

# Tax governance, control and risk management

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## Governance body

Enel's organization model provides: i) for a constant flow of information to the Board of Directors by the Tax unit ("Tone at the top") with regard to the tax risk management and control system and the Tax Transparency Report, in which all relevant tax aspects of the Group are set out; ii) that the Holding's Tax Affairs unit has the task, among others, of implementing the Group's tax strategy defined by the Board of Directors, identifying, analyzing and managing

the various optimization initiatives, monitoring the most significant tax issues, and providing support to the various Business Lines; iii) that in addition to the Holding Function, the Tax Affairs units in the different countries, acting in accordance with the values and principles set out in the tax strategy, are in charge of compliance management and tax planning and monitoring activities at the local level.

## Organization

Enel has adopted a set of rules, procedures and standards which are part of the Group's wider organization and control system and which are considered key points of reference that all parties, depending on their type of relationship with the Group, are required to observe.<sup>(3)</sup> The various corporate policies and procedures applicable both at Group level and country level govern the activities, as well as their management procedures and Tax Affairs responsibilities, including in relation to other corporate Functions.

These documents are published on the Company intranet and are accessible to all Enel people. They form the general rules of conduct applicable within the Group when carrying out activities. Specifically in relation to taxation, in addition to the tax strategy there are specific organizational documents in force – both at global and local level – regarding the processes of tax compliance, tax planning, tax monitoring, transfer pricing and tax risk management. The general principle is that the Tax units must be of the

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(3) For example: Code of Ethics; Zero Tolerance of Corruption Plan; Enel Global Compliance Program (EGCP), corporate policies, models and procedures; the tax strategy; the Internal Control and Risk Management System; the proxy system; the sanctions system referred to in the applicable CCNL; any other documentation relating to the current control systems; the relevant accounting standards; procedures and IT applications.

appropriate size and equipped with the necessary skills to perform the role of a decision-making analysis center within the governance and business processes, in addition to the role of compliance oversight. For this purpose, spe-

cific and ongoing training initiatives on tax issues at both country and global level have been set up, with recurring meetings between all of the Group's Tax Managers in order to ensure appropriate alignment.

## Tax risks

The Group has a Tax Control Framework (TCF) the main aim of which is to provide the Tax units with a single and consistent set of guidelines for adopting a correct and effective approach to tax risk management within the Group. The framework sets out guidelines and methodological rules so as to assess, monitor and manage the relevant tax risk for the companies consistently, in accordance with the principles and guidelines set out by the tax strategy and Tax Risk Policy, and in the knowledge that the Group companies operating in different jurisdictions must adopt the TCF with respect for the specific corporate context and domestic regulations of each country in question.

In this regard, Enel has adopted a Tax Risk Policy the main objective of which is to provide unambiguous and consistent guidance to the Tax units when adopting the TCF at the local level.

In accordance with the established principles and guidelines, the Enel Group aims to manage the tax risk proactively and believes that adopting a TCF can ensure the timely detection, correct measurement and control of the tax risk.

The task of the TCF is to identify the sources of tax risk for the purpose of compliance and interpreting tax regulations, while mapping out the respective processes and activities in order to form a network of risk detectors, to be associated with the resulting control measures.

In particular, as the set of detectors and control measures identify sources of risk, the TCF can perform a broad spectrum of control. As such, any materialization of the tax risk can be intercepted and managed by each Tax unit in question. The effectiveness and ongoing updates of the TCF are ensured through periodic monitoring of the risk map, regular internal audit processes, as well as through the tax authority systems set out under cooperative compliance schemes (where implemented).

The results from the monitoring of tax risks are periodically brought to the attention of the competent Functions and corporate bodies, including to establish the most appropriate way to mitigate such risks.

Where applicable, the tax control system is subject to external certification, as in the case of Spain. In this regard, the subsidiary Endesa obtained certification by AENOR<sup>(4)</sup> for its Tax Compliance Management System in accordance with the requirements of the UNE 19602 standard. This tax compliance certification represents one of the highest standards by which Spanish companies can demonstrate that they prevent and mitigate tax risks by fully meeting the requirements of UNE 19602.<sup>(5)</sup>

Finally, with regard to the outcome of this risk control activity and to potentially uncertain tax positions, please refer to the relative indications and comments in the [Integrated Annual Report](#).

## Participation in cooperative compliance schemes

For companies that meet the legal requirements for participation, the Enel Group promotes participation in cooperative compliance schemes where they exist in the various countries in which it operates.

In particular, Enel participates in the Collaborative Fulfilment (*Adempimento Collaborativo*) scheme in Italy,<sup>(6)</sup> for larger companies, in the equivalent Code of Good Tax Practices

(*Código de Buenas Prácticas Tributarias*)<sup>(7)</sup> scheme in Spain and is collaborating with the federal tax authority in a pilot project for the creation of a local Cooperative Tax Compliance model (*Projeto CONFIA – Conformidade Cooperativa Fiscal*) in Brazil.<sup>(8)</sup> In addition to the above-mentioned countries, various activities are under way for potential accession to additional cooperative compliance schemes.

(4) AENOR (Asociación Española de Normalización y Certificación) is a leading body in the certification of management systems, products and services and is responsible for the development and dissemination of UNE standards.

(5) UNE standard 19602, published in February 2019, sets out requirements and guidelines for companies to voluntarily adopt a system that reinforces tax compliance best practices. The standard requires companies to identify and assess potential tax risks and to minimize them by establishing financial controls and due diligence processes for the organization's exposed personnel and suppliers, as well as a channel for complaints and consultations.

(6) <https://www.agenziaentrate.gov.it/portale/web/guest/schede/agevolazioni/regime-di-adempimento-collaborativo/elenco-societa-ammesse-al-regime>.

(7) <https://sede.agenciatributaria.gob.es/Sede/colaborar-agencia-tributaria/relacion-cooperativa/foro-grandes-empresas/codigo-buenas-practicas-tributarias/adhesiones-codigo-buenas-practicas-tributarias.html>.

(8) <https://www.gov.br/receitafederal/pt-br/acesso-a-informacao/aco-es-e-programas/confia>.

In order to monitor the progress of this activity, an index (the Cooperative Compliance Index – CCI) was developed to measure the participation of Enel Group companies in cooperative compliance regimes in various countries

based on their size and membership requirements.<sup>(9)</sup>



## Mechanism for stakeholder reports

For the Enel Group, tax compliance is considered a key aspect of the Company's ethical and accountable management. As such, breaches that can be reported through the Company's internal channels also include those relating to tax. The Group's Code of Ethics is the framework of "eth-

ical management" which Enel operates, tying in fully with the tax strategy. Provisions for violations of the Code of Ethics are appropriate to ensure the effectiveness of the requirements contained therein and should be understood to extend to the provisions of the tax strategy.