ENEL Green Bond Framework

November 2018

1. Introduction

Enel and its subsidiaries (the "**Group**" or the "**Enel Group**") are deeply committed to the renewable energies sector and to researching and developing new environmentally friendly technologies. In 2017, approximately half of the electricity the Enel Group produced was free of carbon dioxide emissions, making it one of the world's major producers of clean energy. Further, Enel has committed to decarbonize its energy mix by 2050. The Enel Group green business is operated mainly through Enel Green Power S.p.A. ("**EGP**") and its subsidiaries that have developed and maintain the largest and most diversified portfolio of quality investment opportunities in the renewable energy business.

Enel is the first utility in the world that has replaced conventional electromechanical meters with so-called "*smart meters*", being modern electronic meters that enable consumption levels to be read real time and contracts to be managed remotely. As of 2017, more than 40 million customers have an electronic meter developed and installed by Enel. This innovative measurement system is essential to the development of smart grids, smart cities and electric mobility.

The pillars of the Enel Group strategic plan, based on growth, operating efficiency, simplification and engagement with local communities, are designed to further enhance sustainable long-term value creation.

Digitalization and customer focus, introduced in 2016, continue to be major drivers of the strategy. Digitalization will play a key role in making the Group's core business more efficient, effective, data-driven, as well as future-proof for incoming challenges arising from the energy transition. Customers, will be the core of Enel's offering of both traditional and innovative services to match customer's emerging needs and behaviours.

On the strategic pillars, the Group plans the following:

1. Industrial growth: the Enel Group aims at a total capex spend of €27.5 bn in the 2019-2021 period, resulting in €3.2 bn euro incremental ordinary EBITDA.
   Enel has reclassified its capex plan according to the following categories that are more reflective of the nature of its current and future business. In terms of investments and growth in ordinary EBITDA, the three categories will contribute as follows over the plan period:
   - Asset development is expected to amount to €16.5 bn and contribute €2.1 bn growth in ordinary EBITDA;
   - Customers is expected to amount to €4.8 bn and generate around €1 bn of growth in ordinary EBITDA;
   - Asset management is expected to amount to €6.2 bn and contribute to growth in ordinary EBITDA for the remaining portion.

   The increase in investments is mainly driven by asset development and customers. In light of the reduction of capex allocated to the Build, Sell and Operate model (BSO), the new plan envisages €4 bn of incremental spending on organic investments fully devoted to renewables.

2. Operational efficiency: the Group targets €1.2 bn efficiencies in real terms over the plan period. Opex will reach €8.1 bn in 2021 with an overall 8% reduction in the next three years in nominal terms.
3. Simplification: Enel will continue to focus on asset rotation and on the reduction of minorities, with the aim to improve the overall return on invested capital and to increase the economic interest in subsidiaries.
4. Human capital: the strategy of the Group remains strongly connected with management of human capital, fostering the economic and social growth of the local communities we engage and enhancing the roles and skills of the people within the organization, empowering them to manage the energy transition.

Out of the €27.5 bn total gross capex, €16.5 bn is associated with asset development, which from a business perspective, are divided as follows:

- 64% will be devoted to renewables. This will accelerate our decarbonization process with a progressive substitution of thermal capacity in line with the objective of decarbonization in 2050.
- 28% will be invested into Networks supporting the digitalization of the infrastructure, the improvement of resiliency and quality ratios, and the restructuring of recently acquired assets.
- The remaining portion will support the infrastructure development of Enel X, both in e-mobility and in e-city.

The strategic plan clearly shows the deployment, across the board of the 17 United Nations Sustainable Development Goals, of the Group's sustainable business model throughout the value chain.
In terms of targets, the Group confirms and accelerates its specific commitment, undertaken in September 2015, on the following Sustainable Development Goals:

Engaging local communities

- SDG 4 (high quality, inclusive and fair education): 2.5 million beneficiaries (2015-2030);
- SDG 7 (access to affordable and clean energy): 10 million beneficiaries (2015-2030);
- SDG 8 (employment and sustainable and inclusive economic growth): 8 million beneficiaries (2015-2030);

Climate change

- SDG 13 (climate action): 0.23 $kgCO_2$/KWheq in 2030;

Innovation and infrastructure/Sustainable cities

- SDG 9 (industry, innovation and infrastructure) and SDG 11 (sustainable cities and communities):
  - 46.9 million Smart Meters installed in 2021 (including replacement of Smart Meters);
  - €5.4 bn Digitalization Capex (2019-2021);
  - 455.000 Charging points (public and private) installed in 2021.

2. Rationale

As a global leader in the development of clean energy, Enel sees the issuance of Green Bonds as an ideal tool to finance the transition to a low carbon economy. This Green Bond Framework has been created to facilitate transparency, disclosure, integrity and quality of Enel Green Bond issues. This framework is in alignment with the Green Bond Principles 2018 ("**GBP**"). Enel hopes to continue to

broaden its investor base by attracting like-minded investors that seek to target their investments towards environmentally friendly projects. Enel will be broadening its capital market offerings and is responding to specific investors request for green assets.

Climate change, diversity, human capital management, to name a few, are under increasing scrutiny by the financial market that has started to engage companies on those issues asking to know what strategies they are implementing to tackle such issues and the associated non-financial risks. The planning and disclosure of non-financial KPIs or, as more commonly known, ESG (Environmental Social and Governance) factors is gaining relevance alongside pure financial targets.

In 2017[1], socially responsible investors (so called "SRI") represented 8.6% of Enel's share capital and 11.3% of the free float. Their weight is growing over time. The Group, early in 2016, has set up a specific unit within the IR team fully dedicated to the engagement with SRI institutions.

On top of having a Sustainability and Innovation department directly reporting to the CEO, the Enel Group also has a 'Corporate Governance and Sustainability Committee' aimed to assist the Board of Directors in the assessments and decisions relating to the corporate governance of the Enel Group and to sustainability, by carrying out preparatory work for the purpose of making proposals and providing advice.

Moreover, Enel has recently established a Sustainable Finance cross-functional Team (composed by Finance, Investor Relations and Sustainability departments' representatives) with the aim of:

- participate in key global sustainable finance initiatives promoted by the relevant organizations and associations (e.g. Global Compact, ICMA) collaborating also with other corporations in order to share information, best practices and technical expertise;
- analyze market developments on sustainable finance matters in US and Europe (mainly UN Global Compact and European Commission) and deploy Green Bond initiatives;
- develop internal initiatives and processes, boosting also on digitalization opportunities, to be ready to target market opportunities related to Green Business and in general to Sustainable Finance.

3. Application of Green Bond Principles

The Green Bond Principles 2018 published by International Capital Markets Association ("**ICMA**") are voluntary process guidelines for best practices when issuing Green Bonds.

The GBP recommend transparency, disclosure and promote integrity in the Green Bond Market. Enel Green Bond Framework will align with the GBP's four core components: Use of Proceeds, Process for Evaluation and Selection, Management of the Proceeds and Reporting.

For the avoidance of doubt, in the following Use of Proceeds section, reference to the "Guarantor" is a reference to Enel S.p.A, whilst reference to the "relevant Issuer" is a reference to Enel Finance International NV ("**EFI**") as it is currently envisaged that the issuer of Green Bonds under the Euro 35,000,000,000 Euro Medium Term Notes Programme (EMTN Programme) of Enel and EFI will be the latter (whilst Enel will act as Guarantor).

[1] As of December 2017

3.1 Use of Proceeds

Green Bond proceeds will be used to finance Eligible Green Projects (as defined below) or refinance Eligible Green Projects with disbursements occurred during the past 24 months preceding the issue date of the Green Bond.

For the purposes of this section:

"**Eligible Green Projects**" means Renewable Energy Projects and Transmission, Distribution and Smart Grid Projects and Innovative Infrastructural Projects which meet a set of environmental and social criteria, which prior to the relevant Issue Date will be (i) approved both by the relevant Issuer and, where applicable, the Guarantor and by a Second Party Opinion Provider, and (ii) made available on ENEL's website (www.enel.com) in the investor relations page.

"**Renewable Energy Projects**" means the financing or refinancing of, or investments in the development, the construction, the repowering and the installation and the maintenance of renewable energy production units for the production of energy through: (i) renewable non-fossil sources and (ii) hydro, geothermal, wind, solar, waves and other renewable energy sources. Energy production units include small-scale energy generation systems and utility scale or centralised power generation systems.

"**Transmission, Distribution and Smart Grid Projects**" means the financing or refinancing of, or investments in the building, the operation and the maintenance of electric power distribution, transmission networks and smart metering systems that contribute to: (i) connecting renewable energy production units to the general network and (ii) improving networks in terms of demand-size management, energy efficiency and access to electricity.

"**Innovative Infrastructural Projects**" means the financing or refinancing of, or investments in the development, the construction, the installation and the maintenance of (i) clean transportation projects which consist in electric, hybrid, public, rail, non-motorised, multi-modal transportation, public and private infrastructures and charging stations for clean energy vehicles and related services and (ii) smart lightning and energy efficiency projects which consist in public lightning, renovation of existing buildings and efficiency improvements, demand response and demand side management infrastructures and related services.

3.1.1 Exclusions

For the avoidance of doubt Enel's Green Bond portfolio will exclude any fossil fuels, nuclear power or large scale hydro (>25MW) that does not meet the following international sustainability best practices: International Finance Corporation (IFC) Standards – Publicly stated commitment to meet the requirements outlined by all eight IFC performance standards.

3.2 Examples of Eligible Green Projects

As examples of Eligible Green Projects, Enel has selected a wind and a geothermal plant that are testament to the technological and geographical diversification pursued by Enel through its green subsidiary:

a. The **Delfina wind park** is located in Campo Formoso, in the state of Bahia, Brazil. It consists of 90 wind turbines broken down between seven sub parks, which amount to 180MW of installed capacity. In 2017, year of entry in operation, Delfina generated 286GWh, avoiding the emission of more than 140,000 tonnes of CO_2 into the atmosphere. In line with the Creating Shared Value (CSV) model adopted by the Enel Group, which aims to combine business development and local community needs, a set of 4 initiatives have been promoted in the areas neighboring Delfina plant in order to protect/restore the local biodiversity, such as pioneering programmes for the preservation of two local endangered species, the blue Lear's macaw and the Caatinga biome cougar. In collaboration with local associations, Enel put in place 13 social actions to nearly 4,400 beneficiaries, offering qualification courses to local communities, such as entrepreneurship courses as well as carpentry and electrician training, to enable income generation.

b. The **Cerro Pabellón geothermal plant** is the first geothermal power plant in South America and the world's first large-scale facility of this kind to be built at 4,500 meters above sea level. Cerro Pabellón is located in the Atacama Desert in Chile, in the Ollagüe district of Antofagasta region, and has a total capacity of 41 MW. In 2017, year of entry in operation, Cerro Pabellón generated 61 GWh, avoiding the emission of more than 47,000 tonnes of CO_2 into the atmosphere. In collaboration with local communities, Enel carried out 11 social actions involving more than 18,000 beneficiaries, such as the creation of small and medium sized enterprises led by Quechua indigenous women, the roll out of a plan to electrify by renewable energy all the 6 communities in the project's area of influence and the implementation of a plan to foster ethical tourism valorizing the indigenous patrimonial capital.

3.3 Process of Evaluation and Selection

Enel established a Green Bond Committee in June 2017, with the aim of:

- overseeing the Enel Green Bond implementation and allocation process;
- reviewing the allocation to the projects to ensure it meets the Environmental and Social Criteria set forth in the Enel Green Bond Framework;
- validating the annual reporting referring to Eligible Green Project;
- ensuring the appointment of an independent auditor to provide an annual assurance report.

It is currently comprised of members from Finance, Administration, Investor Relations, Planning & Control and Sustainability departments. Enel has established policies and procedures consistent with ISO 14001:2004 Environmental Management Systems. Appendix 1 includes details on Environmental and Social Criteria to be used during the process of evaluation and selection of Eligible Green Projects.

3.4 Management of Proceeds

EFI, the issuing entity, will grant an amount equal to the net proceeds to the subsidiaries in charge for the Eligible Green Projects via intercompany loans, equity injections through the relevant shareholder or other available funding forms with the purpose to finance the disbursements in connection with the Eligible Green Projects.

The abovementioned process will be monitored along the entire period in which the expected capex/opex will be incurred. The Green Bond Committee will review the allocation to the projects to ensure it meets the Environmental and Social Criteria set forth in the Green Bond Framework.

The net proceeds not yet allocated to Eligible Green Projects will be held temporarily by EFI in form of Cash, Time Deposit with Banks or Other form of available short term funding sources (i.e. Commercial Paper Programme, Bank Credit Line).
In the case of divestment or if a project no longer meets the eligibility criteria, the funds will be reallocated to other Eligible Green Projects.
Payment of principal and interest will be made from our general account and not be linked to the performance of the Eligible Green Projects.

3.5 Reporting

Annually, and until the maturity of the Enel Green Bonds issued, Enel will provide to investors on its website www.enel.com a Green Bond Report, attached to the Sustainability Report, including:

(i) annual updates to investors including brief project descriptions and the amounts allocated to the Eligible Green Projects
(ii) relevant impact and ESG management metrics, as well as potential controversies, related to the Eligible Green Projects; for example, expected avoided greenhouse gas emissions, number of the social actions implemented, numbers of beneficiaries of the social actions implemented, expected electricity output in GWh. Enel could substitute any of the proposed impact metrics where appropriate to facilitate the reporting on the amount equal to the net proceeds to the selected Green Projects
(iii) the outstanding amount of net proceeds yet to be allocated to projects at the end of the reporting period, as well as the share of refinancing. An independent auditor appointed by Enel will review that the allocation of the Green Bonds is done in accordance with Enel's Green Bond Framework.

Relevant calculation methodologies will be disclosed in the annual report.

3.6 External Review

Second Party Opinion

Enel has retained Vigeo Eiris to provide a second party opinion on the present Enel's Green Bond Framework. Vigeo Eiris has reviewed Enel's Green Bond Framework for its sustainable and green qualities as well as its alignment with the Green Bond Principles 2018. The objective of the Second Party Opinion is to provide investors with an independent assessment. The Second Party Opinion, as well as the Green Bond Framework hereof, will be published in the fixed income section of Enel's website Investor Relations page. Vigeo Eiris' Second Party Opinion is valid as of the date of issuance limited to ENEL's 2019 first Green Bond.

Annual Assurance Report

An independent auditor will be appointed by Enel to provide an annual assurance report, until all the proceeds of the bonds have been allocated, confirming that an amount equal to the net proceeds of the bonds has been allocated in compliance with all material respects of the Eligible Green Projects criteria set forth in the Green Bond Framework and with the "Use of Proceeds" section of the final bond documentation.

Appendix 1: Environmental and Social criteria

The ESG due diligence on potentially Eligible Projects will consider the following issues:

ENVIRONMENT

- Environmental strategy and Eco-design
- Protection of biodiversity
- Pollution prevention and control throughout the project life-cycle (air, soils, water resources, transportation)
- Management of environmental impact from end-of-life equipment / dismantling

SOCIAL ISSUES

- Respect for human rights standards and prevention of violations
- Respect for labour rights
- Employment conditions (labour relations, training, health and safety, respect of working hours)
- Promotion of local social and economic development
- Societal impacts of project

PROJECT GOVERNANCE - BUSINESS BEHAVIOR

- Integration of environmental and social factors in the supply chain - Responsible procurement
- Business ethics (prevention of corruption and money laundering, fraud, anti-competitive practices)
- Audit & internal control

Appendix 2: Examples of impact metrics to assess Eligible Green Projects effectiveness

Climate change mitigation
- Reduction of greenhouse gases emissions

Natural resources protection
- Water consumption
- Number and description of actions to protect/restore biodiversity

Social impact
- Number of social actions implemented
- Number of beneficiaries of the social actions implemented
- H&S data (accidents, severity)