



Seeding Energies
Sustainability Report
2017

enel

Green bond report

Introduction

On January 9, 2017, Enel Finance International successfully placed its first green bond on the European market, for a total of 1,250 million euro, which was aimed at institutional investors and backed by a guarantee issued by Enel SpA.

Part of the net issuance proceeds – carried out under the medium-term bond issue program of Enel and Enel Finance International (Euro Medium-Term Notes Programme - EMTN) – was used to finance eligible projects according to the “Green Bond Principles 2016” categories, published by the ICMA (International Capital Market Association). Proceeds not allocated during 2017 will be used to finance additional projects included in the update of the plan disclosed to the market in November 2017. Specifically, proceeds of the first bond issued financed solely new development, con-

struction and repowering renewable generation projects.

In order to ensure the transparency and quality of the green bonds issued, the Enel Group has prepared and released a “Green Bond Framework”, whose compliance with the reference principles was confirmed by Vigeo Eiris, an external advisor, which issued the so-called “second party opinion”. The advisor also qualified as “reasonable”¹ the assurance level on the ESG indicators (Environmental, Social and Governance) selected for reporting. In particular, Enel’s performance linked to these indicators was considered as “advanced”², the framework used to issue the green bond as “robust” and the related reporting methods, as defined in the framework, also “robust”.

The reference documents are available on Enel’s website (<https://www.enel.com/investors/fixed-income/main-programs/green-bond>).

Worth highlighting is that the Enel Group is among the first companies in the world having set up a “Green Bond

Committee” with the aim of selecting projects and monitoring the progress of their development.

The reporting document hereof, being published for the first time, meets Enel’s commitment undertaken at the time of the bond issuance to report annually on the use of proceeds, on the environmental benefits deriving from the projects financed and on further ESG metrics linked to these projects, as illustrated in the “second party opinion”.

1 Vigeo Eiris evaluation scale - Level of Assurance: Reasonable, Moderate, Weak.

2 Vigeo Eiris evaluation scale - Performance: Advanced, Robust, Moderate, Weak.

Reporting criteria

Indicators shown in the following tables were determined in accordance with the “Green Bond Framework” principles. Table A “Financial indicators” shows:

- > the project’s capacity and “Investment in currency” as approved by the Board of Directors and/or the Investment Committee, and disclosed to the financial market through specific press releases;
- > the value of the “Investment in euros” as determined by converting the amount of the investment in

currency at the average 2017-2019 exchange rate for the years of Enel’s related Industrial Plan;

- > the share of the green bond proceeds allocated to the project as the difference between the total costs capitalized as of December 31, 2017 and the amount of third party financing associated to the specific pro-

ject³. The entire amount of proceeds allocated to projects in 2017 was spent during the year;

- > the commercial operation date defined as the time when the plant produced its first kWh.

Table B “ESG Indicators” shows the environmental benefit in terms of CO₂ avoided (actual or expected) related to the financed projects, specifically:

- > the quantity of CO₂ avoided (both actual and expected) is determined by multiplying (actual or expected) production by the thermal production emission factor specific to the country where the plant is located (emission factors source: Enerdata - February 2, 2018 release);
- > the share of production (both actual and expected) and the related amount of CO₂ avoided attributable to the green bond is calculated as the share of green bond proceeds allocated to the project in 2017 on the total investment (ref. Table A).

As for the further ESG metrics, Table C “Further ESG indicators” shows, when possible and relevant⁴, the data relating

to the projects financed with the proceeds of the bond, as envisaged in the “second party opinion”⁵:

- > water consumption refers to water withdrawal occurred in the period following the commercial operation date, as well as including also any withdrawal associated to residual building activities still in progress after that date;
- > actions to protect/restore biodiversity refer to the number of projects promoted by Enel in connection to the operation of the plant;
- > plant shutdown or site stop due to environmental issues is equal to the number of times operations were interrupted forcibly due to environmental management issues and its impact;
- > concerning occupational safety, the number of fatal and severe injuries⁶ is reported;
- > social actions means any activity and/or project carried out to support local communities in the areas surrounding the plant. Beneficiaries means the number of people involved by such activity and/or project.

Table D “Overall information” refers to the criteria, indicators, overall information and approach chosen by Enel to develop the projects financed through the proceeds of the bond.

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- 3 If the same company is involved with the implementation of several projects, proceeds are allocated to the specific project based on the capacity.
 - 4 Projects with a capacity exceeding 20 MW and entered into operation before September 30, 2017.
 - 5 “Material reused/recycled after revamping” is not applicable, as the proceeds of green bonds in 2017 were not used to finance such kind of projects.
 - 6 Injury with an initial prognosis, as shown on the first medical evaluation, exceeding 30 days; or with a guarded prognosis, until the prognosis can be determined; or with an unknown prognosis, which, when first assessed by the Division/Company concerned, is assumed to exceed 30 days. Once the prognosis is set, the injuries will be considered severe only if the first prognosis exceeds 30 days. If the prognosis is not set or remains unknown for 30 days from the event, the injury shall be considered severe.



Table A - Financial indicators

Country	Project name	Technology	Status	Capacity (MW)	Commercial operation date (year)	Currency of investment	Investment in currency (mil)	Investment in euros (mil) ¹	Green bond proceeds allocated to the project in 2017 (mil euros)
USA	Red Dirt	Wind	In Operation	300	2017	USD	420	378	58
USA	Thunder Ranch	Wind	In Operation	298	2017	USD	435	392	120
USA	Hilltopper	Wind	Ready to build (BD ²)	185	2018	USD	325	293	52
USA	Stillwater Solar II	Solar	Under Construction	27	2018	USD	40	36	30
USA	Woods Hill	Solar	In Operation	25	2017	USD	45	41	33
USA	Rattlesnake Creek	Wind	Under Construction	320	2018	USD	430	387	27
USA	Rock Creek	Wind	In Operation	300	2017	USD	500	450	58
BRAZIL	Nova Olinda	Solar	In Operation	292	2017	USD	300	270	161
BRAZIL	Lapa	Solar	In Operation	158	2017	USD	175	158	49
BRAZIL	Horizonte MP	Solar	Under Construction	103	2018	USD	110	99	43
BRAZIL	Cristalândia	Wind	In Operation	90	2017	USD	190	171	30
BRAZIL	Delfina	Wind	In Operation	180	2017	USD	400	360	33
CHILE	Cerro Pabellón	Geothermal	In Operation	41	2017	USD	325	293	57
CHILE	Sierra Gorda	Wind	In Operation	112	2016	USD	215	194	17
PERU	Wayra	Wind	Under Construction	132	2018	USD	165	149	78
PERU	Rubi	Solar	In Operation	180	2017	USD	170	153	68
ITALY	Various projects ³	Biomass / Geothermal / Hydroelectric	-	35	2017-2019	EUR	130	130	32

(1) Indicative value in euros (EUR), although the investment in US dollars (USD) applies where present. The exchange rate used is 1.11 USD/EUR.

(2) Business Development.

(3) Aggregated data for 26 small-scale Italian projects. The technologies involved are biomass, geothermal and hydroelectric.

Table B - ESG Indicators

Country	Project name	2017 production (GWh) ¹	CO ₂ avoided (t)	2017 production attributable to GB (GWh)	CO ₂ avoided attributable to GB (t)	Expected annual production (GWh) ²	Expected CO ₂ avoided (t)	Expected annual production attributable to GB (GWh)	Expected CO ₂ avoided attributable to GB (t)
USA	Red Dirt	n.a.	n.a.	n.a.	n.a.	1,200	820,236	183	125,009
USA	Thunder Ranch	n.a.	n.a.	n.a.	n.a.	1,100	751,883	336	229,756
USA	Hilltopper	n.a.	n.a.	n.a.	n.a.	600	410,118	107	73,325
USA	Stillwater Solar II	n.a.	n.a.	n.a.	n.a.	44	30,007	37	25,294
USA	Woods Hill	n.a.	n.a.	n.a.	n.a.	35	23,924	29	19,658
USA	Rattlesnake Creek	n.a.	n.a.	n.a.	n.a.	1,300	888,589	91	61,998
USA	Rock Creek	n.a.	n.a.	n.a.	n.a.	1,250	854,413	161	110,129
BRAZIL	Nova Olinda	137	69,110	82	41,286	n.a.	n.a.	n.a.	n.a.
BRAZIL	Lapa	195	98,657	61	30,792	n.a.	n.a.	n.a.	n.a.
BRAZIL	Horizonte MP	n.a.	n.a.	n.a.	n.a.	220	111,209	95	48,234
BRAZIL	Cristalândia	184	93,213	32	16,208	n.a.	n.a.	n.a.	n.a.
BRAZIL	Delfina	286	144,457	26	13,195	n.a.	n.a.	n.a.	n.a.
CHILE	Cerro Pabellón	61	47,107	12	9,221	n.a.	n.a.	n.a.	n.a.
CHILE	Sierra Gorda	308	236,137	28	21,103	n.a.	n.a.	n.a.	n.a.
PERU	Wayra	n.a.	n.a.	n.a.	n.a.	600	285,432	315	149,943
PERU	Rubi	n.a.	n.a.	n.a.	n.a.	440	209,317	195	92,838
ITALY	Various projects	4	2,257	1	550	250	133,781	61	32,634

n.a. not applicable

(1) For projects entered into operation by September 30, 2017, the actual production data are reported and consequently the amount of CO₂ avoided.

(2) For projects that entered into operation after September 30, 2017 or which have not yet entered into operation, the expected annual production data and the expected amount of CO₂ avoided are reported.

Table C - Further ESG indicators

Project name	Water consumption (m ³)	Actions to protect/restore biodiversity (no.)	Plant shutdown or site stop due to environmental issues (no.)	Injuries (fatal and severe) (no.)	Social actions (no.)	Beneficiaries (no.)
Nova Olinda	40,765	-	-	-	25	9,641
Lapa	21,665	1	-	-	24	6,554
Cristalândia	10,049	3	-	-	9	1,883
Delfina	6,382	4	-	-	13	4,397
Cerro Pabellón	27,317	-	-	-	11	18,299
Sierra Gorda	53,883	-	-	-	-	-

Table D - Overall information

CRITERION	INDICATOR	DATA/APPROACH
Respect for human rights standards and prevention of breaches	Number and description of the reports identified through the Enel monitoring system	No reporting on projects financed with GB revenue.
	Results of risk analysis on human rights at country level	The analysis conducted in the Group's countries of presence highlighted an average risk perceived as "acceptable" and "high priority" ¹ . The Group human rights practices and policies were subsequently assessed as "robust" ² . However, specific action plans have been developed for each country of presence as well as a centrally managed improvement plan to harmonize and integrate processes and policies defined at the global level and applied at local level.
Respect for labor rights	Number and description of the reports identified through the Enel monitoring system	No reporting on projects financed with GB revenue.
	Results of risk analysis at country level on human rights	The analysis conducted in the Group's countries of presence highlighted an average risk perceived as "acceptable" and "to be monitored" ¹ . The Group human rights practices and policies were subsequently assessed as "robust" ² . However, specific action plans have been developed for each country of presence as well as a centrally managed improvement plan to harmonize and integrate processes and policies defined at the global level and applied at local level.
Working conditions (employment relationships, training, health and safety conditions, respect for working hours)	Number of accidents (fatal and serious)	No incidents reported on projects financed with GB revenue.
Integration of environmental and social factors into the supply chain - Responsible purchasing	Ethical clauses in contracts with suppliers	Through the General Contract Conditions, Enel requires its contractors and sub-contractors, among other things, to comply with the ten principles of the United Nations Global Compact, respect for and protection of internationally recognized human rights, as well as respect for ethical and social obligations regarding the fight against child labor and protection of women, equal treatment, prohibition of discrimination, freedom of association, association and representation, forced labor, safety and environmental protection, sanitary conditions and also regulatory conditions, retribution, contributions, insurance and tax.
Business ethics (prevention of corruption and money laundering, fraud, anticompetitive practices)	Number and description of the reports identified through the Enel monitoring system	No reporting on projects financed with GB revenue.
Audit and internal control	% of area/country processes covered by internal audit activities	The average annual coverage level of the processes through internal audit activities is equal to one third.

(1) Average perceived risk: average of perceived risk levels identified in the countries being analyzed. Reference scale of risks: 1. High risk; 2. High priority risk; 3. Risk to be monitored; 4. Acceptable risk.

(2) Reference scale of performance values: Robust (75%-100%); Good (50%-75%); Sufficient (25%-50%); Needs improvement (0%-25%).



Enel S.p.A.

Report on the examination of the Green Bond Report prepared by Enel S.p.A., relating to the development, construction and repowering of renewable generation plants financed through the issuance of the Green Bond ISIN XS1550149204, occurred on January 9, 2017, attached to the Sustainability Report 2017



EY S.p.A.
Via Po, 32
00198 Roma

Tel: +39 06 324751
Fax: +39 06 32475504
ey.com

To the Board of Directors of
Enel S.p.A.

1. We have examined the “Green Bond Report prepared by Enel S.p.A., relating to the development, construction and repowering of renewable generation plants financed through the issuance of the Green Bond ISIN XS1550149204, occurred on January 9, 2017 (hereinafter the “Report”), attached to the Sustainability Report 2017”. The Report has been prepared in accordance with the criteria described in the “Reporting criteria” note. The directors of Enel S.p.A. are responsible for the preparation of the Report in accordance with the criteria described in the “Reporting criteria” note and for the implementation of an internal control system necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error. Our responsibility is to express an opinion on the Report on the basis of our examination.
2. We conducted our examination in accordance with the “International Standard on Assurance Engagement 3000 – Assurance Engagements other than Audit or Reviews of Historical Financial Information” (“ISAE 3000”), issued by International Auditing and Assurance Standards Board. ISAE 3000 requires compliance with ethical principles, including independence, and the planning and conduct of our work in order to obtain reasonable assurance that the Report does not contain material misstatements. In accordance with such criteria we have performed the procedures necessary to achieve the engagement objectives indicated in the first paragraph. Such examination mainly consisted in the performance of the following procedures:
 - (i) meeting with Enel's personnel involved in the preparation of the Green Bond Report;
 - (ii) assessment, through inquiries with the Enel's personnel, of the procedures followed to collect, aggregate and report the ESG and financial data included in the Green Bond Report;
 - (iii) performing limited test of details to verify that the data used in the preparation of the Green Bond Report are consistent with the information and documentation held by the companies of the Enel Group.

We believe that our work is sufficient and appropriate to provide a basis for our opinion.

3. In our opinion, the “Green Bond Report” has been prepared, in all material respects, in accordance with the criteria detailed in the “Reporting criteria” note.
4. This report is solely for use and information purposes of Enel S.p.A. and should not be used for other purposes, or distributed to third parties without our previous consent.

Rome, May 10, 2018

EY S.p.A.

EY S.p.A.
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