

SECOND PARTY OPINION

ON THE INTEGRATION OF ONE ENVIRONMENTAL FACTOR IN THE SDG 7 TARGET GUARANTEED EURO-COMMERCIAL PAPER PROGRAMME IN FAVOUR OF ENEL S.p.A

April 2020

BACKGROUND

Enel S.p.A. (hereafter the "Guarantor" or "Enel") through its subsidiary Enel Finance International N.V. (hereafter the "Borrower" or "EFI"), contemplates including one environmental factor to a six billion euros Sustainable Development Goal ("SDG") 7 (Affordable and Clean Energy) Target Guaranteed Euro-Commercial Paper Programme (hereafter "CPP"). The CPP documentation will include the company's commitment to achieve a certain target regarding one environmental Key Performance Indicator (hereafter "KPI" or "indicator"). The achievement or not of this target will not impact the financial characteristics of the CPP. As opposed to other sustainable financial instruments such as green bonds or green loans, the objective is not to report on the sustainable credentials of the projects or investment to be financed. Indeed, such financing are agnostic on how funds are used. Since the use of proceeds under the CPP will be for general corporate purposes, the allocation of the net proceeds will not be predetermined.

Enel is a multinational energy company and a global integrated operator in the electricity and gas industries with a focus on Europe and Latin America. The Company generates, transmits, distributes, transports, purchases, and sells electricity and natural gas.

For this so-called SDG 7 Target Guaranteed Euro-CPP, the selected indicator is the following:

- Percentage of Renewable net efficient installed capacity (%), with the following target: 60% of renewable net efficient capacity by 2022

$$\text{Percentage of Renewable net efficient installed capacity (\%)} = \frac{\text{Renewable net efficient installed capacity (GW)}}{\text{Total net efficient installed capacity (GW)}}$$

Table 1 – Enel CPP's objectives (% of Renewable net efficient installed capacity)

2019 (Baseline)	2020	2021	2022
50%	54%*	57%*	60%

*To be noted that these % are not to be considered as targets set by the company but expected paths towards the 2022 target.

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion on the integration of one environmental factor in the CPP structured by Enel and EFI. Our opinion is established according to our Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the Loan Market Association's Sustainability Linked Loan Principles ("SLLP"), published in March 2019. This opinion is strictly limited to the integration of one environmental factor in the SDG 7 Target Guaranteed Euro-CPP. This opinion does not cover the integration of broader sustainability factors (i.e. social and governance), nor the labelling of the CPP for which the final decision is left to Enel and EFI. This opinion does not constitute a verification or a certification.

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

- 1) **Guarantor:** we assessed the Guarantor's ESG performance¹, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities².
- 2) **Loan:** we assessed the loans' alignment with the four core components of the SLLP 2019.

Our sources of information are multichanneled, combining data from (i) public information gathered from public sources, press content providers and stakeholders, (ii) information from Vigeo Eiris' exclusive ESG rating database, and (iii) information provided by the Guarantor through documents.

We carried out our due diligence assessment from March 13th to April 30th, 2020. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

¹ The Guarantor's ESG performance was assessed in October 2018 by a complete process of rating and benchmark developed by Vigeo Eiris. All potential evolutions and data published after this date are not included in the rating.

² The 17 controversial activities screened by Vigeo Eiris 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.

VIGEO EIRIS' OPINION

Vigeo Eiris is of the opinion that the contemplated CPP is aligned with the LMA's Sustainability Linked Loan Principles.

1) Guarantor (see Part I):

- ▶ As of October 2018, Enel displays an overall advanced ESG performance, ranking 3rd in our "Electric & Gas Utilities" sector which covers 66 companies.
- ▶ As of today, Enel is facing four controversies, related to the Business Behaviour domain. The frequency is considered isolated. The severity is considered high³, based on the analysis of its impact on both the company and its stakeholders. Enel's capacity to respond is considered remediative.
- ▶ Regarding the 17 controversial activities screened under our methodology, Enel has a major involvement in Fossil fuels industry, Coal, and Nuclear power. It appears to not be involved in any of the other 14 activities screened under our methodology.

2) Loan (see Part II):

1. **Alignment with the first principle, "Relationship to Borrower's Overall CSR Strategy"**- The Guarantor's sustainability objectives are clearly visible and the contemplated target is coherent with its sustainability strategy.
2. **Alignment with the "Target setting" principle** - The target setting is relevant and material from a sustainability standpoint: the selected KPI reflects one of the company's most material environmental issues and the perimeter of reporting (activities with operational control) is coherent with the sector's practices. The targeted trends show a reasonable ambition, in comparison with existing international standards and sector peers.
3. **Alignment with the "Reporting" principle** - The Control & Reporting definitions and processes are relevant and consistent with the necessity for the company to report reliable data on the selected KPI. The selected indicator is well defined, referring to internationally recognized standards such as the Global Reporting Initiative (GRI). It is accountable, monitored and reported under a reasonably structured process including a third-party verification.
4. **Alignment with the "Review" principle** -The KPI will be audited⁴ and made publicly available on Enel's website. The achievement of the target will be annually reviewed by an external auditor.

This opinion is based on the review of the information provided by Enel, according to our exclusive assessment methodology and to the SLLP voluntary guidelines (March 2019). Enel and EFI acknowledges that in case of changes of such standards and market practices and expectations, VIGEO EIRIS shall exclude any liability regarding the use of the concerned opinion and its compliance with then-current standards and market practices and expectations.

Paris, April 30th 2020,

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Guarantor : Vigeo Eiris has carried out four audit missions for Enel (one CBI Verification and 3 Second Party Opinions between 2016 and 2020). No established relation (financial or commercial) exists between Vigeo Eiris and Enel. This opinion aims to explain for syndicated banks how the Commercial Paper Program integrates one environmental factor, based on the information which has been made available to and has been analysed by Vigeo Eiris. The opinion only reflects the integration of an environmental factor in the designated financial instrument. Vigeo Eiris endeavours to collect and to use the most reliable information accessible, but cannot guarantee its accuracy, completeness and up-to-datedness. Vigeo Eiris provides its services with the utmost professional care and quality assurance of its production processes. The user and its stakeholders may not – under any circumstances – require changes or alterations or distortions in the methodology or opinions of Vigeo Eiris. Neither Vigeo Eiris shall be liable for the message if altered, changed or falsified. The opinion delivered by Vigeo Eiris does not cover the financial criteria of the facilities. Enel is fully responsible for attesting its compliance with the commitments defined in its documentation, for implementing appropriate measures to reach them and for monitoring its performance. Enel remains solely responsible for the calculation of the selected indicator and the associated reporting on its past and future performances. The product or service delivered by Vigeo Eiris is understood as a service of providing information, based on the methods and the rating process that Vigeo Eiris applies to Borrowers in the investment universes under its review. The information contained in this opinion does not constitute financial advice in any form and Vigeo Eiris does not act as a financial adviser. Vigeo Eiris is not endorsing, recommending or advising on the financial merits or otherwise of any financial instrument or product and no information within this opinion should be taken as such, nor should any information in this opinion be relied upon in making any financial decision. References and links to external websites are for information purposes only. Vigeo Eiris accepts no responsibility for content on external websites. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make financial decisions or to make any kind of business transaction. In the event of disagreements, the parties will endeavour to resolve them amicably and in good faith. The competent court is the exclusive jurisdiction of France: "Cour d'Appel de Bobigny".

Restriction on distribution and use of this opinion: the opinion is provided by Vigeo Eiris to Enel and can only be used by them. It is established for the Commercial Paper Program of six billion euros described in Background, and is only valid for this operation. It may not be used as an opinion on any other operation. The distribution and publication must be submitted to Vigeo Eiris approval. Enel acknowledges and agrees that Vigeo Eiris reserves the right to publish the final version of the Second Party Opinion on Vigeo Eiris' website and on Vigeo Eiris' internal and external communication supporting documents.

³ Scale: Minor, Significant, High, Critical

⁴ The auditors will conduct a limited assurance engagement in accordance with the provisions of "International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board.

DETAILED RESULTS

Part I. GUARANTOR

Enel is a multinational energy company and a global integrated operator in the electricity and gas industries with a focus on Europe and Latin America. The Company generates, transmits, distributes, transports, purchases, and sells electricity and natural gas.

Level of ESG performance

The Guarantor's ESG performance was assessed through a complete process of rating and benchmark.

As of October 2018, Enel displays an overall advanced ESG performance, ranking 3rd in our "Electric & Gas Utilities" sector which covers 66 companies.

Pillar	Comments	Opinion
Environment	<p>Enel's performance in the Environment pillar is advanced.</p> <p>Enel's strategy contains quantified targets and its implementation is ensured through certified management systems. Enel reports on pollution control audits, risks assessments and procedures to prevent pollution. Regarding biodiversity, Enel's exhaustive policy is supported by environmental impact assessments, monitoring systems, bird and fish protection programmes and land remediation actions. Besides, the Company has implemented energy efficiency programmes at a majority of sites, and GHG emissions have decreased continuously between 2015-2017.</p>	Advanced
		Good
		Limited
		Weak
Social	<p>Enel's performance in the Social pillar is advanced.</p> <p>Enel's performance in the Human Rights domain is advanced. Enel has a specific policy that addresses human rights protection and refers to relevant international standards. In addition, the Company reports on training programmes, audits, and monitoring of human rights risks to support its commitment.</p> <p>Enel's performance in the Human Resources domain is advanced. Enel's collective agreement, health and safety policy and human resources policy cover all relevant issues for the sector. All sites hold OHSAS certification and extensive measures are allocated to reduce stress and maintain safety at work. Lastly, safety indicators show negative results for employees and positive trends for contractors.</p> <p>Enel's performance in the Community Involvement domain is advanced. It reports on its commitment and measures to promote access to energy and address fuel poverty. On promotion of the local social and economic development, Enel has issued a formalised commitment in its Code of Ethics and its Human Rights Policy. The Company reports to have implemented social development and infrastructure programmes, social impact assessments and grievance mechanisms.</p> <p>Regarding integration of social issues in the supply chain, the Company's performance is good, through the inclusion of some key issues, such as abolition of child labor and non-discrimination in its contractual clauses, questionnaires and training.</p>	Advanced
		Good
		Limited
		Weak
Governance	<p>Enel's performance in the Governance pillar is advanced.</p> <p>Enel's performance in the Corporate Governance domain is advanced. During 2017, 15 meetings were held by the board of directors, and the attendance rate reached 100%. Enel respects the one share-one vote principle, and all major items are voted upon in separate resolutions. Lastly, CSR performance metrics are linked to variable remuneration of executives.</p> <p>Enel's performance in the Business Behavior domain is good. Enel's Code of Ethics addresses prevention of corruption and anti-competitive practices, which implementation is supported by training programmes, whistleblowing systems and internal audits. Enel reported 27 complaints related to corruption were internally reported in 2017, of which only 5 were reported to have constituted a violation and the Company reported transparently on how they were handled.</p>	Advanced
		Good
		Limited
		Weak

Management of stakeholder-related ESG controversies

As of today, Enel is facing four stakeholder-related ESG controversies, linked to one of the six domains we analyse:

- Business Behaviour, in the criteria “Prevention of anti-competitive practices”; “Responsible Customer Relations” and “Integration of social factors in the supply chain”

Frequency: On average, the controversies are considered isolated, in line with the sector average.

Severity: The severity of their impact on both the company and its stakeholders is considered high for three controversies and significant for one – the sector average being significant.

Responsiveness: Enel is considered remediative – the sector average being reactive. The company is considered remediative for three controversies and reactive for one.

Involvement in controversial activities

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

- Major involvement in Fossil Fuels Industry⁵: Enel has an estimated turnover from fossil fuels which is between 26.3% 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 between 9.6% of total turnover. This turnover is derived from coal-powered electricity generation.
- Major involvement in Nuclear Power: Enel has an estimated turnover from involvement in nuclear power which is between 6.7% of total turnover. This turnover is primarily derived from nuclear-powered electricity generation, as well as from services provided to the nuclear power industry.

Enel appears to be not involved in any of the 14 other 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 of 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 Vigeo Eiris.

⁵ Of note, due to different calculation methods, Enel reports the following data in its Sustainability Report:

- 12.8% of turnover derived from fossil fuels- powered generation
- 3.5% of turnover derived from coal-powered generation
- 1.6% of turnover derived from nuclear-powered generation

Part II. Loan**Principle 1. Relationship to Borrower's Overall Corporate Social Responsibility (CSR) Strategy**

The Guarantor's sustainability objectives are clearly visible and the contemplated target is coherent with its sustainability strategy.

The contemplated CPP is aligned with the first principle of the LMA's Sustainability Linked Loan Principles, "Relationship to Borrower's Overall CSR Strategy".

Accessibility

Enel's general sustainability strategy and objectives are clearly visible and available to all stakeholders in the company's Sustainability Plan 2019-2021⁶ and in its Strategic Plan 2020-2022⁷, both publicly available on Enel's website.

Enel has disclosed the CPP's related KPI and target within its Strategic Plan 2020-2022 which is also publicly available.

Coherence

Vigeo Eiris considers that the KPI selected is coherent with Enel's strategy and priorities in terms of sustainability.

Enel strives 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, and to continue with efforts to limit this increase to 1.5 °C. According to the IPCC models, to limit global warming to below 1.5°C, CO₂ emissions should decline by 45% from 2010 levels by 2030, and reach net zero around 2050. To stay below 2°C, CO₂ emissions should decline by 25% by 2030 and reach net zero around 2070. Enel's strategy is to reduce carbon dioxide emissions by 70% (kWh) by 2030 vs 2017 levels and reach full decarbonisation by 2050, which is aligned with the IPCC's model to stay below a 1.5°C warming.

The company's Strategic Plan 2020-2022 has SDG13 on Climate Action as its cornerstone. The Strategic Plan includes a total investment of 14.4 billion euros towards the increase of the Group's renewable capacity while progressively replacing its conventional generation fleet and support the Group's target to fully decarbonise its technology mix by 2050.

Enel's Strategic Plan 2020-2022 sets out two strategic pillars namely: decarbonisation and electrification. According to the company, this strategy combines two of the company's priorities: the acceleration of renewable development and the reduction of thermal capacity by accelerating the coal phase out. In particular, the company discloses an increase of above 28% of renewable installed capacity (GW) in 2022, compared to 2019 baseline.

In its path to decarbonisation by 2050, the company has set a roadmap with medium-term targets certified by the Science Based Targets initiative (SBTi), foreseeing a 70% reduction of direct GHG emission per kWh by 2030 vs. 2017 levels, reaching around 125 g/kWh. It is in this context that Enel has set the target of overall 60% renewable net efficient installed capacity by 2022.

In addition, Enel reports that its new Sustainability Plan 2020-2022, which will be released by the end of April, is aligned with its Strategic Plan 2020-2022 and therefore identifies decarbonization as one of its main pillars, to which the selected KPI is consistent with. The company reports that both the Strategic Plan and the Sustainability Plan are reviewed annually.

We consider that the CPP's KPI is coherent with the Guarantor's sustainability strategy and that its associated target is in line with the target disclosed in the company's strategic plan.

⁶ https://www.enel.com/investors/a/2016/08/sustainability_plan

⁷ <https://www.enel.com/content/dam/enel-com/investors/capital-markets-day-2019-enel.pdf>

Principle 2. Target setting – Measuring the Sustainability of the Borrower

The target setting is relevant and material from a sustainability standpoint: the selected KPI reflects one of the company’s most material environmental issues and the perimeter of reporting (activities with operational control) is coherent with the sector’s practices. The targeted trends show a reasonable ambition, in comparison with existing international standards and sector peers.

The contemplated CPP is aligned with the “Target setting” principle of the LMA’s Sustainability Linked Loan Principles.

KPI: Percentage of Renewable net efficient installed capacity (%)
<p><u>Materiality</u></p> <p>The KPI selected is linked to the SDG 7. Affordable and clean energy: “Ensure access to affordable, reliable, sustainable and modern energy for all”, in particular the target 7.2. “By 2030, increase substantially the share of renewable energy in the global energy mix”; and SDG 13 Climate Action: “Take urgent action to combat climate change and its impacts”.</p> <p>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 of 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.</p> <p>According to a report⁸ 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 CO₂ emissions reductions needed to meet National climate pledges.</p> <p>In addition, Enel has conducted a materiality assessment in 2018 crossing the stakeholders priorities’ and the company’s priorities. Decarbonisation of the energy mix has been identified through the company’s materiality matrix as a topic of high priority, and is ranked as the number one Material topic.</p>
<p>The selected indicator reflects one of the most material environmental challenges for Enel, namely increasing renewable energy in its global generation mix.</p> <p>The installed capacity is the maximum output of electricity that can be produced under ideal conditions. It is commonly observed that the share of energy generation from renewables is significantly lower than the share of installed net capacity from renewables, which can be due to intermittency, or inefficient or non-operational installed capacity. Thus, considering renewable installed capacity alone without taking into account the actual generation of this new build capacity could overestimate the environmental impact of the indicator.</p> <p>However, a comprehensive analysis of Enel’s strategy which includes both production targets and a goal of decarbonisation, allows to properly assess the company’s management of possible risks associated to the KPI:</p> <ul style="list-style-type: none"> - The company reports that from its strategic commitment to increase its renewable net efficient installed capacity will result the following forecasts in renewable production: 43% (99.4TWh - actual data) in 2019, 50% (116.8 TWh) in 2020, 54% (130.3 TWh) in 2021 and 57% (143.3 TWh) in 2022. These data show 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 decarbonisation. <p>Decarbonisation is reflected by the KPI, as it is based on total net efficient installed capacity, which includes fossil fuels. However, the decrease in fossil fuel installed capacity is reflected only indirectly, through changes in the total installed capacity, without separate values for fossil fuel installed capacity. To address this, Enel has disclosed the targets towards its decarbonisation commitment: reduction of its conventional installed capacity by 5.7 GW by 2022, compared to 42.2 GW renewable installed capacity in 2019. In addition, specific annual targets were set to achieve 39.9 GW in 2020, 37.3 GW in 2021 and 36.5 GW in 2022.⁹</p> <p>In addition, the calculation of the selected KPI considers different types of renewable energies including 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 impacts, displacement, loss of livelihood and loss of cultural heritage are some of the worst impacts. As a result, we consider that excluding large hydropower from the perimeter of the collected KPI would improve its relevance from a sustainability perspective.</p>

⁸https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2019/Jun/IRENA_G20_climate_sustainability_2019.pdf

⁹<https://www.enel.com/content/dam/enel-com/investors/investor-presentation-march2020.pdf>

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 among the 12 GW of new renewable installed capacity for the period 2020-2022 will be around 0.3GW and also discloses a commitment to report annually on the new installed capacity of hydropower.

Exhaustiveness

The company reports that the perimeter of reporting includes all of Enel's activities, that is to say the total net efficient installed capacity of energy generation, except for the non consolidated capacity¹⁰. The company reports that this perimeter will not be subject to modifications.

Ambition

KPI: Percentage of Renewable net efficient installed capacity (%)

By using the percentage of renewable net efficient installed capacity in relation to total installed net efficient capacity, the data should fairly reflect positive or negative trends of the company's engagement to fight climate change.

Table 1 below illustrates the existing data set, the company's corporate objectives, and the CPP's established variation.

Table 2 – Enel's Renewable net efficient installed capacity (%)

	Reported data					Forecast		
	2015	2016	2017	2018	2019 (Baseline)	CPP's objectives		
	2015	2016	2017	2018	2019 (Baseline)	2020	2021	2022
KPI	41.3%	43.4%	45.1%	45.8%	50%	54%*	57%*	60%
Annual variation (% points)		+2.1	+1.5	+0.7	+4.2	+10		
Average annual variation (% points)		+2.2				+3		
Total renewable capacity (GW)	37.0	35.9	38.3	39.2	42.2	46.3*	50.1*	54.2
Variation in total renewable capacity (%)	N/A				+28,3%			

*To be noted that these data are not to be considered as targets set by the company but expected paths towards the 2022 target.

Based on several points of comparison, we consider that Enel's target shows a reasonable¹¹ level of ambition.

The objective is to reach 60% of total net efficient installed capacity from renewables by the end of 2022, compared to the 2019 baseline. This represents an increase of over 28% in renewable net efficient installed capacity in relation to 2019, from a total renewable capacity of 42.2 GW in 2019 to 54.2 GW capacity in 2022 (+12 GW). Therefore, the percentage of renewable net efficient installed capacity, in relation to total net efficient installed capacity would increase of 10 percentage points, from 50% in 2019 to 60% in 2022. This foreseen increase over 2019-2022 would be higher than the reported increase over the 2015-2019 period.

According to Enel, reaching 60% of renewable net efficient installed capacity by 2022 would allow to cover 57% of its production from renewable sources, compared to 43% in 2019.

In addition, Enel's plan includes the 61% reduction of coal installed capacity by 2022 with respect to 2018 figures (15.8 GW), decreasing it to 6.6 GW and accounting to just 6.8% of total production by 2022 (compared to 25.7% in 2018).

¹⁰According to Enel, the non consolidated capacity (or managed capacity) refers to the additional capacity that is managed through the "build, sell and operate"(BSO) model and/or through joint ventures and therefore is not consolidated in the Group's consolidated reports. In 2019, managed capacity amounted to 3.7GW.

¹¹ Scale of assessment: Weak / Moderate / Reasonable

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 PV¹². The IEA reports that, overall, the share of renewables in worldwide power generation is expected to increase from 26% in 2019 to 30% in 2024¹³ (five-year period). Enel reports an expected increase to 57% of its power generation from renewables in 2022, which is higher than the IEA's expectations. Of note, the evolution in expected power generation from renewables would represent a 44% increase from 2019 to 2022.

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

Enel's target appears to be consistent with the performances of Electric and Gas Utility companies in Europe (with the *Top 10 performers* according the Vigeo Eiris' rating methodology). For instance, Enel's target appears to be much more ambitious than some of its sector peers, such as EDF and Engie, which aim to achieve 25% of renewable energy sources in their installed capacity mix in 2020. However, the selected target is below other utility companies, such as Iberdrola, which had 70% of renewables in its net installed capacity in 2019, and Energias de Portugal, with 74% of renewables in its net installed capacity in 2017.

It is noted that Enel has one of the world's largest renewable installed capacity, representing a total of 42 GW in 2019, with 3 GW new built capacity over the last year. This puts the company above relevant competitors such as the already mentioned Iberdrola (32 GW) and EDP (19.6 GW).

Principle 3. Reporting

The Control & Reporting definitions and processes are relevant and consistent with the necessity for the company to report reliable data on the selected KPI. The selected indicator is well defined, referring to internationally recognized standards such as the Global Reporting Initiative (GRI)¹⁴. It is accountable, monitored and reported under a reasonably structured process including a third-party verification.

The contemplated CPP is aligned with the "Reporting" principle of the LMA's Sustainability Linked Loan Principles.

KPI: Percentage of Renewable net efficient installed capacity (%)
<p><u>Clarity</u></p> <p>The selected indicator and its associated methodologies are clearly defined.</p> <p>The company refers to the Global Reporting Initiative (GRI). In particular, Enel refers to the GRI sectorial indicator EU1¹⁵ (GRI-G4-Electric-Utilities-Sector-Disclosures), which sets global standards to measure installed capacity, broken down by primary energy source.</p>
<p><u>Control</u></p> <p>The selected indicator 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.</p> <p>The selected KPI and its associated target are included in the yearly Sustainability Report, which receives a third-party independent review. In addition, two specific assurance reports will be issued annually by an external auditor, namely : "<i>Interim Statement of Renewable Energy Installed Capacity</i>" and "<i>Final Statement of Renewable Energy Installed Capacity</i>".</p>
<p><u>Reporting</u></p> <p>Considering the last available public source (1999 Environmental Report), Enel has been monitoring and reporting on the selected KPI since 1999. Calculation methodologies have not evolved.</p> <p>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 Oracle¹⁶.</p>

¹² <https://www.iea.org/reports/renewables-2019>

¹³ <https://www.iea.org/news/global-solar-pv-market-set-for-spectacular-growth-over-next-5-years>

¹⁴ <https://www.globalreporting.org/>

¹⁵ <https://www.globalreporting.org/Documents/ResourceArchives/GRI-G4-Electric-Utilities-Sector-Disclosures.pdf>

¹⁶ Oracle is a computer technology corporation that provides database software technology, cloud engineered systems and enterprise software products, including database management systems.

The company 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 perimeter¹⁷. 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 shareholding structures are included in the scope.

Accessibility of the results

Enel will publicly disclose the data in its Annual Report as well as in its Sustainability Report over the duration of the CPP. The details of the underlying methodologies and assumptions used to calculate the KPI will be disclosed in the external auditor's specific assurance report as well as in the financial instrument document.

Principle 4. Review

The KPI will be audited¹⁸ and made publicly available on Enel's website. The achievement of the target will be annually reviewed by an external auditor.

The contemplated CPP is aligned with the "Review" principle of the LMA's Sustainability Linked Loan Principles.

External review of the achieved results

The results will be reported annually in the company's Annual Report and Sustainability Report. The achievement of the target will be reviewed annually by an external auditor which will provide an Assurance Report with respect of an *"Interim Statement of Renewable Energy Installed Capacity"* and a *"Final Statement of Renewable Energy Installed Capacity"*. These reports will be made available on Enel's website.

¹⁷ Here the perimeter refers to all the business activities related to electricity production including production from renewables, thermal and nuclear technologies.

¹⁸ The auditors will conduct a limited assurance engagement in accordance with the provisions of "International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board.

METHODOLOGY

In Vigeo Eiris' 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 organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Borrower's Corporate Social Responsibility as an organization, and on the process and commitments applying to the intended issuance.

Vigeo Eiris' methodology for the definition and assessment of the corporation's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and is organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Our evaluation framework of the material ESG issues have been adapted, based on the specificities of the Borrower's business activity.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Director of Methods. Our SPO are also subject to internal quality control at three levels (consultants in charge of the mission, Production Manager, and final review and validation by the Director of Sustainable Finance and/or the Director of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company, then the Director of Methods, and finally Vigeo Eiris' Scientific Council.

All employees are signatories of Vigeo Eiris' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

Part I. BORROWER

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

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Borrower on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

Vigeo Eiris reviewed information provided by the Borrower, 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.

Vigeo Eiris 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 faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Borrower 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 company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, Vigeo Eiris' 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 verify if the company is involved in any of them. The company'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 company.

Part II. LOAN

The indicator has been evaluated by Vigeo Eiris according to the SLLP and on our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Relationship to Borrower's Overall CSR Strategy

We question the visibility of the Borrower's CSR strategy, as well as the consistency of the contemplated loan's targets with the sustainability strategy and objectives.

Target setting

We analyse the nature, the precision, the intelligibility, the availability and the meaning of the Borrower's indicators as well as their scale in absolute terms and in a sector comparative perspective.

Reporting

We assess the robustness of the accounting system of the Borrower, with a focus on its reporting management system in terms of process design and management, internal and external control, accessibility to its results for all relevant stakeholders.

Review

We question the extent to which the alignment of the achieved results of the Borrower with the contemplated targets are annually reviewed by an external stakeholder.



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Casablanca, Hong Kong, Milan, New York, Rabat and Santiago de Chile.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com

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