1977 and then filled several positions at GIE, an Italian engineering and contracting group that operates worldwide creating “turnkey” stations. From 1991 to 1999, he was the financial director, general manager and managing director of Sae Sadelmi, a Milan company belonging to the ABB Group, which operates in the planning and construction sector of electrical power stations, and in the construction and maintenance of electrical generators. From 2000 to 2002, he worked in Paris, heading the international business sector of the Alstom conventional power stations. He entered the ENEL group in November 2002 as manager of International Affairs and Business Development within the Energy Management and Generation Division. He is currently Managing director of Endesa and is head of the Iberia and Latin America Division.

Giovanni Battista Lombardo (director) – Born in Rome on 4 July 1946, with a degree in law from the University of Trieste. He was previously a Section Manager at the Ministry of Finance, Direct Taxes – Corporate Income Headquarters. After his early experience in a district office and then in a department inspectorate, he became a direct collaborator of the pro-tempore Director General, Dr Monacchi, working on the writing of legislative texts, circulars and resolutions (1969 - 1983). He filled the role of Tax Office Manager at Ania (National Association of Insurance Companies), reporting directly to the Director General (1983 - 1985). He was also the Tax Service manager at IRI, then Central Co-Director at the head of the Group’s Tax Affairs Unit; he actively took part in the carrying out of extraordinary operations aimed at privatising the subsidiary companies (1985 - 1998). He was also the Enel Tax Manager starting in the spin-off phase and then during the listing on the stock market of the group mother company Enel S.p.A. (1998 - 2003). Over the years, he has been a director of the boards of important public limited companies such as Finmeccanica (listed company), Cementir (listed company), Finmare, Lloyd Triestino di Navigazione, Terni Acciai Speciali, Sogei. He has been a lecturer at the Central Tax School “E. Vanoni” several times. He has been a member of Confindustria and Assonime tax committees.

Carlo Tamburi (director) – Born in Rome on 1 January 1959. A degree in Statistics from La Sapienza University in Rome. He has filled several positions in the last 20 years at Citibank N.A., IRI. And the Ministry of Economics and Finance. He was the chairman of the company Tirrenia di Navigazione S.p.A. and a member of the board of several Italian companies, including Finmeccanica and Alitalia. He entered the Enel Group in 2002, and is currently in charge of the International Division.

Luciana Tarozzi (director) – born in Sasso Marconi (BO) on 9 September 1944. She obtained a school-leaving certificate in book-keeping in 1963. She worked in Enel’s administration department

in various roles from 1965 to 2005. In particular, she was Director – Manager of Corporate Administration from 1997 to 2005; Head of Group Control and Reporting from 1996 to 1997; Economic-Finance Planning Sector Manager in the Administration Department from 1994-1996; Head of the Budget Service at the Economic-Finance Planning Sector from 1990 to 1994; Executive Manager at the Central Administration Department from 1988 to 1990. In the period 2000-2005, she was a board director, without power of attorney, of some Enel Group companies. In 1999 she was awarded the “Mela d’Oro”, an award that the Bellisario Foundation gives to women who have distinguished themselves in professional, political and cultural activities.

The directors are aware of their duties and responsibilities concerning the positions they cover, and are kept constantly informed by the relevant corporate departments about the main new legislative and regulatory matters concerning the company and the carrying out of their own roles, also taking part in initiatives aimed at increasing knowledge of company reality and dynamics, in order to carry out their roles even more efficiently.

The directors carry out their duties autonomously and with full knowledge of facts, pursuing the main objective of creating value for the shareholders in the mid-long term.

Remuneration

Payment to the members of the board of directors is decided by the shareholders’ assembly meeting; additional remuneration to members of advisory and regulation-making committees that are part of the board of directors is set by the board itself, after consulting the auditing board; the overall economic remuneration for the managing director is also decided by the board of directors, on proposal from the remuneration committee and having consulted the auditing panel.

In particular, with reference to the current board of directors, the ordinary assembly meeting held on 5 October 2010 set the annual gross fee for each director of the board at 50,000 Euro and the fee for the chairman, in addition to reimbursement of any expenses incurred for carrying out the role, at 70,000 Euro.

On 5 October 2010, the board of directors set – subordinately to the approval of the auditing board – the additional payment for independent directors for taking part in the remunerations committee and the internal control committee. For coordinators of these committees, payment is 30,000 euro per year (gross figure), while other members will received 25,000 Euro per year (gross figure).

The board of directors appointed by the ordinary assembly meeting on 5 October 2010 will also decide on the remuneration for the managing director/general manager, on proposal from the remuneration committee and having consulted the auditing panel.

Limits to accumulation of directors’ appointments

The directors accept the role and keep it as they believe that they can dedicate the necessary time to a diligent carrying out of their duties, considering the number and quality of appointments they hold in the administration and control bodies of other important companies, and the commitment

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required of them by their other professional activities carried out and the positions held.

On this matter, we would like to point out that in June 2010, the board of directors approved (effective from the starting date of the dealing of company shares on the MTA) a policy concerning the maximum number of appointments that the relative members of the board can hold in the control and administration bodies of other large companies, in order to ensure a suitable availability of time for those involved which is fitting to ensure an efficient carrying out of the role they hold in the Enel Green Power board of directors.

Following the indications supplied in the Self-Discipline Code, and for this purpose, the above policy only considers roles in the administration and control bodies of the following types of company:

- a) Listed companies in regulated markets, also overseas;
- b) Italian or overseas companies, with stock that is not listed on regulated markets and that operate in the insurance, banking, investment brokerage, managed savings of financial sectors (limited to financial companies that are supervised by the Banca d'Italia and are enrolled in the special list as set out in article 107 of the Consolidated Bank Text);
- c) other Italian or overseas companies with stock that is not listed in regulated market and which, while operating in sectors other than the ones indicated in letter b) above, have a net equity worth of more than 1000 million Euro, or revenue exceeding 1700 million Euro according to the last approved financial statement.

In observance of what is recommended by the Self-Discipline Code, the *policy* drawn up by the board of directors identifies different limits to the accumulation of appointments (measurable by using a system of specific “weights” for each type of appointment), depending on (i) the commitment for the role covered by each director in both the Enel Green Power management body and in the administration and control bodies of other large companies, and (ii) on the type of companies where they carry out their other positions, excluding the roles held in subsidiary Enel Green Power companies, in companies that control Enel Green Power or that manage or coordinate Enel Green Power or in companies that share the same mother company as Enel Green Power.

Based on the communications made by the company directors, it emerged that each of the Enel Green Power directors currently holds a number of appointments in the administration and control bodies of other large companies that are compatible with the limits imposed by the policy.

Board Meetings and the Chairman's role

During the 2010 financial year, the board of directors held 11 meetings, lasting on average about 30 minutes each, with the regular participation of the various directors and the presence of the auditing board.

The activities of the board of directors are coordinated by the Chairman. The latter summons the board meetings, sets the agenda and leads the meeting itself, making sure that the directors

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promptly receive the necessary documents and information – except for cases of need and urgency – for being able to express themselves in full knowledge about the matters being discussed. The chairman has the powers foreseen by law and the articles of association regarding the functioning of the corporate bodies (assembly and board of directors), the company's legal representation, and implementation of the board of directors' resolutions.

Non-executive directors

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

In observance of the contents of the Self-Discipline Code, the following are considered executive directors:

- the managing director of the company (or of companies belonging to the group with strategic relevance) and the relative chairman to whom individual management proxies have been attributed or who have a specific role in the drawing up of company strategies;
- The directors who hold management positions in the company (or in companies belonging to the group with strategic relevance) or with the holding company, when the appointment also concerns the company.

The directors who do not come under any of the cases above can be classified as non-executive directors.

Considering the power organisational set up described above, only the managing director can be classified as an executive director.

The amount, competence, authority and availability of time for non-executive directors therefore guarantee that their judgement can have a significant influence in the making of board decisions.

Non-executive directors bring their specific skills to board discussions, in order to aid an examination of the subjects being discussed according to different perspectives and a consequent making of decisions that is pondered, aware and in line with corporate interest.

Independent Directors

Based on the information provided by the individual parties or available to the company, immediately after appointment (October 2010), the board of directors vouched for the existence of the requisites of independence considered in the Self-Discipline Code concerning the directors Carlo Angelici, Giovanni Battista Lombardo and Luciana Tarozzi.

In particular, directors who do not have, or have not recently had, even indirectly, relations with the company or with subjects connected to the company that could currently condition autonomy of judgement, are considered to independent.

The procedure followed by the board of directors for this matter came from examining an information document in which the positions held and the relationships of the members of the board of directors that are liable to being significant for evaluating his relative independence are listed this phase was followed by a self-assessment carried out by each of the three directors

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involved on his/her own personal position, followed by a final assessment carried out jointly by the board of directors with the abstention, in turn, of the individual members whose position is being examined.

When formulating an evaluation of the independence of non-executive directors, the board of directors considered in particular, according to the Self-Discipline Code, cases which must be found to lack the requisites of independence and thus applied the principle of prevalence of the substance of form indicated in the Code.

When carrying out the assessment, the board of directors also verified the requisites of independence foreseen by law (in particular by the Consolidated Finance Act) for the three above-mentioned directors – i.e. Carlo Angelici, Giovanni Battista Lombardo and Luciana Tarozzi – and for auditors of listed companies.

While independence of judgement characterises all directors' activities, both executive and non, a suitable presence (both by number and skills) of directors who can be classified as independent according to the meaning above – whose role is important on the board of directors and on committees – is considered to be a suitable means for ensuring an adequate reconciliation of the interests of all the shareholders' interests.

On this matter, the company and the holding company Enel S.p.A. ("Enel"), each for their own competence, have undertaken to make sure that the company's board of directors is integrated with another three independent directors appointed by the shareholding minorities during the first ordinary assembly meeting that will be held after listing. In particular: (i) Enel Green Power has undertaken to make sure that during the first assembly meeting of the company to be summoned after listing, the integration of the board of directors by appointing three further independent directors, whose appointment will expire at the same time as the directors already appointed when they were appointed will be placed on the meetings' agenda; (ii) Enel has undertaken to abstain from making its own candidatures for this point on the agenda and to express their own vote in favour of – or to make sure that they are elected - the independent candidates appointed by the minority shareholders.

Committees

In June 2010, the board of directors set up a committee for remunerations and for internal controls, in order to guarantee efficient carrying out of such functions. These committees will have a consulting and constructive role, appointed to handle delicate matters that are the source of possible conflicts of interest.

These committees are exclusively made up of independent directors appointed by the board of directors, which also appoints a coordinator from among the members.

In June 2010, the board of directors approved specific organisational regulations that govern the formation, the tasks and function modes of each committee.

When carrying out their functions, the committees in question have the faculty to access

information and company departments required for the carrying out of their respective tasks, and can also use external consultants paid for by the company within the limits of budgets approved by the board of directors.

Each committee appoints a secretary, who can also not be a member of the committee, who has the task of drawing up the minutes of the meetings.

The members of each committee can take part in the meetings of the other, in addition to other members of the board of directors, whose presence may help to carry out the functions of the committee, specifically invited by the relative coordinator.

The president of the auditing board or another auditor appointed by him can also take part in the committee for internal controls meetings (in consideration of the specific supervisory functions over the audit system required of the board by the current legislation in force on listed company matters); the person in charge of internal controls can also take part in the meetings.

Remuneration committee

Directors' fees are decided at a sufficient rate to attract, maintain and motivate directors with the professional qualities required to manage the company successfully.

In this context, it is the remuneration committee works so that a significant part of the salaries of executive directors and executive managers with strategic responsibilities is linked to the company's and group's economic results and the achievement of specific goals indicated beforehand by the board of directors or, in the case of executive managers as above, by the managing director, in order to align the interests of such persons with the pursuit of the main objective of creating value for shareholders, in a mid-long term period.

Fees paid to non-executive directors are in proportion to the commitment required from each of them, taking into consideration their participation in committees. It must be pointed out that, in line with what is recommended in the Self-Discipline Code, this remuneration is not in any way linked to the economic results achieved by the company or the group and the non-executive directors do not receive any stock-based bonus plans.

In particular, the remuneration committee carries out the following advisory and regulatory tasks:

- It submits proposals to the board of directors concerning remuneration for the managing directors and the other directors who hold special positions, monitoring application of decisions taken by the board of directors. It must be stated that the directors in question cannot take part in the committee meetings wherein proposals about relative remuneration are drawn up for the board of directors;
- it periodically evaluates the criteria adopted for the remuneration of executive managers with strategic responsibilities, supervising their application based on the information supplied by the managing director and making recommendations on the matter to the board of directors.

As part of its duties, the remuneration committee also plays a primary role in the drawing up and verification of progress in bonus systems for the executive management, intended to be tools for

attracting and motivating resources of a suitable level and experience, for developing a sense of belonging and for ensuring constant attention to the creation of value over time.

Starting from 5 October 2010, the remuneration committee includes the directors Carlo Angelici (acting as coordinator), Giovanni Battista Lombardo and Luciana Tarozzi.

Internal control committee

The internal control committee has the task of assisting the board of directors, with investigative functions, for the assessment and decision-taking for the internal control system, the approval of financial statements and the six-monthly financial report and relations between the company and the external audit company.

In particular, the internal control committee has the following advisory and decision-making duties:

- assisting the board of directors in carrying out the latter's tasks concerning internal control as required by the Self-Discipline Code;
- evaluating, together with the executive manager in charge of drawing up corporate accounting documents and with auditors, the correct use of accounting principles and homogeneity of the latter for the drawing up of the consolidated financial statement;
- on request from the executive director appointed for said purpose, expressing opinions on specific aspects concerning the identification of the main company risks in the planning, carrying out and managing of the internal control system;
- examining the work plan drawn up by the internal control manager, and regular reports prepared by said manager;
- evaluating results contained in the report and any suggestions made;
- carrying out further tasks attributed by the board of directors, with special reference to the evaluation of the aids aimed at guaranteeing transparency and correctness in transactions with connected parties;
- Reporting to the board of directors, every six months, when deciding on the approval of the financial statement and six-monthly report, about the activities carried out and the suitability of the internal control system.

Starting from 5 October, 2010, the internal control committee includes the directors Giovanni Battista Lombardo (coordinator), Carlo Angelici and Luciana Tarozzi. The board of directors meeting held on 5 October 2010 acknowledged that the directors Giovanni Battista Lombardi and Luciana Tarozzi have the requisite of suitable experience in accounting and financial matters.

Auditing Panel

According to the law and the company's articles of association, the auditing board comprises three regular auditors and two alternate auditors, appointed by the shareholders' ordinary assembly meeting for a period of three financial years and who can be re-elected when their mandate expires.

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Based on current laws in force, the members of the auditing board must have the requisites of reputation, professionalism and independence as established for auditors of listed companies.

According to the content the Consolidated Finance Act, the limits to accumulation of administrative and control appointments that the members of the auditing board can hold in Italian companies have been identified by CONSOB, with specific regulations.

The articles of association foresee that the appointment of the entire auditing board takes place according to the “list voting” mechanism, aimed at guaranteeing the presence of a regular auditor in the control body (who become the president) and an alternate auditor (destined to substitute the president if he resigns in advance from his position) who have been appointed by the minority shareholders.

This election system foresees that the lists in which the candidates must appear following progressive numbering, can be submitted by shareholders who, alone or together with other shareholders, hold a minimum amount of shares in the corporate capital, as set out by CONSOB in their regulations for the presentation of lists of candidates for appointment to the board of directors. The lists must be deposited at the company’s registered offices and published in compliance with the current legislation in force. If the entire auditing board should be renewed during an assembly meeting that has been summoned by published summons before the date indicated in article 7, paragraph 1 of the legislative decree nr. 27, dated 27 January 2010 (i.e. 31 October 2010), the lists must be deposited at the company offices at least 15 days prior to the date of the first meeting called. After this date, the deadlines for depositing and publishing lists foreseen by the above legislative decree (twenty five and twenty one days prior to the date set for the assembly meeting, respectively) will be applied.

In order to guarantee transparency in the appointment of the auditing board, a full information sheet on the personal and professional characteristics of the candidates is deposited at the company offices and is also published on the company website and on the Borsa Italiana website. For any auditors appointed at a time other than the full renewal of the entire auditing board, the assembly meeting decides using legal majorities and without observing the procedure stated above. It however ensures that the principle of representation for the minority shareholders within the auditing board is observed.

In all cases, the auditors act autonomously and independently, also with regards to the shareholders who elected them.

The current auditing board was appointed during the setting up of the company which took place when splitting from Enel Produzione on 27 November 2008 and which became effective on 1 December 2008, and will remain in its role until the date of the ordinary assembly meeting that will be summoned for approval of the financial year statement at 31 December 2010. According to the appointments made at that time, the auditing board currently comprises by the regular members listed below, for each of whom a short professional profile is provided.

Leonardo Perrone – Born in Bari on 7 March 1942. A degree in law from the La Sapienza

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University of Rome. He is a court of cassation lawyer specialised in tax and corporate law. He is a full professor of “Tax Law” in the Faculty of Economics at the La Sapienza University in Rome and a speaker at several national and international conferences in Italy and overseas. He has taught for more than 20 years at the Financial Police’s Tax Squad and for several years in the Tax law Masters course at the Economic and Finance Institute. He has published several documents, and has been a lawyer and consultant since 1968, working especially on tax, civil law and corporate law matters, representing several important national and international clients in the courts (including the Constitutional Court) and outside court.

Giuseppe Ascoli – Born in Rome on 15 July 1954. A chartered accountant and auditor. A partner in the legal-tax practice “Adonnino Ascoli & Cavasola Scamoni”, an inter-professional association that is part of the international alliance CMS. An adjunct professor (Corporate governance course) at the University of Cassino – Faculty of Economics. He is the president of the Consulting Commission for International Tax Matters to the List of Chartered Accountants of Rome. He has been an appraiser for the courts of Rome, assessing companies. He has been appointed by public and private bodies for the assessment of companies and for corporate, contractual and tax consultancy and assistance. He is an auditor, and also the president of auditing boards in companies belonging to national and international groups such as: Enel Group, Ford Group, PPG Group, Corriere dello Sport Group, Alliance Group, Linde Group, Allergan Group, Fideuram Group. He has been a director in the company MEDIOCREDDITO in Rome, also as a member of the Executive Committee. He publishes articles for magazines specialised on tax matters. He teaches specialisation courses organised by universities or by professional orders. He has been a speaker at several national and international conferences.

Giuseppe Mariani – Born in Rome on 10 November 1949. A degree in Economics and Business Studies from the La Sapienza University of Rome. He is a chartered accountant, enrolled in the List of Rome since 1974. He was a member of the Council of Chartered Accountants of Rome, Rieti, Civitavecchia and Velletri in the period 1984/1990. He is enrolled in the List of Expert Consultants for Judges and in the special list at the 2nd Special Section of the Courts of Rome. He was formerly an official auditor and has been enrolled in the Register of Auditors since 1984. Of his many professional activities, the following must be pointed out: corporate and contractual consultancy; tax consultancy and assistance in tax litigation; appraisals of companies and company branches; assistance in group reorganisations (strategic legal-commercial, organisational, corporate, tax profiles); assistance in mergers, splits, hive-offs, corporate awarding and transfers, assistance in the formation of groupings of purpose (companies, temporary consortiums, consortium companies, consortiums, joint ventures); assistance in judicial proceedings as a party expert. He is the president of the Auditing Panel and regular auditor for industrial and financial companies.

Remuneration for regular members of the auditing board was set during the setting up of the

company, at 40,000 Euro per year (gross figure) for the president of the auditing board and 30,000 Euro per year (gross figure) for each of the regular auditors, in addition to the reimbursement of costs required to carry out the relative duties.

During the financial year 2010, the auditing board has held 6 meetings, lasting about 1 hour each, which have been regularly attended by the regular auditors.

Auditing Company

Audits on Enel Green Power's financial statement and the Group's consolidated financial statement are entrusted to KPMG S.p.A. The appointment was awarded to this company by the shareholders' assembly meeting for the three -year period 2008-2010.

In June 2010, a specific procedure was completed that governs the entrusting of appointments to auditing companies which operate within the Group. According to this procedure, the internal control committee and the auditing board are called upon to express a binding opinion about the awarding of any additional appointment – therefore different from the main review appointment and for which no cases of incompatibility foreseen by law exist – to the group's main auditor or bodies belonging to the relative network; the awarding of such additional appointments is only permitted in certain conditions, of actual necessity (from a legal, economic or service quality point of view).

Executive manager in charge of drawing up corporate accounts documents

In June 2010, the board of directors, further to an opinion provided by the auditing board, and with effect from the commencement date of dealing of company shares on the MTA, decided on the appointment of the executive manager in charge of drawing up the company accounts documents, in the person of the company's Administration, Finance and Control Department manager, Alberto de Paoli).

This executive manager will have the task of preparing suitable administrative and accounts procedures for the drawing up of the financial year statement and the consolidated financial statement, in addition to any further financial communication.

The board of directors will check that this executive manager has suitable powers and means and will also supervise the actual respect of administrative and accounting procedures set up by the said party.

The executive manager in question will issue a declaration that accompanies company documents and communications distributed on the market, regarding accounts information, also during the year, which will certify that the document results correspond to the accounting books and entries.

Together with the managing director, the same executive manager will also certify: (i) the suitability and actual application of administrative and accounting procedures as indicated above in the financial year statements, consolidated financial statements and six-monthly financial report during the period to which the documents refer; (ii) the conformity of the documents' contents with

applicable international accounting principles within the European Community; (iii) correspondence of said documents with the entries in the accounting books and documents and their suitability for providing a truthful, correct representation of the company's and group's assets, economic and financial situation; (iv) that the management report for the financial year statement and consolidated financial statement contains a reliable analysis of management trends and results, in addition to the company's and group's situation, together with the description of the main risks and uncertainties that the latter are subjected to; (v) that the mid-term report on management included in the six-monthly financial report contains a reliable analysis of the most important events that occurred during the first six months of the financial year, together with a description of the main risks and uncertainties for the remaining six months of the financial year and information about important transactions with connected parties.

The contents of said statement are governed by CONSOB in specific regulations.

Internal control system

The company has a specific internal control system which has the task of (i) verifying the suitability of the various company processes with regards to efficacy, efficiency and economic nature and (ii) of guaranteeing reliability and correctness of accounts documents and the safeguarding of corporate assets and (iii) ensuring conformity of the operational obligations to internal and external regulations and to company directives and guidelines with the aim of ensuring a healthy efficient management.

The internal control system carries out two separate types of activity within the group:

- "Line control", comprising all the control activities that the individual operational units or companies in the group carry out on their own processes. These control activities are transferred to the prime responsibility of the operational management and are considered to be an integral part of every company process;
- *Internal auditing* carried out by the company's "Audit" department and aimed mainly at identifying and limiting company risks of any kind by monitoring line controls, for adequacy of the controls and by looking at the results actually achieved by the relative application. The activity in question therefore includes all processes in the company and the group and the managers must indicate any corrective actions considered to be necessary and the carrying out of any follow-up activity intended to verify the results of suggested actions.

The responsibility for adopting an adequate internal control system, consistent with existing national and international reference models and best practices lies with the board of directors, that, making use of the internal control committee:

- sets the guidelines for this system, so that the company and its subsidiaries are correctly identified, and suitably measured, managed and monitored, thus checking the compatibility of such risks with a correct, healthy company management;
- Identifies one or more executive directors appointed to supervise the internal control system. On

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this point, in October 2010, the board of directors entrusted this role to the managing director, Francesco Starace, with effect from the commencement date of dealing of company shares on the MTA;

- annually evaluates the suitability, efficacy and actual functioning of the internal control system;
- Appoints and removes one or more subjects to the internal control, setting remuneration consistently with company policies. On this matter, in June 2010, the board of directors appointed, with effect from the commencement date of dealing of company shares on the MTA, the Audit department manager (Silvia Fiori), setting remuneration at the same amount as the figure already received by the person involved.

The executive director appointed to supervise the internal control system operations will in turn:

- identify the main company risks, bearing in mind the characteristics of the activities carried out by the company and its subsidiaries and submit them for regular examination by the board of directors;
- Carry out the guidelines defined by the board of directors, planning, creating and managing the internal control system, constantly checking its overall suitability, efficacy and efficiency. He also works on adapting the system to the dynamics of operational conditions and the legislative and regulatory scenario;
- Propose the appointment, withdrawal and remuneration for one or more subjects working in internal control to the board of directors.

The person in charge of internal control, on his part:

- will have the task of checking that the internal control system is always adequate, fully operational and working;
- will not be the head of any operational area and will not hierarchically report to any operational area manager;
- will have direct access to all the useful information for carrying out his role;
- will have suitable means for carrying out the role assigned to him;
- Will report about his work to the executive director appointed to supervise the internal control system's work, to the internal control committee and the auditing board. In particular, he will report about the modes used to manage risks and about the observance of plans set for limiting risk and will express his opinion about the suitability of the internal control system in achieving an overall acceptable risk profile.

Operations with correlated parties

In June 2010, with effect from the commencement date of the dealings of shares on the MTA, the board of directors adopted regulations for identifying the approval and execution modes of operations set up by the company or its subsidiaries, with connected parties; this is in order to ensure procedural and substantial transparency and correctness in operations. These regulations

will be updated at a later time although no later than 1 December 2010 in order to acknowledge the main principles on operations with connected parties recently issued by CONSOB.

Based on these regulation, the internal control committee will be asked to carry out a prior review of the various types of operations with connected parties, except for those with a limited risk profile for the company and the group (operations carried out between companies entirely owned by Enel Green Power and the usual one, the ones regulated by standard conditions and the one whose payment is set according to the official market listings or to rates set by public authorities all come into this context).

Following the internal control committee's review, the board of directors will therefore give preventive approval (for operations regarding the company) or a prior evaluation (for operations regarding companies in the group) of operations with the most important connected parties, meaning: (i) unusual or atypical operations; (ii) operations with an equivalent value of more than 25 million Euro (except for the ones, referred to above, which have a limited risk profile for the company and for the group; (iii) further operations that the internal control committee believes must be subjected to examination by the council.

Operations with an equivalent value of 25 million Euro or lower in which a connection exists with a director or a regular auditor of Enel Green Power, or with an executive manager with strategic positions in the group (or with a connected party via certain subjects) will be certainly subjected to prior examination by the internal control committee.

For each operation with connected parties subjected to preventive approval or evaluation, the board of directors will receive ample information about all important matters, and the relative resolutions will then appropriately give motivation for the reasons and convenience of operations for the company and the group. The board of directors will also receive detailed information concerning the previous carrying out of operations on which approval and evaluation have been decided.

In order to prevent an operation with connected parties being completed on different conditions that what would have probably been negotiated between non-connected parties, the internal control committee will have the possibility, as will the board of directors, to make use of – depending on the nature, value or other characteristics of the operation – the aid of one or more independent experts selected from among subjects with acknowledged professional reputation and competence in the matter.

If the connection exists with a director of the company or with a connected party through the former, the director involved must promptly inform the board of directors about the nature, terms, origin and extent of his interest, leaving the council meeting at the moment when a decision is taken in order to not influence the existence of the quorum or the decision of the board of directors. If the connection exists with the managing director of the company or with a connected party through the former, in addition to the above, the MD must abstain from carrying out the operation, leaving the action to the board of directors.

If the connection exists with one of the company's regular auditors or with a connected party through the former, the auditor involved will promptly inform the other auditors and the chairman of the board of directors about the nature, terms, origin and extent of his interest.

Finally, a communications and certification system intended to reveal operations with connected parties involving Enel Green Power directors and regular auditors, and also executive managers with strategic responsibilities in the company (or connected parties through said subjects) will be set up.

Handling of corporate information

In June 2010, the board of directors approved, with effect from the commencement date of the dealing of company shares on the MTA, specific regulations for the management and handling of reserved information also containing the procedures for external communications of documents and information concerning the company and the group, with particular reference to confidential information. The directors and auditors must abide by the provisions contained in such regulations and maintain the confidentiality of the documents and information acquired while carrying out their duties.

The regulations are aimed at preserving the confidentiality of reserved information, while at the same time ensuring that information on company data provided to the market is correct, complete, adequate, prompt and non-selective.

The regulations generally place responsibility for management of reserved information with the managing director and relevant heads of the companies belonging to the group, ordering that the diffusion of information concerning each subsidiary must take place on agreement with the managing director of the company concerned.

The regulations also sets out specifications for procedures to be observed concerning the external diffusion of company documents and information – in particular concerning the disclosure of confidential information – and carefully governs the modes used by company exponents for contacting the press and other mass communication media (i.e. with financial analysts and institutional investors).

The company has also set up, with effect from the commencement date of the dealing of company shares on the MTA, a group register in which the individual and legal entities that have access to confidential information will be listed, together with information about their working or professional activity or about the functions carried out on behalf of the company or companies belonging to the group. This register aims to make the subjects contained therein aware of the value of the confidential information that they are party to, at the same time helping CONSOB to carry out its supervision activities, in observance of the laws set to protect market integrity.

Also, in June 2010, the board of directors issued implementation instructions concerning internal dealing, concerning the purchase, sale, underwriting and exchange of Enel Green Power shares, i.e. of financial instruments connected to them that have been carried out by "important subjects".

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This latter category includes those subjects who directly and/or indirectly hold shares amounting to at least 10% of the corporate capital, the Enel Green Power directors and regular auditors and another 5 executive managers who are currently identified according to the reference legislation, as they have regular access to confidential information and have the power to make managerial decisions that are liable to affect the evolution and future prospects of Enel Green Power. Obligations of transparency are applied to all the above-indicated transactions, whose equivalent value is at least 5,000 Euro on an annual basis, even if conducted by people with close connections to “important subjects”.

When issuing the implementation measures for the reference legislation on this matter, the board of directors considered it necessary to foresee the obligation of abstention for “important subjects” (other than shareholders with 10% or more of the corporate capital) from carrying out transactions that are subject to the internal dealing rules during the two blocking periods of approximately one month each, which will take place after approval of the financial year statement and the six-monthly financial report by the same board of directors .

This board of directors’ initiative was inspired by the desire to raise the company’s governance standards compared to the reference regulations and the general understanding was to prevent the carrying out of operations by important subjects that the market may perceive as suspect, as carried out during periods of the year that are especially delicate for corporate information. The matter of internal dealing is applied from the beginning of negotiations for shares in the company on MTA.

Reports with institutional investors and with general shareholders

In addition to being a duty towards the market, the company believes that the setting up of a continuous dialogue based on the mutual understanding of roles, with the shareholders and institutional investors is in its own specific interest. This dialogue will be carried out in full respect of the laws and procedures that govern the disclosure of confidential information.

On this matter, on 1 October 2010, the company appointed an *investor relator*. The company will also set up a dedicated section on the company web site (www.enelgreenpower.com). In this section, the investor will find all the published documents by the company, which are both accounting documents and relating to *corporate governance*.

Assembly Meetings

The reference made in the Self-Discipline Code about considering the assembly meeting to be an important opportunity for dialogue and comparison between shareholders and the board of directors (although there is a broad diversification in communication modes for listed companies with its own shareholders, institutional investors and the market) has been carefully assessed and fully shared by the company, which has decided – in addition to guaranteeing the regular participation of its directors in the assembly meetings’ work - to adopt specific measures to

optimise the assembly meetings' value.

Pursuant to the current laws in force, the ordinary and extraordinary shareholders' assembly meetings can decide, among other matters, on (i) the appointment and withdrawal of members of the board of directors and the auditing board and on their relative fees and responsibilities; (ii) on approval of the financial statement and the allocation of profits; (iii) on the purchase and alienation of their own shares; (iv) on shareholders' plans; (v) on amendments to the corporate articles of association, (vi) on the issue of convertible bonds. The decisions are adopted by majorities required by the law in each individual case.

The ordinary and extraordinary assembly meetings are usually held in the town where the company is based, except where otherwise decided by the board of directors and on the condition that it is in Italy or in a country where the company carries out its business, either directly or via its subsidiaries or associated companies.

The articles of association foresee that the ordinary assembly meeting must be summoned at least once a year, in order to approve the financial statement, within the deadline of 120 days after the end of the company's financial year or of 180 days in the cases permitted by applicable law.

The articles of association also foresee that for assembly meetings that are notified and published before the date indicated in article 7, paragraph 1 of the legislative decree nr. 27, dated 27 January 2010 (i.e. 31 October 2010) only the subjects who have deposited their actions at least two days before the date set for the meeting and who have not withdrawn them prior to the assembly meeting can intervene during the meeting. After this date, the regulation on the legitimation of interventions during assembly meetings and the exercising of voting rights foreseen in the above-stated legislative decree will be applied (that foresees that those with voting rights at the end of the accounting day of the seventh day of open market prior to the date set for the first assembly summons will be legitimated).

Following the contents of the special legislation on the matter of listed companies, special dispositions have also been included in the company's articles of association, aimed at helping the collection of voting proxies among shareholders who are company employees or employees of subsidiaries, thus aiding their involvement in the assembly meeting's decision-making processes.

The holding of assembly meetings is governed by the law, by the articles of association and by specific regulations approved by the ordinary assembly meeting in June 2010, with effect from the commencement date of dealing of shares on the MTA, whose contents are in line with the most sophisticated models drawn up by some trade associations (Assonime and ABI) for listed companies.

The assembly meeting is chaired by the chairman of the board of directors or, should he be absent or indisposed, by the managing director, or should both be absent, by another person delegated by the board of directors; in other circumstances, the assembly meeting will elect its own chairman. The chairman is aided by a secretary, who may also not be a shareholder, appointed by the persons present and may appoint one or more observers.

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The chairman of the assembly checks that the meeting has been correctly constituted, the identity and legitimate presence of the persons present, governs the carrying out of the meeting and checks the voting results.

Assembly resolutions are included in the minutes signed by the chairman and the secretary. The minutes of extraordinary assembly meetings must be drawn up by a notary public.

With regards to each shareholder's right to speak about the matters on the meeting agenda, the assembly meeting regulations foresee that the chairman, considering the subject and relevance of the matters discussed and the number of people who have requested to speak and any questions put forward by the shareholders prior to the meeting that have not yet been answered by the company, sets a duration for each speech and reply – normally no more than ten minutes for speeches and five minutes for replies - in order to make sure that the assembly meeting can complete its work in a single meeting. The subjects entitled to vote can ask to speak about matters discussed once only, making comments, asking for information and making proposals. A request to speak can be made from the moment when the assembly meeting is constituted and – except for any other deadline set by the chairman – until the chairman himself does not declare that the discussion on the matter is closed. The chairman and, on his invitation, those assisting him, will answer the speakers at the end of all the speeches or after each speech. Those asking to speak will have the right to give a short reply.

Code of Ethics

The awareness of corporate and environmental repercussions that accompany the group's activities, together with the consideration of the importance of a cooperative approach with the stakeholders and of the group's good reputation (in both internal and external relations), have inspired the writing of the group's Code of Ethics, approved by the company's board of directors on 1 December 2008.

This code expresses the undertakings and ethical responsibilities in carrying out business, regulating and standardising company conduct to standards set for the utmost transparency and correctness towards all stakeholders. In particular, the code of ethics is organised into:

- General principles in relations with the *stakeholders*, which define the reference values that the group aspires to in the carrying out of its various activities. Within the realm of such principles, the following can be mentioned: honesty, impartiality, confidentiality, optimisation of corporate investments, the value of human resources, transparency and completeness of information, service quality and safeguarding of the environment;
- conduct criteria for each class of *stakeholders*, which provide the guidelines and rules that Enel Green Power collaborators must abide by to ensure the observance of the general principles and to prevent the risk of unethical conduct;
- Implementation mechanisms that describe the preset control system and to ensure observance of the code of ethics and its continual improvement.

Organisational and management model

The company acknowledges the organisational and management model corresponding to the requisites contained in the legislative decree nr. 231 dated 8 June 2001, which introduced a system of administrative responsibility for companies into the Italian legal system (which is in fact a penal matter), for some type of crimes committed by the relative directors, executive managers or employees in the interest of or to the advantage of the companies themselves.

This model's contents are consistent with the guidelines drawn up on the matter by trade associations and with USA best practices and is another step towards the thoroughness, transparency and sense of responsibility in internal and external relations, at the same time offering stakeholders suitable guarantees about an efficient and correct management of the company.

The model in question – conceived as a tool to be adopted by all the group's Italian companies, comprises a "general part" (also describing the contents of the legislative decree nr. 231/2001, the goals and functioning of the model, the duties of the control body which will supervise functions and observance of the model and its regular updating, information flows, penalty systems) and separate "special parts" that concern the various types of crimes foreseen by the legislative decree nr. 231/2001 and which the model intends to prevent.

The control body, called upon to supervise the functioning and observance of the model and to update it as appropriate, is a panel comprising the managers of the Audit department, the Corporate Secretarial Office and the Legal Affairs Office.

"No tolerance for corruption" plan

On 1 December 2008, the board of directors approved the "No tolerance for corruption – TZC" plan, in order to substantiate Enel Green Power's signing of the Global Compact (action programme promoted by the UN in 2000) and of the PACI – *partnership against corruption initiative* (an initiative sponsored by the *World Economic Forum* in Davos in 2005).

The TZC plan does not replace or overlap with the Code of Ethics and the company organisational and management model adopted pursuant to the legislative decree nr. 231/2001, but is an in-depth consideration of the matter of corruption intended to acknowledge a series of recommendations for the implementation of the principles formulated on this matter by *Transparency International*.