The Enel Group
31 West 52nd St.
New York, NY 10019

June 17, 2022

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Dear Chairman Gensler:

The Enel Group ("Enel," "Group") is pleased to submit the following comments in response to the Securities and Exchange Commission's Proposed Rule for the Enhancement and Standardization of Climate-Related Disclosures for Investors (File Number S7-10-22).

The Enel Group, the world's largest private renewable energy player and Italy's biggest company by market cap (US$52 billion), is present in 47 countries worldwide and produces energy with around 92 gigawatts (GW) of total installed capacity. With more than 75 million end users, Enel is the largest network operator globally.[1]

As of March 21, 2022, the publishing date of the proposed rule, two subsidiaries of the Enel Group are listed on the New York Stock Exchange and file with the SEC: Enel Américas and Enel Chile. These two subsidiaries report annually to the SEC under the 20-F form, and, as large accelerated filers, they would be required to comply with the SEC's proposal by 2024 for the 2023 fiscal year report. Additionally, both companies are listed on the Chilean Stock Exchange, and are thus required to align with the TCFD framework and SASB standard as mandated by the CMF (Financial Market Commission in Chile).

Enel has integrated sustainability into its business model, governance, strategy, and financial reporting. We believe that clarity of impact is paramount and we have revolutionized and restructured both our corporate reporting and annual report to provide the results of our solid sustainability strategy in unprecedented detail. In 2019, Enel released a completely new format of the annual report, laying out the company's strategic vision based on the link between sustainability and value creation. Our annual reports offer stakeholders financial and non-financial data connected in meaningful ways, and, notably, an integrated sustainability analysis using new key performance indicators that correlate Enel's financial performance with the fulfilment of its targets to meet the UN's Sustainable Development Goals. Enel's 2021 annual report, published in April 2022, is organized in four chapters each named for the four TCFD pillars of Governance, Group Strategy and Risk Management, Performance, and Outlook—a structure that was prompted by the Group's deep commitment

[1] As per latest publicly available data, March 31, 2022.

to integrating business and sustainability. The report serves as a storytelling tool to inform and guide readers.

The Group is increasingly attracting the attention of socially responsible investors, whose stake in the company is constantly growing. These investors currently amount to around 14.6% of Enel's share capital, more than twice the level in 2014. In line with growing recognition of the importance of non-financial elements in creating long-term sustainable value, this increase reflects the strengthening of Enel's global leadership in sustainability.

As a European Union-based company, Enel at the global level complies with EU standards. Enel has historically complied with myriad reporting and disclosure frameworks and standards, including TCFD, GRI, SASB, and the European Commission's 2019 guidelines for climate-related reporting. These standards provide productive reference points for the SEC and Enel supports the SEC's intent to align with existing frameworks. Based on the TCFD's practice of conducting annual reviews of its standards, we suggest that the SEC both periodically review and allow registrants the opportunity to provide feedback on its recommendations, which will help to ensure its disclosure requirements align with existing global standards and to properly identify pioneer companies in the fight against climate change. We recognize that as companies start the disclosure process, the quality of information tends to evolve over time, but it is also important that standard setters continue to push for more transparent and uniform information disclosure that can be easily interpreted by investors and the interested public.

In addition to complying with the aforementioned frameworks and standards, Enel is deeply involved with and committed to the development of robust reporting and disclosure standards for all companies. In 2020, Enel was a member of two working groups convened by the European Financial Reporting Advisory Group.[2] Enel's comments are informed by this experience and we welcome the opportunity to engage further with the SEC as it finalizes the proposed rule.

For these reasons, Enel welcomes the SEC's proposed rule and is in favor of the SEC's goal to increase climate-related disclosure. As a global leader in the transition to a sustainable future, Enel strongly believes that an accurate representation of the risks and opportunities of climate change—and of the value of knowledgeable management—is only possible with quality data and numerical analysis.

Enel's comments will focus on the following areas of the SEC's proposed rule: climate-related impacts on strategy, business model, and outlook; risk management; financial statement metrics; GHG emissions accounting; and GHG targets. Among these, Enel's priority areas include: guidance on emissions disclosure, the proposed materiality threshold, and scenario analysis.

1. Climate-Related Impacts on Strategy, Business Model, and Outlook

[2] https://integratedreporting2020.enel.com/sites/enelar20/files/allegati/dc/eng/sustainability-report_2020.pdf#page=18, 16.

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Offsets & Renewable Energy Certificates (RECs)

Enel supports the SEC's proposed guidance regarding the treatment of offsets and RECs in climate strategy disclosure, and believes that the SEC should require registrants to disclose the amount of carbon reduction represented by the offsets or the amount of generated renewable energy represented by the RECs, the source of the offsets or RECs, the nature and location of the underlying projects, any registries or other authentication of the offsets or RECs, and the cost of the offsets or RECs, as proposed. This transparency will ensure integrity and an equal playing field for registrants.

However, we also recognize that existing datasets often lack the granularity that is necessary to accurately report on carbon reduction. A recent paper, "Hourly accounting of carbon emissions from electricity consumption," found that existing accounting practices can over or underestimate emissions by as much as 35%.[3] Therefore, it is imperative that the Federal Energy Regulatory Commission direct jurisdictional entities to release Locational Marginal Emissions data, as was done recently by PJM, to ensure that the data exists to perform this disclosure.

Scenario Analysis

Within Enel, scenario analysis is used to support strategic and industrial planning, capital allocation, strategic positioning, and assessment of risk and resilience of the Group's strategy.[4] Enel agrees with the SEC that "[c]onsistent, comparable, and reliable disclosures of scenario analysis could inform investors with respect to the resilience of registrants' business strategies and operations across a range of plausible future climate scenarios," as well as with the additional benefits attributed to scenario analysis described in the proposed rule. In 2021, Enel revised its medium- to long-term energy transition scenario framework, defining three alternative scenario narratives:

- Paris scenario: Envisions the achievement of the Paris Agreement targets, thus a significantly higher level of climate ambition than business as usual. The increased ambition is supported by greater electrification of consumption and increasing development of renewables.
- Slow Transition scenario: A scenario characterized by a slower energy transition, in which the Paris Agreement targets are not met. This scenario involves a smaller increase in renewables and a less sustained electrification process than the Paris scenario, especially in the short term, resulting in delayed implementation of the transition.
- Best Place scenario: A scenario constructed on the basis of assumptions that improve upon the Paris scenario. The objectives of the Paris Agreement are also achieved in this scenario, but a wider range of technological options is considered, i.e., a greater penetration of green hydrogen is generated through renewable

[3] Miller et al. Hourly accounting of carbon emissions from electricity consumption. Environmental Research Letters, Vol. 17, No. 4 (April 2022). https://doi.org/10.1088/1748-9326/ac6147.
[4] https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2021/sustainability-report_2021.pdf, 81.

electricity, which is then used more widely in hard-to-abate sectors and further facilitates the process of decarbonization towards net-zero emissions.

Enel has chosen the Paris scenario as a benchmark for long-term planning, which envisages the achievement of the objectives of the Paris Agreement.[5]

Regarding physical scenarios, climate change generates effects both in terms of transitioning the economy towards net-zero emissions and in terms of physical impacts, which may include:

- Acute phenomena (heat waves, flooding, hurricanes, etc.) and their potential impact on industrial assets and operations
- Chronic phenomena related to structural changes in the climate, such as the rising trend in temperatures, rising sea levels, etc. which can affect, for example, the output of power generation and electricity consumption profiles in the residential and commercial sectors

To assess physical phenomena, Enel has selected three of the global climate pathways developed by the Intergovernmental Panel on Climate Change (IPCC), which are in line with the IPCC's sixth assessment report (AR6). These scenarios are associated with emission patterns linked to a level of the Representative Concentration Pathway (RCP), each of which is connected to one of the five scenarios defined by the scientific community as Shared Socioeconomic Pathways (SSPs).[6] The SSP scenarios include general assumptions concerning population, urbanization, and other factors. The three physical scenarios analyzed by the Group are as follows[7]:

- SSP1-RCP 2.6: compatible with a range of global warming below 2°C from pre-industrial levels (1850-1900) by 2100 (the IPCC forecasts an average of about +1.8 °C from 1850-1900); in the analyses that consider both physical and transition variables, Enel associates the SSP1-RCP 2.6 scenario with the Paris scenario and Best Place scenario.
- SSP2-RCP 4.5: compatible with an intermediate scenario that calls for an average temperature increase of about 2.7°C by 2100 from pre-industrial levels. The RCP 4.5 scenario is the one that is most representative of the world's current climate and political landscape and correlated transition assumptions. In the analyses that consider both physical and transition variables, the Group associates the SSP2-RCP 4.5 scenario with the Slow Transition scenario.
  SSP5-RCP 8.5: compatible with a scenario where no measures to combat climate change are implemented. This scenario forecasts an increase in global temperatures of about +4.4°C from pre-industrial levels by 2100. Enel considers the RCP 8.5 scenario as a worst-case climate scenario used to assess the effects of physical

[5] https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2021/sustainability-report_2021.pdf, 82-83.
[6] https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM.pdf, 13.
[7] For further details please see the Enel Integrated Annual Report 2021, https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/integrated-annual-report_2021.pdf, pages 87-88.

phenomena in a context of particularly significant climate change, but it is currently deemed not to be very likely.

Enel has been involved in a working group to develop specific recommendations to support the implementation of the TCFD guidelines concerning scenario analysis, and has supported the Taskforce since the publication of the first recommendations in June 2017, promoting transparent and reliable information on the climate. In 2020, Enel was also a member of the TCFD Advisory Group, which developed recommendations on scenario analyses. and, since then, Enel has been involved in various initiatives of scenario analysis, sharing our experience in order to support the increasingly widespread and transparent implementation of this practice among a growing number of organizations.[8]

Thus, given the benefits that scenario analysis provides to both internal and external stakeholders, Enel proposes that companies that haven't yet developed scenario analysis should at least have a deadline or propose a plan to implement it in the short or medium term. Recognizing that requiring registrants to complete scenario analysis may result in additional costs or actions, we propose the SEC recognize and permit varying levels of granularity in this analysis while still ensuring that the scenario analysis provides raters and analysts with sufficient data to conduct external analysis. If external evaluators lack complete information to conduct their analyses, their results may be unintentionally misinformed. In performing scenario analysis, companies should ensure a coherence between transition scenarios and physical scenarios, to be developed in line with the IPCC pathways.

2. Risk Management

Transition Plans

Enel supports the SEC's proposal to require registrants that have adopted transition plans to disclose them. Requiring a clear transition plan, with interim targets, is essential to increase transparency and tangibility in long term targets and commitments. This would also be in line with the latest recommendations from the TCFD on Metrics, Targets and Transition Plans, released in October 2021. As defined by the TCFD, a transition plan is a component of business strategy that describes targets and actions a company plans to meet and take to decarbonize.[9] Transition plans are increasingly important as more corporations commit to net-zero and other greenhouse reduction goals.

3. Financial Statement Metrics

Materiality Threshold

The Group also took account of the recommendations issued by the IASB in November 2019, "IFRS Standards and climate-related disclosures" and November 2020, "Effects of climate-related matters on financial statements," which emphasize that climate-related risks

[8] https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2021/sustainability-report_2021.pdf, 239.
[9] https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf.

must be considered in the assumptions of management in the exercise of its judgment in measuring items in the financial statements.[10]

Enel's materiality analysis for financial reporting is aligned with the IASB's Practice Statement 2, "Making Materiality Judgments," which defines information as material if "omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity," which aligns with the Commission's existing definition and United States Supreme Court precedent.[11]

Following IFRS standards, the Group's focus is on presenting detailed information that provides the reader a clear view of its performance in all significant aspects. What and how much information to reveal depends on the particularities that occur each year, e.g., the magnitude of the figures and key aspects of the business. It is important to mention that IFRS does not define a threshold to explain variations in the Operating and Financial Review and Prospects. Therefore, companies explain the main reasons for annual variations in the most important items that might impact the financial statements. Considering that the SEC's proposed rule aims to provide information that enables investors to make informed decisions, the information provided must indeed have a financial impact. Research and experience has shown that a few key variables explain most of the results, depending on the industry.[12] However, too much detail may prevent investors from understanding the impacts of climate change on the company's strategy and business. Likewise, calculating its impact may prove burdensome for companies because no widely used standard exists.[13]

Thus, regarding the SEC's proposed one percent threshold for materiality, Enel is aligned with the IFRS position as outlined above, and believes that what and how much to reveal for each company depends on the particularities that occur each year, for example on the magnitude of the figures and key aspects of the business. Rather than impose a threshold of 1%, Enel suggests the SEC maintain its existing precedent definition for materiality.

4. GHG Emissions Metrics

Scope 1-3 Emissions Disclosures

All registered filers, regardless of company size, should be required to disclose historical emissions for Scopes 1-3 with specific data. In particular, concerning Scope 3 emissions, registrants should be required to screen all Scope 3 categories and report the inventory of those considered more relevant, ensuring the GHG inventory appropriately reflects the

[10] https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/integrated-annual-report_2021.pdf, 17.
[11] https://www.ifrs.org/content/dam/ifrs/publications/amendments/english/2017/ifrs-practice-statement-2-making-materiality-judgements.pdf; TSC vs. Northway and Basic vs. Levinson, 426 U.S. 438 (1976).
[12] Khan, Mozaffar and Khan, Mozaffar and Serafeim, George and Yoon, Aaron, Corporate Sustainability: First Evidence on Materiality (November 9, 2016). The Accounting Review, Vol. 91, No. 6, pp. 1697-1724., http://dx.doi.org/10.2139/ssrn.2575912.
[13] Fiedler, T., Pitman, A.J., Mackenzie, K. et al. Business risk and the emergence of climate analytics. Nat. Clim. Chang. 11, 87–94 (2021). https://doi.org/10.1038/s41558-020-00984-6.

indirect GHG emissions of the company and serves both the company's own decision-making needs as well as the expectations from investors. Given that, as the Commission notes, Scope 3 emissions accounting methods often require companies to conduct or rely on assumptions and estimations as opposed to internally verified values, it is important for companies to receive assurance that Scope 3 disclosures formed under a reasonable basis and made in good faith would not be deemed as fraudulent; thus, Enel supports the SEC's application of safe harbor provisions for Scope 3 disclosures.

Regarding Scope 2 emissions accounting, Enel supports the SEC's decision to permit registrants to utilize both the location- and market-based methods as defined by the Greenhouse Gas Protocol. The market-based method is useful for providing information on corporations' individual procurement actions as well as supplier-specific data.[14]

Within the proposed rule and accompanying guidance, however, there is room for clarity in the definition and treatment of RECs, given the myriad ways in which registrants and other entities utilize and procure renewable energy. RECs function in both compliance (i.e., where utilities are required to comply with a state's renewable portfolio standard) and voluntary markets (i.e., a corporation's purchase of unbundled RECs to support the general deployment of renewable energy). With respect to bundled RECs, where the REC serves as a contractual instrument and the renewable attribute is tied to the underlying energy purchase, companies are able to procure renewable energy in the following ways: through utility and retail providers, via power purchase agreements or financial contracts, or through self-generation, both on- and off-site.[15] The utilization of RECs as a contractual instrument for the purpose of emissions accounting is critical to the verifiability of renewable energy claims and accurate emissions disclosure.[16] Thus, Enel proposes the SEC introduce additional language to differentiate between the usage of RECs in voluntary and compliance markets, recognizing the latter's role in demonstrating how compliance supports the various goals of state renewable procurement mandates, including emissions benefits/accounting.

5. Targets and Goals

Emissions Reductions Targets

Enel at the global level has established emissions reductions targets for Scope 1 and Scope 3 emissions related to the sale of electricity and sale of gas. In addition, Enel has also set a target for net-zero emissions by 2040 across all Scopes. Our Scope 1 emissions target for 2030, which aligns with the 1.5˚C scenario set out in the Paris Agreement, is SBTi certified.[17] In order for a target to be SBTi-certified, it must be developed by a company in alignment with SBTi criteria and presented for complete validation against the independent, science-based criteria.[18]

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[14] https://ghgprotocol.org/sites/default/files/standards/Scope%202%20Guidance_Final_Sept26.pdf, 26.
[15] https://www.epa.gov/sites/default/files/2018-08/documents/guide-purchasing-green-power-4.pdf, 4-3
[16] Ibid, 4-4.
[17] https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/integrated-annual-report_2021.pdf, 66.
[18] https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf.

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Emissions reduction targets provide critical context, framing, and guidance for companies' emissions disclosures, and help inform investors as to whether a company is in a path towards emission reduction. Moreover, targets should be verified by a third party as consistent with the goals set by the Paris Agreement, in order to provide investors with visibility on whether the reduction targets identified are ambitious enough to limit the increase in temperatures to 1.5°C versus pre-industrial levels.

In comparison to existing frameworks, the SEC's proposed approach to target setting falls behind the TCFD and others. TCFD guidance suggests that targets should be aligned with a company's strategy and risk management goals, linked to relevant metrics, quantified and measurable, time-specific, understandable and contextualized, periodically reviewed and updated, and reported annually.[19] In contrast, the SEC's proposal for emissions targets does not require targets to be quantified and measurable or periodically reviewed.

Companies should be mandated to report targets for Scopes 1-2 and for those Scope 3 categories identified as material, in line with the SEC's proposed definition of materiality for Scope 3 emissions. However, regarding target disclosure, Enel proposes the SEC apply the standard of "comply or explain," wherein if a company does not report a target for any of the three Scopes, it must explain its rationale for doing so. This standard is utilized in the United Kingdom, notably by the Financial Conduct Authority regarding companies' decision to make TCFD disclosures.[20]

Recognizing the challenge of quantifying Scope 3 emissions and subsequent target development, we propose that the SEC allows for staggered compliance of Scope 3 target disclosure, one year after it requires the disclosure of targets for Scopes 1-2. Furthermore, Enel supports the application of the PSLRA safe harbors for disclosure of all targets.

6. Conclusion

The Enel Group appreciates the opportunity to comment on the SEC's proposed climate disclosure rule. Please contact Monica De Martino (Head of New York Office, Investor Relations, [redacted] with any questions related to this submission.

[19] https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf, 33.
[20] https://www.fca.org.uk/publication/policy/ps20-17.pdf.