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SUSTAINABILITY LINKED BONDS: THE ENEL CASE

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ABSTRACT

This work is aimed at examining the Enel case after the eight issuances of Sustainability-Linked Bonds, with the last issue taking place on September 2022.

The first part of the work focuses on the green debt instruments market, which is wide and complex.

After analyzing the types of instruments that compose this market, of which Sustainability-Linked Bonds are the newest addition, the Enel case is developed.

Initially Enel S.p.A., a multinational utility and the first issuer of Sustainability-Linked Bonds, is presented.

Secondly, Enel's alignment with the United Nations' Sustainable Development Goals is tackled, as well as the regulation of Enel's Sustainability-Linked Bonds.

In addition to the regulation, Enel's short- and long-term sustainable targets, linked to the Sustainability-Linked Bonds structure are explained.

After that, all the eight issuances of Sustainability-Linked Bonds made by Enel up to September 2022 are presented and compared, including the record-breaking issuances of July 2021 and April 2022.

Ultimately, some opinions regarding the latest news on Enel's sustainable financial strategy, given by Alessandro Canta, Head of Group Finance and Insurance, are reported, together with the sustainable-finance records obtained by Enel Group until today.

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GLOSSARY

CPPs: (SDG) Commercial Paper Programmes

ESG: Environmental, Social, and Governance

GBP: Green Bond Principles

GHG: Greenhouse Gas

ICMA: International Capital Market Association

KPI(s): Key Performance Indicator(s)

LMA: Loan Market Association

SDG(s): Sustainable Development Goal(s), set by the United Nations

SLB(s): Sustainability-Linked Bond(s)

SLBP: Sustainability-Linked Bonds Principles

SLL(s): Sustainability-Linked Loan(s)

SME: Small and Medium-sized Enterprises

SPT(s): Sustainable Performance Target(s)

SRI: Socially Responsible Investors

UNDP: United Nations Development Programme

INTRODUCTION

This work is aimed at developing the Enel case in the Sustainability-Linked Bond (SLB) market.
Enel S.p.A. is a multinational utility headquartered in Rome, Italy.
Enel's role in the Sustainability-Linked Bonds market is crucial as it is today the largest Sustainability-Linked Bonds issuer in the world, with a contribution to the SLB market worth 22.5 billion US Dollars, which makes up 11.84% of the of the total SLB market, worth 190 billion US Dollars.

Sustainability-Linked Bonds represent the most innovative step forward that financial markets decided to take in their path towards sustainability.
If on the one hand it is true that many green debt instruments have been present in global financial markets for several years, it is also true that Sustainability-Linked Bonds eventually allowed issuers to tie their financial objectives to sustainability-linked goals even tighter. As far as Enel is concerned, their Sustainability-Linked Bonds targets are not only in line with their strategic plans but are perfectly coherent with the firm's core business and mission.
Recently the Enel's CEO, Francesco Starace explained Enel's mission as follows: *"We are constantly working to improve the Group[1]'s governance and its environmental and social performance by using sustainability as an important guide in our choice of investments and industrial strategies."*

Up to now, Enel has set many records. Not only it is the pioneer of Sustainability-Linked Bonds, being the first issuer in the world, but in July 2021, they made the biggest-ever Sustainability-Linked Bond issuance of all times, worth 4 billion US Dollars.
Enel also set a record in the demand for their SLBs: their issuances have always been extremely well accepted by investors, with total orders setting records at every issuance.
Ultimately, with their 750 million pounds sterling Sustainability-Linked Bonds issuance in April 2022, they set another record, as the transaction is the largest corporate Sustainability-Linked Bond sale ever made in that currency.
Enel's long-term goal regarding their financing is strongly connected with Sustainability-Linked Bonds. This is due to Enel's financial strategy to repurchase the still outstanding conventional bonds that had been previously issued.

[1] Enel Group comprises Enel Green Power, Enel X, Enel X Way, E-distribuzione, Enel Energia, Servizio Elettrico Nazionale, as well as many other businesses in different countries, that have maintained their original names for marketing purposes.

Currently, the share of Enel's financial debt devoted to sustainable finance is around 55%[2], a percentage which is destined to reach 77% by 2030.

[2] As of December 31st, 2021.

1. SUSTAINABLE AND GREEN DEBT INSTRUMENTS: AN OVERVIEW

The starting point of this dissertation regards Sustainability-Linked Bonds (SLBs).
However, in order to better grab such a complex topic, it is worth of note to take step back and briefly analyse the variety of instruments that exist among the green debt markets.
Green debt is, in fact, part of the wider sustainable debt universe, to which belong Sustainability-Linked Bonds as well. The common feature among those instruments is their liaison to objectives pertaining the ESG purposes.
Even though they share the same broader objectives, Green Bonds and Sustainability-Linked Bonds differ enormously in the way they are structured and in the shape that they have evolved into.
The main difference between Green Bonds and Sustainability-Linked Bonds pertains, in fact, the way in which green objectives are reached through the financing raised by debt activities. With Green Bonds issuers are in fact obliged to use the raised money for activities strictly linked to specified sustainable activities or projects. On the other hand, Sustainability-Linked Bonds do not follow this scheme, in the sense that the issuer company is not forced to use the money raised through that specific financing activity exclusively for sustainable-linked activities; however, the issuer company commits to pursue some previously established long-term objectives which are aimed at pursuing a sustainable-linked development. Such long-term objectives are specified in the contract at the issue date but can be adjusted during the lifespan of the bond in order to enhance the sustainability-linked performance. The failure to comply with those pre-established sustainable goals leads to some penalty's payments to investors.
This distinction is entailed in what are called *activity-based form* and *issuer-based form*. Essentially, sustainable debts, which include Green Bonds and Green Loans, are in the activity-based form, meaning that whatever the amount of money raised by that financing activity, it must be used only for specific projects or activities with sustainability-linked core features. On the other hand, Sustainability-Linked Bonds and Sustainability-Linked Loans (SLLs) fall into the category of issuer-based debt style, due to their intrinsic structure. Their peculiarity is, in fact, their strong connection to an overall sustainability performance target which entirely depends –and is linked to– the company as a whole.
Table 1 shows the different types of green debt and their debt form, whether it is an activity-based one or an issuer-based one.

Table 1: Sustainable Debt Types

Debt Type	Debt Style	Purpose	Cumulative Issuance up to 2020 (in billions, US dollars)
Green Bond	Activity-based	Environmental projects	1,139
Social Bond	Activity-based	Social projects	192
Sustainability Bond	Activity-based	Environmental and Social projects	143
Sustainability-Linked Bond	Issuer-based	Institutional ESG targets	16
Green Loan	Activity-based	Environmental projects	501
Sustainability-Linked Loan	Issuer-based	Institutional ESG targets	311

Source: BloombergNEF, IMF Staff. Data as of December 31st, 2020.

The key difference between activity and issuer-based instruments, pertains the regulations.

For activity-based instruments, specific principles design admittible use of proceeds, project evaluation, and selection, disclosure, and reporting.

On the contrary, for issuer-based instruments, the whole part pertaining the project is not present anymore, and the existing regulations only focus on structuring features, disclosure, and reporting.

All green debt instruments are regulated by external, private, and voluntary associations, which contribute to render green debt instruments more trustworthy to investors, that would, otherwise, only rely on the issuers' assurances, of course subject to a conflict-of-interest drawback. In figure 1, external review on Green Bonds in billions of US Dollars is shown.

A leading industry association that regulates markets participants and that, among other things, is pivotal to the here-discussed matters, is the International Capital Markets Association (ICMA), which took care to provide with some principles regulating Green Bonds, Social Bonds, Sustainability Bonds, Sustainability-Linked Loans, and Sustainability-Linked Bonds as well. Moreover, for Green Bonds the Climate Bond Initiative (CBI) provides standards plus a certification process.

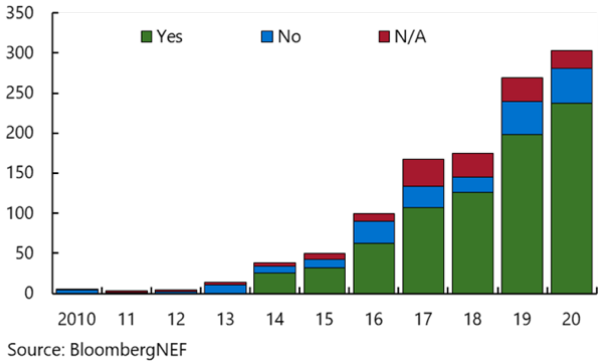
As far as Green Loans and Sustainability-Linked Loans are concerned, other associations released regulations, such as the Loan Market Association, the Loan Syndications & Trading Associations, and the Asia Pacific Loan Market Association.

What is crucial, is that debt's sustainability credentials are verified by private party reviewers rather than relying exclusively on the issuer's sustainability claims. This entitles investors with greater

reliance on the product they are investing on, and at the same time allow issuers to have access to a greater pool of investors, due to the higher level of reliability of their instruments.

Figure 1: External Review of Green Bonds

(Billions of US Dollars)



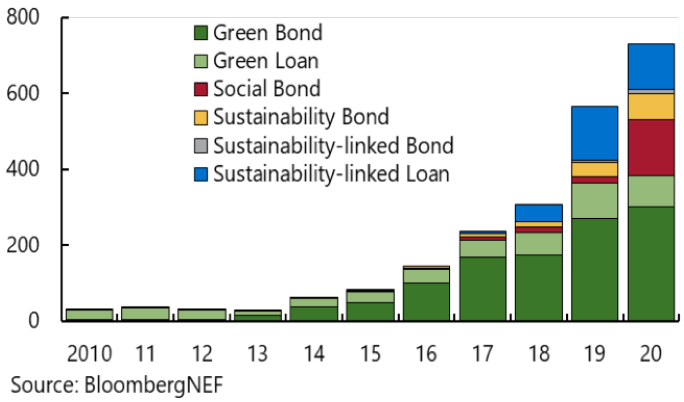
1.1 Sustainable and Green Debt Market Development

Green and Sustainable Debt instruments have been getting more and more popular among investors for several reasons. One of those reasons is that environmental concern has been sharply increasing in the last decade, and investors became more prone to believe that this type of investment is not only more ethical, but also more future oriented.

As it can be observed in figure 3, in the latest years, the issue of sustainable debt has increased quickly, reaching 730 billion US Dollars in 2020.

Figure 2: Sustainable debt Issuance by Instrument

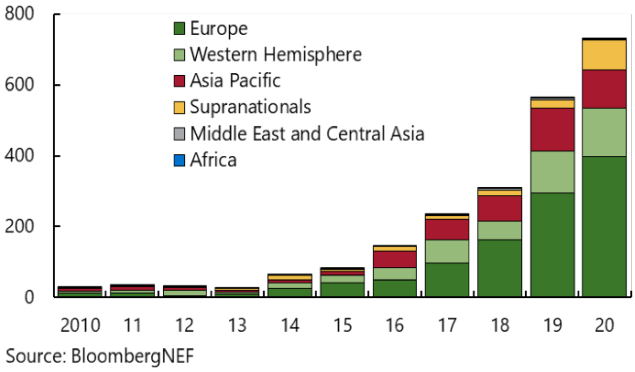
(Billions of US Dollars)



Sustainable debt is still a small portion of overall world debt, which is estimated to be 281 trillion US Dollars, according to the Institute of International Finance. More than 80% of the sustainable debt issued in 2020 was made up of activity-based instruments connected to specific projects. Issuer-based instruments (SLBs and SLLs) have quickly gained popularity, increasing from almost zero in 2016 to a share of around 20% of sustainable debt in 2020. It is worthy of note that, in 2020, Europe accounted for more than 50% of the issuance of sustainable debt, followed by the Western Hemisphere (20%) and Asia (15%), as shown in figure 4.

Figure 3: Sustainable Debt Issuance by Location of Issuer

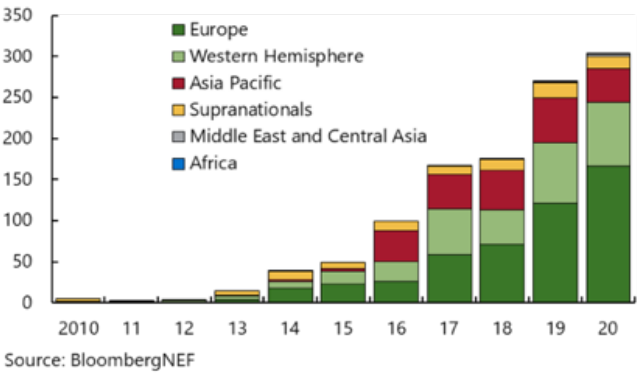
(Billions of US Dollars)



In 2020, with around 300 billion US Dollars, Green Bonds represented the most widespread class of sustainable debt instrument. European issuers accounted for 55% of the sum of green bonds issuance, followed by Western Hemisphere and Asian issuers, as shown in figure 5. The Euro and US Dollar taken together account for 80% of issuance, making them – respectively– the most common and the second most common currency used for Green Bonds issuance.

Figure 4: Green Bond Issuance by Location of Issuer

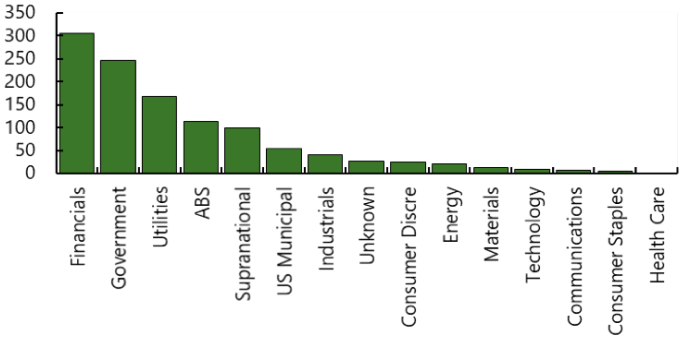
(Billions of US Dollars)



As far as industries are concerned, figure 6 shows that corporations issue more than 50% of all Green Bonds, with the primary corporate issuers being the banking sector (financials) and utilities. About 22% of Green Bonds are issued by national governments, 10% by asset-backed securities (ABS), 9% by supranational issuers, and 5% by US municipal debt.

Figure 5: Green Bond Issuance by Industry

(Billions of US Dollars, cumulative since 2007)

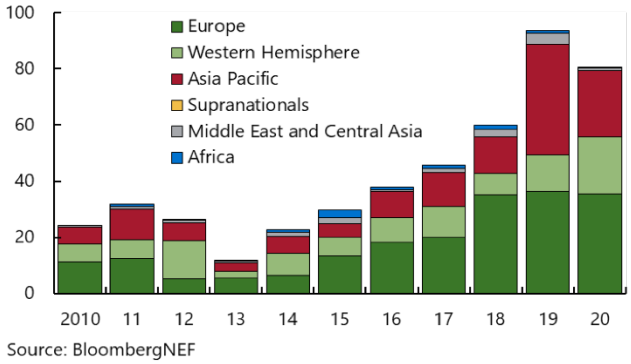


Source: BloombergNEF
Note: ABS = Asset-backed Securities

In figure 7, the Green Loan volume reduction can be easily spotted, passing from 93 billion US Dollars in 2019 to 80 billion US Dollars circa in 2020. This evidence is consistent with the impact of the COVID-19 pandemic on bank-lending activity. Moreover, figure 8 shows how Green Loans are almost exclusively used by corporations, primarily energy and utilities firms.

Figure 6: Green Loans by Location of Borrower

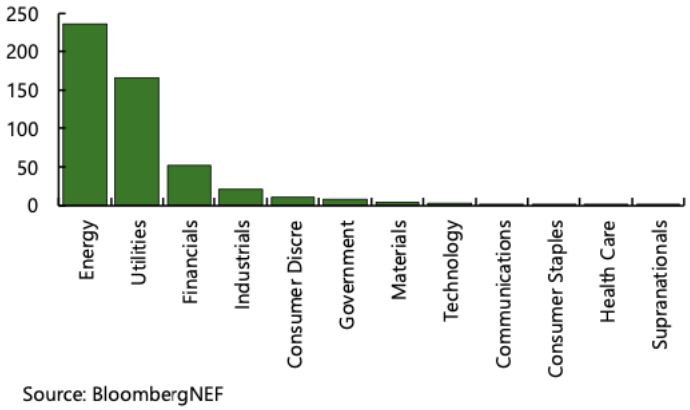
(Billions of US Dollars)



Source: BloombergNEF

Figure 7: Green Loans by Industry

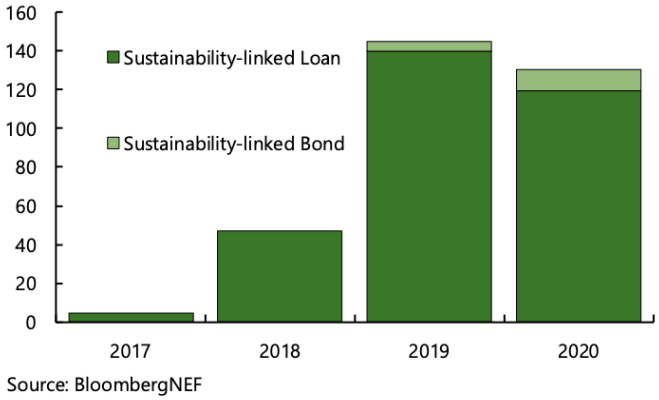
(Billions of US Dollars since 2007)



Concerning issuer-based instruments –that is, Sustainability-Linked Bonds and Sustainability-Linked Loans– in 2020, 120 billion USD of SLLs were issued, vis-à-vis 140 billion USD of 2019. Evidence of this can be seen in figure 9. The decrease in the number of SLLs made is probably due to the COVID-19 pandemic, and the consequent decrease of bank-lending activities, just like the decrease in Green Loans during the same period.

Figure 8: Sustainability-Linked Bonds and Loans

(Billions of US Dollars)

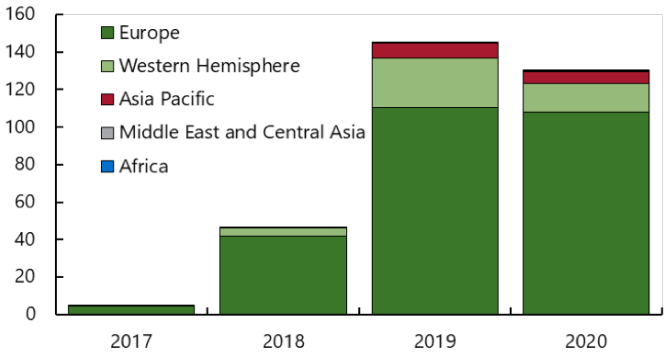


Corporate borrowers of SLLs are primarily from Europe (figure 10), with the major industries being the ones of utilities and industrials.

The newest kind of sustainable debt instruments are Sustainability-Linked Bond, issued for the first time by Enel S.p.A., the largest Italian utility, in 2019.

Figure 9:Sustainability-Linked Debt by Region

(Billions of US Dollars)



Source: BloombergNEF

2. TYPES OF GREEN DEBT INSTRUMENTS: AN OVERVIEW

2.1 Green Bond

The main notion of what is today known as 'Green Bond' finds its roots in the 'Climate Awareness Bonds' (CAB) released by the European Investment Bank (EIB) in 2007. It had "the innovative feature of setting aside its revenues and restrict it to support climate action in the sectors of renewable energy and energy efficiency."[3]

A Green Bond has, in fact, the same structure of a common bond, the key difference resides in the way that the proceeds must be used. In fact, Green Bonds' proceeds must be employed exclusively for projects involving sustainable and green activities. Such activities must be specified ex ante to the investors.

Green bonds' projects category may pertain the energy sector, the building sector, transports, water supply management, waste management, pollution control, land use, agriculture, forestry, industry and energy-intensive commerce, information technology and communications (ICT).

The first Green Bond round was issued in 2008 by the World Central Bank, who is still today the biggest Green Bonds issuer worldwide.

Initially, Green Bonds were mainly issued by supranational organizations, such as the World Central Bank and the European Investment Bank. After that, large corporations and government agencies started to issue this type of bond as well.

Enel S.p.A. also issued three Green Bonds in 2017, for a total of 3.5 billion euros.

Green Bonds are regulated by the ICMA's Green Bonds' Principles (GBP). The principles emphasize the importance of disclosure and documentation of the whole process related to the selection of the related green projects and the use of green bonds' proceeds.

The four core components of the Green Bonds Principles are:

1. The Use of Proceeds, according to which Green Bond issuers must state the precise way in which they will utilise the proceeds of the green bonds. Some green projects categories acceptable according to the Green Bond Principles are renewable energies, energy efficiency, pollution prevention and control, biodiversity conservation, clean transportation, sustainable water and wastewater management, and green buildings.

[3] European Investment Bank definition of Green Bond, 2020.

2. Process for Project Evaluation and Selection, according to which Green Bond issuers should clearly communicate to investors the eligible pool of green projects and the way in which they proceed to select the projects.
3. Management of Proceeds, according to which the net proceeds of the Green Bonds should be credited to a sub-account or moved to a sub-portfolio, for the proceeds to be trackable.
4. *Reporting,* according to which issuers should keep readily available and up-to-date information on the use of proceeds, that must be published annually.

Even if issuing Green Bonds might seem binding, due to the fact that the proceeds are tied to some specific projects, the benefits of issuing this type of bonds are several, apart from the obvious ethical and environmental reasons. Firstly, companies that issue Green Bonds are more likely to raise funds on relatively more favourable terms from investors who are prone to invest on green certified businesses.
Additionally, the issuance of Green Bonds allows the issuer company to build relationships with new investors, due to the fact that the issuance of instruments other than conventional bonds, might help the company to differentiate its pool of investors, attracting a new type of investor, interested in green projects.
Lastly, in some countries, corporations issuing Green Bonds linked to some specific green projects (such as wind projects Green Bonds in Brazil) enjoy huge tax-exemption benefits.

2.2 Social Bond

Another kind of green debt instrument is that of Social Bonds. Social bonds are a type of bond instrument whose earnings are bound to exclusively finance or to re-finance, either totally or partially, new and/or pre-existent social projects. Some examples of categories of projects that could potentially be linked to social bonds are basic infrastructures, such as structures for drinkable water supply, access to essential services (i.e., the healthcare system), affordable housing, creation of new job also through financing and micro-financing to SME, food safety and hygiene, socio-economic development.

2.3 Sustainability Bond

Sustainability Bonds are green debt instruments where the proceeds are exclusively devoted to finance or re-finance either new or pre-existent Green and Social projects, as their aim is to combine both social and green categories.

As green bonds and social bonds they present an activity-based form type, as issuers must employ all their proceeds for green and social projects only.

Similarly to Sustainability-Linked Bonds, Sustainability Bonds are tied to the United Nations' Sustainable Development Goals.

The vast majority of sustainability bonds is regulated by the ICMA principles, which currently represent the most used and accepted regulation for green, social, and sustainable bonds' issuance.

The ICMA Principles for Sustainability Bonds present four core components, that are: use of proceeds, process for process evaluation and selection, management of proceeds, and reporting.

The proceeds of Sustainability Bonds can be applied both to the categories of projects pertaining both Green Bonds and Social Bonds.

2.4 Green Loan

'A green loan is a form of financing that enables borrowers to use the proceeds to exclusively fund projects that make a substantial contribution to an environmental objective.'[4]

A green loan resembles a green bond for the fact that the capital raised through the loan mechanism must serve solely for green eligible projects. The key difference resides in the entity of the financial

[4] The World Bank definition of Green Loans.

operation. A green loan has in fact a smaller volume with respect to that of a green loan, and consequently lower transaction costs. Green loans are regulated by the Green Loan Principles, once again set out by the ICMA. In the Green Loan Principles, it is specified that 100% of the proceeds must be used for green eligible projects only.

The Green Loan Principles state that, for Green Loans to be defined so, they should be based on the following four core features:

1. *Use of proceeds*: pre-established green projects should provide clear environmental improvements, which must be evaluated, measured, and reported by the borrower.
2. *Process for Project Evaluation and Selection*: borrowers should specify in a transparent manner how they intend to select the projects that will receive loan proceeds. Additionally, the borrower should explain the precise way in which they will manage environmental and social risk of the eligible projects.
3. *Management of Proceeds*: the proceeds of a green loan should be stored in a specific account or at least be trackable by the borrower to keep disclosure and transparency and to promote the integrity of the financial product.
4. *Reporting*: the use of qualitative performance indicators is strongly encouraged, and, where feasible, quantitative performance measures should be employed (such as, energy capacity, electricity generation, GHG emissions' reduction or avoidance, etc.)

2.5 Sustainability-Linked Loan

Sustainability-Linked Loans (SLLs) are issuer-based financial products that tie the interest rate to a wide range of sustainability-linked goals to be achieved by the issuer, while the loan proceeds can be used for general purposes. This means that the 'sustainability-burden' falls on issuers rather than on borrowers.

The Loan Market Association (LMA) defines Sustainability-Linked Loans as 'any type of loan instrument and/or contingency facility (e.g., bonding line, guarantee line, letter of credit) that incentivises the borrower's achievement of ambitious, predetermined sustainability performance objectives.'[5]

Such objectives are defined by some pre-established Sustainability Performance Targets (SPTs), a formula that will be analysed in dept in chapter 3, where Sustainability-Linked Bonds are tackled.

[5] LMA's definition of Sustainability-Linked Loans.

The LMA, as well as providing a definition of Sustainability-Linked Loans, has also set some guidelines pertaining its core components. SLLs, in fact, should be built taking into consideration the following four core components:

4. *Relationship to borrower's overall sustainability strategy*: SLLs borrowers must state clearly to the lenders its sustainability-linked goals and the way in which they comply with the pre-established SPTs.
4. *Target-setting (measuring the sustainability of the borrower)*: the SPTs should be ambitious and material for the borrower's business for the lifespan of the loan and targets should be aligned to loan terms in order to give incentives to borrowers to improve their sustainability profile. Giving incentives that grant positive changes should be the basis for the target setting criteria.
4. *Reporting*: borrowers should share up-to-date information related to their SPTs and should report such information at least once a year. Borrowers are strongly advised to publicly disclose information related to their SPTs.
4. *Review*: the need for external review is set on a transaction-by-transaction criteria. If information related to SPTs is not publicly disclosed or accompanied by an audit or assurance statement, it is strongly advised to borrowers to seek external review of their performance against SPTs.

2.6 Sustainability-Linked Bond

The pivotal and most innovative sustainable financial instrument analysed in this work, is that of Sustainability-Linked Bond (SLB).

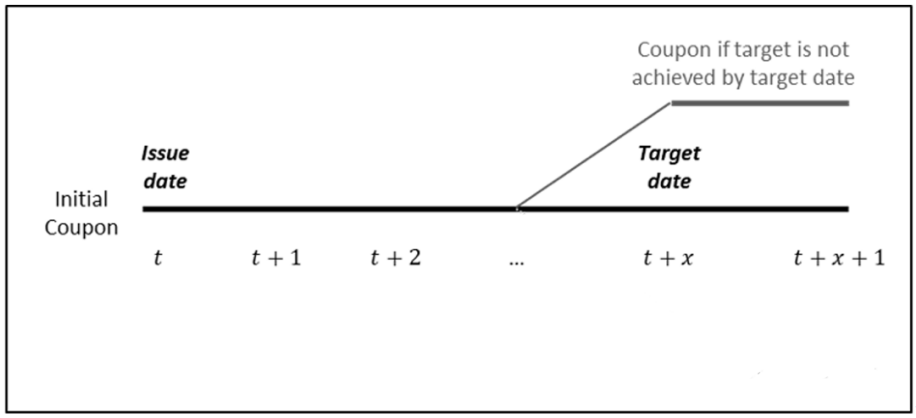
Sustainability-Linked Bonds are a relatively new instrument, as they have been issued for the first time by Enel S.p.A. in September 2019, followed by other international companies such as NRG Energy in North America in December 2020, and the Indian company Ultra Tech Cement in February 2021. Recently, many other companies followed Enel's lead by issuing SLBs; some remarkable examples are the United Arab Emirates airline operator Etihad Airways, and the Swiss pharmaceutical company Novartis.

A Sustainable-Linked Bond is a fixed-income instrument whose structural and financial characteristics are tied to some predefined ESG or sustainable objectives. Such objectives are measured through one or more predetermined Key Performance Indicators (KPIs) and are evaluated against some predefined Sustainable Performance Targets (SPTs).

The mechanism behind a Sustainability-Linked Bond is simple and essential, yet it is brilliant.

A SLB pays a generally low, fixed coupon rate to investors, unless, at maturity, the company fails to comply with predetermined objectives (such objectives must be specified in the contract). In such case, the issuing company must pay a high penalty to its investors, aimed at providing investors with a compensation for the failure of complying with the sustainability-linked objectives stated in the contract and measured and evaluated by KPIs and SPTs. In the case of Enel, the most common debt pricing adjustment is a 25-basis point coupon step-up.

Figure 10: Typical mechanism of an SLB



Source: Kölbel, J., Lambillon A. P., (2022), Who Pays for Sustainability? An Analysis of Sustainability-Linked Bonds

3. SUSTAINABILITY-LINKED BOND PRINCIPLES

In order to preserve and enhance SLBs' performance, there exist some guidelines. Such guidelines are the so-called 'Sustainability-Linked Bond Principles' (SLBP) and are set by the International Capital Market Association (ICMA).
Enel follows the ICMA Principles for the regulation of their Sustainability-Linked Bonds.
The SLBP provide with some directions in order to efficiently structure features, disclose, and report information to investors.
Therefore, SLBP core components can be defined as:
1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Definition of bonds characteristics
4. Reporting
5. Verification

The SLBP suggest that issuers publicly disclose the rationale for the selection of their KPI, the reason for the SPT, the potential change of bond financial and/or structural characteristics and the trigger events that could cause such a change. Furthermore, issuers should disclose the intended post issuance reporting and independent verification, as well as an overall representation of the issuer's alignment with the SLBP.
Let us now tackle and analyse the above cited components.

3.1 Selection of KPIs

The credibility of the Sustainability Linked Bonds depends on the selection of one or more Key Performance Indicators (KPIs).
Such indicators should be material to the Issuers core's sustainability and business strategy and address relevant environmental, social and/or governance challenges for the industry sector.
The indicators should be externally verifiable and measurable on a methodological basis.
Furthermore, it is pivotal for KPIs to be benchmarked, meaning that it is important to set an external criterion to assess the SPT's level of reliance.
Where possible, issuers are encouraged to select KPI(s) that they have already included in their previous annual reports, sustainability reports or other non-financial reporting disclosures so that investors can assess the historical performance of the selected KPIs.

When KPIs have not been disclosed in advance, issuers should provide externally verified KPI values pertaining at least the preceding 3 years.

3.2 Calibration of SPTs

The procedure for the selection of one or more Sustainability Performance Targets per KPI is essential to the way the SLBs are designed, as they represent the objectives that the issuer is willing to route to, and thus represents what the issuers believes to be achievable.
SPTs must be set in bona fide, meaning that issuers have a duty of disclosing all information that is believed to have a decisive effect on the accomplishment of the SPTs.
SPTs should therefore be *ambitious*, the sense that:

- they represent a sensible enhancement of the corresponding KPIs and must be beyond a 'Business as Usual' path
- they can be associated to a benchmark or to an external indication
- they are compatible with the issuers' whole strategic sustainability or ESG strategy
- they are defined on a pre-established timeframe, which must be set earlier than the issuance of the bond or, at most, at the time of the issuance.

Additionally, disclosure on targets should unambiguously refer to time settings, involving the observation timeframes, the prompting event or events, and the frequency of the SPTs.
Furthermore, SPTs should also refer to the way in which issuers plan to obtain them, their operational approach and, lastly, any other relevant aspect other than the issuers' direct power that may influence the accomplishment of the SPTs.
In addition, it is strongly encouraged that SLBs issuers select an external reviewer, who should be an outsider relative to the issuers, and who is entitled to endorse the alignment of the SLB with the five core components of the SLBPs.
External reviewers are recommended to assess the weight, strength, and consistency of the KPIs that are taken into consideration, the rationale, and the degree of ambition of the chosen SPTs, the importance and credibility of the chosen targets and standards and the consistency of the strategy delineated to reach them.
After the issuance has taken place, in case of any substantial modification to perimeter, to the KPI methodology or to the SPTs calibration, issuers should solicit external reviewers to evaluate any of these modifications (Second Party Option).
This record should be then forwarded to investors.

3.3 Bond characteristics

The distinctive trait of a Sustainability-Linked bond is that the bond's structure and financial features differ in several ways, depending on whether the chosen KPIs reach the predefined SPTs or not, that is, whenever a trigger event takes place, the SLB must take such event into account, and its financial structure needs an adjustment. Although the most common method is that of variating the coupon payments, there exist other different types of adjustment, involving variations of SLB's financial and/or structural features.

The variation of the bond financial and structural features should be proportionate and related to the issuer's original bond financial features.

A crucial component of bond documentation is the definition of the KPIs and of the SPTs, that must include computation methodologies and the potential variation of the SLB's financial and/or structural features, and thus it must be specified particularly clearly.

Every back-up mechanism should be specified and explicitly made available, especially in cases in which the SPTs cannot be computed or observed in a suitable manner. Issuers might furthermore adopt some additional disclaimers in the bond documentation with the aim of taking into consideration potential exceptional events, such as major alterations in perimeters due to substantial M&A activities) or extreme events, such as radical modifications in the regulations that could considerably affect the calculation of the KPI, the restatement of the SPT and/or proforma modifications of baselines or KPI scope.

3.4 Reporting

As far as reporting is concerned, SLBs issuers should announce and make sure that the following information is readily and easily reachable and available.

- Constantly updated information on the performance of the selected KPIs, involving baselines, if pertinent;
- a verification report related to the SPT underlining the functioning and the related effects, the time-forecast of said effects on the bonds' financial structure and structural features; and
- every other information that could potentially facilitate investors to oversee the level of ambition of the SPTs, (such as any news on the issuers' strategic planning on sustainability development, or any alteration related to KPIs or ESG policies, etc.).

The above descripted report should be regularly published, with a minimum of one publication per year, and, in any case, for any period considered of particular relevance for the assessment and evaluation of the SPTs' performance that could potentially bring to any modification of the SLB's financial structure and/or structural features.

3.5 Verification

Issuers should pursue independent external verification for their performance.

This could be achieved by hiring for such specified purpose qualified external reviewers such as independent auditors or environmental experts, that could guarantee an objective and unbiased analysis to investors. This procedure should be followed at least annually and, in any case, for any period considered of relevance for the assessment and evaluation of the SPT performance that could potentially lead to a modification of the SLB financial structure and/or structural features, until the last SPT has been reached.

Differently from the pre-issuance external review (for example, a Second Party Opinion) which is simply recommended, post-issuance verification is a mandatory and necessary component of the SLBP.

4. THE ENEL CASE

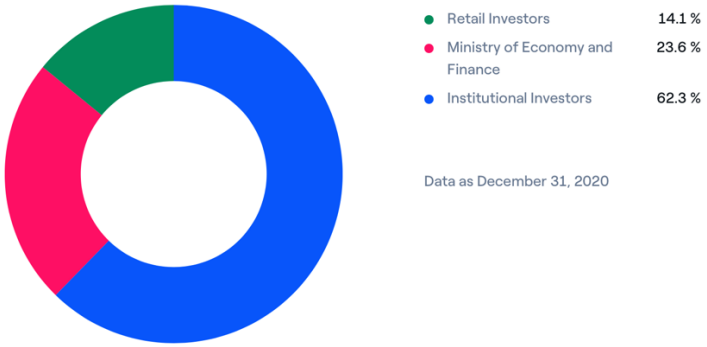
4.1 Enel S.p.A., a brief introduction

Enel S.p.A. is a multinational utility that produces, distributes, and sells electric energy and gas in 30 countries all over the world. Being an energy provider in all the five continents, Enel S.p.A. is today the largest European utility. With 55.4 GW of renewable capacity, Enel S.p.A. is currently the largest private renewable player in the world.

Enel has a workforce of more than 66.000 employees and serves more than 75 million clients worldwide.

Founded in 1962 in Rome, where it currently has its headquarters, ENEL (formerly, Ente Nazionale per l'Energia Elettrica) was born as a state-owned Italian company, founded and owned wholly by the Italian State. Enel was privatised in 1999, when the electricity market in Italy was liberalised. However, the Italian state is still the largest shareholders, owning 23.6% of the shares through the Ministry of Economy and Finance.

Figure 12: Enel S.p.A.'s shareholders



Source: Enel S.p.A., https://www.enel.com/investors/investing/shareholders

After the privatization, Enel was listed on the stock market, more precisely on the Italian Stock Exchange, with 4,183 shares outstanding, each one of them worth 4.3€, for a total of 18 billion euros. Today, Enel S.p.A.'s share capital is of 10,166,679,946 euros, composed of 10,166,679,946 worth 1 euro each.[6]

[6] As of September 2022, source: Enel's website https://www.enel.com/investors/investing/shareholders.

Starting from the 2000s, the company, way ahead for that time, understood the importance of focusing on reducing their environmental impact. To support their commitment, in 2000 Enel signed an agreement with the Italian Ministry of the Environment and with the Ministry of Economic Development in which they committed to reduce their carbon dioxide emission by 13.5% by 2002 and by 20% by 2006.

In 2007, Enel acquired Endesa in Spain, subsequently also establishing a major presence in Latin America, and, lastly, bought North America's first renewable energy plant, becoming more and more present at a global level.

Up to this point, innovation and sustainability had become its two biggest drivers, and in 2004 Enel became the first private company in the renewable power sector to be listed on the Dow Jones Sustainability Index.

In 2008, Enel founded Enel Green Power, aimed at developing renewable resources.

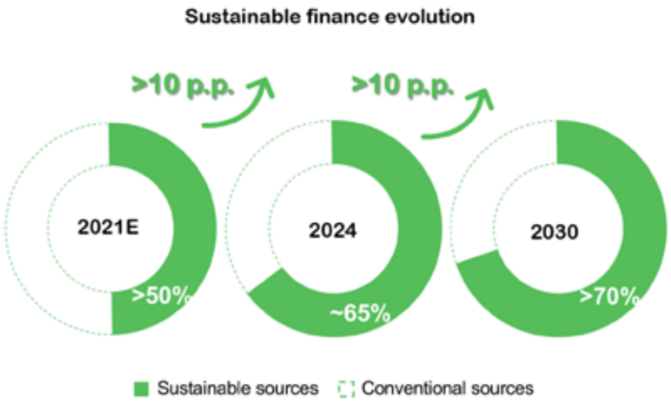
In the following years, Enel committed more and more to sustainability purposes, and in 2017 they decided to take the path of sustainable finance, issuing their first Green Bond in January 2017.

In the same year, they issued three Green Bonds, for a total of 3.5 billion euros.

In September 2019, Enel issued the first Sustainability-Linked Bond, eventually aligning their environmental commitment with that of the United Nations' Sustainable Development Goals.

As of September 2022, they have made eight Sustainability-Linked Bonds Issuances. Their goal is to increase the share of their gross debt devoted to sustainable finance, reaching more than 70% of sustainable finance by 2030, as shown in figure 13. Enel, in fact, as well as issuing Sustainability-Linked Bonds, started to redeem their outstanding conventional bonds, that had been previously issued.

Figure 13: Percentage of Sustainable finance in Enel's total gross debt



4.2 Enel's Alignment with United Nations' Sustainable Development Goals

Over the last years, Enel has been playing a key role in sustainable finance. Enel Group was in fact an early issuer of Green Bonds in the past, being one of the largest companies to issue green debt instrument at the time. Enel placed successfully green bonds, and after the placement, saw a sharp increase in investors' demand for its green bonds.

Nevertheless, as a company with a core business intrinsically linked to sustainability purposes, in 2019 Enel decided to self-finance through an innovative financing product, the Sustainability-Linked Bond, that was aimed at creating stronger incentives for the company to achieve its sustainable scopes. The main objective was to place themselves as a major player in the sustainable market, consistent with its main mission of becoming a green utility.

The approach followed by Enel (and its subsidiaries) consisted in linking Enel's sustainability policies to the terms of general corporate purposes debt, creating an incentive to achieve some pre-established Sustainability Performance Targets (SPTs) within a pre-established timeframe.

Enel's main effort is to create value by committing primarily to business decisions related to the Sustainable Development Goals ('SDGs') of the United Nations.

In particular, Enel Group decided to focus mainly on the following four SDGs:

- SDG 7 – 'Granting an easy access to affordable, reliable, and sustainable energy to everyone'. SDG 7 underlines the importance of energy availability for the global population, in order to allow the global community to have access to heating systems, lighting in schools and hospitals, communication systems, internet access, labour tools, and, more generally, all matters pertaining directly countries' growth and development.

  Enel commits to SDG 7 with an investment of 19 billion euros in renewables that will be made over the years 2022-2024, that will lead to a total renewable capacity of 77 GW in 2024, an increase of approximately 43% with respect to 2021.
- SDG 9 – 'Creating a resilient infrastructure and promoting innovation and a fair, responsible and sustainable industrialization'.

  SDG 9 points out the importance of marine connections, access to electricity, water, and internet as key elements of a thriving and sustainable society.

  Coherently with SDG 9 objectives, Enel Group installed over 46.9 million smart metres and invested 5.4 billion euros on innovation and digitalisation, in the past years and its aim is to invest other additional 18 billion euros in infrastructure and networks by 2024.
- SDG 11 – 'Making cities and human settlements inclusive, safe, durable, and sustainable'.

Nearly 828 million people currently live in cities in decay and under severe urban poverty conditions. SDG 11 aims at transforming urban centres into sustainable cities, granting access to adequate, convenient, and safe housing, basic services and means of transport especially for most vulnerable people.

Enel Group gives its contribution to SDG 11 by investing in new electrification services. These services will lead to a Demand Response Capacity of 13 GW in 2024. Additionally, Enel will implement the amount of charging points, up to 1.1 million electric vehicle charging points by 2024, in Europe, Africa, North America, South America, and South-East Asia.

- SDG 13 – 'Take urgent action to fight against climate change and its implications'. SDG 13 aims at placing climate change at the heart of the political agenda and rendering it a primary issue in programs and strategies of national and regional governments, businesses, and societies. SDG 13's objective is the improvement in the response to the problems caused by climate crisis such as natural disasters, and, lastly, rising populations' awareness on these issues. Enel commits to SDG 13 by planning to reduce its greenhouse gases per kWh by 80% by 2030 (with respect to 2017 levels), with the final goal of reaching full decarbonisation by 2040.

4.3 Enel's Key Performance Indicators (KPIs)

Enel's decision was that of aligning with the ICMA Sustainability-Linked Principles (SLBP).
For this reason, Enel decided to apply two KPIs as material to their business purpose to measure the sustainability achievements of Enel and its subsidiaries.
The KPIs chosen are pertinent to SDG 7 ('Granting an easy access to affordable, reliable, and sustainable energy to everyone') and to SDG 13 ('Take urgent action to fight against climate change and its implications'), as they are both related to climate crisis or environmental degradation, which are suitable objectives to be linked to a coupon structure.

4.3.1 KPI 1: Direct Greenhouse Emissions Amount

The first KPI selected pertains greenhouse gas emissions measured in CO_2 per kWh.
Because Enel's main objective is reaching full decarbonisation by 2040, measuring Enel's amount of direct greenhouse gas emissions is a crucial indicator.
The first greenhouse emissions reduction target was set in 2015, when the target was to reduce GHG emissions by 25% by 2020 with reference to 2007 level of emissions, consequently obtaining a carbon intensity below 350 gCO_{2eq}/kWh. The target was certified by the Science Based Target initiative (SBTi).
In 2019 the aim was reached beforehand, and two new goals were prearranged for the 2020-2022 Strategic Plan. Such goals were GHG Scope 1 emissions per kWh equal or below 254 gCO_{2eq}/kWh by 2020, and GHG Scope 1 emissions per kWh equal or below 220 gCo_{2eq}/kWh by 2022.
Moreover, a new target established in 2019 was GHG Scope 1 emissions per kWh reduction by 70% by 2030 with respect to 2017 level of emissions, reaching a carbon intensity below 125 gCO_{2eq}/kWh. Such target was certified by SBTi as compliant with the Well Below 2°C pathway.[7]
In October 2020, as part of the 2021-2023 Strategic Plan, two new objectives were established. The new targets were:

- GHG Scope 1 emissions per kWh reduction by 80% by 2030 with respect to 2017 as a comparison year, reaching a carbon intensity below 83 gCO_{2eq}/kWh. The target is certified by SBTi as compliant with the 1.5°C pathway.[8]
- The expected path to 2030 target now includes a target of GHG Scope 1 emissions per kWh equal or below 148 gCO_{2eq}/kWh by 2023.

In November 2021, Enel Group announced the quickening of its plan of decarbonisation and anticipated its decarbonisation target to 2040, validating its 2030 target as well of GHG Scope 1 emissions per kWh reduction by 80% by 2030 with respect to 2017 as a comparison base year. As a result, the expected path to 2030 target currently includes a target of GHG Scope 1 emissions per kWh equal or below 140 gCO_{2eq}/kWh by 2024.
Consequently, the eventual objective has now shifted to the full decarbonisation of Enel's energy mix, to be reached by 2040.

[7] 'Well Below 2°C' refers to the Paris Agreement solicitations to keep the increase in global average temperature to well below 2°C, trying at all costs to limit the temperature increase to 1.5°C above pre-industrial levels, as this would considerably lessen the danger and consequences of climate change.

[8] Refers to the Paris Agreement solicitations to keep the increase in global temperatures around maximum 1.5°C.

4.3.2 KPI 2: Renewable Installed Capacity Percentage

The second KPI selected by Enel concerns the percentage of Renewable Installed Capacity relative to the Total Installed Capacity, where Renewable Installed Capacity and Total Installed Capacity are both measured in megawatts (MW).

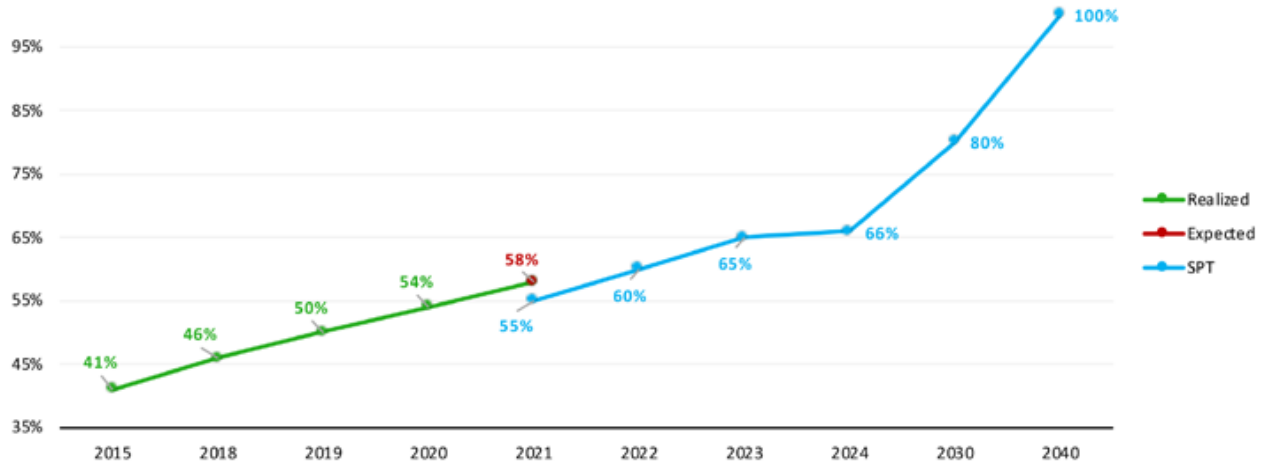
KPI 2 is fully in support of Enel's target of full decarbonisation by 2040.

In November 2021, Enel reinforced its goal to reach 66% of total net efficient installed capacity from renewable energy by the end of 2024, compared to 58% expected in 2021.

The previous objective was to reach 65% of total net efficient installed capacity from renewables by the end of 2023, using 2020 as a reference base year. The new goal represents an increase of more than 31% in renewable net efficient installed capacity relative to 2021, reaching a total renewable capacity of approximately 67 GW in 2024 compared to the total renewable capacity of approximately 51 GW of 2021. As a consequence, the ratio of renewable net efficient installed capacity over the total net efficient installed capacity would increase by 8%, going from 58% of 2021 to 66% in 2024.

KPI 2 is fully compliant with the EU Environmental Objective of Climate Change Mitigation and with the United Nation SDG 7, 'Granting an easy access to affordable, reliable, and sustainable energy to everyone'.

Figure 11: Enel's Renewable Capacity Percentage over time



Source: Sustainability-Linked Financing Framework, January 2022, Enel S.p.A.

4.4 Enel's Sustainability Performance Targets (SPTs)

Due its decision to fully align with the ICMA Sustainability-Linked Principles (SLBP), Enel Group set some Sustainability Performance Targets (SPTs).
In particular, Enel decided to focus on two SPTs, SPT 1: Direct Greenhouse Gas Emissions Amount, and SPT 2: Renewable Installed Capacity Percentage.

4.4.1 SPT 1: Direct Greenhouse Gas Emissions Amount

SPT 1 pertains the amount of Direct Greenhouse Gas Emissions. In particular, it monitors the level of Greenhouse Gas emissions at a relevant date, ensuring that, at the prescribed date, it is equal or below the relevant Direct Greenhouse Gas Emissions Amount Intermediate Threshold, or the relevant Direct Greenhouse Gas Emissions Amount Full Threshold.
The 'Direct Greenhouse Gas Emissions Amount Intermediate Threshold' or 'Direct Greenhouse Gas Emissions Amount Full Threshold' is defined in the related documentation of the individual transaction, depending on the circumstances.
In October 2020, Enel Group declared further commitments that led to the modifications of Scope 1 Direct GHG emissions per kWh_{eq} for 2030 at 80% of 2017 levels as certified by the SBTi and fulfilling the 1.5°C pathway. As a result, Enel's Direct Greenhouse Gas Emissions Amount Full Threshold by 2030 has been updated to 82 gCO_{2eq}/kWh.
In November 2021, the 2022-2024 strategic plan foresaw the path to full decarbonisation by 2040.
Enel's Direct Greenhouse Gas Emissions Amount Full Threshold by 2023 has been set at 148 grams per kWh_{eq} by 2023. In 2021, the limit was moved to 140 gCO_{2eq}/kWh by 2024.

4.4.2 Failure to satisfy SPT 1

Enel's failure to comply with SPT 1 at the predetermined relevant target date (specified in the contractual documentation) prompts to a step-up margin, leading to a rise in interest rate the applicable to interest timeframes after the reference date.
The pertinent documentation might concern certain events out of Enel's direct control, with the consequence of the step-up not being prompted.

4.4.3 SPT 2: Renewable Installed Capacity Percentage

The Renewable Installed Capacity Percentage needs to be equal or above the relevant Renewable Installed Capacity Percentage Threshold level.
The applicable 'Renewable Installed Capacity Percentage Threshold' is stated in the documentation of the relative transaction, where pertinent (e.g., Final Terms of the Sustainability-Linked Bond or facility agreement of the Sustainability-Linked Loan).
Enel Group announces its updated Renewable Installed Capacity Percentage Thresholds once a year and includes it in its Sustainability-Linked instrument issued or subsequently executed.
For transparency purposes, it is important to stress the fact that any updated threshold or target will not affect the terms of financial instruments and loans that have been already issued and/or executed if they are based on previous thresholds, even if the instruments are still outstanding.
Additionally, factors that might threat the achievement of the Targets must be disclosed in the pertinent documentation of the Sustainability-Linked Bond or Sustainability-Linked Loan.

4.4.4 Failure to satisfy SPT 2

Enel's failure to comply with SPT 2 at the predetermined target date (specified in the contractual documentation) will cause a step-up margin, leading to a rise in the interest rate applicable to interest timeframes after the relevant date.
However, the documentation relative to the issuances might indicate certain events, which are considered to be out of Enel's direct control, and that could consequently preclude the step-up.

4.5 Financial characteristics

The earnings arising from Enel's Sustainability-Linked instruments are used for general corporate purpose, meaning that the proceeds can be used for any kind of activity by Enel, and are not tied to a certain type of projects, as it happens for Green Bonds.
As far as Sustainability-Linked Bonds and Sustainability-Linked Loans are concerned, a step-up margin is specified in the pertinent documentation of the relative transaction. It usually includes a 25 basis points step up on the interest rate in the period immediately after the publication of the report.
The documentation might specify that the SPTs may be changed based on certain occurrences, such as modifications to the computational procedure or major events having a significant effect on Enel

Group's structure, meaning that even if Enel commits to achieve all its SPTs, there still might be exceptional cases in which the target might be adjusted.

4.6 Reporting

Enel reports the Direct Greenhouse Gas Emissions once a year in its website and in its Annual Report and/or Sustainability Report – Non-Financial Statement.
Additionally, Enel discloses the Renewable Installed Capacity Percentage at least once a year on its website and in its Annual Report and/or Sustainability Report – Non-Financial Statement.
Moreover, reporting may include:

i. Regular updates on the performance of the chosen KPI, including the reference year if significant;
ii. Verification related to the SPT delineating the performance and the relative impact on the financial instruments and the timeframe of said impact; and
iii. Any other noteworthy information that might entitle investors to be able to oversee the progress of the SPT.

Reported information might also include, when possible:

i. Qualitative or quantitative description of the influence of core factors, such as M&A activities, behind the evolution of the KPI annually;
ii. Illustration of the impacts of the performance development on the sustainability strategy of Enel; and/or
iii. Any adjustments of the SPTs.
iv.

4.7 Verification

Enel's performance of KPI 1 and KPI 2 relative – respectively – to SPT 1 and SPT 2 are verified externally, in the sense that the performance is measured by an auditing entity which is totally independent of Enel.
Enel's external verifiers are KPMG S.p.A. (or other analogue qualified providers of third-party assurance or attestation services appointed by Enel, in charge of reviewing Enel's statement of the Renewable Installed Capacity Percentage), and DNV GL Business Assurance Italia S.r.l. (or other analogue qualified providers of third-party assurance or attestation services appointed by Enel, in charge of reviewing Enel's statement of the Direct Greenhouse Gas Emission Amount).

4.8 First Sustainability-Linked Bonds Issuance, September 2019

On September 6th, 2019, Enel Finance International (EFI) a subsidiary company owned by Enel S.p.A., launched a single-tranche sustainable bond for institutional investors only, on the US market and on international markets, reaching an overall of 1.5 billion US dollars, which corresponds approximately to 1.4 billion euros.

This operation was structured as a single-tranche issue of 1.5 billion US dollars, at a fixed rate of 2.650%, with settlement date set on September 10th, 2019, and maturity date on September 10th, 2024. The issue price was set at 99.897% and the yield to maturity was equal to 2.676%. The interest rate would have remained unchanged until maturity, unless the Sustainability Performance Target of a percentage of installed renewable generation capacity equal or greater than 55% were not achieved by December 31st, 2021. Such target was achieved by Enel S.p.A., avoiding an increase in the interest rate of 25 basis-points, that would have otherwise started from the first interest period immediately after the publication if the report by the external auditor (KPMG).

The issue was oversubscribed by almost three times, reaching a total order amount of nearly 4 billion US dollars.

The operation was supported by a syndicate of banks, with BofA Securities, Inc., BNP Paribas Securities Corp., Citigroup Global Markets Inc., Credit Agricole Securities (USA) Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co., Société Générale acting together as joint-bookrunners, meaning that they decided to be the underwriters in the issuance together as a (temporary) group, so that they could enlarge their resources pool and share the risk of the operation.

The issue was assigned a provisional rating of BBB+ by Standard & Poor's and A- by Fitch, as well as a definitive rating equal to Baa2 by Moody's.

Table 1: Enel S.p.A.'s First Sustainability-Linked Bond Issuance, September 2019

Tranches	US Dollars, billions	Settlement date	Maturity date	Maturity	Interest rate, fixed	Issue price	Yield to maturity	SPT (achieved)	Step-up due to SPT failure
2019 issuance, single tranche	1.5	September 10th, 2019	September 10th, 2024	5 years	2.650%	99.897%	2.676%	Percentage of installed renewable generation capacity equal or greater than 55% as of December 31st, 2021	25bps

4.9 Second Sustainability-Linked Bonds Issuance, October 2020

On October 13th, 2020, Enel Finance International (EFI), the Dutch-registered finance company controlled by Enel S.p.A, launched a single-tranche "Sustainability-Linked Bond" for institutional investors on the sterling market totalling 500 million pounds sterling, approximately equal to about 550 million euros. The order was oversubscribed by almost six time, with total orders of approximately 3 billion pounds sterling.

The operation was structured in a single tranche issue of 500 million pounds sterling at a fixed rate of 1.000%, with settlement date set on October 20th, 2020, and maturity date on October 20th, 2027. The issue price was set at 99.747% and the yield to maturity equal to 1.038%.

The interest rate will remain unchanged until maturity unless Enel S.p.A. fails to achieve the Sustainability Performance Target relative to the Renewable Installed Capacity Percentage, which must be equal or greater than 60% by December 31st, 2022. Failure to achieve such target will lead an increase in the interest rate equal to 25 basis points, starting from the first interest period immediately after the publication of the report made by an external auditor (KPMG).

The issue is listed on the regulated market of the Irish Stock Exchange and on the multilateral trading facility "ExtraMOT PRO" organized and managed by Borsa Italiana.

The operation was supported by a syndicate of banks, with Barclays, BNP Paribas, Bank of America Merrill Lynch, Citi, Crédit Agricole CIB, Deutsche Bank, Goldman Sachs International, HSBC, J.P. Morgan, Morgan Stanley, Natixis, Société Générale Corporate & Investment Banking acting as joint-bookrunners.

Enel's ratings at the time of the issue were: BBB+ (stable) for Standard & Poor's, Baa2 (positive) for Moody's and A- (stable) for Fitch.

Table 2: Enel S.p.A's second Sustainability-Linked Bond Issuance, October 2020

Tranches	Pounds sterling, millions	Settlement date	Maturity date	Maturity	Interest rate, fixed	Issue price	Yield to maturity	SPT	Step-up due to SPT failure
2020 issuance, single tranche	500	October 20th, 2020	October 20th, 2027	7 years	1.000%	99.747%	1.038%	Percentage of installed renewable generation capacity equal or greater than 60% as of December 31st, 2022	25bps

4.10 Third Sustainability-Linked Bonds Issuance, June 2021

On June 8th, 2021, Enel Finance International (EFI), the Dutch-registered finance company controlled by Enel S.p.A., launched a triple-tranche Sustainability-Linked Bond in the Eurobond market, totalling 3.25 billion euros. The order was oversubscribed 3.5 times, with a total order of approximately 11.3 billion euros.

The three tranches were structured in the following manner.

1. First tranche, involving 1,000 million euros at a fixed rate of 0.000%, with settlement date on June 17th, 2021, and maturity date on June 17th, 2027. The issue price was set at 98.909% and the yield to maturity was equal to 0.183%.

The interest rate will not vary until maturity, and it is subject to the achievement of a Sustainability Performance Target (SPT), where the CO_{2eq} emissions must be equal or lower than 148gCO_{2eq}/kWh as of December 31st, 2023. Failure to achieve such target will lead to an increase in the interest rate by 25 basis points starting from the first interest period immediately after the report issued by a third party (KPMG) with respect to the Direct Greenhouse Gas Emissions Amount and the methodology by Enel to measure CO_{2eq} emissions.

2. Second tranche, involving 1,250 million euros at a fixed rate of 0.500%, with settlement date set on June 17th, 2021 and maturity on June 17th, 2030. The issue price was set at 99.728% and the yield to maturity is equal to 0.531%. The interest rate will not vary until maturity until Enel S.p.A. fails to achieve the Sustainability Performance Target (SPT) where the CO_{2eq} emissions must be equal or lower than 148gCO_{2eq}/kWh as of December 31st, 2023. Failure to achieve such target will lead to an increase in the interest rate by 25 basis points starting from the first interest period immediately after the report issued by a third party (KPMG) with respect to the Direct Greenhouse Gas Emissions Amount and the methodology by Enel to measure CO_{2eq} emissions.

3. Third trance, involving 1,000 million euros at a fixes rate of 0.875% with settlement date set on June 17th, 2021, and maturity on June 17th, 2036. The issue price was set at 98.061% and the yield to maturity is equal to 1.015%.

The interest rate will not vary until maturity until Enel S.p.A. fails to achieve the Sustainability Performance Target (SPT) where the CO_{2eq} emissions must be equal or lower than 82gCO_{2eq}/kWh as of December 31st, 2030. Failure to achieve such target will lead to an increase in the interest rate by 25 basis points starting from the first interest period immediately after the report issued by a third party (KPMG) with respect to the Direct Greenhouse Gas Emissions Amount and the methodology by Enel to measure CO_{2eq} emissions.

The issue is listed on the Euronext Dublin regulated market.

Table 3: Enel S.p.A.'s Third Sustainability-Linked Bond Issuance, June 2021

Tranches	Euros, millions	Settlement date	Maturity date	Maturity	Interest rate, fixed	Issue Price	Yield to Maturity	SPTs	step-up due to SPT's failure
1st tranche	1,000	June 17th, 2021	June 17th, 2027	6 years	0.000%	98.909%	0.183%	CO_{2eq} emissions equal or lower than 148gCO_{2eq}/kWh as of December 31st, 2023	25 bps
2nd tranche	1,250	June 17th, 2021	June 17th, 2030	9 years	0.500%	99.728%	0.531%	CO_{2eq} emissions equal or lower than 148gCO_{2eq}/kWh as of December 31st, 2023	25 bps
3rd tranche	1,000	June 17th, 2021	June 17th, 2036	15 years	0.875%	98.061%	1.015%	CO_{2eq} emissions equal or lower than 82gCO_{2eq}/kWh as of December 31st, 2030	25 bps

At the same time of the issuance, Enel Finance International (EFI), the Dutch-registered finance company controlled by Enel S.p.A., launched a non-binding voluntary tender offer to repurchase four outstanding series of conventional bonds, targeting a maximum aggregate amount of 1 million euros, aimed at accelerating the achievement of Enel's target of sustainable finance sources on the Group's total gross debt.

The bond issue and the Tender Offer were supported by a syndicate of banks, with Banca Akros S.p.A. – Gruppo Banco BPM, Banco Bilbao Vizcaya Argentaria, Banco Santander, BNP Paribas, CaixaBank, Crédit Agricole, Deutsche Bank, Goldman Sachs, ING, Intesa Sanpaolo, J.P. Morgan, Mediobanca, Natixis, Société Générale and UniCredit acting as joint-bookrunners.

Enel's ratings at the time of the issue were: BBB+ (Stable) for Standard & Poor's, Baa1 (Stable) for Moody's and A- (Stable) for Fitch.

4.11 Fourth Sustainability-Linked Bond Issuance, July 2021

On July 8th, 2021, the Dutch-registered finance company controlled by Enel S.p.A., launched a multi-tranche Sustainability-Linked Bond for institutional investors in the U.S. and international markets totalling 4 billion U.S. dollars, approximately equal to 3.4 billion euros. The order was 3 times oversubscribed with total orders of approximately 12 billion U.S. dollars.

The issuance was structured in the following four tranches.

1. First tranche, involving 1,250 million U.S. dollars at a fixed rate of 1.375%, with settlement date set on July 12th, 2021, and maturity date on July 12th, 2026.

The issue price was set at 99.510% and the yield at maturity was equal to 1.477%.

The interest rate will remain unchanged until maturity, unless Enel S.p.A. fails to achieve the Sustainability Performance Target relative to CO_{2eq} emissions, which must be lower than 148gCO_{2eq}/kWh as of December 31st, 2023. In the case of failure, the interest rate will increase by 25 basis points, in the interest period immediately after the publication of the report made by an external auditor (KPMG) with respect to the Direct Greenhouse Gas Emissions and to the methodology used by Enel to measure CO_{2eq} emissions.

2. Second tranche, involving 1,000 million U.S. dollars at a fixed rate of 1.875%, with settlement date set on July 12th, 2021, and maturity date on July 12th, 2028.

The issue price was set at 99.596% and the yield to maturity was equal to 1.937%.

The interest rate will remain unchanged until maturity, unless Enel S.p.A. fails to achieve the Sustainability Performance Target relative to CO_{2eq} emissions, which must be lower than 148gCO_{2eq}/kWh as of December 31st, 2023. In the case of failure, the interest rate will increase by 25 basis points, in the interest period immediately after the publication of the report made by an external auditor (KPMG) with respect to the Direct Greenhouse Gas Emissions and to the methodology used by Enel to measure CO_{2eq} emissions.

3. Third tranche, involving 1,000 million U.S. dollars at a fixed rate of 2.250%, with settlement date set on July 12th, 2021, and maturity date on July 12th, 2031.

The issue price was set at 99.378% and the yield to maturity was equal to 2.320%.

The interest rate will remain unchanged until maturity, unless Enel S.p.A. fails to achieve the Sustainability Performance Target relative to CO_{2eq} emissions, which must be lower than 148gCO_{2eq}/kWh as of December 31st, 2023. In the case of failure, the interest rate will increase by 25 basis points, in the interest period immediately after the publication of the report made by an external auditor (KPMG) with respect to the Direct Greenhouse Gas Emissions and to the methodology used by Enel to measure CO_{2eq} emissions.

4. Fourth tranche, involving 750 million U.S. dollars at a fixed rate of 2.875%, with settlement date set on July 12th, 2021, and maturity date on July 12th, 2041.

The issue price was set at 98.769% and the yield to maturity was equal to 2.957%.

The interest rate will remain unchanged until maturity, unless Enel S.p.A. fails to achieve the Sustainability Performance Target relative to CO_{2eq} emissions, which must be lower than $82gCO_{2eq}/kWh$ as of December 31st, 2030. In the case of failure, the interest rate will increase by 25 basis points, in the interest period immediately after the publication of the report made by an external auditor (KPMG), with respect to the Direct Greenhouse Gas Emissions and to the methodology used by Enel to measure CO_{2eq} emissions.

The bond issue was supported by a syndicate of banks, with Barclays, BNP Paribas, Bank of America, Citigroup, Credit Agricole, Credit Suisse, Goldman Sachs, HSBC, J.P. Morgan, Mizuho, Morgan Stanley, Société Générale and SMBC Nikko acting as joint-bookrunners.

Enel's ratings at the time of the issue were: BBB+ (Stable) for Standard & Poor's, Baa1 (Stable) for Moody's and A- (Stable) for Fitch.

Table 4: Enel S.p.A.'s Fourth Sustainability-Linked Bond Issuance, July 2021

Tranches	**US Dollars, millions**	**Settlement date**	**Maturity date**	**Maturity**	**Interest rate, fixed**	**Issue Price**	**Yield to Maturity**	**SPTs**	**Step-up due to SPT's failure**
1st tranche	1,250	July 12th, 2021	July 12th, 2026	5 years	1.375%	99.510%	1.477%;	CO_{2eq} emissions equal or lower than $148gCO_{2eq}/kWh$ as of December 31st, 2023	25 bps
2nd tranche	1,000	July 12th, 2021	July 12th, 2028	7 years	1.875%	99.596%	1.937%	CO_{2eq} emissions equal or lower than $148gCO_{2eq}/kWh$ as of December 31st, 2023	25 bps
3rd tranche	1,000	July 12th, 2021	July 12th, 2031	10 years	2.250%	99.378%	2.320%	CO_{2eq} emissions equal or lower than $148gCO_{2eq}/kWh$ as of December 31st, 2023	25 bps
4th tranche	750	July 12th, 2021	July 12th, 2041	20 years	2.875%	98.769%	2.957%	CO_{2eq} emissions equal or lower than $82gCO_{2eq}/kWh$ as of December 31st, 2030	25 bps

4.12 Fifth Sustainability-Linked Bonds Issuance, January 2022

On January 10th, 2022, Enel Finance International (EFI), the Dutch-registered finance company controlled by Enel S.p.A., launched a triple-tranche Sustainability-Linked Bond in the Eurobond market, for 2.75 billion euros. The order was oversubscribed by 2.5 times, totalling a total order of 6.6 billion euros.

The three tranches were structured in the following manner.

1. First tranche, involving 1,250 million euros at a fixed rate of 0.250%, with settlement date on January 17th, 2022, and maturity date on November 17th, 2025. The issue price was set at 99.829% and the yield to maturity is equal to 0.295%.

The interest rate will not vary until maturity, and it is subject to the achievement of a Sustainability Performance Target relative to CO_2 emissions, equal or lower than 148gCO_{2eq}/kW as of the date of December 31st, 2023. The failure to achieve the Sustainability Performance Target, will lead to a step-up mechanism, increasing the rate by 25 basis points as of the first interest period immediately after the publication of the report issued by an external verifier (KPMG), related to the Direct Greenhouse Gas Emissions Amount and the methodology used for measuring the CO_{2eq} emissions applied by Enel.

2. Second tranche, involving 750 million euros at a fixed rate of 0.875%, with settlement date on January 17th, 2022, and maturity date on January 17th, 2031. The issue price was set at 98.700% and the yield to maturity is equal to 1.027%.

The interest rate will remain the same until maturity and it is subject to the achievement of a Sustainability Performance Target relative to CO_2 emissions, which must be equal or lower than 140gCO_{2eq}/kW as of December 31st, 2024. The failure to achieve the target will lead to a step-up mechanism, increasing the interest rate by 25 basis points as of the first interest period immediately after the disclosure of the report, made by an external verifier (KPMG), related to the Direct Greenhouse Gas Emissions Amount and the methodology used by Enel to measure the CO_{2eq} emissions.

3. Third tranche, involving 750 million euros at a fixed rate of 1.250%, with settlement date set on January 17th, 2022, and maturity date on January 17th, 2035. The issue price was set at 99.334% and the effective yield to maturity is equal to 1.306%.

The interest rate will remain unchanged until maturity, and it is linked to the achievement of a Sustainability Performance Target, pertaining CO_{2eq} emissions, which must be equal or lower than 82gCO_{2eq}/kW as of December 31st, 2030. Failure to achieve such target will lead to a step-up

mechanism, increasing the interest rate by 25 basis-points in the interest period immediately after the publication of the report issued by an external verifier (KPMG), relative to the Greenhouse Gas Emissions Amount and the methodology used by Enel to measure CO_{2eq} emissions. The issue has a duration of approximately 8 years and a cost of approximately 0.7%. The bond issue was supported by a syndicate of banks, with Banca Akros, Barclays, BBVA, BNP Paribas, CaixaBank, Citi, Goldman Sachs, HSBC, IMI-Intesa Sanpaolo, ING, J.P. Morgan, Mediobanca, Natixis, Santander and UniCredit acting as joint- bookrunners. Enel's ratings at the time of the issue were: BBB+ (Stable) for Standard & Poor's, Baa1 (Stable) for Moody's and A- (Stable) for Fitch.

Table 5, Enel S.p.A.'s fifth Sustainability-Linked Bond issuance, January 2022

Tranches	Euros, millions	Settlement date	Maturity date	Maturity	Interest rate, fixed	Issue Price	Yield to Maturity	SPTs	step-up due to SPT's failure
1st tranche	1,250	January 17th, 2022	November 17th, 2025	3 years and 10 months	0.250%	99.829%	0.295%	CO_{2eq} emissions equal or lower than 148gCO_{2eq}/kWh as of December 31st, 2023	25 bps
2nd tranche	750	January 17th, 2022	January 17th, 2031	9 years	0.875%	98.700%	1.027%	CO_{2eq} emissions equal or lower than 140gCO_{2eq}/kWh as of December 31st, 2024	25 bps
3rd tranche	750	January 17th, 2022	January 17th, 2035	13 years	1.250%	99.334%	1.306%	CO_{2eq} emissions equal or lower than 82gCO_{2eq}/kWh as of December 31st, 2030	25 bps

4.13 Sixth Sustainability-Linked Bonds Issuance, April 2022

On April 5th, 2022, Enel Finance International (EFI), the Dutch-registered finance company controlled by Enel S.p.A., launched a Sustainability-Linked Bond for institutional investors for a total of 750 million pounds sterling, approximately equal to 900 million euros.
The order was oversubscribed by almost 3 times, totalling a total order of 2.1 billion pounds sterling.

The issue, structured as a single tranche of 750 million pounds sterling, at a fixed rate of 2.875%, with settlement date on April 11th, 2022, and maturity date on April 11th, 2029. The issue price was set at 99.947% and the yield to maturity was equal to 2.883%.

The interest rate will not vary until maturity, and it is subject to the achievement of a Sustainability Performance Target relative to CO_2 emissions, equal or lower than 140gCO_{2eq}/kW as of the date of December 31st, 2024. The failure to achieve the Sustainability Performance Target, will lead to a step-up mechanism, increasing the rate by 25 basis points as of the first interest period immediately after the publication of the report issued by an external verifier (KPMG), related to the Direct Greenhouse Gas Emissions Amount and the methodology used for measuring the CO_{2eq} emissions applied by Enel.

The issue, which has a maturity of 7 years, has an equivalent cost in euros below 1.9%.

The bond is listed, on the Euronext Dublin regulated market.

The bond issue was supported by a syndicate of banks with BNP Paribas, Crédit Agricole CIB, Goldman Sachs, HSBC, J.P. Morgan, Santander, Société Générale, SMBC Nikko and UniCredit acting as joint-bookrunners.

Enel's rating at the date of the issue was BBB+ (Stable) for Standard & Poor's, Baa1 (Stable) for Moody's and BBB+ (Stable) for Fitch.

Table 6: Enel S.p.A.'s Sixth Sustainability-Linked Bonds Issuance, April 2022

Tranches	Pounds Sterling	Settlement date	Maturity date	Maturity	Interest rate, fixed	Issue price	Yield to maturity	SPT	Step-up due to SPT failure
April 2022, issuance, single tranche	1.5	April 11th, 2022	April 11th, 2029	7 years	2.875%	99.947%	2.883%	CO_{2eq} emissions equal or lower than 140gCO_{2eq}/kWh as of December 31st, 2024	25bps

4.14 Seventh Sustainability-Linked Bonds Issuance, June 2022

On June 9th, 2022, Enel Finance International (EFI), the Dutch-registered finance company controlled by Enel S.p.A., launched a multi-tranche Sustainability-Linked Bond for institutional investors for a

total of 3.5 billion US Dollars, approximately equal to 3.3 billion euros. The order was oversubscribed by more than 2.5 times, with total orders worth approximately 9.2 billion US Dollars.

The issue was arranged in four tranches, structured as follows.

1. First tranche, involving 750 million US Dollars at a fixed rate of 4.250%, with settlement date on June 15th, 2022, and maturity date on June 15th, 2025. The issue price was set at 99.580% and the yield to maturity is equal to 4.401%.

The interest rate will not vary until maturity, and it is subject to the achievement of a Sustainability Performance Target relative to CO_2 emissions, equal or lower than 148gCO_{2eq}/kW as of the date of December 31st, 2023. The failure to achieve the Sustainability Performance Target, will lead to a step-up mechanism, increasing the rate by 25 basis points as of the first interest period immediately after the publication of the report issued by an external verifier (KPMG), related to the Direct Greenhouse Gas Emissions Amount and the methodology used for measuring the CO_{2eq} emissions applied by Enel.

2. Second tranche, involving 750 million US Dollars at a fixed rate of 4.625%, with settlement date on June 15th, 2022, and maturity date on June 15th, 2027. The issue price was set at 99.788% and the yield to maturity is equal to 4.673%.

The interest rate will not vary until maturity, and it is subject to the achievement of a Sustainability Performance Target relative to CO_2 emissions, equal or lower than 140gCO_{2eq}/kW as of the date of December 31st, 2024. The failure to achieve the Sustainability Performance Target, will lead to a step-up mechanism, increasing the rate by 25 basis points as of the first interest period immediately after the publication of the report issued by an external verifier (KPMG), related to the Direct Greenhouse Gas Emissions Amount and the methodology used for measuring the CO_{2eq} emissions applied by Enel.

3. Third tranche, involving 1,000 million US Dollars at a fixed rate of 5.000%, with settlement date on June 15th, 2022, and maturity date on June 15th, 2032. The issue price was set at 98.701% and the yield to maturity is equal to 5.168%.

The interest rate will not vary until maturity, and it is subject to the achievement of a Sustainability Performance Target relative to CO_2 emissions, equal or lower than 82gCO_{2eq}/kW as of the date of December 31st, 2030. The failure to achieve the Sustainability Performance Target, will lead to a step-up mechanism, increasing the rate by 25 basis points as of the first interest period immediately after the publication of the report issued by an external verifier (KPMG), related to the Direct Greenhouse Gas Emissions Amount and the methodology used for measuring the CO_{2eq} emissions applied by Enel.

4. Fourth tranche, involving 1,000 million US Dollars at a fixed rate of 5.500%, with settlement date on June 15th, 2022, and maturity date on June 15th, 2052. The issue price was set at 98.784% and the yield to maturity is equal to 5.584%.

The interest rate will not vary until maturity, and it is subject to the achievement of a Sustainability Performance Target relative to CO_2 emissions, equal or lower than $0gCO_{2eq}/kW$ as of the date of December 31st, 2040. The failure to achieve the Sustainability Performance Target, will lead to a step-up mechanism, increasing the rate by 25 basis points as of the first interest period immediately after the publication of the report issued by an external verifier (KPMG), related to the Direct Greenhouse Gas Emissions Amount and the methodology used for measuring the CO_{2eq} emissions applied by Enel.

The bond issue was supported by a syndicate of banks with Barclays, BBVA, BNP Paribas, Bank of America, Citigroup, Crédit Agricole, Crédit Suisse, Deutsche Bank, Goldman Sachs, HSBC, J.P. Morgan, Morgan Stanley, Santander, Société Générale acting as joint-bookrunners. Enel's rating at the date of the issue was BBB+ (Stable) for Standard & Poor's, Baa1 (Stable) for Moody's and BBB+ (Stable) for Fitch.

Table 7:Enel S.p.A.'s Seventh Sustainability-Linked Bonds Issuance, June 2022

Tranches	**US Dollars, millions**	**Settlement date**	**Maturity date**	**Maturity**	**Interest rate, fixed**	**Issue Price**	**Yield to Maturity**	**SPTs**	**step-up due to SPT's failure**
1st tranche	750	June 15th, 2022	June 15th, 2025	3 years	4.250%	99.580%	4.401%	CO_{2eq} emissions equal or lower than $148gCO_{2eq}/kWh$ as of December 31st, 2023	25 bps
2nd tranche	750	June 15th, 2022	June 15th, 2027	5 years	4.625%	99.788%	4.673%	CO_{2eq} emissions equal or lower than $140gCO_{2eq}/kWh$ as of December 31st, 2024	25 bps
3rd tranche	1,000	June 15th, 2022	June 15th, 2032	10 years	5.000%	98.701%	5.168%	CO_{2eq} emissions equal or lower than $82gCO_{2eq}/kWh$ as of December 31st, 2030	25 bps
4th tranche	1,000	June 15th, 2022	June 15th, 2052	30 years	5.500%	98.784%	5.584%	CO_{2eq} emissions equal or lower than $0gCO_{2eq}/kWh$ as of December 31st, 2040	25 bps

4.15 Eighth Sustainability-Linked Bonds Issuance, September 2022

On September 6th, 2022, Enel Finance International (EFI), the Dutch-registered finance company controlled by Enel S.p.A., launched a Sustainability-Linked Bond for institutional investors for a total of 1 billion euros. The order was oversubscribed by 2.4 times, with total orders worth 2.4 billion euros.

The issuance is structured as a single tranche, issue of 1 billion euros paying a rate of 3.875%, with settlement date set on September 9th, 2022, and maturity date on March 9th, 2029. The issue price was set at 99.630% and the yield to maturity equal to 3.944%.

The interest rate will not vary until maturity, and it is subject to the achievement of a Sustainability Performance Target relative to CO_2 emissions, equal or lower than 140gCO_{2eq}/kW as of the date of December 31st, 2024. The failure to achieve the Sustainability Performance Target, will lead to a step-up mechanism, increasing the rate by 25 basis points as of the first interest period immediately after the publication of the report issued by an external verifier (KPMG), related to the Direct Greenhouse Gas Emissions Amount and the methodology used for measuring the CO_{2eq} emissions applied by Enel.

The bond is listed on the Euronext Dublin regulated market.

The bond issue was supported by a syndicate of banks, with BNP Paribas, BPER, Commerzbank, Goldman Sachs, IMI – Intesa Sanpaolo, J.P. Morgan, Mediobanca, Morgan Stanley, Unicredit acting as joint-bookrunners.

Enel Rating at the time of the issue was: BBB+ (Stable) for Standard & Poor's, Baa1 (Negative) for Moody's and BBB+ (Stable) for Fitch.

Table 8: Enel S.p.A.'s Eighth Sustainability-Linked Bonds Issuance, September 2022

Tranches	Euros, billions	Settlement date	Maturity date	Maturity	Interest rate, fixed	Issue price	Yield to maturity	SPT	Step-up due to SPT failure
September 2022 issuance, single tranche	1	September 9th, 2022	March 9th, 2029	8 years and 6 months	3.875%	99.630%	3.944%	CO_{2eq} emissions equal or lower than 140gCO_{2eq}/kWh as of December 31st, 2024	25bps

Table 9: Enel S.p.A.'s Sustainability-Linked Bond Emissions, summarized

Emission	Euros, billions	Total orders, billions	Currency	Market	Tranches	Conventional Bond Redemption
1st emission, September 2019	1.4	4	US Dollars	American Bond market, European markets	1	No
2nd emission, October 2020	0.55	3.4	Sterling Pounds	Irish Stock Exchange and "ExtraMOT PRO" (managed by Borsa Italiana)	1	No
3rd emission, June 2021	3.25	11.3	Euros	Euronext, Dublin	3	Yes
4th emission, July 2021	3.4	11.8	US Dollars	American Bond market	4	Yes
5th emission, January 2022	2.75	6.6	Euros	Eurobond Market	3	No
6th emission, April 2022	0.9	2.4	Sterling Pounds	Euronext, Dublin	1	No
7th emission, June 2022	3.3	9	US Dollars	American Bond market	4	No
8th emission, September 2022	1	2.4	Euros	Euronext, Dublin	1	No

4.16 Results and Objectives

Up to now, Enel succeeded in reaching all its objectives on time.

They, in fact, were able to comply with their first Sustainability Performance Target 2, as of September 2022. This means that the first threshold has already been met on December 31st, 2021. The target was to reach a percentage of installed renewable generation capacity equal or greater than 55% by December 31st, 2021. Enel reached a percentage of renewable capacity equal to 58%, perfectly in line with their objective.

This contributed to building a positive image of the company's commitment towards sustainability, up to the point that all subsequent Sustainability-Linked Bond issuances were largely oversubscribed.
At the same time as it has issued its Sustainability-Linked Bonds, Enel made some tender-offers to repurchase some of its outstanding conventional bonds, which were previously issued.
This strategy is part of Enel's plan to undertake the path of sustainable finance.
In fact, Enel's aim is that of implementing the percentage of their outstanding gross debt, by devoting it more and more to sustainable finance.
As of September 2022, Enel's debt is 55% composed of sustainable financial instruments, but this percentage is destined to increase, with the ultimate goal of exceeding 70% by 2030, as shown in table 10.

Table 10: Enel's Sustainable Finance as a Percentage of Total Gross Financial Debt

Gross financial debt

Millions of euro	at Dec. 31, 2021			at Dec. 31, 2020		
	Gross long-term debt	Gross short-term debt	Gross debt	Gross long-term debt	Gross short-term debt	Gross debt
Gross financial debt	58,651	13,318	71,969	52,687	6,350	59,037
of which:						
- sustainable financing	*28,973*	*10,474*	*39,447*	*15,748*	*3,901*	*19,649*
Sustainable financing/Total gross debt (%)			55%			33%

Since the first Sustainability-Linked Bond has been issued, Enel's liabilities saw a huge increase.
As soon as the first Sustainability-Linked Bond was issued, in September 2019, Enel's liabilities increased by 3.65%, compared to 2018.
Since 2018, when Sustainability-Linked Bonds were not part of Enel's financial debt, Enel's total liabilities increased by 25.10%.
This shows the big impact that those innovative financial instruments had on Enel's financial structure.

Table 11: Enel's liabilities, 2018-2021

	December 31st, 2021	**December 31st, 2020**	**December 31st, 2019**	**December 31st, 2018**
Total Shareholders' Equity	42,342	42,357	46,938	47,825
Non-current Liabilities	87,878	79,309	83,997	76,817
Current Liabilities	75,758	40,979	40,488	40,348
Total Liabilities	164,598	121,096	124,488	117,572

Total Liabilities and Shareholders' Equity	206,940	163,453	171,462	165,424

5. WHERE IS ENEL NOW?

According to Global Capital, Enel's issuance of Sustainability-Linked Bond not only presented an innovative financial product, but it also created a completely new market.
It has in fact immediately ignited the interest of those conscious financial investors who were seeking more assurance regarding their ESG investments. Moreover, after the issuance Enel has committed to using SLBs extensively in the future, up to the point where it is now their only source of financing.
At first, when Enel issued the first SLB in 2019, some green bond specialists were likely to be bothered by the deal, due to the fact that those new type of bonds did not follow the Green Bond Principles (GBP), as issuers were not required to use the money raised with SLBs exclusively for green purposes. However, as soon as it was issued, Enel's SLB became immediately attractive for investors, up to the point that, according to Alessandro Canta, Head of Group Finance and Insurance (HFI) at Enel, 'all banks that accompanied [Enel] on this deal have received hundreds of calls from investors and peers of Enel, major ones, very interested in the structure and the success of the deal. This is also the final objective. [Enel's] purpose is not to create a tailor-made bond, but something that could be easily replicated by others that have a serious commitment to the Sustainable Development Goals.'[9]
Since the deal's launch, Enel has been a staunch supporter of the advantages of its newly issued instrument. As Canta said, '[Enel] will not do anything that is not well accepted by the market, but to the extent that the market is with us, all the bonds that we are going to issue in the future will have the same structure. The conditions will vary according to targets and maturities.'
However, 'Enel remained a "fan of green bonds", and it would continue to service the three it had issued totalling €3.5bn, by maintaining the eligible asset pool and project-by-project impact reports. But [Enel] has been very vocal for a long while about the fact for a company like Enel, which has devoted since 2015 nearly all its CAPEX to sustainability, with a very strong link between our [Enel's] investment and the SDGs, to which our [Enel's] top management committed from the very beginning, the idea to continue to define us on a project basis didn't comply with the fact that all our strategy is very much aligned with sustainability. All the money we make and the financing we get are devoted to achieving our goal in terms of sustainability, which is aligned with a 2°C scenario, with full decarbonisation.'

[9] Interview to Alessandro Canta, Head of Group Finance and Insurance at Enel, from Hay J., (2019), Enel to use sustainability pricing for all bonds, Global Capital

The European Central Bank has been a major impediment to SLB market's development up until 2020, due to its collateral and quantitative easing programmes. They prohibited the acceptance of coupons with step-ups or analogue features, resulting in SLBs being excluded from the pricing benefit of the ECB's demand.

However, on September 22nd, 2020, under the solicitations of investment banks and other markets participants, the ECB allowed the exemption of Sustainability-Linked Bonds from its internal rule that prevented the purchase of bonds with step-up coupons, eventually letting SLB market take-off. The ECB, in fact, unambiguously affirmed that they would accept bonds with coupons linked to sustainability performance targets, starting from January 1st, 2021.

That was 'the last step that [Enel] was waiting for, enabling Sustainability-Linked Bonds to make a step up from a product to an asset class.' On addition to that, Enel was pleased to apprehend that 'the ECB did not only make reference to the EU Taxonomy, […] but also to the Sustainable Development Goals.', which is the fulcrum of Enel's strategy in its commitment towards sustainability. Enel's opinion on the ECB decision to change its policy was utterly positive and it showed 'an openness and serious commitment to sustainability overall. [Enel] welcomes that. The Central Bank had given its blessing to a new category of products that can allow serious companies to be financed in a straightforward way.'

Sustainability-Linked Bonds being officially allowed by the Central Bank meant that Enel was finally able to obtain a lower pricing due to its commitment towards sustainability. As the HFI said, 'the product demonstrates that you have to be serious in what you do, and if you are serious, you deserve a lower cost of debt.'

CONCLUSION

Sustainability-Linked Bonds are an effective alternative to common and green bonds for Enel.
Due to their positive track record on the achievements of the Sustainability Performance Targets, Enel succeeded in obtaining resources at a relatively low interest rate.
Due to this, Enel also succeeded in consolidating a positive credibility, highlighting their place as one of the pioneers in the field of sustainability.
Up to now, every Enel's SLB issuance has been welcomed by investors with enthusiasm, and they have successfully placed every issue, with every order being largely oversubscribed.
Of all eight issuances made by Enel, the most relevant is probably the first one, made in September 2019. Its relevance is due not to its entity, as it was not the biggest issuance, but rather to its nature.
In September 2019, Enel introduced a completely new financial instrument on the world markets, and fully committed to it.
The mechanism of the SLB is clever because it links Enel's sustainable performance, that would have been positive and focused on those targets regardless of the features of the Sustainability-Linked Bond, with the interest rate paid by Enel on the bond.
Enel's core business, strongly centred on renewables, allowed Enel to set some ambitious targets and achieve them, while gaining credibility to the eyes of environmentally conscious investors at the same time.
The Sustainability Performance Target set for that issuance has been achieved on December 31st, 2021, meaning that Enel already succeeded in obtaining a low interest rate on that issuance and will continue to pay a low fixed rate on that bond until its maturity, due on September 10th, 2024.
Many have been the records made by Enel, as the issuance of July 2021, which was the all-times biggest for Sustainability-Linked Bond, for an amount of 4 billion US Dollars, approximately equal to 3.4 billion euros.
All these innovative financial choices led Enel to be the world's top corporate ESG debt issuer, as Bloomberg defined it when the largest pound sterling Sustainability-Linked Bond was issued in April 2022.
Due to its success, Enel's example has already been followed by many large companies, such as Eni S.p.A., Hera S.p.A., and Novartis, and the hope is that the awareness raised by Enel on environmental matters will rise more and more in the near future.

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