

nected to climate change and explaining how renewables are an extremely effective solution, with benefits not only for the environment but also for the creation of new jobs and for social-economic development;

- > **raising the awareness of our people:** Enel involves all the people that work for the Company in awareness activities in order to increase their involvement in climate change aspects and promote a culture of innovation and business entrepreneurship on a global level to overcome the energy challenges. Enel Days 2020, which are annual company events, promoted discussions and exchanges about topics such as electrification, decarbonization, digitalization and urbanization. The main priorities of the Strategic Plan for the next three years were presented, in line with what was communicated to the financial community during the Capital Markets Day.

Enel's advocacy activities for the climate

Within its advocacy on climate change the Enel Group is firmly committed to:

- > **ambitious climate and decarbonization targets** consistent with the goals set forth by the Paris Agreement, for instance through initiatives like the "Campaign on Business Ambition for 1.5°" promoted by the UN Global Compact and the global campaign Race To Zero, launched in 2020 from UNFCCC and High Level Champion for Climate Ambition, as a clear sign from the international community to the governments for reaching the Paris Agreement goals in view of the COP 26, in which they will be called to review the agreement conditions;
- > **effective and efficient implementation policy mechanisms** able to harness market dynamics and in doing so it fully supports putting a price on carbon;
- > **wide stakeholder engagement on climate issues** by actively contributing to multi-stakeholder coalitions such as the UN Global Compact and the World Bank's Carbon Pricing Leadership Coalition;
- > **private sector leadership on decarbonization** through its continued participation in private sector initiatives such as WEF CEO Climate Leaders Alliance, IETA (International Emissions Trading Association), WBCSD (World Business Council on Sustainable Development), region-

al and national trade associations.

Enel's policy advocacy aims to promote the decarbonization strategy of the Group and pursue the Paris Agreement goals, engaging institutional stakeholders, trade associations, non-governmental organizations and academia in order to promote our view on climate and low-carbon policies. The engagement activity with stakeholders contributes to the evolution of the regulatory frameworks towards ambitious climate goals and promotes an economy where the EU ETS drives long term investment. To do so Enel interacts directly with policy makers, contributes to the positioning of trade association, interacts with a wider set of stakeholder to create consensus and support on specific policy proposals.

According to this policy, the Group has signed the "Uniting Business and Governments to Recover Better" statement in 2020, a call that gathers the signatories from SBTi and Business Ambition for 1.5 to encourage governments to prioritize the climate emergency despite of the economic and health crisis.

As a strong supporter of carbon pricing, Enel advocates for its integration in policy making throughout the countries in which it operates. In doing so it emphasizes the importance of well-functioning carbon tax and emission trading mechanisms able to deliver short to medium term predictability supporting market efficiency as well as strong long term price signals to support long term investments and innovation.

Global coordination of Enel's global public policy positioning on climate is ensured through the Energy and Low-Carbon Policy Unit. Such unit has the responsibility of developing global outlooks and position papers on climate policies. The latter serve as guidance for Enel's national and local advocacy as well as engagement with institutions and the wider range of stakeholders active within the climate debate. In such respect Enel is also committed at working to ensure continued and full alignment with the goals of the Paris Agreement of any association of which it is a member.

At the national level, Enel's commitment on public advocacy is pursued through specific advocacy activities as well as wider stakeholder engagement on the themes of decarbonization and the energy transition. The approach is similar to the one adopted at the global level. **Advocacy goals include the promotion of greater climate ambition, carbon pricing**, the accelerated penetration of RES technologies, infrastructure development and upgrade through smart grid technologies to support the energy transition, electrification as a mean of decarbonizing final energy uses. Furthermore, through its "Energy Transition Road-

map" engagement platforms Enel engages with a wide range of stakeholders on the actions needed at the national level to pursue the goals of the Paris Agreement. Such platforms assume as a starting point decarbonization in line with the Paris Agreement by 2050, they then proceed in identifying the technological mix necessary to achieve such long term target in 2050 as well as the medium term one of 2030, to then proceed in developing specific policy recommendation aimed at achieving such transformation. All of such activities are supported by a continuous engagement with a wide set of stakeholders.

Enel's positioning on the main climate related policies and frameworks

Several regulatory and legislative events occurred in 2020 are relevant for Enel's business and advocacy actions. In light of the increased streamlining of the climate challenge within wider global, national, regional and local policy and regulation, the number of dossiers within which Enel focuses its climate advocacy has been increasing every year. Enel's positioning on such main dossiers is presented below.

- > **The Enel Group strongly promotes throughout the countries in which it operates an increased climate ambition in line with the Paris Agreement.** Having adopted as a company SBTi targets aligned with the Paris Agreement, Enel supports public policies aimed at upscaling climate action and implementing decarbonization policies within a just transition framework. Enel's advocacy in such area is implemented through *ad hoc* engagement on specific legislative proposals (e.g. the EU Climate Law), but also through a wider stakeholder engagement at the national level through Enel's "Energy Transition Roadmap" platform (see above). Through such platforms, Enel advocates for NDCs fully reflecting the highest possible climate ambition and fully in line with the requirements of the Paris Agreement.
- > **Within the Paris Agreement's debate on international cooperation, Enel strongly supports a swift finalization of Article 6 implementing provisions.** Such position is in line with the fact that Enel supports carbon pricing mechanisms implementation worldwide. The adoption of carbon pricing should involve Cap and Trade system in industrialized economies and in sectors where the economic barriers are relevant and price signals are valued by economic agents. Carbon

pricing should take the form of environmental taxation in countries with weaker institutional and sectors characterized by distributed emission sources and where non-economic barriers are relevant. The Enel Group strongly supports carbon pricing as a means to efficiently and effectively decarbonize economic systems around the globe. Enel views on the implementation of carbon pricing have been conveyed directly and through the participation in the activities of IETA, CPLC, Eurelectric and WBCSD (World Business Council on Sustainable Development). In 2020 specific streams of activities have been devoted to analysis and advocacy on carbon pricing, at global, regional (EU and Latin America), and national levels (EU Member States, Chile, Colombia, and Peru).

- > **Within the EU, the European Green Deal is a unique opportunity to accelerate the EU's journey towards a fully decarbonized and sustainable economy especially if aligned with the mobilization of significant resources to ensure a swift recovery from the ongoing pandemic.** Achieving EU's climate and environmental goals requires a new industrial strategy for reaching climate neutrality and a circular economy action plan, pursuing the decarbonization of each sector. The power sector shall aim to be completely decarbonized and ensure the decarbonization of the other sectors of the economy through direct and indirect electrification. The study "Sustainable paths for EU increased climate and energy ambition" supported by the Enel Foundation and other sources point out the fact that electrification of end uses is necessary for a full decarbonization.
- > **The EU Climate Law should enshrine the climate and other environmental-related challenges at the core of EU vision** and its inclusive and sustainable growth strategy. It should establish the long-term target of carbon neutrality at 2050 as well as the mid-term target of at least 55% reduction of GHG as the guiding objective for all other EU policies. The Law should also set a guiding vision and a governance to ensure that all EU policies, actions and strategies are aligned with the climate objective, including education, financing, R&D, innovation, fiscal policies, labor and social policies. In doing so the Law should set a principle foreseeing that all policies are designed and assessed based on a careful evaluation of their full impact. Such assessment should include the full range of multiple benefits arising including the ones on air quality, circular economy, energy efficiency. Overall, it is critical for EU's sustainable decarbonization, that the Law incorporates in a systematic way the full range of "just transition" principles, establishing that EU national

policies should not “leave anyone behind”.

- > **Enel supports the reform of the EU ETS that needs to be strengthened to pursue the increased EU climate ambition and supported by a Carbon Border Adjustment Mechanism.** The Linear reduction factor should be increased to deliver the additional emission reductions required to EU ETS sectors and to provide a clear price signal to the market. The Market Stability Reserve should be adjusted to increase price stability balancing the market surplus. Introducing road transport and buildings sectors in the ETS should be approached with caution as it may undermine the reliability of the short to medium term carbon price signal with significant negative impacts on the just transition. The price uncertainty and volatility may have repercussions on final consumer energy bills, EU industrial competitiveness as well as long term price signals. It may also undermine the effectiveness of existing EU regulation in those sectors such as the Energy Performance of Building Directive and the CO2 standard in transport regulation. Finally, Enel supports the adoption of the Carbon Border Adjustment to provide higher climate ambition while reducing carbon leakage risks. The implementation of the mechanisms should go side by side with intensified discussions over increased climate ambition with EU’s main global trading partners.
- > **Enel supports a revision of the Effort Sharing Regulation to exploit the decarbonization potential of final uses of energy in the increased EU climate ambition.** The revision should consider updating upwards the ESR targets by Member State in line with the 2030 increased ambition. Ambition needs to be aligned with 2050 climate neutrality, to avoid lock-in in emitting infrastructure, but price impacts needs to be smoothed. Multiple environmental benefits enable a deviation from cost-efficiency criteria as decarbonization of transport and buildings brings about environmental benefits not accounted in GHG costs. The overall burden sharing should balance cost efficiency and at the same time favor a fair allocation of efforts.
- > **Enel welcomes the Commission communication on an EU Methane Strategy and the further proceedings on a legislative proposal to reduce EU-related methane emissions from fossil fuels, as both acknowledge methane as a relevant contributor to GHG emissions.** Enel emphasizes that the new legislative proposal to reduce methane emissions in the oil, gas and coal sectors should tackle energy-related methane

emissions from a structural point of view, taking into account the impact of direct and indirect methane emissions in terms of climate warming and air quality when planning new investments and assessing new energy and climate policies.

- > **Enel supports an upwards revision of the 2030 EU energy efficiency headline target of at least 35%, needed to reach the increased GHG emission reduction ambition by 2030.** To achieve the ambition of net zero emissions in 2050, significant gains on energy efficiency are needed. The study “Sustainable paths for EU increased climate and energy ambition” supported by the Enel Foundation and other sources point to increase the EU energy efficiency headline target to at least 35% from current 32,5% in order to reach a 55% GHG reduction by 2030. The revision of the Directive should consider the potential benefits of setting sectoral targets.
- > **Enel welcomes the Commission’s initiative to revise the Renewable Energy Directive.** Enel believes the key contributions to decarbonize in a cost efficient way the energy sector, as well as buildings, heating and cooling, transport and industry will come from the further electrification of final uses (direct electrification and indirect electrification for hard-to-abate sectors via renewable hydrogen). Within such context, low-carbon fuels should be excluded from the scope of this Directive. Enel believes that the EU regulatory framework needs to provide long-term predictability to investors as well as streamlined and harmonized permitting procedures. Finally, Enel supports a technology neutral approach, while creating the conditions for fully sustainable technologies to compete on a level playing field in efficiently delivering the overarching targets of decarbonization, penetration of renewable resources and energy efficiency.
- > **Within the EC hydrogen strategy, the Enel Group is actively promoting the renewable hydrogen** (i.e. produced via electrolysis fed by 100% RES power). Enel believes this to be the only truly sustainable production pathway for hydrogen, at zero greenhouse gas emissions and fed by renewable sources. Hydrogen is best used as a complement to electrification, and not as competitor. It has an efficient role to decarbonize those parts of the economy that cannot be easily or economically electrified, i.e. the hard-to-abate sectors, such as heavy industry, aviation, shipping.
- > **Within the smart and sustainable mobility strategy the Enel Group is actively promoting the Elec-**



tric mobility as the key factor in reducing emissions from road transport, reaching EU energy efficiency objectives and represent the clear pathway towards zero-emission mobility goal of EU. The electrification of transport sector will increase European energy independency and unlock flexibility benefits for the grids to better integrate renewable energy sources. The commitment of the European power sector to fully decarbonize electricity “well before 2050” will also contribute to decarbonize the transport sector. To reach the overarching emissions reduction goals of European Union and allow the decarbonization of transport sector it is crucial the rapid and full-deployment of electromobility at EU level.

- > **Enel fully supports the EU Renovation Strategy and is actively engaging in the discussions preparing the revision of the Energy Performance of Buildings Directive and other EU legislation relating to buildings.** The building sector is one of the sectors most lagging behind in decarbonization. Critical issues exist in terms of value chain, building efficiency, building smartness, choice of energy source. Enel believes it can contribute substantially to the decarbonization of the building sector with efficient electric technologies such as heat pumps, by improving the building’s efficiency through digitalization, by making buildings dynamic elements of energy system providing storage, demand side response, EV charging.
- > **Enel’s engaged different stakeholders on The EU Commission’s New Circular Economy Action Plan, emphasizing the importance of ensuring the circularity of key supply chains** especially in the areas of EVs, batteries and renewable energy technologies.

Furthermore, Enel’s advocacy highlighted the methodological need to develop appropriate circular economy metrics on one hand, while on the other focus on the high potential urban environment through the implementation of clear smart city circular visions.

- > **Within the Zero Pollution dossier and other environmental dossiers the Enel Group is actively promoting maximizing the synergies between decarbonization policies and other environmental policies.** Within such context the synergies between climate and air quality policies is maybe the most critical one and electric technologies can play a key role in fighting climate change, improving local air quality and increasing the circularity of the EU economic system. Land and soil management is vital to a circular economy and therefore the new soil strategy should consider the re-purposing of decommissioned industrial sites and reuse of brown fields to avoid further land take and soil pollution.

In addition to the position outlined above on specific issues, the Enel Group actively contributes within the debate of how to best upscale action to address the climate change challenge. Such activities included the following:

- > **Enel has had an active role during several preparatory events toward the next COP 26 of Glasgow,** dealing with different climate change policy issues, such as the climate ambition/net-zero challenge, carbon pricing schemes and international carbon markets.
- > **Enel’s GSEP’s 2019–20 Presidency focused on exploring electrification partnerships along and across industrial value chains.** The Global Sustainable Electricity Partnership (GSEP) is a unique CEO-led alliance of leading global electricity companies promoting

electrification and sustainable energy development. Enel's advocacy activities during the 2019-2020 presidency of the alliance led to the GSEP's annual report "Building the electrification alliance: Bridging along and across value chains" launched through a global virtual event in late November.

- > **Enel supported the IETA in its 2020's action plan focused on exploring how emission trading can facilitate an increase in ambition in both the private and public sector.** The IETA promotes full consistency with the transparency rules and the accounting standards under Articles 5 and 6 of the Paris Agreement, the Carbon Offset and Reduction Scheme for International Aviation and standards developed within voluntary markets. During 2020 IETA's activities focused on exploring how emission trading can facilitate an increase in ambition in both the private and public sector in order to ensure full consistency with the goals set forth by the Paris Agreement.
- > **In 2020 Enel engaged the Moroccan, Peruvian and EU governments and stakeholders through the development of Energy Transition Roadmaps (ETRs) in order to contribute to the implementation of the Paris Agreement.** ETRs are held with an open approach, sharing technical knowledge and policy views with National and International Stakeholders. The ETRs aim to fully exploit the three key levers of emission free electricity, digitalized grids and electrification, developing consistent, transparent and stable policy and regulatory frameworks needed to trigger the private sector action called upon by the Paris Agreement and promoting up-scaled and streamlined climate financing tools and market mechanisms capable of mobilizing the investments needed to fight climate change.

Enel's participation in associations and organizations

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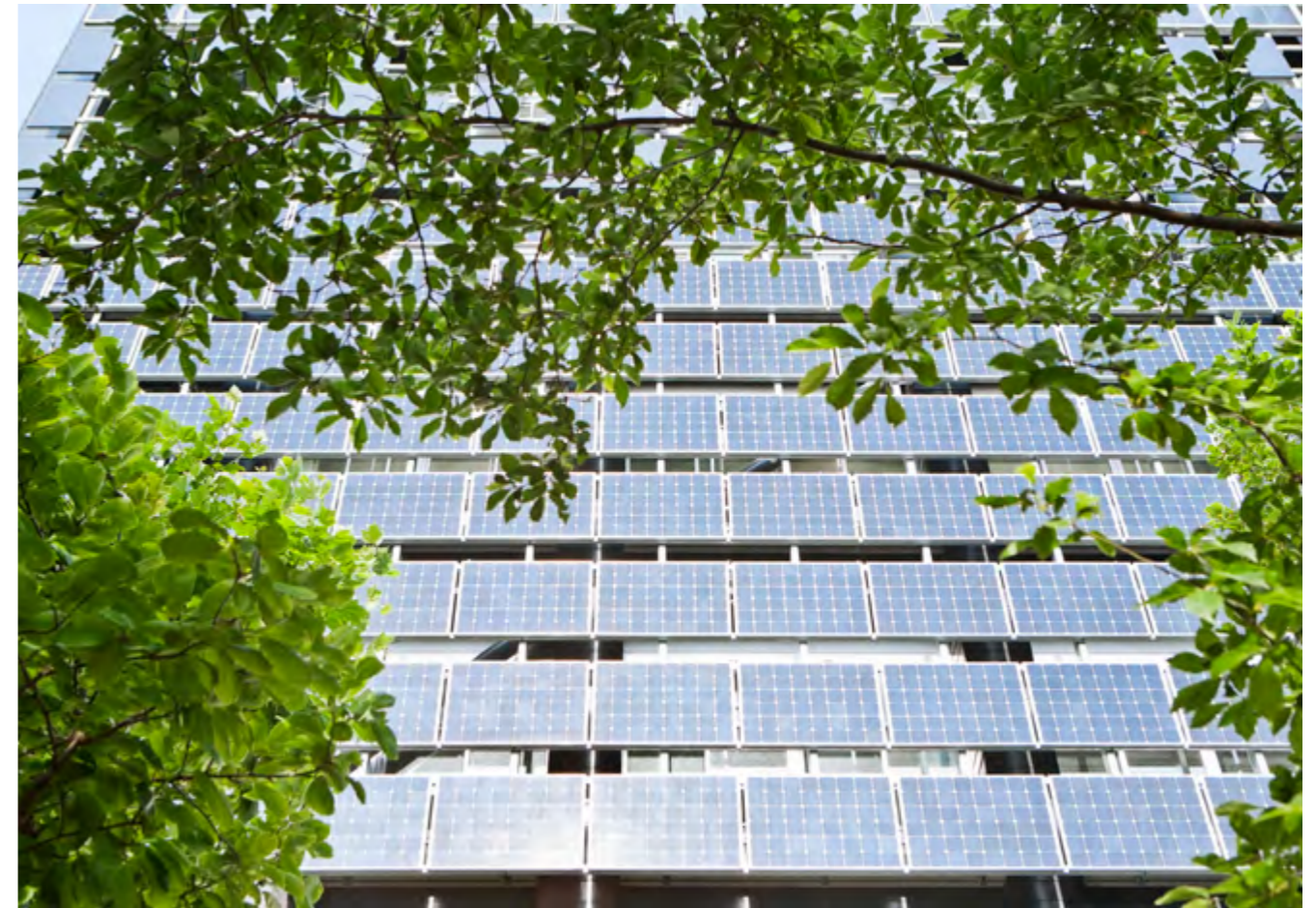
The Group plays an active role in various sector associations and organizations with the objective of promoting topics regarding energy transition and climate commitment on a national and global level.

Enel commits to ensure that the various industrial associations and think tanks to which it is a member operate in compliance with the goals of the Paris Agreement. Therefore, Enel systematically checks the consistency of the associations' positions with the climate policies shared at Group level. This process is guaranteed at two stages: (i) before joining the Association, through an in-depth analysis of the entity's statute; (ii) after joining the Association, either by taking positions of responsibility within the Association or by influencing the associations' positioning within the working groups.

Where the association external positioning is not aligned with Enel's own view, the company assesses whether the misalignment might be harmful for the effectiveness of Enel's own advocacy and positioning and might eventually decide to step out of the association. As an example, in the last years, we have withdrawn our participation in some associations whose view on climate policies and on how to deliver the energy transition was persistently different from our own.

For what specifically concerns the European framework, in 2020 Enel engaged in various energy relevant associations (foremost Eurelectric, Wind Europe, Solar Power Europe, EASE, EDSO, SmartEn) and prestigious think tanks (Bruegel, Friends of Europe) as well as in some sustainability policy oriented initiatives, holding also relevant positions in their governance systems. In particular, the most relevant developments over the course of 2020 are:

- > appointment of Enel representative as Chair in the Electrification & Sustainability Committee in Eurelectric and of Enel representative as Chair in the working group on social sustainability;
- > appointment of Enel executive as EASE Chairman;
- > appointment of Enel executive as Chairman within the Executive Committee of ETIP SNET (technology pillar of the EU's energy and climate policy);
- > appointment of Enel Board member in the Battery European Partnership Association (BEPA);



- > appointment of Enel President in Solar Power Europe (solar PV leading association in Europe).

Enel influences the associations' activities on the decarbonization policies thanks to the participation of Enel representative in the working groups and through studies and policy papers. As the EU and national governments set out to implement a range of climate policies, Eurelectric and the Enel Foundation launched the flag-ship study, "E-quality". The study provided an analysis of how some types of policies affect households with different incomes, what can be done to address any disproportionate effects and what will be the impact of Covid-19 crisis in this process. In October 2020, as EU was preparing to launch the Recovery package that aimed to speed up the climate transition to climate neutrality by 2050 while at the same time reigniting the EU economy, Eurelectric advocated for this package to support the digital and climate transition.

Some of the international associations with which Enel collaborated actively in 2020 are listed below.