Long-term sustainable growth 2018
Long-term sustainable growth 2018
Sustainable business model

The Enel Group currently operates in over 30 countries on five continents, with an installed capacity of around 86 GW, over 2.2 million kilometers of distribution lines, approximately 68 million customers and 73 million end users. The Company operates in Europe, North and Central America, South America, Africa, Asia and Oceania.

Energy generation 250,339 GWh

- **Italy**: 53,232
- **Iberia**: 74,193
- **South America**: 67,897
- **Europe and Euro-Mediterranean Affairs**: 41,076
- **North and Central America**: 12,433
- **Africa, Asia and Oceania**: 1,508

**South America**
- **Argentina**: 13,949
- **Brazil**: 9,840
- **Chile**: 20,885
- **Colombia**: 14,053
- **Peru**: 8,999
- **Uruguay**: 170

**Africa, Asia and Oceania**
- **India**: 315
- **South Africa**: 1,193

**North and Central America**
- **North America**: 7,133
- **Costa Rica**: 305
- **Guatemala**: 568
- **Mexico**: 2,619
- **Panama**: 1,808

**Europe and Euro-Mediterranean Affairs**
- **Bulgaria**: 91
- **Greece**: 577
- **Romania**: 1,227
- **Russia**: 39,182
Main organizational changes

The main organizational changes that took place during the 2018 fiscal year are as follows:

- the acquisition, through a take-over bid, of the Brazilian electricity distribution company Eletropaulo Metropolitana Eletricidade de São Paulo SA (“Eletropaulo”), confirmed by the Brazilian authorities on June 5, 2018. Enel Sudeste held an overall stake of 95.88% in Eletropaulo;
- the acquisition of 100% of Parques Eólicos Gestinver on February 2, 2018. This company has five wind plants in Galicia and Catalonia, for a total capacity of around 132 MW;
- the finalization on September 28, 2018 of the sale of an 80% majority interest in the capital of eight special purpose vehicles (“SPVs”), that are owners of eight plants in Mexico which are operating and being built, for a total capacity of 1.8 GW, and that will retain operation.

For further details, see the Chapter “Significant events in 2018” of the 2018 Annual Report.

Organizational model

Enel’s organizational model has a matrix of Business Lines/Countries and Regions, structured as follows:

- **Business Lines** (Global Thermal Generation, Global Trading, Global Infrastructure and Networks, Enel Green Power, Enel X), tasked with managing and developing assets, optimizing performance and return on invested capital, in the various geographic areas where the Group operates; the Business Lines are also entrusted with the task of improving the efficiency of managed processes and sharing best practices worldwide. The Group will benefit from a centralized industrial view of the projects in the various Business Lines. Each individual project will be evaluated not only according to financial returns, but also in relation to the best technologies available at the Group level;

- **Regions and Countries** (Italy, Iberia, South America, Europe and Euro-Mediterranean Affairs, North and Central America, Africa, Asia and Oceanial), which, within each country where the Group operates, are entrusted with the task of managing relations with local institutional bodies and regulatory authorities, as well as electricity and gas sales, also providing support in terms of personnel activities and other services to the Business Lines.

The following are associated with this matrix in terms of business support:

- **Global Service Functions** (Procurement and Digital Solutions), which are entrusted with the task of Information and Communication Technology activities and managing purchases at a Group level;

- **Holding Functions** (Administration, Finance and Control, People and Organization, Communications, Legal and Corporate Affairs, Audit, Innovation), entrusted with the task of managing governance processes at a Group level.
Enhancing synergies and promoting growth

In recent years, numerous industrial sectors have undergone structural change, creating new markets, business and employment opportunities, but also the need to innovate consolidated business models and rethink how available resources are used. The energy sector is also experiencing constant, relentless change: the competitiveness of renewable sources and digitalization of assets are paving the way for new uses of electricity, making it possible to decarbonize the economy.

Energy has become vital for the development of technology, industry and society. Making energy accessible to everyone means giving local populations new possibilities in education, healthcare, gender equality and employment. Providing clean energy means facilitating development while respecting the environment and the local area. Providing clean, competitive energy means building a winning model in which all sustainability aspects have been achieved, creating shared value in the long term for the Company and parties involved.

In this context, Enel’s sustainable business model enhances the synergies between the various business areas and the outside world in order to find solutions to reduce environmental impacts, meet the needs of local communities and improve the safety of people working in the Company and its suppliers. It is thanks to this sustainable business model that Enel is able to meet the new challenges of the energy transition, not only by reacting to risks, but by seizing all opportunities without ignoring their social and environmental implications. In order to pursue this goal, a clear, defined and long-term strategic vision is needed to strengthen the confidence with which people look to the future and the role of Enel, today as in the years to come. It is necessary to study trends in order to anticipate them. A strategic and operational approach based on the concept of openness, “Open Power”, where sustainability and innovation are an indispensable combination. Developing and promoting innovative solutions that contribute to achieving the UN’s Sustainable Development Goals (SDGs) for 2030, through a structured Hub/Lab network, partnerships and startups and the activation of virtuous ecosystems with the aim of changing the world, contributing to creating more sustainable cities and leveraging access to new technologies and circular economy approaches.

Knowledge of the context in which Enel operates and engagement with all stakeholders are essential factors for combining economic with social growth in the long term. Community needs are analyzed, through a Creating Shared Value (CSV) model, starting from new business development phases: assessing social and environmental factors in the development of sustainable sites, managing assets and plants to make them platforms for sustainable development in the areas where they are located.

The principles of ethics, transparency, anti-corruption, respect for human rights and promotion of safety are all framing elements that have always characterized Enel’s method of working and which are based on policies and criteria of conduct that apply to the entire Group. It is a model that promotes sustainable development fully in line with the guidelines of the United Nations Global Compact, of which Enel has been an active member since 2004. These guidelines reaffirm the importance of increasingly greater sustainability in the company’s strategic choices.

Confirming the importance of this approach, the Enel’s CEO has been a member of the Board of Directors of the Global Compact since June 2015. A key element to this approach is the adoption of ESG (Environmental, Social and Governance) sustainability indicators within the whole value chain, not only to reflect the results achieved, but above all to anticipate decisions and develop a proactive attitude in line with the United Nations’ 2030 SDGs. Enel constantly strives to manage and measure its overall performance, taking into consideration economic, business and ESG topics in reporting its activities and defining the objectives underlying its strategy.
A sustainable business model

Global Infrastructure and Networks
Digital infrastructure platform, operational excellence, distributed generation and quality of service.

Global Trading
Global portfolio optimization and integrated margin management.

Enel Green Power
Zero-emission generation growth engine and driver of social development through access to energy.

Global Thermal Generation
Key role in the low-carbon transition of the energy mix, optimization of assets through digitalization and responsible relations with communities.

Retail @ Country
Focus on the customer as energy user: promotion of responsible and conscious consumer-oriented products.

Enel X
Key role in energy transformation and focus on the customer as an actor in the development of new solutions in which energy becomes a service.
The energy of the circular economy

The circular economy offers huge potential, capable of generating competitiveness, bringing together innovation and sustainability. However, to implement this model, the traditional approach to the market, to customers and natural resources must change, promoting initiatives that target a responsible use of natural resources, harmonizing ecological, economic and environmental aspects in a context that is not linear, but circular. Enel has made the circular economy a driver of its strategy, setting out a global vision and developing concrete actions for its Business Lines in various countries. Below are some examples:

- **the Future project**, the world’s first example of large-scale requalification of industrial zones in a circular economy approach, concerns 23 thermal power stations that are no longer active and a former mining zone. To identify the best ideas for each area, an approach based on sharing with local communities, engaging with stakeholders and institutions and sourcing investors has been singled out. At the end of 2018, procedures began to identify redevelopment solutions for 19 sites. Processes have been completed for nine of these sites, with relative redevelopment solutions identified and activities started. For further details see [https://corporate.enel.it/en/futur-e](https://corporate.enel.it/en/futur-e);

- **Enel X**, in its role as an accelerator of supplier/customer circularity and in the context of circular cities, launched two macro-areas of activities – one targeting a continual improvement in the circularity of its portfolio of products and services, and the second targeting the measurement of the energy circularity of its industrial customers and cities (see the chapter “Operational improvement for a better service”);

- **Enel’s Global Procurement Function** has evolved towards a circular approach, adopting innovative methods to monitor and gain complete knowledge of material flows, in terms of components, environmental impact and product recyclability, forging partnerships with suppliers that become fundamental allies;

- **Enel Green Power** has combined the Group’s approach to the circular economy with its own activities, focusing on the re-use, recovery and recycling of materials, during work site, plant and office management phases;

- **Global Infrastructure and Networks** has developed a number of initiatives in the countries where it operates, including the E-Distribuzione project to recover the plastic of first-generation meters which are to be replaced by the Open Meter. Non-plastic materials are also fully recycled: components of the electronic board, for example, are re-used in the goldsmithing sector, copper is used to manufacture brass, iron is used for building. A similar project has been started in Brazil for the sustainable replacement of smart meters. Analysis is also ongoing to optimize the design of components to use on the network, to streamline end-of-life management.

In 2018, Enel consolidated its positioning in the circular economy in Europe and worldwide, also thanks to strategic partnerships and collaborations. Together with companies participating in the Alliance for the Circular Economy, an initiative launched together with leading Italian business groups to support the creation of circular systems and the closure of industrial cycles, a position paper with proposals for Italy was prepared ([https://corporate.enel.it/content/dam/enel-it/media/documenti/position-paper-alleanza-economia-circolare.PDF](https://corporate.enel.it/content/dam/enel-it/media/documenti/position-paper-alleanza-economia-circolare.PDF)). Enel is a founding member of the Italian Circular Economy Stakeholder Platform (ICESP) and has co-coordinated a working group for sustainable and circular systems for design, production, networks and consumption. During 2018, Enel was involved in international panels on the circular economy (including WBCSD - Factor10; Ellen MacArthur Foundation CE100) and a study on “100 Italian Circular Economy Stories” was produced together with Symbola.
Cities of tomorrow
Circular cities

CIRCULAR CITIES

The cities of tomorrow must adopt a circular vision and a circular model for all contexts, from buildings to infrastructures, mobility, energy systems and the waste cycle. During 2018, Enel produced the position paper “Cities of Tomorrow. Circular Cities.” The document looks at some examples of Enel’s circular projects to promote the sharing of goods practices and enable dialogue on the circular transition of the city ecosystem.


Measuring circularity: CirculAbility model

To adopt circular economy principles to the best extent possible and assess the results, a measuring system is necessary, with a set of parameters that can quantify the “circularity” of products and projects, based on the benefits generated in terms of a reduction in raw materials used. Enel has developed a model to measure circularity, that takes account of the five pillars of the circular economy and defines a single circularity index, calculated starting from two components:

- flow circularity, which takes account of all material and energy components in the input phase (if renewable, from recycling, re-use, etc.) and output phase (recycling, re-use, landfill);
- use circularity, which takes account of the use of materials, through an extension of the useful life and considering the adoption of sharing and “product as a service” principles.

1 The five pillars of the circular economy: sustainable input, extending the useful life of products, sharing platforms, product as a service, end of life.
Creating long-term sustainable value for all stakeholders is a primary goal for Enel. Climate change, atmospheric emissions, water resource management, biodiversity, the circular economy, health and safety, diversity, personnel management and development, relations with communities and customers, the supply chain, ethical conduct and human rights are just some of the topics that make up sustainability. Enel has created a specific governance structure based on international best practices that covers the various company, decision-making and operational processes along the entire value chain.

The Board of Directors reviews and approves strategic, industrial and financial plans, including the annual budget and Group Industrial Plan, that supplement the main guidelines to promote a sustainable business model and lay the foundations for creating value in the long term. The Board is responsible for approving the Sustainability Report and Consolidated Non-financial Statement (NFS) in accordance with Legislative Decree 254/16, after consulting with the Control and Risks Committee and Corporate Governance and Sustainability Committee respectively.

The Corporate Governance and Sustainability Committee is entrusted, among others, with the task of monitoring sustainability topics related to business operations and the dynamics of interaction with all stakeholders. The Committee also: reviews the guidelines of the Sustainability Plan and procedures for implementing the sustainability policy; monitors the inclusion of Enel in main sustainability indexes; reviews the general configuration of the Sustainability Report and NFS and its contents, as well as the completeness and transparency of information provided; reviews the main company rules and procedures that have an impact on stakeholders.

The Control and Risks Committee is required, among others, to review the contents of the Sustainability Report and NFS which are significant for Internal Control and Risk Management System purposes, as well as the main company rules and procedures of this system and which may be significant for stakeholders.

The Chairman of the Board of Directors, currently also the Chair of the Corporate Governance and Sustainability Committee, has a proactive role, as part of its function to steer and coordinate the activities of the Board, in the process to approve and supervise the sustainability strategy.

The Chief Executive Officer and General Manager handles the definition and adoption of the sustainable business model, establishing guidelines to manage the energy transition, promoting the production of zero-carbon emission energy and company practices that take into consideration the expectations of various stakeholders.

The Innovability (Innovation and Sustainability) Function, reporting directly to the Chief Executive Officer, manages all activities concerning sustainability: defining the Sustainability Plan and monitoring progress, preparing reporting, overseeing relations with international associations on sustainability and ESG indexes and rating agencies (coordinating with the Investor Relations unit), and managing projects to create shared value. There are also Holding units which are responsible for the various activities of Enel SpA and which guide and coordinate the various Sustainability units in different countries and Business Lines. Each Country or Region identifies the expectations of its local stakeholders and consequently defines the sustainability strategy, adapting Group guidelines to requirements of the local context.
Enel in the media

Enel constantly monitors how the Group is perceived in the local, national and international press, radio, TV and web, across both general and specialized publications, always maintaining an open and positive attitude in its relations with the national and international press. Some of the aspects most well received during the year by national and international media concern business topics related to the presentation of the 2019-2021 Strategic Plan, electric mobility (presentation of the national plan for electric mobility in Italy, Spain and Romania, Futur-e tenders), the construction of new renewable energy plants and innovation. From the media’s point of view, “sustainability” is a topic that permeates Enel’s entire business model, and was therefore contemplated in most media coverage of the Group in 2018. In the year, the Chief Executive Officer took part in a number of international events, including the World Economic Forum in Davos, the BNEF Energy Summit 2018, the Climate Week of New York, the Russian Energy Week, the Forum Ambrosetti 2018 in Cernobbio, the annual eurelectric summit in Ljubljana, and the general meeting of Global Compact. Local media attentively followed the process to privatize Eletro-paulo in Brazil, announcements of coal plants being closed down in Spain, and extreme climate events in Italy, Chile and Romania. According to research conducted by Eikon, which analyzes Enel’s media presence, Enel’s visibility in 2018 in Italy was in line with that of previous years in quantitative terms, but had improved considerably in qualitative terms. Enel monitors its brand equity in the various countries in which it operates in order to better know and understand its customers. The main site, www.enel.com, brings all of the Group’s main activities and results together, allowing the various categories of stakeholders to remain continuously up-to-date. In particular, the main sustainability and innovation projects are included in the “Stories” section of www.enel.com, while non-financial information and the materiality assessment are present in the “Investors” section.

Prizes and awards

In 2018, Enel won several prizes and awards, including:

» the Ethical Boardroom Corporate Governance Awards (January 2018): Enel was awarded first prize in the category of European utilities excelling in corporate governance leadership;

» Diversity Awards 2018 (July 2018): the Group was awarded in the “Corporate Social & Sustainable Management” category. This recognition comes from its commitment since 2013 to projects and initiatives that value diversity in all its forms and promote inclusion at Group level. These commitments include its Human Rights Policy, Diversity and Inclusion Policy and endorsement of Women’s Empowerment Principles promoted by UN Global Compact and UN Women;

» Fortune Change the World list (August 2018): for the third time in four years, Enel was included in the “Change the World” list of the prestigious US economic publication Fortune. This classification ranks the main companies worldwide that have a positive social impact through activities that are a part of their corporate operations and strategies. Enel, the only Italian company among the 63 selected by Fortune, was ranked 28th and was recognized for its ongoing commitment to renewables, its Open Power strategy and approach to innovation;

» The Real Innovation Awards – People Choice 2018 (October 2018): of the 28 companies selected for the final ranking awarding businesses capable of true innovation, Enel came first in the “Masters of reinvention award” category.
Enel’s presence in the main energy and sustainability associations

The Enel Group actively participates in national and international sustainability associations and organizations that aim to define long-term goals and commitments, to promote a sustainable way of doing business and to manage the challenges of climate change and socio-economic pressures that affect the macroeconomic scenario, the energy sector in particular. Below are some examples.

Sustainable Energy for All (SEforALL)

This international, non-profit organization works through a multi-stakeholder approach with the private sector, civil society, institutions and governments, to support the SDG 7 for affordable and clean energy. Enel has been supporting SEforALL since 2011, and in 2018 confirms its position as “Delivery Partner” of the Organization. The Company participates at the “Electrification Accelerator” initiative, launched by SEforALL in November 2018 with the aim of developing action plans to address the global challenge of the electrification and access to energy, mainly in Sub-Saharan Africa.

eurelectric

The main association of the electrical industry at the European level. The CEO of Enel was Chairman of the association in the 2017-2019 period.

CSR Europe

CSR Europe is the leading European business network dedicated to sustainability. Enel has been a member of it since 2005, holding the position of Deputy Chair of the Board of Directors since 2016. In 2018, Enel continued its work for the “Sustainable Business Exchange” campaign – the European hub promoted by CSR Europe and focused on Sustainable Development Goals.

International Integrated Reporting Council (IIRC)

Since 2016, Enel has been a member of the IIRC, a global coalition of companies, investors, regulators, standard-setters and non-governmental organizations for the promotion of the integrated report. Such report is viewed as a tool with which companies communicate their values, decisions and actions to stakeholders clearly and comprehensively by presenting their financial performance and the social, environmental and economic context in which they operate. In 2018, following the launch of the new strategy of the IIRC, “Building global momentum towards integrated reporting”, Enel took part in a number of work panels including the “Special Interest Group Integrated Thinking and Strategy”, which aims to create a common framework for integrated thinking, that may be applied at global level to improve the resilience of businesses.
Enel’s CEO, since late 2017, has been a member of the European Commission platform, the platform called for and created by the Commission for the adoption of the SDGs in Europe. The Group is also member of the Management Committee, aimed to support the platform activity. In 2018 the platform adopted the Reflection Paper to the Commission “Towards a sustainable Europe by 2030”, to guarantee a sustainable future by 2030 in the EU based on the UN SDGs. The Reflection Paper was published in January 2019.

**Global Reporting Initiative (GRI)**

Enel has been a member since 2006, and since 2016 it has been part of the GRI Gold Community and the Stakeholder Council, the multi-stakeholder consulting body that supports the GRI Board of Directors on strategic topics. Besides participating in regular activities for Gold Community members, Enel joined the Corporate Leadership Group on Digital Reporting and the Human Rights Task Force on Tackling Modern Slavery through Transparency, in 2018.

**World Business Council on Sustainable Development (WBCSD)**

Since 2016, Enel has been a member of WBCSD, an international network which groups about 200 companies committed to the environmental protection and to the sustainable development and economic growth. Enel, a member of the Committee with the CEO, is also represented by a Liaison Delegate. The Company actively participates in the main working groups. In particular, in 2018, Enel has maintained its support to the Factor10 Project, on circular economy, the Transforming Urban Mobility Project, and to the Climate Action & Policy and REscale Projects, within the Climate & Energy Program. Enel has been also involved in the Redefining Value Program, becoming a member of the Task force on Climate-related Financial Disclosures (TCFD) Electric Utilities Preparer Forum.

**United Nations Global Compact (UNGC)**

Since 2004, Enel has been a member of the United Nations Global Compact, for which it is a signatory of the ten founding principles related to human rights, labor standards, environmental protection and anti-corruption. Thanks to its strong commitment, Enel has been recognized in 2018 as a LEAD company for the Global Compact: a group that represents the world's foremost sustainability leaders in the private sector. In June 2018, Enel’s CEO has been re-appointed as member of the Global Compact Board, for a further three years (2018-2021). Furthermore, the Group is part of the UNGC Expert Network. During 2018, Enel maintained its support to the UNGC platforms “Reporting on the SDGs” and “Financial Innovation for SDGs”, reinforcing its commitment thanks to participation in other two platforms focused on goals 13 (Climate action) and 16 (Peace, justice & strong institutions). Enel is also an endorsing company of the “Caring for Climate” initiative, created to promote the role of businesses in tackling climate change, and the “CEO Water Mandate”, created to mobilize business to advance in sustainable water management. Since 2015, Enel has been a signatory company of the Women’s Empowerment Principles (WEPs), to promote gender equality within the private sector, in the workplace, on markets and in communities.
Enel constantly manages relations with institutions (local, national, European and international), in line with the Enel Compliance Program, providing complete and transparent information with the aim of placing institutional counterparts in the best conditions to make the decisions they are responsible for. Enel also contributes to the consultation processes regarding political and legislative dossiers on energy and environmental topics. In the context of relations with European institutions, Enel actively contributes to every phase of the consultation process on political and legislative dossiers of corporate interest through careful monitoring and analysis (see also the chapter “Growth across low-carbon technologies and services”).

Within a dynamic positioning process aimed at assessing how companies are influencing environmental policies and legislation around the world, InfluenceMap, an independent British non-profit organization, has ranked Enel among the most supportive and strategically active utility companies. This result is an effect of Enel’s strong leadership, its influence within leading European associations, and its positive interaction with InfluenceMap itself, which also encourages involved organizations to provide adequate feedback.

Finally, the Enel Group has been registered in the EU voluntary transparency register since its creation in 2008. The register aims to provide citizens with a single and direct access point to information on who carries out activities aimed at influencing the EU decision-making process, the interests pursued and the resources invested in these activities (http://ec.europa.eu/transparencyregister/public/homePage.do).

In line with the provisions of the Code of Ethics, paragraph 3.26, Enel does not provide finance to political parties, in Italy or abroad, their representatives or candidates, nor does it sponsor conventions or parties whose sole purpose is political propaganda. It refrains from any direct or indirect pressure on politicians (for example, through granting use of its facilities, acceptance of hiring recommendations, or consultancy contracts). Enel and its subsidiaries are present in various trade and employer associations whose role includes representing the position of its members in the regulatory processes pertaining to the business activity. The annual contributions paid to the aforementioned organizations in the form of membership fees totaled approximately 8.3 million euros. In particular, in 2018 the three largest contributions made on a global level concerned UNESA (Asociación Española de la Industria Eléctrica) in Spain, Confindustria and Italian National Association of Electrical Companies in Italy.

The institutional dialogue with the trade and employer associations in which Enel and its subsidiaries took part in 2018 concerned the support of regulatory and consultation processes, among others, on the following main topics:

→ development of energy policies: including, among other topics, the strategic outlook of the sector, energy efficiency, the growth of renewables, smart grid development and energy costs;

→ increasing business competitiveness: including, among other topics, tax regulation, labor law issues and environmental policies.

2 The annual contributions in the last four fiscal years have amounted to: 8.3 million euros in 2018; 9 million euros in 2017; 9 million euros in 2016; 9.7 million euros in 2015. These figures include the contributions paid by Enel SpA (including the main Italian companies) and its foreign subsidiaries Endesa, Enel Américas and Enel Chile.

3 Specifically: UNESA 2.2 million euros; Confindustria 1.9 million euros; Italian National Association of Electrical Companies 0.7 million euros.

4 The contribution in 2018 was 5.2 million euros.

5 The contribution in 2018 was 3.1 million euros.
CO₂ emissions were equal to 0.356 kg/kWhₑₑ in this regard, the Sustainability Report this year includes a section on the commitment to taking on board the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) of the Financial Stability Board (see the chapter “Growth across low-carbon technologies and services”). Significant progress was made in the development of high-quality, reliable and resilient infrastructure, and more sustainable cities, in line with SDG 9 and CO₂ emissions were equal to 0.356 kg/kWhₑₑ. In this regard, the Sustainability Report this year includes a section on the commitment to taking on board the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) of the Financial Stability Board (see the chapter “Growth across low-carbon technologies and services”). Significant progress was made in the development of high-quality, reliable and resilient infrastructure, and more sustainable cities, in line with SDG 9.

Financial results have been extremely robust: ordinary EBITDA was equal to 16.2 million euros, up by 4% over 2017, and ordinary net profit equaled 4.1 billion euros, up by 9%. The Board proposed to the Shareholders’ Meeting, convened for May 16, 2019, the distribution of a 0.28 euros per share dividend.

Growth investments amounted to 8.5 billion euros. Investment in asset development amounted to 4.7 billion euros, 61% devoted to renewable energies, mainly in North, Central and South America, and 34% to the digitalization of the distribution network. With over 3 GW of new renewable capacity, Enel Green Power has established a new industry record and made a name for itself as the Group’s engine for growth, together with the distribution business, which has increased the number of Enel customers connected to the grid to 73 million, due to the acquisition of Eletro-paulo in Brazil. The sustainable business model continues to represent the foundations for the Group’s global presence, as reflected by the progress made in achieving SDGs.
The Enel X strategy on electric mobility continued, through the development and installation of charging stations: at the end of 2018, 49,000 stations were installed. The focus on demand response (6.2 GW) and storage capacity (3 MW per year) continued. Strategic actions are being taken to promote a more extensive shared value through initiatives with communities involved in Enel’s operations and investing in training initiatives to promote Enel people skills development.

The Group also continued its focus on creating shared value with the communities where it operates, improving living conditions and energy availability. Important results were achieved regarding commitments relative to the United Nations’ SDGs:

- projects were supported to ensure an inclusive and equitable quality education, in which 1 million beneficiaries were involved (SDG 4);
- progress was made in providing access to affordable, reliable, sustainable and modern energy for 6.3 million beneficiaries, of whom 3.3 in Latin America, Africa and Asia (SDG 7);
- sustained, inclusive and sustainable economic growth was promoted, with projects involving 1.8 million beneficiaries (SDG 8).

The year saw the involvement and participation of the over 69,000 people who work for the Company. In the performance appraisal process, 99% of people took part in the appraisal phase, while, in the climate survey, over 86% of people were involved. Enel continued to pursue its commitment to enhancing diversity in all its forms, including gender, age, culture and ability. In particular, in line with the defined trajectory, selection processes included 39% women. To speed up the entire Company’s digital transformation, a change management and digital skills dissemination program was launched, with the aim of reaching 100% of the company population from as early on as 2020. A new flexible organizational culture has made it possible to put people at the center, involving them and empowering them in order to create value in a collaborative and effective way.

In the field of health and safety, Enel has continued its commitment to increasing-ly efficient standards and the development of new tools and operating methods. In 2018, the total injuries frequency rate confirmed the trend of falling rates in previous years, with a figure of 0.90 injuries per million hours worked, down by 14% compared to 2017. In particular, the frequency rate for Enel people stood at 0.94 (-21% compared to 2017) and for contractors’ at 0.87 (-10% compared to 2017), confirming the effectiveness of the Group’s safety strategy and policies. The process to adopt the Enel Global Compliance Program in Argentina, Mexico, Peru and Spain, was completed, in compliance with local laws. The program aims to strengthen the ethical and professional commitment to preventing illegal activities committed abroad that could result in corporate criminal liability and reputational risks. The adoption of action plans, as the output of human rights due diligence, continued, with 67% of all scheduled actions carried out. The Board of Directors continued to monitor the adoption of the diversity policy, ensuring it was complied with in full.

In the context of environmental sustainability, specific SO2 and NOx emissions were equal to 0.73 and 0.69 g/kWh, respectively, down by 11% and 10% over the previous year, while the reduction in dust was even more considerable, down by 37%, and amounting to 0.16 g/kWh, Specific water needs amounted to 0.38 (kWh), down by 14% over 2017. As for cyber security, Enel’s CERT (Cyber Emergency Readiness Team) was accredited by 8 national CERTs (Italy, Romania, Spain, Argentina, Chile, Peru, Colombia and Brazil) and in 2018, approximately 500 systematic audit activities ("Ethical Hacking," "Vulnerability Assessment," etc.) were conducted on the protection level reached by IT and industrial systems and applications. In addition, coverage of web applications posted on the Internet with advanced cyber security application solutions reached 89%. The applications were selected through a careful prioritizing process.

For further details on 2018 results, see the section “Sustainable value created” and in particular the dashboards at the start of each chapter.

6 Values including managed capacity.
7 Values including the capacity managed through the joint ventures of the Renewables Area in Italy, USA and Canada.
8 Values including managed production. With regard to consolidated production alone, 49% of the amount generated created zero emissions, and CO2 emissions amounted to 0.369 kg/kWh.
9 Values including managed production. With regard to consolidated production alone, SO2 and NOx equaled 0.75 and 0.72 g/kWh respectively, while dust equaled 0.17 g/kWh. 
ENEL AND SUSTAINABLE FINANCE

Sustainable finance plays a key role in promoting sustainable development over the long term. In line with the financial strategy, Enel Finance International NV, the Group’s financial company controlled by Enel SpA, placed three green bonds on the European market in January 2017 (1.25 billion), 2018 (1.25 billion) and 2019 (1 billion) for a total of 3.50 billion euros. The bonds are for institutional investors and are guaranteed by Enel SpA. Through green bond emissions, the Group aims to fund projects conducive to the transition to a “low-carbon economy.” For further details and relative reporting see the chapter “Green Bond Report.”

After the Pledge signed in late 2017, in which nine companies committed to supporting the green bonds market, on December 10, 2018 Enel and another 15 European corporate majors met in Paris, to create the “Corporate Forum on Sustainable Finance.” The initiative is designed to further increase the number of participants, facilitating the acceleration of sustainable finance through a greater growth in financial instruments supporting sustainable investments.

Since the end of 2017, Enel has been a patron of the United Nations Global Compact platform dedicated to new and innovative financial instruments to accelerate the achievement of the SDGs (“Financial Innovation for SDG”). Enel has also been a Member Issuer of the Green Bond Principles (GBP) and Social Bond Principles (SBP) with the International Capital Market Association (ICMA) since 2017.

Besides the Committee for green bond emissions and management, Enel was one of the first organizations worldwide in 2018 to formalize the establishment of a permanent structure dealing with sustainable finance issues. This structure includes the “Finance-Capital Markets,” “Investor Relations” and “Innovability – Sustainability Planning and Performance Management” units, guaranteeing an approach that is integrated, inclusive and multi-disciplinary.
In 2017 and this trend was also confirmed in 2018, deviating from the trajectory consistent with achieving climate-related goals. Affordability, reliability and sustainability are related and call for an integrated approach in terms of energy policy. In the WEO 2018’s New Policies Scenario (NPS), growing income and a 1.7 billion increase in the world population, mainly in urban areas of developing economies, will lead to an increase in energy demand worldwide by over a quarter from now until 2040. In the absence of continual improvements in energy efficiency levels, this increase would be two-fold that estimated. Electricity is the undisputed lead player on the energy stage, and is a fundamentally important driver of change to achieve many of the world’s objectives for sustainable development. In advanced economies, despite a modest growth in demand for electricity, huge investments are necessary to support the evolution of the generation mix and modernization of infrastructures. In developing economies, with a demand for electricity that has increased two-fold, strategies for economic development and reducing emissions must instead target electricity that is clean, universally accessible and affordable.

In the New Policies Scenario, renewables take the place of coal in the electricity mix: the amount generated from renewables will go up from the current figure of 25% to approximately 40% in 2040; the trend instead will be reversed for coal. An increase in renewable energies, particularly photovoltaic and wind power, requires an electrical system that can operate flexibly, to guarantee continuity of supplies.

In 2017, for the first time ever, the number of people without access to electricity fell below 1 billion, but trends in access to energy are far from achieving global goals. In 2040, over 700 million people, particularly in rural areas of Sub-Saharan Africa, will still not have access to electricity.

In this landscape, companies must adopt an integrated approach to managing the impact of energy transition on the environment, people and communities (the “just transition”). Climate change, social inclusion, the development of new, innovative and sustainable products and services will become key aspects for managing growth and promoting the 17 Sustainable Development Goals of the United Nations. This approach must be taken by all players involved and must follow a common path towards achieving sustainable development for the planet.

Setting priorities

Sustainability context

Knowing the reference context and identifying key trends in advance allows us to direct the business model and guide the ongoing energy transition. Macro-trends in a technological context are driving a rapid electrification of global energy demand, increasingly linked to decarbonized sources. This need is particularly felt in many big cities the world over, in line with growth trends in the global population and urbanization. Key elements will be the development of urban infrastructures, increasingly sophisticated digitalized networks and suppliers of software platforms that can meet the new needs of customers.

The World Energy Outlook 2018 (WEO 2018) of the International Energy Agency (IEA) has stated that the world is gradually building a different energy system model, but with fundamental aspects that still have some weaknesses:

- **affordability**: wind and photovoltaic costs are continuing to fall, while oil prices went over 80 dollars a barrel in 2018 for the first time in four years; moreover, in some countries, reforms concerning subsidies for the use of fossil fuels are at risk;
- **reliability**: oil and gas procurement risks are still present. At worldwide level, one person out of eight does not have access to electricity, and the electrical sector has to tackle new challenges, from a necessary flexibility to cyber security;
- **sustainability**: after three years with steady values, energy-related global emissions of CO₂ went up by 1.6% in 2017 and this trend was also confirmed in 2018, deviating from the trajectory consistent with achieving climate-related goals.

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Main risk types

Due to the nature of its business and relative geographic presence, the Group is exposed to various types of environmental, social and governance-related risks, of which the main types are indicated in the table below, together with the activities aimed at mitigating their effects and ensuring their appropriate management. The following researches were considered in identifying potential risks:

- the results of materiality assessment (see the following paragraph “Materiality analysis”);
- the 2019 Global Risk Report of the World Economic Forum (WEF), involving some 1,000 experts and leaders from around the world;
- the country risk assessment carried out as part of the due diligence process on human rights overseen by Enel, which involved a wide range of experts from different sectors, including civil society, academic institutions, local communities, customers and suppliers, in various countries where the Group operates;
- the analyses of some of the world’s most highly renowned ESG rating agencies, which use specific risk assessment systems to rate companies sustainability performance.

The Precautionary Principle was also applied during the risk identification and assessment phase. This Principle was applied in particular to risks relating to the environment and health and safety, and for each type of risk, specific actions have been identified to mitigate their effects and ensure their proper management. Enel also applies this principle to risk management, especially as regards the development and introduction of new products/technologies, the planning of operating activities and the construction of new plants/assets.

Further details on the risks presented:

<table>
<thead>
<tr>
<th>ESG risk</th>
<th>Description of the risk</th>
<th>Management procedures and mitigation actions</th>
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</thead>
<tbody>
<tr>
<td><strong>Cyber-attack risks</strong></td>
<td>The digitalization and technological innovation era implies that organizations are increasingly exposed to cybernetic attacks, which are becoming more numerous and sophisticated, also with regard to changes within the reference framework. The organizational complexity of the Group and the high number of areas which characterize it (data, people and industrial world) expose the assets to the risk of attacks.</td>
<td>The Enel Group has adopted a risk management model based on a “systemic” vision, which applies both to the traditional Information Technology area and the industrial area (Operational Technology), also taking into account the access to the network of smart “objects” (Internet of Things). In particular, Enel has adopted a policy, called “Cyber Security Framework”, to address and manage cyber security activities. Such Framework provides for the involvement of business areas, the implementation of legal and regulatory provisions, the use of the best available technologies, the preparation of ad hoc business processes and people awareness. The Framework lays the foundations for strategic decisions and design activities using a “risk-based” approach and a planning and development model which defines the appropriate security measures throughout the whole life of the applications, processes and services (“cyber security by design”). Enel has also created its own CERT (Cyber Emergency Readiness Team), which is active, recognized and accredited by national and international communities, in order to address an industrialized response to cyber threats and accidents.</td>
</tr>
</tbody>
</table>
### ESG risk | Description of the risk | Management procedures and mitigation actions
--- | --- | ---
**Climate change physical risks** | Physical risks arising from climate change can be connected to a single event or a long-term change in climate models. Extreme meteorological events and natural disasters expose the Group to the risk to incur damages to its assets and infrastructures, with the consequent possibility of prolonged unavailability of the assets involved. Moreover, the Group is exposed to the risk of impacts on the functioning of the assets linked to gradual climate changes (e.g. air and water temperature, rainfall and wind). | Enel participates in the entire electricity value chain (generation, distribution and sales) and has a diversified portfolio of activities, both in terms of generation technologies and in terms of geographical areas and markets in which it operates, mitigating the risks associated with changes in climate models and their overall financial implications. In addition, the Group adopts the best prevention and protection strategies in this area, also in order to reduce the possible impact on the communities and areas surrounding its assets. Therefore, weather monitoring and forecasting activities are constantly carried out in the areas where the most exposed assets are located. Numerous activities are carried out to increase the resilience of assets most exposed to extreme weather events or natural disasters. All areas of the Group are subject to ISO 14001 certification and, through the application of internationally recognized environmental management systems (EMSs), potential sources of risk are monitored so that any critical issue can be promptly identified.

**Climate change transitional risks** | The transition to a “low-carbon” energy model may involve risks related to law/regulatory, political, legal, technological and market changes associated with the fight against climate change, with effect on the short, medium and long term. In this context, topics such as the increasing reporting requirements on emissions and other legal requirements, the use of low-emission energy sources and the reduced exposure to fossil fuels, the uncertainty of market signals with potential unforeseen changes in energy prices, the increase of raw materials or the increasing interest of stakeholders on climate are the climate change risk factors to which Enel can be exposed to and which can potentially influence the Company’s financial performance. | The Group is committed to a continuous improvement of its existing activities in terms of environmental impact by pursuing its objective of reduction of the emissions, first and foremost the one related to the “zero emission generation” by 2050, and by adopting a strategy which pursues growth through the development of low-carbon technologies and services, in line with the objectives of COP21. Moreover, in order to mitigate the risks deriving from the legal and regulatory aspects linked to climate change, the Group maintains relations – characterized by a transparent and collaborative approach – with local and international authorities and regulatory bodies.

**Water crises risks** | The risks related to water crises are mainly due to changes in climate and levels of water use. Impacts differ depending on the geographic context, but the general tendency is a lower predictability of frequency and a greater rainfall intensity, with a consequent reduction in the availability of water. With regard to the levels of use of water as a resource, the risk is linked to the competition between industrial production, agricultural use and use of drinking water, in a context of water scarcity. | Enel conducts meteorological analyses every 3-6 months and is developing long-term analyses in areas where generation plants are located, in particular hydroelectric plants, in order to anticipate possible variations in the availability of water. Important activities are also carried out in collaboration with the local basin management authorities, with the ongoing objective of adopting a shared water resources management strategy that also considers the needs of local communities. Enel adopts measures to improve the efficiency of water use and quality at the level of production site within the environmental management systems.

**Environmental compliance risks** | Environmental protection regulations are becoming more stringent, in part due to the community’s greater awareness of and sensitivity to the topic. This has led to an increase in requests for companies to minimize their environmental footprint. Moreover, the increase in the population and economic growth are generating an impact related to the scarcity of resources, water management, waste and biodiversity. | Enel has adopted an environmental management system certified to ISO 14001 at its generation plants and distribution networks, which include extensive systems to monitor environmental KPIs and actions to minimize the environmental footprint, which go beyond legal requirements. Moreover, Enel puts in place specific measures to protect the biodiversity of areas surrounding its plants and installations. Lastly, the Group conducts environmental impact assessments when a new project is developed, establishing measures to protect the surrounding environment and ecosystems over the entire project life cycle (construction, operation, decommissioning).
### Materiality analysis

Enel launched a process aimed at identifying the priority issues for the Group and for the Company’s stakeholders in 2012, the so-called materiality assessment, a process that has been reinforced over time. The relative methodology was developed taking into consideration the guidelines of numerous international standards, including the Global Reporting Initiative (GRI), the principles of the Communication on Progress (COP) of the UN Global Compact, the IIRC (International Integrated Reporting Council) model and the SDG Compass, which supports companies in aligning their strategies with the Sustainable Development Goals. The objective of the assessment is to identify and evaluate the issues that are most important to stakeholders, to correlate them with the Group’s action priorities and its business strategy, considering also potential impacts generated and suffered, in order to verify their “alignment” (or “misalignment”) and identify any areas for improvement. Always conducted at an increasingly greater level of detail in terms of both issues and geographical scope, the assessment helps to identify the priorities both for the entire Group and for each country. It also allows the results to be obtained with specific focus areas, such as the matrix pertaining to the sole category of “Financial community” stakeholders, useful for identifying the issues to be analyzed in the Annual Report and thus providing an integrated performance report.

Based on the results of the assessment, the issues are determined for preparing the Consolidated Non-financial Statement and the Sustainability Report, and the challenging common goals included in the 2019-2021 Strategic Plan and in the 2019-2021 Sustainability Plan are set. The activities and projects pertaining to the various Group Functions and Business Lines contribute to achieving them (see the “2019-2021 Sustainability Plan” chapter for further information).

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<table>
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<tr>
<th>ESG risk</th>
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<tbody>
<tr>
<td>Risks related to human capital: demand for and development of new professional profiles and skills</td>
<td>The considerable change in the energy sector, with its strong technological focus, calls for new professional profiles and skills, as well as an important cultural and organizational change. Organizations must advance towards new business models that are agile and flexible. Policies that value diversity while also manage and promote talent have become key aspects in companies that are carrying out the transition, and have a widespread geographic presence.</td>
<td>Enel puts its people at the center of its business model. This is why management of human capital is one of the pillars of its 2019-2021 Strategic Plan. There are specific related targets, including the development of digital abilities and skills, the promotion of systems to appraise the workplace and performance and the dissemination of a diversity and inclusion policy in all countries. Enel is also putting in place specific initiatives to adopt agile working in its company processes.</td>
</tr>
</tbody>
</table>

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10 The analysis considers and assesses perceived risk, in the absence of controls.

Process and changes to the model

The materiality assessment process is divided into five main phases:

1. identification of the issues;
2. identification of the stakeholders;
3. assignment of relevance to stakeholders;
4. assessment of the priorities assigned by the stakeholders to the issues;
5. assignment of priorities to the issues in corporate strategies.

This process is aligned with AA1000APS standard and complies with inclusivity, materiality and responsiveness principles.

Data collection, aggregation and information processing are managed through a dedicated information system. This system grows every year to ensure greater traceability, to share best practices of engagement and monitoring of stakeholders, and to allow a degree of coverage consistent with the corporate organizational model. The system makes it possible to obtain specific views not only at the Group and individual company level, but also by Business Line/Company Function and single asset (meaning potential or actual operating sites).

The Holding Sustainability unit plays a role of direction and coordination, providing guidelines and methodological support for the assessment, conducted by local managers with the involvement of stakeholders and company-level key figures. The results obtained at the individual company and/or country level are subsequently consolidated by the Holding in order to prepare the Group’s materiality matrix (refer to the “Methodological note” for detailed information on the process used).

Since 2016, Enel monitors in the materiality assessment also stakeholders’ satisfaction on how the Company manages the various issues. When compared with the stakeholders’ materiality assessment, the results provide an overall view of stakeholders’ expectations and help identify the questions on which the Company must focus.

During 2018 a pilot project was also launched involving the main countries of presence, aimed at assessing the effective presidium of the issues by the Company, based on the results of the risk analysis and the tools adopted to manage the issues for which stakeholders have higher expectations. The results of this analysis provide useful suggestions on actual control methodologies and on the strategies to be implemented to fill any gaps.

The perimeter of the materiality assessment of 2018 was further enriched, through a greater integration of the results deriving from the application of CSV tools on the Group’s assets. In particular, in 2018 the following were included in the assessment:

- 231 initiatives
- 18 countries
- 46 companies
- 16 assets
The Group’s overall matrix takes into account the contributions of the main companies involved in the process, based on their relevance and the type of business in which they operate. The joint view of the two perspectives makes it possible to identify the issues of greatest importance both for the Company and for the stakeholders (the priority issues), and to verify the degree of “alignment” or “misalignment” between external expectations and internal relevance of these issues.

The issues with the highest priority emerging from the materiality assessment is summarized in the materiality matrix, which contains the following information:

- on the horizontal axis the priority that stakeholders, appropriately weighted based on their materiality, attribute to the various issues;
- on the vertical axis the issues on which Enel plans to focus its efforts, with the associated degree of priority, also taking into consideration planned investments, commitments, potential consequences and issues included in the Group’s Strategic Plan.

The “Methodological note” contains the most relevant categories of stakeholders identified for the assessment and the relevant communication and engagement channels.

The process envisages the continuous and direct involvement of stakeholders, external and internal to the Company, including top managers, through one-to-one interviews, surveys and other tools. In some cases, if necessary, stakeholder engagement is carried out ad hoc for materiality assessment, and therefore used for report purpose. These results integrate the ones emerging from the numerous initiatives already in place with the stakeholders, managed during the year by the different company areas within the Group overall engagement process and capitalized within the materiality assessment.

Stakeholder engagement

Understanding stakeholders’ expectations is one of the crucial phases of the assessment and is perfectly in line with Enel’s inclusive Open Power approach. The units responsible for the relations with stakeholders, who are annually involved in the assessment process, are responsible for:

- identifying and updating the list of the relevant categories of stakeholders, with the aim to have a comprehensive list of actual and potential stakeholders of the Group and to remain in line with the sustainability context in which Enel operates;
- evaluating and weighting the different categories according to the following parameters: dependence (importance of the relationship for the stakeholder), influence (importance of the relationship for the Company) and tension (the relationship’s time aspect);
- engaging stakeholders as appropriate according to the communication channels (generic, specific and interactive channels), the type of relationship with the group of interest and the reference context.

The service dedicated to “Stakeholder Engagement and Materiality” covers a selection of disclosures, strategically selected to address an organization’s approach towards stakeholder engagement and materiality assessment, thus aiming to improve the overall quality of the Report.


Priority issues

In line with the adopted methodology, during 2018 the issues, classified into business and governance issues, social issues and environmental issues, were assessed according to the priority given by the stakeholders and the Company. The result of the materiality assessment is summarized in the materiality matrix, which contains the following information:

- on the horizontal axis the priority that stakeholders, appropriately weighted based on their materiality, attribute to the various issues;
- on the vertical axis the issues on which Enel plans to focus its efforts, with the associated degree of priority, also taking into consideration planned investments, commitments, potential consequences and issues included in the Group’s Strategic Plan.

The Group’s overall matrix takes into account the contributions of the main companies involved in the process, based on their relevance and the type of business in which they operate. The joint view of the two perspectives makes it possible to identify the issues of greatest importance both for the Company and for the stakeholders (the priority issues), and to verify the degree of “alignment” or “misalignment” between external expectations and internal relevance of these issues.

The issues with the highest priority emerging from the materiality assess-
ment, with the description of the rela-
tive motivation and the consequent im-
 pact, are the following (please refer to
the “Methodological note” for the com-
plete list of material issues):

> New technologies, services and
digitalization - Technological pro-
gresses, particularly related to digi-
talization and new technologies, are
accelerating the transformation of
many sectors. This context offers
new business opportunities based on
the development of energy solutions
that promote sustainability and make
it possible to diversify the proposal
of products and services offered by
the Group to its customers, influenc-
ing both traditional business and the
development of new models. For this
reason, innovation (of product, ser-
vice or process) is a strategic priori-
ty that becomes a fundamental tool
for guaranteeing business success,
based on an increasingly competitive
and demanding environment. Enel,
as a leading company in the energy
sector, intends to actively position
itself in this new context, investing
in innovation and in the development
of new products and services and
promoting the application of new
technologies in the field of energy ef-
ciciency, electric mobility, storage and
other sustainable energy solutions.
As a result, the Group has included in
its 2019-2021 Sustainability Plan spe-
cific actions that promote growth and
development in this direction.

> Economic and financial value crea-
 tion - The creation of economic and
financial value is essential to ensure
the survival of the Group over time
and, therefore, its sustainability: a
company that creates econom-
ic and financial value has a greater
chance of seizing opportunities and
facing the challenges that arise. For
this reason, the Company’s financial
performance is among the most rel-
evant issues, based on internal and
external analyzes. It is increasingly
evident that the Group must focus
on a sustainable business model that
integrates the management of finan-
cial and non-financial risks, taking the
best opportunities arising from the
energy transition.

> Decarbonization of the energy mix
- The fight against climate change is
currently one of the main challenges
companies have to face. In particular
in the utility sector, this has caused
the development of public and regu-
larly policies that intend to pro-
mote a low-carbon global economy,
in which the electrification of energy
demand has a fundamental role. In
addition, institutional investors pay in-
creasing attention to the Company’s
climate change management and re-
 sults. Consequently, Enel, aware of
its role as a leader in the energy tran-
sition and in its ability to contribute
to the achievement of a low-carbon
economy, places among its priorities
the progressive reduction of green-
house gas (GHG) emissions, through
the increasing impulse of renewa-
ble energies and optimization of the
management of traditional technolo-
gies, elements that characterize this
one as a cross issue between busi-
ness and environmental aspects. The
Group thus aims to achieve its pub-
lic commitment to decarbonize the
energy mix by 2050, respecting the
intermediate targets defined in the
Strategic Plan and in the 2019-2021
Sustainability Plan.

> Occupational health and safety -
Enel considers people’s health, safety
and mental/physical integrity to be its
most precious asset. The Group has
always placed safety first and con-
tinues to consider it one of the main
priorities. The optimal management
of this issue also has a direct impact
on the performance of the Compa-
ny, as it allows to increase produc-
tivity and reduce labor costs. At the
same time, it contributes greatly to
generating loyalty and increasing the
commitment of employees towards
the Group and the work they do.
Consequently, this issue represents
a milestone in Enel’s sustainability
and contributes to the Group’s oper-
ational excellence: at the heart of the
health and safety strategy is every-
one’s constant commitment; integra-
tion of safety processes and training;
reporting and analysis of accidents
and near misses; the rigorous selec-
tion and management of contractors;
continuous quality checks; sharing
experiences across the Group and
benchmarking with the best interna-
tional players.

> Sound governance and fair corpo-
rate conduct - In recent years, prac-
tices regarding the ethical conduct
of listed companies have become
the object of growing interest from
markets and regulatory bodies. The
performance of the Group is bound,
among other factors, to strict compli-
ance with laws and ethical principles:
Enel has established a set of rules,
models and control mechanisms
through which it binds its employees
to act according to principles of in-
tegrity, both internally and in the field
of external relations. As a result, this
transparent model of conduct allows
Enel to create trust in its stakehold-
ers, an element that is also reflected
in the economic results and that con-
tributes to consolidating the Group’s
leadership position.

12 For more information on the methodology used
for the materiality analysis, please refer to the
“Methodological note”.

25 Long-term sustainable growth 2018
Priorities in corporate strategies

BUSINESS AND GOVERNANCE ISSUES
A Operational efficiency
B Decarbonization of the energy mix
C Customer focus
D New technologies, services and digitalization
E Sound governance and fair corporate conduct
F Economic and financial value creation

SOCIAL ISSUES
G Engaging local communities
H People management, development and motivation
I Occupational health and safety
L Sustainable supply chain

ENVIRONMENTAL ISSUES
B Decarbonization of the energy mix
M Environmental compliance and management

Priorities assigned by stakeholders
The priorities assigned by the stakeholders

Below are the priorities assigned by the various stakeholders to each assessed issue, based on the results of engagement initiatives carried out during the reference period. Enel responds to these key issues and concerns raised by the different stakeholders’ categories through its reporting, giving disclosure in the following chapters of this document of the main activities and projects performed during the year. Moreover, Enel includes these results in the planning process, setting targets and actions aimed at continuing to improve its performance in the different issues analyzed, in order to respond successfully to the expectations of its stakeholders.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Issues</th>
<th>Business community</th>
<th>Customers</th>
<th>Financial community</th>
<th>Institutions</th>
<th>Civil society and local communities</th>
<th>Media</th>
<th>Our people</th>
<th>Suppliers and contractors</th>
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<tbody>
<tr>
<td>Economic and financial value creation</td>
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<td>Decarbonization of the energy mix</td>
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<td>Engaging local communities</td>
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Very high priority (1st-3rd place)
High priority (4th-8th place)
Medium priority (9th-11th place)
Energy transition is a true transformation process, one that effectively leads down a path of sustainable long-term development; it enables more inclusive and environment-friendly growth and helps find new solutions for customers’ requirements. New forms of energy that can shape a new business model, taking value from urbanization, electrification, digitalization and decarbonization trends.

In the new 2019-2021 Plan, which is based on industrial pillars and ESGs, the Group is confirming the fundamental principles of its strategy, with greater change and acceleration in its implementation. The Plan promotes combining different cultures and objectives within the same Group, across mature businesses and upcoming activities, promoting the application of a sustainable business model along the entire value chain, in line with the 17 Sustainable Development Goals. Enel promotes the achievement of these goals, aligning its own strategy with the United Nations goals and measuring and managing its own direct contribution to achieving them.

Investments in development, equal to 16.5 billion euros in the three-year period, will mainly concern the development of renewable energies and network digitalization. Customer focus will also be consolidated at global level and Enel X activities for electric mobility and demand response will be stepped up.

In financial terms, the Plan estimates an increased dividend, a gross operating margin of 19.4 billion euros in 2021, against a profit that will go up to 5.6 billion euros.

Operationally speaking, in 2021 renewable installed capacity will be approximately 54 GW (SDG 7.2), thermal and nuclear capacity 39.5 GW and consequently 62% of production will be emission-free. In line with commitments made in 2015, to achieve Sustainable Development Goals (SDG 13), the Plan has set an additional goal of reducing specific CO₂ emissions by 2030 (0.23 kg/kWhₑₗ), in addition to the previous target for 2020 (< 0.35 kg/kWhₑₗ). This is in keeping with Enel’s strategy and its pledge to develop a business model aligned with the goals of the Paris Agreement (COP21), to keep the rise in the average global temperature to below 2 °C compared to pre-industrial levels and continue efforts to limit this temperature increase to 1.5 °C.

As regards the pillar dedicated to operational improvement for a better service, specific goals were introduced that will contribute to achieving SDG 9 (Industry, innovation and infrastructures) and 11 (Sustainable cities and communities): the Group expects to have some 47 million smart meters installed and 455,000 charging stations for electric mobility by 2021 and to invest 5.4 billion euros in digitalization in the 2019-2021 period. Enel also continues to promote the economic and social growth of the local communities in which it operates, confirming and strengthening its specific commitment to the following SDGs:

→ 2.5 million beneficiaries of quality education in the 2015-2030 period (SDG 4);
→ 10 million beneficiaries of affordable and clean energy in the 2015-2030 period (SDG 7.1);
→ 8 million beneficiaries in terms of decent work and sustained, inclusive and sustainable economic growth in the 2015-2030 period (SDG 8).

Considerable focus has been dedicated to the Company’s people, who are considered as key players in the strategy. This aims to strengthen their roles and responsibilities within the organization, providing them with the tools for managing the energy transition through clear and precise objectives in terms of performance appraisals, company climate, development of digital skills – with the aim of involving 100% of people in dedicated training by 2020 – and
promotion of diversity, with the intention of reaching a share of 50% women for the 2021 selection process. It is a method of working based on principles of ethics, transparency, inclusiveness, respect for human rights and maximum attention to safety.

Clear objectives are also linked to the promotion of a sustainable supply chain, an increasingly integrated and modern governance structure and environmental management based on the reduction of emissions and consumption, the promotion of biodiversity and the spread of a circular economy approach that combines innovation and competitiveness.

On an environmental level, targets to reduce specific SO2 and NOx emissions by 2030 (by -80% and -40% respectively compared to 2015 values) were relaunched, along with the objective to reduce dust (-90% compared to 2015). Digitalization and customer focus are fundamentals. Through 5.4 billion euros invested over three years, Enel wants to digitalize assets, with particular focus on smart meters, remote control and system connectivity, implement an agile design for the main processes that affect customers and increase its people’s digital skills.

This will be a technological transformation with a focus that must include cyber security, an area in which the Group has confirmed its objectives of disseminating the most advanced solutions and relative monitoring (Ethical Hacking, Vulnerability Assessment, etc.), and of raising awareness of an IT security culture. Enel therefore has the ambitious goal of steering the energy transition and the relative electrification of consumption, through a Plan that features all aspects of the energy of the future: efficiency, flexibility, digitalization, electric mobility and the integration of renewables, as well as the new role of customers – no longer just passive users, but conscious main players with growing needs.

For further details on the 2019-2021 Plan, see the section “Sustainable value created” and in particular the data overviews at the start of each chapter.
Sustainability Plan 2019-2021

ENERGY TRANSITION

DIGITALIZATION

ELECTRIFICATION

URBANIZATION

DECARBONIZATION

CUSTOMERS

INNOVATION

DIGITALIZATION

SUSTAINABLE LONG-TERM VALUE CREATION

Economic and financial value creation

Engaging the people we work with

Sustainable supply chain

Environmental sustainability

Sound governance

Operational improvement for a better service

Growth across low-carbon technologies and services

Engaging local communities

Long-term sustainable growth 2018

Long-term sustainable growth 2018
<table>
<thead>
<tr>
<th>Boost</th>
<th>Pillars</th>
<th>Backbones</th>
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<tbody>
<tr>
<td>Innovation and digitalization</td>
<td>Growth across low-carbon technologies and services</td>
<td>Occupational health and safety</td>
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<td></td>
<td>Operational improvement for a better service</td>
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<td></td>
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<td>Economic and financial value creation</td>
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| Public commitment taken with United Nations and at the Capital Markets Day |
ESG rating and indexes

RI funds continued to grow in 2018, with an upwards trend compared to the last 5 years. Enel’s share capital includes 169 Socially Responsible Investors (5.6% more compared to 2017), who hold about 10.5% of total Enel shares outstanding (8.6% in 2017), equal to 13.7% of the free float (11.3% in 2017).

Analysts and international ESG rating agencies continually monitor Enel’s sustainability performance, selecting:

- its ranking in the top 10% of leading electric utilities in the Dow Jones Sustainability Index (DJSI) for the fifteenth straight year, reaching sixth position. Moreover, four companies in the Group were included in at least one of the DJSI indexes (Enel SpA, Endesa, Enel Américas, Enel Chile) for the first time – a result never achieved by any other company in the world;
- second position in the conventional electrical sector of the FTSE4Good index, achieved by the Spanish company of the Group, Endesa, and fourth position in the Vigeo Euronext index, in the utilities sector;
- positioning in the seventh percentile of the utilities sector for the new ESG risk assessment methodology developed by Sustainalytics.

In 2018, these ratings acknowledged Enel’s strong commitment to lead transition towards a low-carbon energy model, thanks to the development of renewables, a reduction in conventional thermal capacity and the launch of innovative, sustainable solutions anticipating customers’ expectations. Enel also excels in other fields focused on responsible business management, such as ethical business, human rights, labor relations, non-discrimination, transparent disclosure, engagement with local communities, environmental strategy and biodiversity.

Nevertheless, according to these ESG
raters and their assessment methodologies, Enel should continue to advance on the implementation of specific market leading practices, some of which regard issues related to corporate governance and human capital development. Moreover, most rating agencies conduct stakeholder media analysis to identify business activities with a potential operational or reputational risk associated with relative environmental and social impacts. Although Enel’s performance is better than that of the industrial sector in which it is active, some rating agencies pinpointed a few specific activities concerning the Company’s business that could be potentially critical. However, some of these activities at risk refer to projects already abandoned by the Group, such as the HidroAysén and Neltume projects, even though they will remain in the ratings for the next 2/3 years. Other activities refer to projects to develop new operating assets or new business activities, such as the hydroelectric plant at Bocamina or the consortium between Enel Green Power and Nareva to develop wind plants. For further information and details on activities engaging local communities with regard to these two projects, see the chapter “Communities and value sharing.”
**Main ESG Rating and Sustainability Indexes**

**ESG Focus**
- **Dow Jones Sustainability Indices**
  - Enel Electric utilities
  - Positioned among the top 10% leading companies of the electric utility industry
  - Ongoing inclusion in the DJSI World index since 2004

**MSCI**
- **CCC**
  - 2018: AA
  - 2017: AA
- **Enel Electric utilities**
  - AA rating (on a scale from AAA to CCC)
  - Included in the MSCI ESG Universal Indices and MSCI ESG Focus Indices, among others

**Sustainalytics**
- **March 2019**
  - 22.9
- **Enel**
  - Positioned in the seventh percentile of the electric utilities industry
  - Ongoing inclusion in the STOXX ESG Leaders Indices (Global, Social, and Governance) since 2014

**Euronext Vigeo-Eiris Indices**
- Ongoing inclusion in the Euronext Vigeo-Eiris 120 Indices (World, Europe, Eurozone) since they were launched in 2012

**ISS**
- High score received in all the issues covered by ISS Quality Score, achieving the maximum score in all the environmental and social-related criteria

**Environmental Focus**

**CDP Climate**
- **2018**
  - Poor
  - Medium
  - Good
  - A
  - A+
- **2017**
  - Poor
  - Medium
  - Good
  - A
  - A+
- **Enel Electric utilities**
  - Enel’s leadership on issues related to climate governance, risks and opportunities and target setting outstood in 2018
  - The score decrease is mainly due to the TCFD alignment, which impacted all the utilities industry

**CDP Water**
- **2018**
  - Poor
  - Medium
  - Good
  - A
  - A+
- **2017**
  - Poor
  - Medium
  - Good
  - A
  - A+
- **Enel Electric utilities**
  - Enel’s disclosure and management on water issues outstood in 2018
  - The score decrease is mainly due to the changes introduced in the assessment process by CDP, which impacted all the utilities industry
ESG FOCUS

- Positioned among the top 10% leading companies of the electric utility industry
- Ongoing inclusion in the DJSI World index since 2004
- AA rating (on a scale from AAA to CCC)
- Included in the MSCI ESG Universal Indices and MSCI ESG Focus Indices, among others
- Positioned in the seventh percentile of the electric utilities industry
- Ongoing inclusion in the STOXX ESG Leaders indices (Global, Social, and Governance) since 2014
- The rating was reduced by 18% in 2018 and followed an overall decreasing trend over the last 5 years, showing therefore a lower reputational risk linked to environmental, governance and social issues
- Positioned among the top 2% leading companies within the utilities industry
- Ongoing inclusion in the FTSE4Good Index since 2011
- Positioned among the top 15% leading companies in the utilities industry
- Ongoing inclusion in the Prime Ranking since 2017
- Enel's leadership on issues related to climate governance, risks and opportunities and target setting outstood in 2018
- The score decrease is mainly due to the TCFD alignment, which impacted all the utilities industry
- High score received in all the issues covered by ISS Quality Score, achieving the maximum score in all the environmental and social-related criteria
- In 2018, qualified among the top 100 best performers and returned to the Thomson Reuters Diversity and Inclusion Index (previous inclusion in 2016, when it was launched)
- In 2018, qualified among the top 200 best performers and was included in the Equileap’s Gender Equality Ranking since it was launched in 2017
- The commitment to increase women presence in all management levels and promote gender equal pay outstood in 2018
- The WDi is an investors-backed initiative launched in 2017 aimed at promoting transparency on the workforce management, covering both employees and contractors
- Enel participated in the WDi initiative in 2018 for its first time, performing much better than its industry peers
- Enel's transparency commitment on the management of its workforce and supply chain outperformed in 2018

SOCIAL FOCUS

- In 2018, qualified among the top 100 best performers and returned to the Thomson Reuters Diversity and Inclusion Index (previous inclusion in 2016, when it was launched)
- The implementation of the policy on diversity and inclusion and its outcome outstood in 2018
- In 2018, qualified among the top 200 best performers and was included in the Equileap’s Gender Equality Ranking since it was launched in 2017
- The commitment to increase women presence in all management levels and promote gender equal pay outstood in 2018
- The WDi is an investors-backed initiative launched in 2017 aimed at promoting transparency on the workforce management, covering both employees and contractors
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Seeding Energies.
Curiosity is the power of today.

Curiosity and knowledge are the energy that encourages us to grow more and more each day, to tackle the present and look to the future with enthusiasm. A journey of discovery that leads us to value diversity, build relationships and establish trust. Brilliant ideas and ever-new achievements make the difference, creating value for our customers, for the communities where we work, for our people and shareholders. Because it is through the power of curiosity, knowledge, cooperation and engagement with others that we can safeguard and protect our planet in a sustainable way together.