

Methodological note

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Since 2003 Enel has published an annual Sustainability Report together with the Group's Annual Report.

The 2016 Sustainability Report is aimed at stakeholders in the Enel Group with the purpose of highlighting the action taken in regard to the Group's Sustainability objectives and, thus, responding to the legitimate interests of all the stakeholders.

Information and further details on the issues and indicators in this Report can be requested from:

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How this Report has been created

The Sustainability Report 2016 has been prepared in compliance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), version G4 "in accordance" – Core option, and the supplement dedicated to the Electric Utilities sector issued in 2013 by the GRI ("Electric Utilities Sector Disclosures"). In particular, the process of establishing the contents is based on the principles of materiality, stakeholder inclusiveness, sustainability context and completeness; with reference to the quality of the information reported, the principles of balance, comparability, accuracy, timeliness, clarity and reliability have been followed.

In addition, this Report conforms to the principles of inclusivity, materiality and responsiveness indicated in AA1000APS (AccountAbility Principles Standard) issued in 2008 by AccountAbility, the international research institute on sustainability issues.

In reference to the principle of materiality, in particular, the detail in which the various issues are addressed was determined on the basis of their weight in the objectives and strategies of the Enel Group and of their importance for stakeholders, determined through a structured process of materiality analysis.

The process followed for the materiality analysis 2016 envisaged the updating of the results of the analysis obtained in the previous year. The methodology adopted envisages the annual updating of the results from the involvement of stakeholders and, every two years, the realization of new *ad hoc* engagement and listening activities, in parallel to a possible revision of the categories of stakeholders and of the issues subject to analysis, should the sustainability context make it necessary.

The materiality analysis was conducted on the basis of the guidelines in AA1000SES, for the stages of mapping and prioritizing stakeholders and analyzing the results, and of the criteria of AccountAbility and of the GRI-G4 for the definition of key issues and the application of the principle of materiality.

The definition of the issues to be analyzed is based on various sources, including the corporate policies and principles of conduct, dialogue with stakeholders, the issues of greatest interest for Sustainability rating agencies, and relevant benchmarking studies.

The following aspects were investigated in relation to these issues:

- on the stakeholder side, the relative importance of each issue in the perception of stakeholders and the “direction” of their expectations (i.e. an expectation of engagement rather than disengagement on the part of Enel). To better understand the expectations of stakeholder, during 2016, a pilot project was launched to monitor the level of satisfaction of stakeholders regarding the Company’s control of an issue;
- on the Company side, the level of impact of the issues on industrial strategies, determined on the basis of the current and future commitment taken on for each issue.

In particular, the results were integrated that emerged from numerous initiatives to listen to, involve and talk to key stakeholders that Enel undertook during 2016, together with a structured analysis of the positions independently expressed by “authoritative” stakeholders, such as national and transnational institutions, authorities, stakeholder associations, and multi-lateral bodies on sustainability issues. Examples of the sources considered were customer satisfaction and customer complaints, dealings with analysts and investors, questionnaires from sustainability rating agencies, dealings with representative and category associations, institutional relations at national and local level, union relations, media monitoring, and surveys.

The impact of the various issues on Enel’s strategies was determined by involving the Strategic Planning unit and other company Functions for analyses on specific issues, and was then confirmed by the Chairman and the Chief Executive Officer. This analysis reflects the strategic guidelines defined by the 2017-2019 Strategic Plan, the objectives of the Functions/Divisions and the commitments taken on by the Group through its policies and conduct criteria.

Analysis of these two aspects enabled the attribution of various priority levels for the issues and their positioning in a matrix, as set out in the specific chapter on the materiality analysis. The materiality analysis summarizes the various perspectives and provides an overview of the issues with the greatest potential to influence the actions and performance of Enel and the decisions of its stakeholders, as well as the degree of “alignment” or “misalignment” between the priorities attributed by stakeholders to the various issues and the Group’s level of commitment in this regard.

Below is the table of the issues included in the materiality analysis in the “Aspects” of GRI-G4, with the related indication of the internal boundary and of the external boundary within the organization.

ESG CATEGORY	ISSUE OF MATERIALITY ANALYSIS	GRI-G4 "ASPECTS"	INTERNAL ENVIRONMENT	EXTERNAL ENVIRONMENT
Business & Governance	Economic and financial value creation	Economic Performance	Group	Investors
	Sound governance	Governance Labor Practices Grievance Mechanisms Human Rights Grievance Mechanisms	Group	-
	Fair corporate conduct	Ethics and integrity Anti-corruption Anti-competitive Behavior Compliance (Category: Social) Public Policy	Group	Institutions Authorities
	Traditional technologies	Plant Decommissioning System Efficiency Availability and Reliability	Group	-
	Renewable energies	Economic Performance Availability and Reliability	Group	-
	Aiming at operating efficiency and innovation	Research and Development Availability and Reliability System Efficiency	Group	-
	Energy efficiency and services	Demand-side management	Group	Customers
	Quality in relations with customers	Product and Service Labeling Marketing Communications Customer Privacy Provision of Information	Group	Customers

ESG CATEGORY	ISSUE OF MATERIALITY ANALYSIS	GRI-G4 "ASPECTS"	INTERNAL ENVIRONMENT	EXTERNAL ENVIRONMENT
Environmental	Climate strategy	Emissions	Group	-
	Mitigation of environmental impacts	Materials Energy Emissions Effluents and Waste Transport Overall Compliance (Category: Environmental)	Group	-
	Responsible use of water resources	Water Effluents and Waste	Group	-
	Biodiversity and protection of natural capital	Biodiversity	Group	-
Social	Management, development and motivation of people	Employment Labor/Management Relations Training and Education Diversity and Equal Opportunity Equal Remuneration for Women and Men Freedom of Association and Collective Bargaining Child Labor Forced or Compulsory Labor	Group	-
	Occupational health and safety	Occupational Health and Safety	Group	Suppliers
	Responsible relationships with communities in operations	Indigenous Rights Local Communities Grievance Mechanisms for Impacts on Society Disaster/Emergency Planning and Response Customer Health and Safety	Group	Communities
	Support and development of local communities	Local Communities Access	Group	-
	Sustainability of the supply chain	Procurement Practices Supplier Assessment for Labor Practices Supplier Human Rights Assessment Supplier Environmental Assessment	Group	Suppliers

The reporting mix

On the basis of the results of the materiality analysis it was possible to define the structure of the Sustainability Report 2016 by focusing it more on material issues to which specific chapters have been dedicated. In the same way the level of materiality of the issues, which are in their turn broken down into detailed sub-issues, influenced the level of analysis applied to the individual issues and the reporting of the related GRI indicators (G4 Guidelines and Electric Utilities Sector Disclosures) in order to be “in accordance” – Core option, as well as the choice of the most suitable reporting tool to represent them (Group Annual Report 2016 and attached reports), to which reference has been made to address or analyze more specific issues, respectively, on eco-

nomic performance and governance or on environmental management. In addition, the materiality analysis was the basis for defining Enel’s Sustainability objectives for 2017-2019, as illustrated in the Sustainability Plan in the specific chapter. The GRI Content Index, which is set out as an Appendix, contains references to the Sustainability Report 2016 and to other reporting instruments used in the Group. Please consult www.enel.com for further information, for example, on the innovation projects or the activities of the Enel Foundations. Please consult the *Informe de Sostenibilidad 2016* of Endesa and Enel Américas for further details on initiatives dedicated to customers and local communities respectively in Spain and Latin America.

Process of drafting and assurance

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The process of reporting and monitoring Key Performance Indicators (KPIs) for sustainability involves the Parent Company as regards the cross-cutting issues, and all the Group’s Business Lines, Global Functions and companies for the specific issues and indicators of the differing business sectors.

In the areas involved, individuals have been identified to collect, check and process the relevant KPIs. The Sustainability unit, which is part of the Innovation and Sustainability Function, is responsible for consolidating the information, as well as coordinating the whole drafting process for the Sustainability Report.

In this process, the Administration, Finance and Control Function guarantees the coherence, between the Sustainability Report and the other reporting documents, of the quantitative data in the Group consolidation system.

The Sustainability Report is analyzed and assessed by the Control and Risks Committee and the Corporate Govern-

ance and Sustainability Committee which check its completeness and reliability; the document is then approved by the Board of Directors and finally presented at the Annual Shareholders’ Meeting together with the Group Annual Report.

The Sustainability Report is subject to limited audit by an independent auditor, EY SpA, which is also engaged to audit the Enel Group Annual Report. The work undertaken during the audit envisages the application of the criteria indicated in ISAE 3000²⁸ and, consequently, of the Code of Ethics for Professional Accountants, including professional independence and verification of the absence of conflicts of interest which may invalidate the ethical principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The report, which describes the principles adopted, the activities undertaken and the related conclusions, is set out in the Appendix.

28 International Standard on Assurance Engagements (ISAE) 3000, “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”

The data and information contained in the Sustainability Report 2016 regard Enel SpA and the consolidated companies for the year ended December 31, 2016. In the text and in the Appendix to the Sustainability Report, "Parent Company" or "Holding" means Enel SpA, while "Group" or "Enel" means the set of Enel SpA together with its subsidiaries. The data in the Sustainability Report, in particular, refer to the companies included on a line-by-line basis in the scope of consolidation of the Annual Report at December 31, 2016. The associated companies (which in the Annual Report are valued using the equity method) and the other entities over which Enel exercises significant influence (including joint ventures) are included in the calculation of the data, where available, in proportion to Enel's equity interest and are mentioned in the text where they produce significant impacts. The Slovakian assets are not included in the scope as regards financial and economic data, while they are included in the environmental and operational indicators up to the end of July 2016. The scope does not include, in reference to installed capacity, plants for which the BSO mechanism has been used. For details on the subsidiaries in the scope of consolidation, readers

can refer to the Annual Report 2016. Some divergences from the KPIs and information in the Sustainability Report 2015 can be ascribed to changes in the Group's scope of consolidation. For more detailed information on the changes, refer to the Annual Report 2016 in the sections "Main changes in the scope of consolidation" and "Significant events in 2016".

The effect of the changes in the scope of consolidation and any significant changes or limitations in the scope or in the means of calculating the individual indicators compared to 2015 are expressly indicated in the text and/or in Appendix, together with the effects produced on the related data. The reader can refer to the notes in the tables in the Appendix for all other details on adjustments to the previously published data, the means of calculation, the key assumptions and limitations in the reported indicators.

The calculations are made on the basis of the accounting and non-accounting results and of Enel's other information systems and are verified by the managers responsible for them. There is an explicit indication of data which come from estimates and the related calculation method.

Performance indicators^{29 30}

The key sustainability performance indicators are set out from pages 204 to 254 and are an integral part of this Sustainability Report. In order to facilitate the cross-reading of the performance indicators and the qualitative information given in the Sustainability Report, in the printed copy the quantitative indicators will be recorded in a separate document. The document will be included in the pocket on the inside cover.

Units of measure		Acronyms	
,000	thousands	BoD	Board of Directors
,000 d	thousands of days	BOD	Biochemical Oxygen Demand
,000 h	thousands of hours	CCGT	Combined Cycle Gas Turbine
,000 t	thousands of tons	COD	Chemical Oxygen Demand
%	percent	CSR	Corporate Social Responsibility
years	years	CSV	Creating Shared Value
euro cent	euro cents	EBIT	Earnings Before Interest and Tax
g/kWh	grams per kilowatt-hour	EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
GBq per unit	gigabequerel per unit	EBT	Earnings Before Tax
d	days	EGP	Enel Green Power
GWh	gigawatt-hour	EIB	European Investment Bank
h	hours	EPS	Earnings per Share
h/pro-cap	hours <i>per capita</i>	DT	Distance Training
i	index	HV	High voltage
kg	kilograms	IPO	Initial Public Offering
kg CFC-11 eq	CFC-11 kilograms equivalent	IRAP	Italian Regional Production Tax
kWh	kilowatt-hour	IRES	Italian Corporation Tax
kWh eq	kilowatt-hour equivalent ³¹	LBG	London Benchmarking Group
kWh/t	kilowatt-hour per ton	LV	Low Voltage
kWp	peak kilowatt	MV	Medium Voltage
l/kWh	liters per kilowatt-hour	PCB	Polychlorinated biphenyls
m. A4 eq	millions of A4 sheets equivalent	R&D	Research & Development
m. euro	millions of euro	SDG	Sustainable Development Goal
m. h	millions of hours	S&P	Standard & Poor's
m. m ³	millions of cubic meters	SRI	Socially Responsible Investor
m. t	millions of tons	TSR	Total Shareholder Return
m. t eq	millions of tons equivalent		
Billions of m ³	billions of cubic meters		
million	million		
min	minutes		
m. toe	millions of tons of oil equivalent		
MW	Megawatt		
MWh	Megawatt-hour		
no.	number		
sec	seconds		
t	tons		
TBq per Unit	Terabequerel per unit		
Toe	tons of oil equivalent		
TJ	Terajoule		
TWh	Terawatt-hour		

29 In terms of the year on year comparison of the data, it is noted that the differences between 2016 and 2015, in absolute terms and as a percentage, are calculated taking into consideration the decimal places which, in some cases, are not visible in the print version.

30 In the Attachment percentage variations over (100%) are not shown.

31 Corresponding to the sum of energy and heat production.