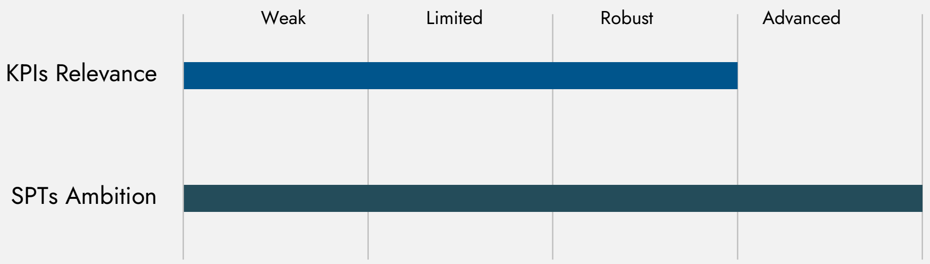
January 2022

SECOND PARTY OPINION

on Enel's Sustainability-Linked Financing Framework

V.E is of the opinion that Enel's Sustainability-Linked Financing Framework* is <u>aligned</u> with the five core components of the ICMA's Sustainability-Linked Bond Principles (SLBP) 2020 and the LMA's Sustainability-Linked Loan Principles (SLLP) 2021

Framework



SDG Mapping

Characteristics of the Framework	
Audit of the data	Yes
Three-year historical data	Yes
Nature of the impacts on the bond/loan's characteristics	Financial
Disclosure of means for achieving the SPTs	Yes

It is to be noted that "the Framework" refers to Enel's January 2022 Sustainability-Linked Financing Framework.

Sustainability Performance Targets (SPTs)

<u>KPI 1: Direct GHG Emissions Amount (Scope 1)</u>

- SPT 1: 64% reduction of direct GHG emissions per kWh by 2023, equivalent to around 148 gCO_2eq by kWh, compared with 2017 levels
- SPT 2: 66% reduction of direct GHG emissions per kWh by 2024, equivalent to around 140 gCO_2eq by kWh, compared with 2017 levels
- SPT 3: 80% reduction of direct GHG emissions per kWh by 2030, equivalent to around 82 gCO_2eq by kWh, compared with 2017 levels
- SPT 4: 100% reduction of direct GHG emissions per kWh by 2040, equivalent to 0 gCO_2eq by kWh

<u>KPI 2: Renewable Installed Capacity Percentage</u>

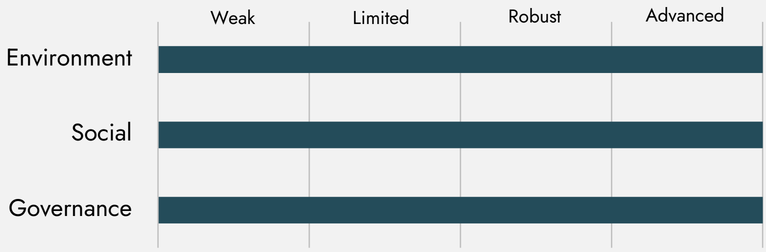
- SPT 1: 60% of renewable installed capacity by 2022
- SPT 2: 65% of renewable installed capacity by 2023
- SPT 3: 66% of renewable installed capacity by 2024
- SPT 4: 80% of renewable installed capacity by 2030
- SPT 5: 100% of renewable installed capacity by 2040

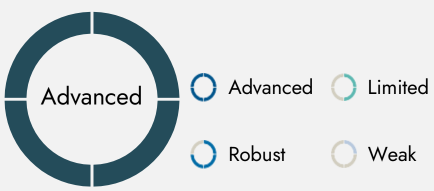
<u>Baseline</u>	2021	2022	2023	2024	2030	2040
KPI 1:2017	N/A	N/A	148 gCO_2eq/ kWh*	140 gCO_2eq/ kWh*	82 gCO_2eq/ kWh*	0gCO_2e/ kWh*
KPI 2:N/A	58%	60%*	65%*	66%*	80%*	100%

*Trigger event

Issuer

ESG performance as of November 2021





ESG Controversies	
Number of controversies	15
Frequency	Occasional
Severity	High
Responsiveness	Reactive

Controversial Activities

☐ Animal welfare
☐ Cannabis
☐ Chemicals of concern
☐ Civilian firearms
☐ Alcohol
☒ Fossil Fuels industry
☒ Coal
☐ Gambling
☐ Genetic engineering
☐ High interest rate lending
☐ Human Embryonic Stem Cells
☐ Military
☒ Nuclear power
☐ Pornography
☐ Reproductive medicine
☐ Tar sands and oil shale
☐ Tobacco

Key findings

Contextualisation:

It is important to emphasise that Enel's KPIs have not been subject to any changes since our latest SPO update (January 2021) and that its decarbonisation strategy and endeavours have therefore not regressed but have actually become more ambitious in absolute terms. The "robust" materiality scoring is predominantly the result of a V.E methodology improvement[1] which incorporates clearer and stricter coverage thresholds for chosen KPIs (N.B. only a KPI or aggregated KPIs covering 90% or more of an Issuer's total GHG emissions can be considered "advanced", our highest level of assessment). Also of note is that Enel has both (a) publicly committed to become Net Zero across all scopes (1, 2 and 3) by 2040 and (b) communicated that it will seek SBTi certification in 2022 of all its Net Zero targets as aligned with the 1.5° degree scenario based on SBTi's Net-Zero standard released in Q4 2021.

V.E considers that Enel's Sustainability-Linked Financing Framework[2] is aligned with the five core components of the SLBP 2020 and SLLP 2021.

Selection of Key Performance Indicators (KPIs) – aligned with the SLBP and SLLP

- The KPIs are clearly defined, including the unit of measurement, the rationale and process to select the KPIs, the calculation methodologies and the scope. They are publicly disclosed in Enel's Framework.
- The KPIs are measurable and are externally verifiable.
- The calculation methodology is consistent and in case of any methodology change, the Issuer commits to conducting a post-issuance external review of the relevant changes.
- The KPIs' definition relies on external references allowing their benchmark.
- The selected KPIs reflect some of the most material sustainability issues for the Issuer's current and future operations as well as some of the most relevant sustainability challenges for its sector.

Calibration of Sustainability Performance Targets (SPTs) – aligned with the SLBP and SLLP and best practices identified by V.E

- The SPTs are consistent with the Issuer's existing targets set in its sustainability strategy.
- The SPTs demonstrate an advanced level of ambition.
- The timeline, baseline and trigger events are clearly disclosed and the Issuer has set relevant intermediary targets allowing sufficient visibility on the KPIs' performance.
- The means for achieving the SPTs are disclosed as well as their respective contribution in quantitative terms to the SPTs and they are considered credible.

Instrument Characteristics – aligned with the SLBP and SLLP

- The potential variation of the Instrument's financial characteristics depending on whether the selected KPIs would reach (or not) the predefined SPTs is clearly defined in this SPO.
- It is disclosed to investors in the relevant documentation of the specific transaction.

[1] Moody's ESG / Insights & Analysis / A materiality lens is key to assessing the credentials of sustainability-linked debt instruments (moodys.io)

[2] It is to be noted that the Framework refers to Enel's January 2022 Sustainability-Linked Financing Framework.

Reporting– aligned with the SLBP, SLLP and best practices identified by V.E

- The Issuer has committed to disclosing all relevant information in public documentation on its website in its Sustainability Report – Non Financial Statement and/or in its Annual Report as applicable (including information on the performance of the KPIs, information enabling investors to monitor the level of ambition of the SPTs and baselines).
- The reporting on the KPIs will be published at least annually until the maturity of the Instrument and in case of any material changes.
- The intended scope and granularity of the reporting is clear and exhaustive, covering all the required and recommended elements.
- The selected KPIs related data is covered by an internal and external verification.

Verification– aligned with the SLBP, SLLP and best practices identified by V.E

- The performance of each KPI against each SPT will be covered by an external verification at least annually and in case of material changes impacting an Instrument's financial characteristics (such as a trigger event) until the maturity of the Instrument.
- The verification assurance report will be publicly available on Enel's website.

SCOPE

V.E was commissioned to provide an independent Second Party Opinion ("SPO") on the integration of two environmental factors to the Sustainability-Linked Instruments (the "Instruments") issued by Enel Group (the "Issuer" or "Enel") in compliance with the Sustainability-Linked Financing Framework (the "Framework") created to govern their issuances[3].

Of note, Sustainability-linked debt instruments are intended to finance general corporate purposes. As opposed to other sustainable financial instruments such as green/social bonds or loans, these instruments are agnostic on how funds are used. The main feature of this type of financing is the variation of the instruments' financial and/or structural characteristics, depending on whether the Issuer achieves predefined sustainability/ ESG objectives.

Our opinion is established using V.E Environmental, Social and Governance ("ESG") assessment methodology and the International Capital Market Association's (ICMA) Sustainability-Linked Bond Principles ("SLBP"), voluntary guidelines, published in June 2020 and the Loan Market Association, Asia Pacific Loan Market Association, Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Sustainability-Linked Loan Principles ("SLLP"), voluntary guidelines, published in July 2021. This opinion is strictly limited to the integration of two environmental factors to the Instruments. This opinion does not cover the integration of broader sustainability factors (i.e. social and governance), or the labelling of the Instruments where the final decision is left to Enel. This opinion does not constitute a verification or certification.

Our opinion is built on the review of the following components:

1. Framework: we assessed the Framework, including the coherence between the Framework and the Issuer's environmental commitments, and its alignment with the five core components of the SLBP 2020 and SLLP 2021.

2. Issuer: we assessed the Issuer's ESG performance, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities[4].

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E's exclusive ESG rating database, and (iii) information provided from the Issuer, through documents.

We carried out our due diligence assessment from September 22nd, 2020 to January 5th 2022. We consider that we were provided access to all documents and interviewees we solicited. To this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

Type of External Reviews supporting this Framework

☒	Pre-issuance Second Party Opinion	☒	Independent verification of KPI(s) reported data
☒	Independent verification of SPT(s) achievement		

Contact

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[3] The Issuer reports that issuances will include Sustainability-Linked bonds, Sustainability-Linked Loans, SDG Commercial Paper Programs (without financial adjustments), Sustainability-Linked Foreign Exchange Derivatives, Sustainability-Linked Rates Derivatives and Sustainability-Linked Guarantees.

[4] The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Gambling, Genetic engineering, High interest rate lending, Human Embryonic Stem Cells, Military, Nuclear power, Pornography, Reproductive medicine, Tar sands and oil shale, and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

V.E considers that the selected KPIs are coherent with Enel's strategic sustainability priorities and sector issues and that they contribute to achieving the Issuer's sustainability commitments.

Enel aims to develop a business model aligned with the objectives of the Paris Agreement (COP21) to maintain the average global temperature increase well below 2°C compared with pre-industrial levels. Enel demonstrates its efforts to limit this increase to 1.5°C, notably by having responded in 2019 to the call to action from the United Nations. Enel is the first Italian company that signed the pledge to limit the rise in global temperatures to 1.5° and to achieve net zero emissions by 2050. According to the IPCC models, to limit global warming to below 1.5°C, CO_2 emissions should decline by 45% from 2010 levels by 2030 and reach net zero around 2050. To stay below 2°C, CO_2 emissions should decline by 25% by 2030 and reach net zero around 2070. Enel's 2020-2022 strategy was to reduce its carbon dioxide emissions by 70% (kWh) by 2030 vs 2017 levels and reach full decarbonisation by 2050, a target which is certified by the Science Based Target initiative (SBTi) as compliant with the Well Below 2°C scenario.

In October 2020, Enel announced[5] an even more ambitious GHG emissions reduction target by 2030, as part of its 2021-2023 Strategic Plan[6]. The Group announced that it targets an 80% reduction of direct GHG (Scope 1) emissions in 2030 versus 2017 levels, reaching around 82 gCO_2eq/kWh certified by the Science-Based Targets Initiative (SBTi[7]) as compliant with the 1.5°C pathway. The expected path to the 2030 target includes a target for GHG scope 1 emissions to be equal or less than 148g CO_2eq/kWh by 2023.

In November 2021, Enel announced the acceleration of its decarbonisation plan and brought forward its decarbonisation target to 2040 (entailing a 100% renewable energy mix with no reliance on carbon capture and storage (CCS) or carbon removal technologies and practices) confirming at the same time its 2030 target of GHG Scope 1 emissions per kWh reduction by 80% by 2030 with respect to the 2017 baseline, as initially pledged in October 2020. The expected path to 2030 target also now includes a target of GHG Scope 1 emissions per kWh equal or less than 140gCO_2eq/kWh by 2024. Enel has also announced a 2040 Net Zero target in relation to indirect emissions (scope 2 and 3).

This appears to be coherent both with Enel's endeavours up to now (e.g. in 2021, 52% of the consolidated electricity produced by the Group is expected to be from renewable sources, making it one of the world's major producers of clean energy) and Enel's corporate strategy, in which the two KPIs are fully embedded. Indeed, its 2022-2024 Strategic Plan details the strategic milestones to become Net Zero across all scopes by 2040 and relies mainly on the deployment of new renewable capacity, the exit from coal-based and gas-based generation, the exit from the gas retail business, the achievement of 100% of electricity sold to customers from renewable energy and the roll-out of a capex plan in full alignment with the Net Zero targets.

Moreover, Enel has centered its strategy around the achievement of Sustainable Development Goals ("SDGs") across all of its activities, with SDG 13 on Climate Action as the cornerstone of the strategy. The Group engages in decarbonisation of both production and consumption, while pursuing Electrification of end users to tackle climate change as well as providing access to affordable and clean energy, in line with SDG 7, SDG 9 and SDG 11. Digitalisation and Platforms will create new business models and will support ongoing efficiencies across Enel's Global Business Lines, in line with SDG 9 and SDG 11. In the 2022-2024 period, the Group plans to directly invest around EUR45bn, of which around EUR 43bn through the Ownership business model and around EUR 2bn through the Stewardship business model, while further catalysing around EUR 8bn from third parties. 87% of the EUR 43bn capex through the Ownership business model is expected to be allocated to renewables and networks, totaling around EUR 37bn in three years, while additional EUR 2bn capex are expected to be deployed through the Stewardship business model.

[5] https://www.enel.com/media/explore/search-press-releases/press/2020/10/enel-boosts-its-2030-greenhouse-gas-emission-reduction-target-to-80-from-70-sbti-certified

[6] https://corporate.enel.it/en/media/press/d/2020/11/enels-2030-vision-in-20212023-strategic-plan-a-decade-of-opportunities-

[7] https://sciencebasedtargets.org/

FRAMEWORK

The Issuer has described the main characteristics of the Instruments within a formalised framework which covers the core components of the SLBP 2020 and SLLP 2021 (the last updated version was provided to V.E on January 4th, 2022). The Issuer has committed to making this document publicly accessible on its website[8], in line with good market practices.

Alignment with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

Selection of Key Performance Indicators (KPIs)

Not Aligned	Partially Aligned	**Aligned**	Best Practices

Table 1. Analysis of the KPIs selected by the Issuer

KPI 1: DIRECT GREENHOUSE GAS EMISSIONS AMOUNT (SCOPE 1)	KPI 2: RENEWABLE INSTALLED CAPACITY PERCENTAGE
DEFINITION: CLARITY AND DISCLOSURE	
The KPIs are clearly defined, including the unit of measurement, the rationale and process to select the KPIs, the calculation methodologies and the scope. They are publicly disclosed in Enel's Framework. The Issuer has provided the following calculation methodologies: KPI 1: Scope 1 GHG emissions = direct emissions measured in grams of CO2 equivalent per kWh calculated and reported as requested by the GHG Protocol9 and on the Global Reporting Initiative (GRI)10. KPI 2: Renewable installed capacity percentage (%) = Renewable installed capacity (MW) / Total installed capacity (MW) The Issuer reports that the perimeter of reporting for both KPIs cover the whole electricity generation business activity of the Group (covering conventional generation and renewables through Enel Green Power), whose revenues accounted for 43.9% out of total Group Revenues in 2020 (including Trading activities). The rationale for the selection of the KPIs is reflected through Enel's sustainability strategy. The Issuer is committed to reducing its direct CO_2 emissions by 80% by 2030 to reach full decarbonisation by 2040 and meet recognised climate pledges. In addition, Enel is committed to increasing its renewable installed capacity to reach 66% by the end of 2024, 80% by the end of 2030 and 100% by 2040, thereby meeting recognised climate pledges.	

[8] https://www.enel.com/investors/investing/sustainable-finance/sustainability-linked-finance
[9] https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/ghg-inventory-2020.pdf
[10] https://www.globalreporting.org/

A comprehensive analysis of Enel's strategy which includes both production targets and a goal of full decarbonisation by 2040, allows for the proper assessment of the Issuer's management of possible risks associated to the KPI. The Issuer reports that its strategic commitment to increase its renewable installed capacity will result in the increase of its renewable energy production by 64 TWh, representing a 13 percentage point increase compared to 2021. This growth demonstrates that Enel forecasts only a minor gap between renewable energy in the total installed capacity and in the generation mix. Enel has set a commitment to report to investors on the share of renewable generation and its performance in terms of decarbonization (the production from conventional generation will decrease by 13TWh whereby coal generation will account for less than 1% of the overall production).

In addition, the calculation of KPI 2 considers different types of renewable energies, which includes large hydropower. Although hydropower dams can produce power with low greenhouse gas emissions, adverse social and environmental externalities of large dams can result in substantial physical transformation of rivers, riverine ecosystems impact, displacement, loss of livelihood and loss of cultural heritage. As a result, an area for improvement consists in excluding large hydropower from the perimeter of the collected KPI to improve its relevance from a sustainability perspective.

Enel is transparent on this issue and reports that 100% of its hydropower plants are ISO 14001 certified, while working to integrate local communities' expectations in the development of their projects. In addition, Enel reports that the share of hydropower within its renewable's portfolio will decrease to 28% of total installed capacity in 2024, representing 25% of total energy production. The Issuer discloses a commitment to report annually on the breakdown by technology of its renewable installed capacity.

MEASURABILITY, BENCHMARK AND VERIFIABILITY

The KPIs are measurable and externally verifiable.

Both KPIs are externally and independently verified and measurable on a consistent methodological basis. The selected KPIs and their associated targets are included in the yearly Sustainability Report, which has been externally and independently audited since 2009.

The calculation methodology is consistent. For the sake of transparency, Enel has communicated that a "recalculation event" means either of the following: (a) an event that may require Enel to change its methodology for calculating the Direct GHG Emissions Amount and/or the Renewable Installed Capacity Percentage following a significant change in data due to better data accessibility or the discovery of data errors; or (b) an event which results in a significant structural change to the Group, including as a result of M&A. Enel may set Updated Direct GHG Emissions Amount Full Threshold, Updated Directed GHG Emissions Amount Intermediate Threshold or Updated Renewable Installed Capacity Percentage Threshold in any case which leads to an increase or decrease in the value of one of the targets of 5% or greater since the most recent target data published by Enel.

In any case when such event leads to a recalculation, Enel commits to publishing the relevant updated targets data (thresholds) on its website and to conducting a post-issuance external review of the relevant changes.

The KPIs were previously disclosed and have historical externally verified KPI values covering at least the previous 3 years.

The KPIs' definitions rely on external references allowing their benchmark. KPI 1 relies on the GHG Protocol[11] and on the Global Reporting Initiative (GRI). In particular, Enel refers to the GRI 305 Emissions[12] and to the Disclosure 305-1 Direct (Scope 1) GHG emissions. KPI 2 also relies on the Global Reporting Initiative (GRI). In particular, Enel refers to the GRI sectorial indicator EU1[13] (GRI-G4-Electric-Utilities-Sector-Disclosures), which sets global standards to measure installed capacity, broken down by primary energy source.

[11] https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/ghg-inventory-2020.pdf
[12] https://www.globalreporting.org/standards/media/1012/gri-305-emissions-2016.pdf
[13] https://www.globalreporting.org/Documents/ResourceArchives/GRI-G4-Electric-Utilities-Sector-Disclosures.pdf

RELEVANCE AND MATERIALITY

The selected KPIs reflect some of the most material sustainability issues for the Issuer's current and future operations as well as some of the most relevant sustainability challenges for its sector.

The relevance of both KPIs is considered robust.

The Electric & Gas Utilities sector has a major role to play regarding climate change and energy efficiency through the promotion of renewable energy sources, energy efficiency and reduction in greenhouse gas emissions from power plants. Companies are expected to set ambitious climate change strategies, backed by relevant targets and widespread environmental management systems. Indeed, with two-thirds of greenhouse gas (GHG) emissions coming from the energy sector, the Intergovernmental Panel on Climate Change (IPCC) highlights the need for a transformation of the world's energy system with an immediate, large-scale shift to renewable energy and energy efficiency. Companies are also expected to dismiss their carbon-intensive means of production, meaning dismissing their fossil fuel powered plants. One of the major environmental issue for the electricity production sector is scope 1 GHG emissions linked to the production of electricity through the combustion of fossil fuels (coal, gas and oil).

In addition, according to a report[9] published by the International Renewable Energy Agency (IRENA), the rapid adoption of renewable energy combined with energy efficiency strategies is a reliable pathway to achieve over 90% of energy-related CO_2 emissions reductions needed to meet National climate pledges.

Based on the scientific reports published by the Intergovernmental Panel on Climate Change, the UN Framework Convention on Climate Change (UNFCCC)[14] acknowledges the possibility of harmful climate change due to the increasing and irreversible level of greenhouse gases emissions (GHG). The Paris Agreement sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. It also aims to strengthen companies' ability to deal with the impacts of climate change and support them in their efforts.

It is particularly relevant that companies set science-based targets for Scope 1, 2 and 3 GHG emissions to help meet the goals of the Paris Agreement and to be externally assessed such as by the Science Based Target Initiative (SBTi)[15] in order to demonstrate the target's alignment with the latest climate science. That said, Enel's KPI 1 only covers scope 1 emissions, which, according to the data provided in its 2020 Sustainability Report[16], account for 46% of its total GHG emissions. Not only does this KPI not cover the majority of Enel's total GHG emissions, but the Issuer's scope 3 emissions account for a larger share of its total GHG emissions (i.e. 49%).

For the sake of transparency, V.E emphasises the fact that a KPI covering only 46% of a company total GHG emissions is typically considered unsatisfactory according to our methodology. This is particularly true when another scope of emissions (in this case scope 3) makes up a bigger share of the total GHG emissions. That said, V.E notes that Enel has formulated a public pledge[17] to phase out coal by closing all coal-fired plants by 2027 and an overarching commitment to reach Net Zero across all scopes (1, 2 and 3) by 2040[18]. We can therefore reasonably assume that scope 3 emissions will become considerably less significant both in the medium (2027) and long term (2040). Instruments issued under Enel's 2022 Framework may have an earlier maturity date which explains the importance of the absence of scope 3 emissions in the KPIs' assessment. Nonetheless, V.E highlights the relevance of Enel's global GHG reduction strategy which is particularly exhaustive in that it covers all scopes of emissions and Enel's activity has a whole.

Concerning KPI 2, V.E notes a ripple-down effect in that KPI 2 is notably an enabler of KPI 1 and that it subsequently will allow Enel to reduce (and eliminate by 2040) scope 1 emissions, demonstrating that the materiality of both KPIs is linked.

[14] https://unfccc.int/
[15] Ambitious corporate climate action - Science Based Targets
[16] https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2020/sustainability-report_2020.pdf
[17] https://www.enel.com/company/our-commitment/energy-transition
[18] https://www.enel.com/media/explore/search-press-releases/press/2021/11/enel-the-road-to-2030-in-the-20222024-strategic-plan-powering-investments-towards-zero-emissions-with-focus-on-the-electrification-of-customer-energy-demand

In addition it is important to highlight that the ultimate 100% renewable installed capacity will, by definition, only cover Enel's activity linked to electricity generation – it will not cover its activity linked to its gas retail business (i.e. end consumers of the purchased gas make up approximately 45% of Enel's scope 3 emissions[19], meaning approximately 1/4 of Enel's total GHG emissions). However, we value the fact that the aim to reach 100% of renewable installed capacity (specifically renewable installed capacity/total installed capacity as a %) demonstrates an ambitious long-term green transition for Enel.

Of note, Enel annually conducts a materiality analysis crossing the company and its stakeholder's priorities', which is disclosed in its Sustainability Reports. The 2020 materiality matrix has identified decarbonization of the energy mix as one of the main environmental priority for the Issuer and its stakeholders. In addition, the main objectives of Enel's decarbonisation plan will be achieved through (i) an acceleration of renewables development and (ii) the progressive decommissioning of coal-fired plants, which are both appropriately reflected by the two selected KPIs.

BEST PRACTICES

⇒ The KPIs calculation methodology is consistent and the Issuer commits to conducting a post-issuance review (which will be made available to bondholders and lenders) in case of material changes to the KPIs' coverage, calculation methodology, and in particular the SPT calibration.

⇒ The KPIs were previously disclosed and have historical externally verified KPI values covering at least the previous 3 years.

⇒ The KPIs definition relies on external references allowing their benchmark.

[19] https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2020/sustainability-report_2020.pdf p.339

SDG CONTRIBUTION

The selected KPIs are likely to contribute to two of the United Nations' Sustainable Development Goals ("SDGs"), namely:

KPI	SDG	SDG TARGETS
DIRECT GREENHOUSE GAS EMISSIONS AMOUNT (SCOPE 1) & RENEWABLE INSTALLED CAPACITY PERCENTAGE	13 CLIMATE ACTION	Assets are likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects.
	7 AFFORDABLE AND CLEAN ENERGY	7.2. Increase substantially the share of renewable energy in the global energy mix.

Calibration of Sustainability Performance Targets (SPTs)

Not Aligned	Partially Aligned	Aligned	Best Practices

AMBITION

KPI 1: DIRECT GREENHOUSE GAS EMISSIONS AMOUNT (SCOPE 1)

By using the percentage of direct GHG emissions reduction over the years, the data set should fairly reflect positive or negative KPI's trend of the Issuer's commitment to fight climate change, thus enabling the investors to make an appropriate assessment of the overall environmental performance.

Table 2 – Direct GHG emissions (measured in grams per kWh)

<table>
<tr><td rowspan="2"></td><td colspan="7" rowspan="2">REPORTED DATA</td><td colspan="4">FORECAST</td></tr>
<tr><td colspan="4">OBJECTIVES</td></tr>
<tr><td rowspan="2">Scope 1 GHG emissions</td><td>2015</td><td>2016</td><td>2017 (Baseline)</td><td>2018</td><td>2019</td><td>2020</td><td>2021**</td><td>2023*</td><td>2024*</td><td>2030*</td><td>2040*</td></tr>
<tr><td>409</td><td>395</td><td>414</td><td>369</td><td>298</td><td>214</td><td>219</td><td>148</td><td>140</td><td>82</td><td>0</td></tr>
<tr><td>Annual variation (%)</td><td>N/A</td><td>-3.4%</td><td>+4.8%</td><td>-10.9%</td><td>-19.2%</td><td>-28.2%</td><td>+2.3%</td><td colspan="4">N/A</td></tr>
<tr><td rowspan="2">Average annual variation (%)</td><td colspan="2" rowspan="2">N/A</td><td colspan="5" rowspan="2">-14.72%</td><td colspan="3">-10.34%</td><td></td></tr>
<tr><td colspan="4">≈ -54%</td></tr>
<tr><td rowspan="3">Expected variation (%)</td><td colspan="3">N/A</td><td colspan="6">-45%</td><td colspan="2">N/A</td></tr>
<tr><td colspan="3">N/A</td><td colspan="7">-80%</td><td>N/A</td></tr>
<tr><td colspan="3">N/A</td><td colspan="8">-100%</td></tr>
</table>

*Trigger event

**Expected performance

Based on several points of comparison, V.E considers that Enel's targets demonstrate an advanced[20] level of ambition.

The timeline, baseline and trigger events are clearly disclosed and the Issuer has set relevant intermediary targets allowing sufficient visibility on the KPIs' performance.

Business-as-usual Trajectory Benchmark Analysis

The SPTs demonstrate a material improvement compared to the company's Business as Usual (BaU).

The objective is to reach an 80% CO_2eq emissions reduction per kWh by 2030, compared to a 2017 baseline, to reach 100% reduction in 2040. This means decreasing CO_2eq emissions from 414 g/kWh reported in 2017 to 82g/kWh in 2030. To reach this target, Enel plans to reduce by 62.5% its scope 1 CO_2eq emissions between 2021 and 2030. The Issuer has set two intermediary targets demonstrating a CO_2 emissions reduction for 2023 and 2024 of reaching a scope 1 carbon intensity of 148g CO2eq/kWh and 140g C02eq/kWh respectively, meaning a decrease of 32.4% and 36% respectively compared to 2021.

In addition, the Issuer has provided historical data showing that, between its baseline year (2017) and 2021, Enel's scope 1 carbon intensity experienced a significant annual reduction rate of -14.72%. V.E's analysis shows that the average annual variation from 2021 until 2030 is of -10.34%, which is lower than the decrease rate observed prior to 2021 and after 2017. However, V.E believes this can reasonably be attributed to the fact that Enel had previously already drastically decreased its scope 1 emissions, making it more challenging to keep up the reduction pace. Also, and most importantly, the average annual reduction rate will be of approximately -54% between 2021 and 2040 (when Enel is expected to have fully decarbonised), which we consider demonstrating a high level of ambition.

Sector Peers Benchmark

The SPTs demonstrate an advanced level of ambition compared to sector peer's performance.

Of note, it has been challenging for V.E to compare Enel to sector peers, in that a lot of the publicly available data cannot easily be normalised in a way that would allow V.E to accurately assess it against Enel's targets. For instance, competitor Iberdrola commits to reducing absolute scope 1, 2 and 3 GHG emissions by 20% by 2030 from a 2017 baseline, reducing its emissions intensity to 50gCO_2/kWh by 2030[21]. It is unlikely that this threshold refers to scope 1 emissions alone, making it difficult to benchmark it against Enel's objective. Similarly, Energias de Portugal (EDP) aims to reduce scope 1 & 2 emissions intensity to reach 100gCO_2/kWh by 2025[22] which is V.E does not consider to be fully comparable data.

However, according to V.E's research team, scope 2 GHG emissions do not represent a significant share of total GHG emissions for gas and utilities companies, compared to scope 1&3 emissions (this is further confirmed by Enel's externally audited 2020 breakdown which indicates that scope 2 GHG emissions account for only 5% of the Issuer's total GHG emissions). Enel aims to achieve a carbon intensity of 140gCO_2/kWh by 2024. Based on the compound annual growth rate detailed in the table above, by 2025 that scope of intensity can reasonably be expected to equal 125.5gCO_2eq/kWh, which appears to be 25% less ambitious than EDP's targets. On the other hand, Engie has committed to reducing its direct emissions by 85% by 2050 compared to a 2015 baseline[23], which appears to be less ambitious than Enel's target to reach Net Zero ten years by 2040. In terms of full decarbonisation, Iberdrola seeks to achieve it by 2050 and EDP by 2030.

Official International Targets and Scenarios Benchmark Analysis

The SPTs demonstrate an advanced level of ambition compared to sector standards.

Enel's 2030 scope 1 carbon intensity target of 82gCO_2/kWh has been approved by the Science Based Target Initiative (SBTi) as being in line with the 1.5°C pathway trajectory, being the highest level of SBTi's assessment scale. For information, SBTi will only be accepting target pledges aligning with a 1.5°C scenario starting from July 2022, meaning that Enel is ahead of the curve.

[20] V.E scale of assessment: Weak / Limited / Robust / Advanced

[21] https://www.iberdrola.com/sustainability

[22] https://www.edp.com/sites/default/files/2021-04/Sustainability%20Report%20EDP%202020_1.pdf

[23] https://www.engie.com/en/analysts/environment/reduction-of-ghg-emissions

The validation of Enel's 2030 SPT by the SBTi contributes to the level of assurance regarding its ambition. The Issuer has communicated that it will seek SBTi certification for its net zero targets across all scopes (aligned with the 1.5°C scenario) as soon as it is practicable for Enel.

MEANS FOR ACHIEVEMENT

The means for achieving the SPTs are disclosed and are considered credible.

The SPTs will be achieved through two main measures:

- Decarbonisation: Enel is planning to increase the Group's renewable capacity, while progressively replacing its conventional generation fleet and supporting Enel's target to fully decarbonise its technology mix by 2040. More specifically, EUR 17.2bn will be invested in renewables (through its Ownership Business Model in the 2022-2024 period), with EUR 15.9bn addressing growth of capacity, which is set to increase by a consolidated 17 GW by 2024, reaching around 77 GW (including 2 GW of battery storage) of total consolidated capacity. In addition, through its Stewardship Business Model and over the 2022-2024 period, the renewable capacity managed by Enel is expected to (reach around 8 GW in 2024 (unconsolidated). Moreover, by 2027 Enel is expected to exit from coal-based generation.

- Electrification: Enel is planning to invest ~ EUR 3.4bn in the electrification of consumption, through its Ownership Business Model in the 2022-2024 period. To that, cumulated capex for EUR 1.1bn (56% of EUR 2 bn of Enel's direct contribution) will be mobilised by Enel through its Stewardship Business Model. The capex related to the Stewardship Business Model will address "new" services such as: charging points for electric mobility, demand response, electricity storage and electric bus services.

KPI 2: RENEWABLE INSTALLED CAPACITY PERCENTAGE

By using the percentage of renewable installed capacity in relation to total installed capacity over the years, the data set should fairly reflect positive or negative KPI's trend of the Issuer's commitment to fight climate change, thus enabling the investors to make an appropriate assessment of the overall environmental performance.

Table 3 – Enel's percentage of renewable installed capacity (%)

<table>
<tr><td rowspan="2"></td><td colspan="7" rowspan="2">REPORTED DATA</td><td colspan="5">FORECAST</td></tr>
<tr><td colspan="5">OBJECTIVES</td></tr>
<tr><td rowspan="2">KPI</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td><td>2019</td><td>2020</td><td>2021**</td><td>2022*</td><td>2023*</td><td>2024*</td><td>2030*</td><td>2040*</td></tr>
<tr><td>41.3%</td><td>43.4%</td><td>45.1%</td><td>45.8%</td><td>50%</td><td>54%</td><td>58%</td><td>60%</td><td>65%</td><td>66%</td><td>80%</td><td>100%</td></tr>
<tr><td>Annual variation (% points)</td><td></td><td>+2.1</td><td>+1.7</td><td>+0.7</td><td>+4.2</td><td>+4</td><td>+7.4</td><td>+3.4</td><td>+8.33</td><td>+1.5</td><td>N/A</td><td>N/A</td></tr>
<tr><td rowspan="3">Average annual variation (% points)</td><td rowspan="3"></td><td colspan="6" rowspan="3">+5.82</td><td colspan="3">+4.4</td><td></td><td rowspan="2"></td></tr>
<tr><td colspan="4">+3.64</td></tr>
<tr><td colspan="5">+2.91</td></tr>
</table>

*Trigger event

**Expected performance

Based on several points of comparison, V.E considers that Enel's targets demonstrate an advanced[24] level of ambition.

The timeline, baseline and trigger events are clearly disclosed and the Issuer has set relevant intermediary targets allowing sufficient visibility on the KPIs' performance.

Business-as-usual Trajectory Benchmark Analysis

The SPTs demonstrate a material improvement compared to the company's Business as Usual (BaU).

The objective is to reach 80%% of total installed capacity from renewables by the end of 2030 and 100% by the end of 2040. This means tripling the consolidated renewable capacity by 2030 (129 GW of which 210 GW renewables and 9 GW battery storage) compared to 2019 (42 GW). Despite a slower year-on-year reduction rate from 2021 onwards compared to the past performance, the increase is ultimately an enabler for KPI 1, which aims to reach full decarbonisation by 2040. Therefore V.E considers the Issuer's SPTs to represent a consistent and material improvement compared to the company's Business as Usual.

[24] V.E scale of assessment: Weak / Limited / Robust / Advanced

Sector Peers Benchmark

The SPTs demonstrate an advanced level of ambition compared to sector peer's performance.

Enel's SPT appears to be consistent with the performers of European Electric and Gas Utility sector.

Enel communicated that the 2024 objective represents an increase of over 34% in renewable net efficient installed capacity compared to 2021, from a renewable capacity of ~50 GW in 2021 to ~67 GW capacity in 2024 (+ ~17GW). This complementary data appears to be the only information allowing V.E to benchmark Enel against its peers.

Iberdrola commits to reaching 60 GW renewable installed capacity by 2025 and 95 GW by 2030. However, this does not allow us to capture a comprehensive glimpse of the ambition of such an objective, considering that the added value of Enel's KPI is that it considers renewable installed capacity/total installed capacity as a % rather than an absolute increase in renewables capacity in GW. The latter would not necessarily demonstrate an impact on coal and fossil fuel-based generation. EDP's renewable installed capacity in 2020 was of 79% and the company has pledged to reach 100% by 2030[25], which appears to be more ambitious than Enel's objective and among the most ambitious of the sector as a whole. Very few companies have a renewable installed capacity target directly linked to a reduction of fossil fuel-based electricity generation, which V.E finds to be more ambitious than absolute increases in renewable GW capacity.

Official International Targets and Scenarios Benchmark Analysis

The SPTs demonstrate an advanced level of ambition compared to sector standards.

IRENA estimates that in order to meet the objectives of the Paris Climate Agreement, the share of renewable energy in the power sector would need to increase from 25% in 2017 to 86% in 2050. According to the International Energy Agency (IEA), renewable power capacity is set to expand by 50% between 2019 and 2024, led by solar PV[26]. The IEA reports that, overall, the share of renewables in worldwide power generation is expected to increase from 26% in 2019 to 30% in 2024[27] (five-year period). Enel reports an expected increase to 65% of its power generation from renewables in 2023, which is higher than the IEA's expectations. Of note, the evolution in Enel's expected power generation from renewables would represent an increase of around 50% from 2020 to 2023.

It should be noted that in order to evaluate whether the target set by Enel is consistent with the above-mentioned targets, V.E had to rely on complementary data, notably its renewable generation production estimates as the selected KPI itself did not enable an appropriate comparison.

MEANS FOR ACHIEVEMENT

Measures disclosed for KPI 1 apply for KPI 2. Please refer to the KPI 1 analysis on p.13.

BEST MARKET PRACTICES

⇒ The SPTs demonstrate an overall advanced level of ambition.

⇒ The timeline, baseline and trigger events are clearly disclosed and the Issuer has set relevant intermediary targets allowing sufficient visibility on the KPIs' performance.

⇒ The means for achieving the SPT(s) are disclosed as well as their respective contribution in quantitative terms to the SPTs.

[25] https://www.edp.com/sites/default/files/2021-04/Sustainability%20Report%20EDP%202020_1.pdf p.76

[26] https://www.iea.org/reports/renewables-2019

[27] https://www.iea.org/news/global-solar-pv-market-set-for-spectacular-growth-over-next-5-years

Instrument Characteristics

Not Aligned	Partially Aligned	Aligned	Best Practices*

- The potential variation of the Instrument's financial characteristics depending on whether the selected KPIs would reach (or not) the predefined SPTs is clearly defined in this SPO.
- It is disclosed to investors in the relevant documentation of the specific transaction.

The Instruments covered by the Framework are Sustainability-Linked bonds, Sustainability-Linked Loans, SDG Commercial Paper Programs, Sustainability-Linked Foreign Exchange Derivatives, Sustainability-Linked Rates Derivatives and Sustainability-Linked Guarantees.

Enel confirms that the Instruments (aside from SDG Commercial Paper Programs) issued under this Framework will be subject to variations in their financial characteristics depending on the achievement of the defined trigger events.

Sustainability-Linked Bonds and Sustainability-Linked Loans: a step-up margin will be specified in the relevant documentation of the specific transaction triggering an increase in the interest rate applicable to interest periods following such reference date. Although this Framework defines several KPIs and SPTs, the choice of KPI(s) and SPT(s) for a given transaction will be specified in the relevant documentation.

In addition, if the SPTs are achieved as of the reference date (i.e. being the date on which the relevant target should be achieved), it might trigger a step-down margin provisions (identified in the contractual documentation) for certain Sustainability-Linked Loans.

Sustainability-Linked Foreign Exchange Derivatives, Sustainability-Linked Rates Derivatives and for Sustainability-Linked Guarantees: an adjustment to the overall cost of the transaction (also in the form of an additional flow) will derive from the Issuer's transactions according to the performance over the relevant KPI, as applicable and specified in the relevant documentation of the specific transaction (e.g., Derivative's bilateral confirmation and FX's bilateral agreement). It is worth noting that the bilateral FX sustainable frameworks signed by Enel in 2021 implied a "sustainable premium" (calculated as a number of basis points applied to the sum of the EUR counter values of FX derivatives dealt during the reference period) for the Group – there is no penalty for Enel if they do not achieve the KPI. In the case of Cross Currency Swaps (XCS) with a sustainable feature entered in 2021, the Instruments match all the Bond terms and envisage a reciprocal KPI (aligned with Enel's Sustainability-Linked Finance Framework) mechanism, and whichever counterparty fails to meet its KPI on the reference date (Enel or the bank) faces a malus.

Maturities are aligned with the underlying asset, which, V.E wishes to highlight, are particularly short for FX derivatives (< 1 year).

SDG Commercial Paper Programmes (CPPs): for the sake of transparency and the avoidance of doubt, it should be emphasised that while the documentation includes the company's commitment to achieve SPTs with regard to related KPIs, the achievement or not of these targets will not impact the financial characteristics of the CPPs.

*V.E considers that, as of today, there is insufficient information and market precedent to appropriately assess the potential best practices regarding the instrument's characteristics' variation. In this sense, the "Aligned" level is currently considered to be the highest level to be achieved by Issuer on this pillar.

Reporting

Not Aligned	Partially Aligned	Aligned	Best Practices

KPI 1: DIRECT GREENHOUSE GAS EMISSIONS AMOUNT (SCOPE 1)	KPI 2: RENEWABLE INSTALLED CAPACITY PERCENTAGE

REPORTING ACCESSIBILITY AND FREQUENCY

The Issuer has committed to disclosing all relevant information in public documentation on its website in its Sustainability Report – Non Financial Statement and/or in its Annual report, as applicable (including information on the performance of the KPIs, information enabling investors to monitor the level of ambition of the SPTs and baselines).

The reporting on the KPIs will be published at least annually until maturity of the Instrument and for any material changes, for the whole period that is relevant for assessing the SPT and related trigger events as disclosed under the relevant financial documentation.

KPI 1 will be reported within its yearly Sustainability Report - Non-Financial Statement and KPI 2 will be reported on its website and in its Annual Reports. Considering the last available public source (1999 Environmental Report), Enel has been monitoring and reporting on both KPIs at least annually since 1999.

REPORTING SCOPE AND GRANULARITY

The intended scope and granularity of the reporting is clear and exhaustive, covering all the required and recommended elements.

The Issuer's reporting will include, at least, (i) up-to-date information on the performance of the selected KPIs, including baselines where relevant, (ii) a verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the Sustainability-Linked instruments' financial and/or structural characteristics, and (iii) any relevant information enabling investors to monitor the progress of the SPTs.

Enel's reporting may include qualitative or quantitative explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI on an annual basis, illustration of the positive sustainability impacts of the performance improvement and/or any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope, if relevant[28].

In addition, Enel has communicated that it will, on a best effort basis, follow the disclosure guidelines of ICMA's 2020 Climate Transition Finance Handbook. Subsequently, the Issuer will transparently communicate on the following matters: its climate transition strategy and governance, the business model environmental materiality of climate change, its science-based transition approach (including targets and pathways), and its implementation strategy.

Relevant disclosures will be included in the Issuer's annual report, sustainability report, annual reporting, or investor presentation, or any other publicly accessible document for investors.

REPORTING PROCESS, MONITORING AND CONTROL

The selected KPIs related data is covered by an internal and external verification.

[28] For more information on what constitutes a Recalculation Event, please refer to p.7 of this SPO.

The Issuer reports that CO_2eq emissions from electricity generation are collected on an annual basis, and on any occasion of specific investigation campaigns, in "Enel Data on Environment" (E.D.E.N). For each technology, data are entered in E.D.E.N directly from the organisational levels responsible for the data (plant or country), manually or automatically. CO_2eq emissions, express in Tons, are calculated on the basis of formulas in the "Sustainability Report" sheets of E.D.E.N present for each plant technology and for offices with respect to any Country of presence. The selected KPI is internally verified through formal controls and consistency assessments and a validation is conducted by the global business lines through an HSQE validation chain. Enel's annual GHG Inventory, carried out in compliance with the GHG Protocol, is externally verified by DNV-GL Business Assurance Italia S.r.l or such other qualified provider of third-party assurance or attestation services appointed by Enel. In addition, Enel's 2030 SPT has been certified by the SBTi as compliant with the 1.5° scenario.	The Issuer reports that the official source of information for the Net Installed Capacity is the corporate reporting tool "Planning & Reporting Integrated Model" (P.R.I.M.O.), based in Oracle[29]. The Issuer reports that at legal entity level, the Planning and Control Department receives data from operative lines and uploads it in the P.R.I.M.O tool. At global business line level, the Planning and Control Department verifies and validates the business KPIs in their own perimeter[30]. Finally, at shareholding structures level, the Planning and Control Department verifies data consistency. Data is updated monthly in management reporting and quarterly in analyst presentations. The selected KPI is internally verified by the Global Power Generation Planning & Control at global level, which is responsible for the monitoring and control of financial and operational KPIs for the Global Power Generation Business Line. In addition, two specific assurance reports will be issued at least annually by an external verifier, namely: "Independent Auditors' report on the Statement of Renewable Energy Installed Capacity percentage".

BEST MARKET PRACTICES

⇒ All relevant information is publicly disclosed by the company in public documentation.

⇒ The reporting on the KPIs will be published annually until maturity of the Instrument and for any material changes, for the whole period that is relevant for assessing the SPT and related trigger events.

⇒ The intended scope and granularity of the reporting is clear and exhaustive, covering all the required and recommended elements.

⇒ KPI data undergoes both internal and external verification.

[29] Oracle is a computer technology corporation that provides database software technology, cloud engineered systems and enterprise software products, including database management systems.

[30] Here the perimeter refers to all the business activities related to electricity production including production from renewables, thermal and nuclear technologies.

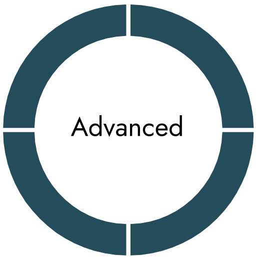
Verification

Not Aligned	Partially Aligned	Aligned	**Best Practices**

- The performance of each KPI against each SPT will be covered by an external verification at least annually and in case of material changes impacting an Instrument's financial characteristics (such as a trigger event) until the maturity of the Instrument.
- The verification assurance report will be publicly available on Enel's website.

BEST MARKET PRACTICES
⇒ Verification of the KPI will be conducted until maturity of the Instrument.

ISSUER



Enel SpA engages in the generation and distribution of electricity and natural gas. Its power generation is from both thermal and renewable energy resources. The company transports electricity through a network of over 2.2 million kilometres. The company also offers services to enable businesses and communities to leverage integrated technological solutions as well as engages in global trading of integrated portfolios involved in hedging activities to reduce risk and regulate energy supply.

Level of ESG performance

The Issuer's ESG performance was assessed through a complete process of rating and benchmarking.

As of November 2021, Enel displays an advanced ESG performance, ranking 2nd in the European Electric & Gas Utilities sector, which covers 64 companies. Enel's performance is advanced in all three pillars, namely: Environment, Social and Governance.

DOMAIN	COMMENTS	OPINION
Environment	Enel's performance in the Environmental pillar is considered <u>advanced</u>. Enel's environmental strategy is considered exhaustive with several quantified targets and formalised commitments regarding air emissions, greenhouse gas emissions and renewable energy capacity. Its certified environmental management system shows comprehensive coverage (i.e. 100% of the company's installed capacity is ISO 14001 certified). Enel addresses pollution control and prevention through control audits, risks assessments, trainings and emergency and contingency plans. Regarding biodiversity protection, Enel has implemented exhaustive measures including environmental impact assessments, vegetation and biotope management programmes, bird and fish protection programmes, flood management, water withdrawal management and monitoring and land remediation actions in a majority of relevant sites or operations. Additionally, indicators on nuclear waste, air emissions related to fossil fuel generation and customer's energy efficiency show a positive trend. The company has received ISO 14001 certification for activities including nuclear generation, radiation protection and nuclear safety activities oversight.	Advanced Robust Limited Weak
Social	Enel's performance in the Social pillar is considered <u>advanced</u>. Enel's performance on human rights domain is advanced. The company dedicates resources to the relocation of populations and consults local, independent and representatives' stakeholders in its operations. Enel has issued a formalised commitment to freedom of association and the right to collective bargaining in its Human Rights policy. The Company reports on training programmes, external and internal audits, and a permanent system in place, with third party audits, to ensure respect of human rights.	Advanced

	In addition, Enel has quantified targets linked to non-discrimination and diversity related KPIs show improving trends. Enel's performance on human resources is advanced. Enel's collective agreement, health and safety policy and human resources policy cover all relevant issues for the sector. Each Group division has its own Health and Safety management system that complies with the BS OHSAS standard. Safety indicators show positive results for employees and contractors. Additionally, the Issuer reports on extensive measures to manage reorganizations responsibly. Enel's performance in Community Involvement is advanced. Enel reports on its commitments and measures to promote access to energy and address fuel poverty and related indicators show improving trends. On local social and economic development, Enel implements preventive means such as social impact assessments, to analyse community concerns throughout its operations, and indicators on investment in communities have increased. It also implements capacity-building and infrastructure development programmes and grievance mechanisms. The share of the company's investment in communities to the turnover has increased continually since 2017. Additionally, Enel discloses its taxes paid transparently. Its reporting includes taxes paid in key regions of operation, sales per zone, operating profit per zone, number of employees per zone and ration between tax paid and headline corporate tax rate per zone. Enel's performance in the integration of social issues in the supply chain is advanced. The Issuer has a formalised commitment towards this issue backed up by relevant targets and has extensive measures that include social factors in supply chain management such as risk assessments, supplier questionnaires and training, non-compliance procedure for suppliers, and the integration of social issues in its contractual clauses.	Robust Limited Weak
Governance	Enel's performance in the Governance pillar is considered advanced. During 2020, 16 meetings were held by the board of directors, and the attendance rate reached 100%. All the board committees are 100% independent. Enel respects the one share-one vote principle, and all major items are voted upon in separate resolutions. Additionally, the internal control system appears to cover all CSR risks, and CSR performance metrics are linked to variable remuneration of executives. Enel's performance in Business Behavior is advanced. Enel disclosed an improvement customer satisfaction index targets and its service continuity index. Internal controls including a confidential reporting system appear to be in place to prevent compliance issues. Lastly, Enel reports on its lobbying budget. The Company has a formalised commitment to preventing corruption in its Code of Ethics, Anti-Bribery Policy, Human Rights Policy, and Zero Tolerance of Corruption (ZTC) Plan. It is supported by measures such as anti-competitive practices training programmes, whistleblowing systems and external audits. In 2020, Enel reported that 25 corruption cases were internally reported through its reporting systems. Out of all the cases, only 2 were reported to have constituted a violation and the Issuer reported transparently on how they were handled. Internal controls including a confidential reporting system are in place to prevent compliance issues and the Company appears on the EU Transparency register.	Advanced Robust Limited Weak

Management of ESG Controversies

As of December 2021, Enel faces 15 stakeholder-related ESG controversies, linked to three of the six domains we analyse:

- Environment, in the criteria "Pollution Prevention", "Biodiversity Protection", "Air emissions from combustion power plants" and "Local Pollution";
- Community Involvement, in the criterion "Social and Economic Development";
- Business Behaviour, in the criteria of "Responsible Customer Relations", "Integration of Social Factors in the Supply Chain", "Prevention of Corruption" and "Prevention of Anti-Competitive Practices".

Frequency: The frequency of the controversies faced are considered overall "occasional"[31], below the sector average which is considered "isolated".

Severity: The severity of the cases, based on the analysis of the impact on both the Issuer and its stakeholders, is considered overall "high"[32], in line with the sector average.

Responsiveness: Enel is considered overall "reactive" [33], in line with the sector average.

Involvement in Controversial Activities

As of December 2021, Enel is involved in three of the 17 controversial activities screened under our methodology namely:

- Major involvement in Fossil Fuels Industry[34]: Enel has an estimated turnover from fossil fuels which is between 10% and 20% of total turnover. This turnover is derived from fossil fuel-powered electricity generation.
- Major involvement in Coal: Enel has an estimated turnover from coal which is less than 5% of total turnover. This turnover is derived from coal-powered electricity generation.
- Minor involvement in Nuclear Power: Enel has an estimated turnover from involvement in nuclear power which is less than 5% of total turnover. This turnover is primarily derived from nuclear-powered electricity generation, as well as from services provided to the nuclear power industry.

The Issuer appears to not be involved in any of the other 14 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Gambling, Genetic engineering, High interest rate lending, Human Embryonic Stem Cells, Military, Pornography, Reproductive medicine, Tar sands and oil shale, and Tobacco.

The controversial activities research provides screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

[31] V.E scale of assessment: Isolated / Occasional / Frequent / Persistent.
[32] V.E scale of assessment: Minor / Significant / High / Critical.
[33] V.E scale of assessment: Non-communicative / Reactive / Remediative / Proactive.
[34] Of note, due to different calculation methods, Enel reports the following data in its 2020 Sustainability Report:
- 12.8% of turnover derived from fossil fuels- powered generation
- 2.5% of turnover derived from coal-powered generation
- 2.1% of turnover derived from nuclear-powered generation

METHODOLOGY

In V.E' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the Issuer; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E' Scientific Council.

FRAMEWORK

Alignment with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework/Bond has been evaluated by V.E according to the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles – July 2021 ("SLLP") and the ICMA's Sustainability-Linked Bond Principles - June 2020 ("SLBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Selection of Key Performance Indicators (KPIs)

KPI's materiality and coherence with the Issuer's overall sustainability strategy and with the Issuer sector's main sustainability challenges. KPI's measurability and clarity, internal and external control over the KPI's data, exhaustiveness of the KPI's coverage.

Calibration of Sustainability Performance Targets (SPTs)

Coherence of the SPTs with the overall sustainability strategy, ambition of the SPTs (compared the Issuer's own performance, sector peers and relevant international standards), trigger events' disclosure, disclosure and credibility of the means for achievement (including scope and geographical coverage of the means).

Bond/Loan characteristics

Disclosure of the bond/loan characteristics' variation, meaningfulness of these variation (for alignment with SLBP only).

Reporting

Reporting process formalisation and verification, data's accessibility.

Verification

Verification of the performance against the SPTs and disclosure of the assurance reports.

ISSUER

Issuer's ESG performance

Scale of assessment of ESG performance: Weak, Limited, Robust, Advanced

NB: The Issuer's level of ESG performance (i.e. commitments, processes, results of the Issuer related to ESG issues), has been assessed through a complete process of rating and benchmarking developed by V.E.

The Issuers ESG performance has been assessed by V.E on the basis of its:

- Leadership: relevance of the commitments (content, visibility and ownership).
- Implementation: coherence of the implementation (process, means, control/reporting).
- Results: indicators, stakeholders' feedbacks and controversies.

Management of stakeholder-related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable[35] sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Frequency: reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Severity: the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the Issuer, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the Issuer (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the Issuer for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on an Issuer's reputation reduces with time, depending on the severity of the event and the Issuer's responsiveness to this event. Conventionally, V.E' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the Issuer's involvement in any of them. The Issuer's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the Issuer.

[35] 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

V.E'S ASSESSMENT SCALES

Scale of assessment of the Issuer's ESG performance, the KPI(s) materiality and the associated SPT(s) ambition.	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective.
	The selected KPI(s) reflects the most material issues for the Issuer's core sustainability and business strategy and address the most relevant environmental, social and/or governance challenges of the industry sector.
	An advanced ambition is achieved when the SPT(s) can demonstrate the following: (i) alignment with the 2D scenario/recognized sector standards (when available) (ii) a top performance in comparison to sector peers, and (iii) an improvement of the company's performance.
Robust	Convincing commitment; significant and consistent evidence of command over the issues.
	The selected KPI(s) reflects material issues for the Issuer's core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector.
	A robust ambition is achieved when the SPT(s) can demonstrate at least two out of three of the following items: (i) alignment with the 2D scenario/recognized sector standards (ii) a performance in line with the average performance of sector peers, and (iii) an improvement of the company's performance.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues.
	The selected KPI(s) does not appropriately reflect material issues for the Issuer's core sustainability and business strategy and partially address relevant environmental, social and/or governance challenges of the industry sector.
	A limited ambition is achieved when the SPT(s) can demonstrate only one out of three of the following: (i) alignment with the 2D scenario/recognized sector standards (ii) a performance in line with the average performance of sector peers, and (iii) an improvement of the company's performance.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues.
	The selected KPI(s) does not reflect material issues for the Issuer's core sustainability and business strategy and do not address relevant environmental, social and/or governance challenges of the industry sector.
	A weak ambition is achieved when the SPT(s) (i) is not aligned the 2D scenario/recognized sector standards (ii) is below the average performance of its sector peers, and (iii) shows a negative trend in the company's performance.

Scale of assessment of financial instrument's alignment with Sustainability-Linked Bond and Loan Principles	
Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles by adopting recommended and best practices.
Aligned	The Instrument has adopted all the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles.
Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles, but not all of them.
Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles.

Statement on V.E' s independence and conflict-of-interest policy

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This opinion aims at providing an independent opinion on the sustainability credentials and management of the Instruments, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Instruments, nor on the effective allocation of its proceeds V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. Restriction on distribution and use of this opinion: The deliverables remain the property of V.E. The draft version of the Second Party Opinion by V.E is for information purpose only and shall not be disclosed by the client. V.E grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned Instrument issuance. The Issuer acknowledges and agrees that V.E reserves the right to publish the final version of the Second Party Opinion on V.E website and on V.E internal and external communication supporting documents.

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