Foundation

Perceived Risk Index©
Sectors Analysis

28/06/2024

Perceived Risk Index©

Introduction

PRI Perceived Risk Index© is an innovative, forward-looking indicator developed by Enel SpA Risk Control Unit within AFC function that reflects corporate risk perceived by financial markets.

In an ever-evolving economic landscape, understanding how markets interpret risk is a key strategic lever for companies, investors, and stakeholders.

PRI Perceived Risk Index© is a forward-looking indicator since it considers three different variables with a prospective nature that reflects the premium at risk required by investors:

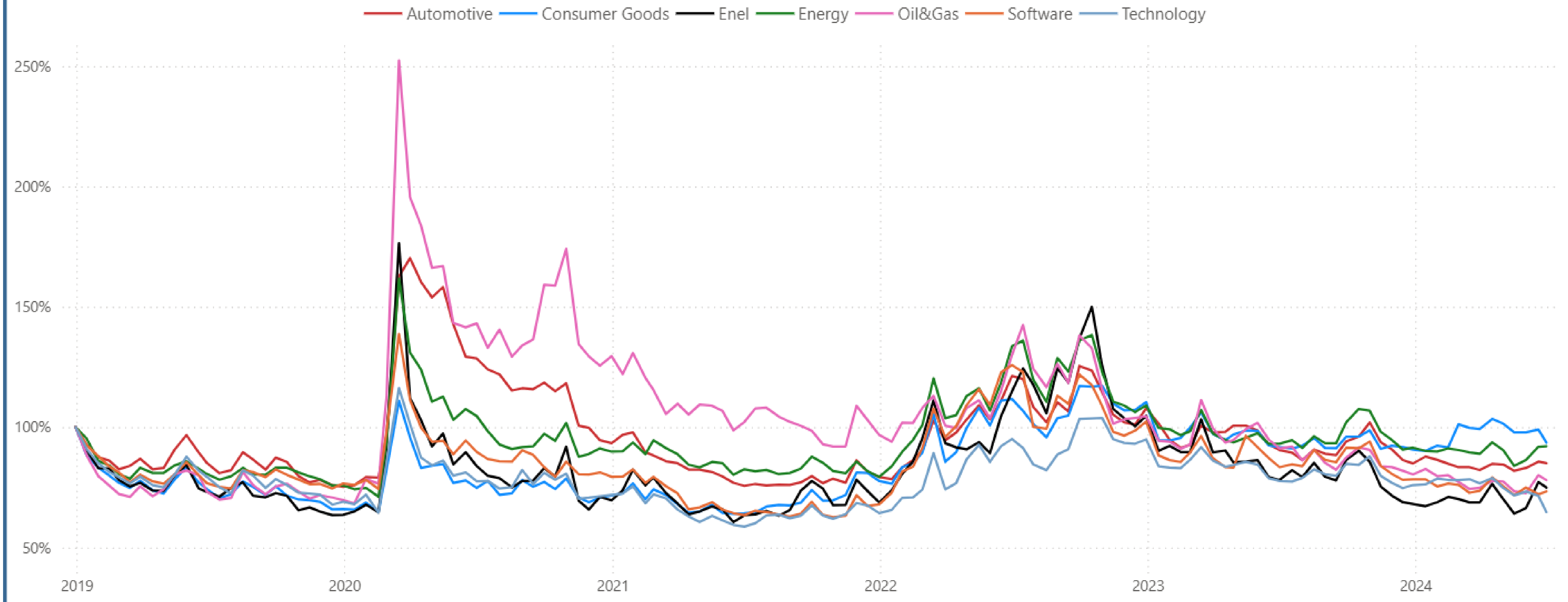
- **Inverse Stock Price**: the stock price reflects the level of investors' trust towards the company. Thus, the lower is the stock price, the higher is the perceived risk;
- **Option Implied Volatility (3 months):** gives the indication of the perceived risk of the underlying asset implied in listed option prices;
- **Credit Default Swap (5 years):** The CDS represents a credit risk premium and thus it has a direct relationship with the company perceived probability of default.

These above mentioned three variables are market data available on public sites.

31/12/2018 is the starting point of the monitoring activity, with a baseline value of 100%, across six key sectors: Energy, Oil & Gas, Consumer Goods, Software, Technology, and Automotive.

PRI Perceived Risk Index©

Measuring the risk as perceived by financial markets – Sectors & Enel



Automotive	Consumer Goods	Energy	Oil & Gas	Software	Technology	Enel
85% ✓	94% ✓	92% ✓	78% ✓	73% ✓	65% ✓	75% ✓
vs Base Date: 100%	vs Base Date: 100%	vs Base Date: 100% (-7,89%)	vs Base Date: 100%	vs Base Date: 100%	vs Base Date: 100%	vs Base Date: 100%
(-14,96%)	(-6,44%)		(-22,00%)	(-26,67%)	(-35,30%)	(-25,06%)

Perceived Risk Index©

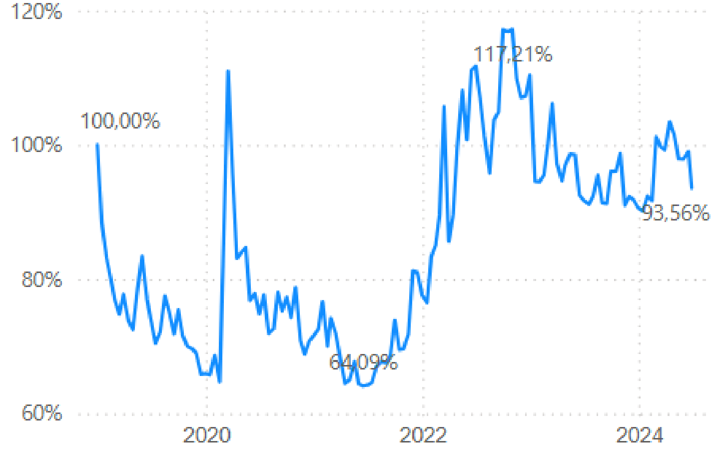
Measuring the risk as perceived by financial markets – by Sector @ 28 Jun 2024

Automotive

85%✓
vs Base Date: 100% (-14,96%)

Consumer Goods

94%✓
vs Base Date: 100% (-6,44%)

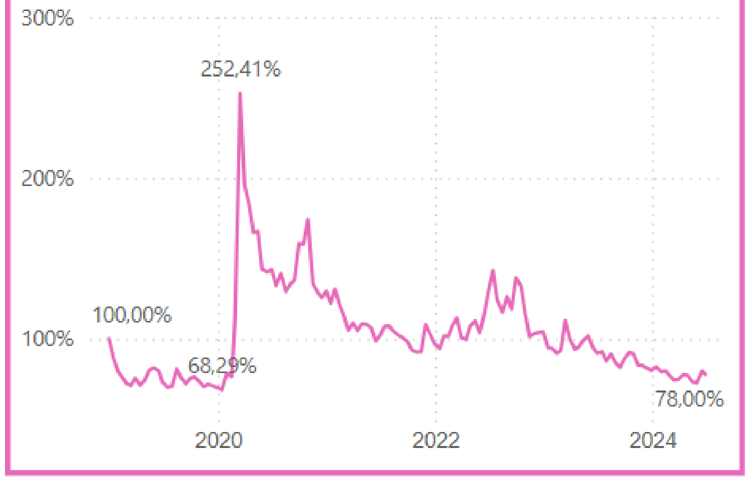


Energy

92%✓
vs Base Date: 100% (-7,89%)

Oil & Gas

78%✓
vs Base Date: 100% (-22,00%)

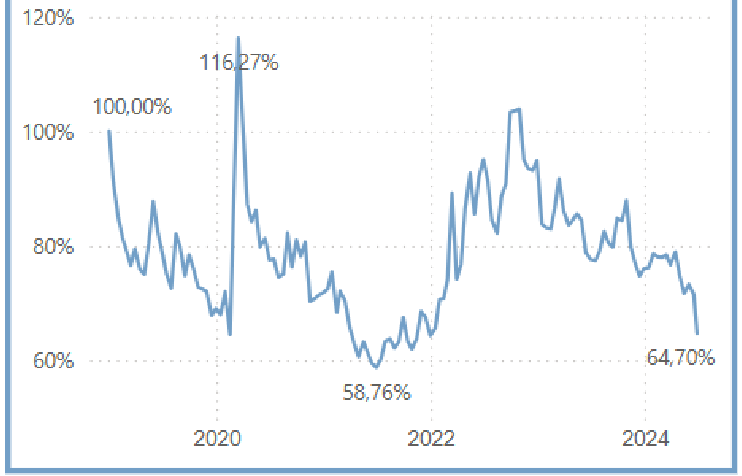


Software

73%✓
vs Base Date: 100% (-26,67%)

Technology

65%✓
vs Base Date: 100% (-35,30%)



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Comments

Full month trend:

Following the marked improvement observed between April and May, largely supported by expectations of a more **accommodative monetary policy by the ECB**, the PRI© in June 2024 experienced a **generalized deterioration** for both **Enel** and its **peers**, indicating a renewed sense of risk perceived by the markets.

The deterioration in the perceived risk profile was driven by a **more uncertain macroeconomic environment**, influenced by a combination of critical factors:

- **a)** **Stubborn inflation**, which led to a **significant slowdown** in the expected path of interest rate cuts by major central banks;
- **b)** **Weak economic data in the Eurozone**, particularly the drop in preliminary **PMI**, which raised doubts about the strength of the recovery;
- **c)** **Risks linked to EU fiscal governance**, with the **European Commission launching excessive deficit procedures** against five EMU countries, including **France and Italy**, raising concerns over **fiscal sustainability** and the resilience of common rules;
- **d)** **Tensions in the U.S. Treasury market**, highlighted by a volatile **$44 billion bond auction**, which required direct intervention from large banks to ensure full placement;
- e) A **shift in Federal Reserve policy expectations**, as the market no longer anticipates significant **rate cuts in 2024**, contrary to the outlook at the beginning of the year.

Overall, **June marked a phase of rebalancing** for the PRI©, representing a **pause in the positive trend** seen in previous months and reflecting a **more complex and unstable global context**.