

# Sustainability Report 2002

Economic, environmental and social responsibility



Energy in tune with you.



# Sustainability Report 2002

## Economic, environmental and social responsibility

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**Piero Gnudi, Chairman**

64 years old

Director of IRI from 1994 to 1999 and subsequently Chairman until 2002

Member of the steering committee of Assonime and the executive committee of the Aspen Institute

Chairman of RAI Holding, vice-chairman of UniCredit Banca d'Impresa and director of UniCredit and "Il Sole 24 Ore"

Designated by the Ministry of the Economy and Finance

## A letter from the Chairman

Enel intends to base its business strategy not only on economic considerations, but also on environmental and social ones, because we are convinced this will help make us competitive and boost our reputation. Our fundamental objective remains that of ensuring the long-term creation of value for our shareholders.

Given its size and the kind of business in which it is engaged, Enel interacts intensely with society and for this reason aspires to maintain and develop a solid relationship of trust with its stakeholders. With its shareholders first of all, because, with two and a half million of them, Enel has far more investors than any other Italian company, but also with its 30 million customers, its employees and the others who work for it, its suppliers, associations, and local communities.

These are the reasons that have led Enel to publish this year for the first time a Sustainability Report, which is meant to provide a general view of the results achieved by Enel so that stakeholder confidence will strengthen over time. In addition to financial data, we are presenting those regarding relations with customers and thus the satisfaction of their needs and the quality of our services. We wanted to present the progress made regarding the safety of the work environment, the growth in the expertise of our employees, and the efficiency of our organization. We highlight the instruments Enel has adopted with regard to corporate governance in order to ensure maximum transparency of management and thus protect our shareholders' investments, a subject that has become even more important at the present time, when markets have to regain the trust of investors.

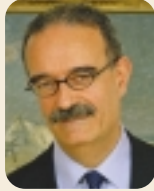
Much of this Report is dedicated to environmental issues, which represent a distinctive element of Enel's business. Since 1996 our company has been publishing an Environmental Report, which provides detailed information on Enel's commitment in this field. We are convinced that the sustainability of our business depends mainly on the constant reduction of our environmental impact. Enel is already well below the limit on the emission of greenhouse gases set by the government in 1998 following the signing of the Kyoto Protocol. The main investments planned for the next few years regard the upgrading of our generating plants to meet environmental standards, with the drastic reduction of polluting emissions. It is clear that success in this challenge can bring all stakeholders together in their satisfaction. We are strongly motivated to move ahead in this direction, which means creating value for our shareholders, while respecting the environment and the demands of the society in which we operate. We hope that this Report will be a useful additional instrument for understanding the irreversible choice of sustainability for our future actions.



## Board of Directors

**Piero Gnudi**  
*Chairman*

**Paolo Scaroni**  
*Chief Executive Officer*



**Mauro Miccio**

47 years old

Professor of communication-related subjects

Entrepreneur in the fields of publishing and communication

Member of the executive and steering committees of the Unione Industriali di Roma e del Lazio association

Vice-president of the Piccola Industria association

Designated by the Ministry of the Economy and Finance

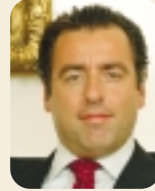


**Franco Morganti**

71 years old

President of the ANFOV (Association of multimedia convergence companies) and vice-president of the International Institute of Communications

Designated by the institutional investors



**Fernando Napolitano**

38 years old

Chief Executive Officer of Booz Allen Hamilton Italia

Member of the committee for surface digital television of the Communications Ministry

Member of the board of directors of the CIRA (Italian Center for Aerospace Research)

Designated by the Ministry of the Economy and Finance



**Francesco Taranto**

62 years old

Member of the boards of directors of Pioneer Global Asset Management (Unicredit Group) and Kedrios

Member of the committee for the corporate governance of listed companies instituted at the suggestion of Borsa Italiana

Designated by the institutional investors



**Gianfranco Tosi**

55 years old

Professor of iron metallurgy and the technology of metal materials

Designated by the Ministry of the Economy and Finance

## Board of Statutory Auditors



**Bruno De Leo**

*Chairman*

65 years old

Chairman of the board of statutory auditors of So.g.i.n.

Member of the board of statutory auditors of RAI and RAI trade



**Franco Fontana**

*Regular Statutory Auditor*

59 years old

Professor of economics

Dean of the Department of Economics at the LUISS

Director of the School of Management at the LUISS



**Gustavo Minervini**

*Regular Statutory Auditor*

79 years old

Lawyer

Professor emeritus of commercial law



## Consolidated highlights

		2002	2001	Restated <sup>(1)</sup>
Income data (millions of euros)	Revenues	29,977	28,781	29,726
	Gross operating margin	7,861	8,536	8,079
	Operating income	2,880	3,478	3,019
	Net income	2,008	4,226	3,961
Financial data (millions of euros)	Gross capital employed	49,922	47,191	
	Net capital employed	45,309	43,039	
	Total financial debt	24,467	21,930	
	Shareholders' equity (including minority interests)	20,842	21,109	
	Cash flow from operations	4,793	6,194	
	Capital expenditure	5,717	4,718	4,941
Ratios	ROI (%) <sup>(2)</sup>	5.9%	7.2%	6.3%
	ROE (%) <sup>(3)</sup>	9.6%	21.5%	20.2%
	Debt-to-equity ratio	1.17	1.04	
	Gross operating margin / net financial expense	6.7	7.7	6.9
Per share data (euros)	Net income per share	0.331	0.697	0.653
	Gross operating margin per share	1.297	1.408	1.332
	Operating income per share	0.475	0.574	0.498
	Shareholders' equity per share	3.426	3.458	
	Dividend per share	0.360 <sup>(4)</sup>	0.360	
Operating data	Electricity sales on the free and regulated markets (TWh)	194.3	206.0	
	Electricity transported for the free market (TWh)	94.0	76.8	
	Net electricity generated (TWh)	145.1	169.1	145.9
	Employees at year-end	71,204	72,661	
Market indicators	Average Brent oil price (US dollars per barrel)	25.0	24.5	
	Average price of high-sulfur content fuel oil (US dollars per ton)	132.4	116.0	
	Average price of low-sulfur content fuel oil (US dollars per ton)	148.2	133.1	
	Average US dollar/euro exchange rate	0.946	0.896	
	Six-month Euribor rate	3.35%	4.16%	

<sup>(1)</sup> The data refer to the restated consolidated income statement, which excludes Elettrogen and Valgen (sold during 2001) from January 1, 2001 and Eurogen from July 1, 2001. Infostrada's balances are reflected from January 1, 2001 together with the impacts on the amortization of goodwill and on the financial expense deriving from the acquisition.

<sup>(2)</sup> Operating income / average gross capital employed.

<sup>(3)</sup> Group net income / average Group Shareholders' Equity.

<sup>(4)</sup> Dividend per share proposed by the Board of Directors on March 27, 2003.



# Who we are



## Our mission

We want to be the most efficient producer of electricity and gas, oriented to the market and service quality, with the objective of creating value for our customers, our shareholders and all the people who work with us.

## A message from the Chief Executive Officer



**Paolo Scaroni,**  
Chief Executive Officer  
and General Manager

56 years old

Member of the executive  
committee of Confindustria

President of the Unindustria  
Venezia association

Member of the Supervisory  
Board of ABN AMRO Bank

Member of the boards of  
directors of BAE Systems  
and Alliance Unichem and  
member of the Board of the  
Columbia University Business  
School in New York.

Designated by the Ministry  
of the Economy and Finance

Enel is one of the great Italian companies capable of competing at the international level. Our strength lies in the experience of the people who work for us, in the reliability of the service we provide, and in our ability to innovate, respect the environment and promote the development of the individuals who live in and around Enel.

At the center of Enel's strategy are its customers. We want to listen to them, respond to their needs, and accept observations and suggestions from them. Enel is ready to face the challenge of the liberalization of the market, which is a great opportunity for us to grow.

The strategic objectives we have set ourselves are those of becoming an energy leader also outside Italy, reducing costs and further improving the quality of the service we provide.

The new strategies derive their strength from our commitment to sustainable development, respect for the environment, and social responsibility. Impartiality, honesty and attention to ethical values are the criteria that guide Enel in its industrial decisions, to the extent that it has achieved an important international distinction: the Company's admission to the FTSE4Good GLOBAL 100, an index that comprises the 100 companies in the world that most distinguish themselves by the results achieved with regard to environmental and social sustainability. For some time now we have had a Code of Ethics, which recalls all of us to the respect of universal values and principles of conduct. In addition, we have adopted an Organization and Management Model that regulates our respective responsibilities in performing our duties. Now we also have this Sustainability Report, an instrument with which we recount what Enel did in 2002 and what it undertakes to do in the immediate future.

Every action of ours is based on a responsible commitment: in the economy, in the environment and in society. This is Enel's future. A future we are already experiencing.

## History

### Main stages

1962	1967	The birth of Enel and the years of organization
1968	1972	The electricity highways
1973	1977	The great oil crisis
1978	1982	New solutions for energy
1983	1987	Italy decides to abandon nuclear energy
1988	1995	From public statutory body to corporation
1996	2002	Towards the new Enel

### 1962-1967: the birth of Enel and the years of organization

November 27, 1962: the Parliament approves the nationalization of the electricity system. On December 6, Enel – Ente Nazionale per l'Energia Elettrica – is born, with the purpose of producing, importing and exporting, transporting, transforming, distributing and selling electricity. It is the largest-scale economic reform of the post-war period. In 1963 Enel begins its operations and absorbs the existing electricity companies. One of the first operating units constituted by Enel is the National Dispatching Center in Rome, the brain of the entire Italian electricity system.

### 1968-1972: the electricity highways

The networks acquired by Enel are fragmented and not homogeneous. A project is needed for the reorganization, modernization and extension of the network and its connection with the islands. In 1971 the 380-kV Florence-Rome line is inaugurated, the first link between the networks of the same voltage constructed in the north and in the south of Italy. In 1971 Enel ascertains that the homes lacking electricity have decreased from 1,210,000 in 1965 to 656,000. The electrification of the country increases from 97.7% in 1965 to 98.8%.

### 1973-1977: the great oil crisis

1973 is the year of the great oil crisis. In that year the Chamber of Deputies commits the government to the development of sources alternative to oil in order to deal with the serious crisis of the energy industry. In July 1975 the government presents the National Energy Plan for energy sources. In the same year, for the first time since 1949, the production of electricity decreases by 1.1%. This is the consequence of a fall in demand connected with the recession. In 1976 a law is enacted for the "reduction of the consumption of energy used to heat buildings". It is the first time that a policy of energy conservation is implemented by law.

### 1978-1982: new solutions for energy

The end of the seventies marks the rediscovery of alternative energy sources, especially the sun and wind. Enel initiates a series of environment-friendly energy undertakings, while the price of oil increases because of the international situation, in particular the war between Iraq and Iran. An oil-derived drop in the consumption of electricity is recorded. In 1985 the dependence of Italian energy consumption on oil decreases to 58.5% from 75.3% in 1973.

### 1983-1987: Italy decides to abandon nuclear energy

On April 26, 1986 an accident at the nuclear power plant in Chernobyl, in the Ukraine, causes numerous victims and widespread alarm in Europe. The Chernobyl disaster leads to the halting of work on new nuclear and coal-fired power plants. On November 8, 1987 a referendum is held on nuclear power plants. A majority votes to abandon nuclear energy. In consequence of the outcome of the referendum, the government stops work on the Trino 2 power plant and closes the Latina power plant, as well as carrying out investigations on the safety of the Caorso and Trino 1 power plants and on the possibility of converting the one at Montalto di Castro.

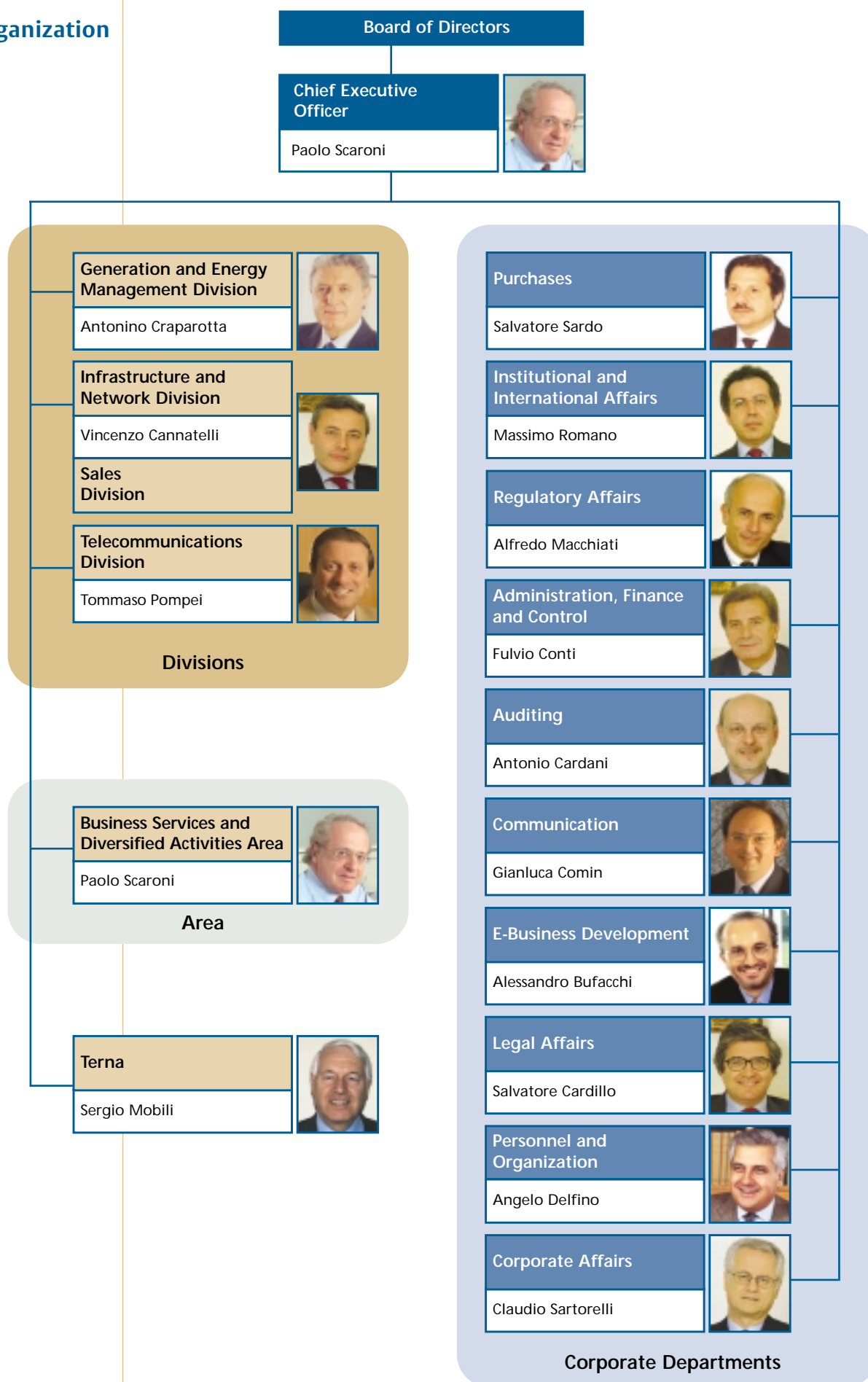
### 1988-1995: from public statutory body to corporation

At the beginning of 1991 the Parliament begins the liberalization of the energy industry and allows Enel to become a corporation. In August 1992, therefore, Enel is incorporated, with the Treasury Ministry as its sole shareholder. The change in its name is followed by the liberalization of Italy's electricity industry. Liberalization reduces the size of Enel's core business. In 1995 the Chamber of Deputies definitively approves law 481, which establishes the rules regarding competition and the regulation of public utility services and institutes the regulatory authorities for such services. 1995 comes to a close with the signing of the Agreement between the Industry Ministry and Enel regulating the electricity franchise.

### 1996-2002: towards the new Enel

In 1999 Italy's electricity industry is liberalized. Enel participates actively in this process, which culminates with the issue of the "Bersani Decree" and the definition of the new structure of the national electricity system. 1999 is also the year of the privatization of Enel and the latter's listing on the stock market, with the flotation of almost 4 billion shares. In line with the liberalization process and the objectives of decentralization is also the completion of Enel's corporate transformation, through which it becomes an industrial holding company. New Group companies are incorporated to pursue different business opportunities, from telephony to gas. During 2002 the Company returns to concentrating on its core business, energy.

## Organization



## Who we are

### Growth strategies

In 2002 the process of reducing Enel's size, imposed by law as part of the liberalization of Italy's electricity market, was essentially concluded. Beginning in 2003, about two-thirds of the Italian electricity market will be free to choose its supplier and Italy will attain one of the highest degrees of liberalization in Europe. Enel wants to be ready to meet the challenges of the market and take advantage of new opportunities for growth in both electricity and gas.

The strategic objectives are:

- > concentration on the core business of energy;
- > cost leadership;
- > emphasis on customer service.

In order to be a leader in energy in Italy and in the international market, Enel has set itself the objective of concentrating on the production, distribution and sale of electricity and gas. Following this change in business priorities, Enel established a new organizational structure capable of running a simplified and more effective business model. In order to strengthen its presence in promising foreign markets – such as Spain and, only with regard to renewable energy sources, Central and North America – and to enter new markets offering profitable and synergetic opportunities for growth, Enel will evaluate possible international acquisitions.

The second strategic objective is to become a cost leader in the production, distribution and sale of electricity and gas.

In electricity generation, Enel plans to complete 1,900 MW of combined-cycle plant by the end of 2003, thus reducing its fuel cost by 15%, and to convert another 5,000 MW to competitive fuels. The plan to reduce operating costs has also been speeded up, with the aim of attaining the level of the best international companies by the end of 2005.

With regard to gas, the objective is to have gas available at a much lower cost than other companies.

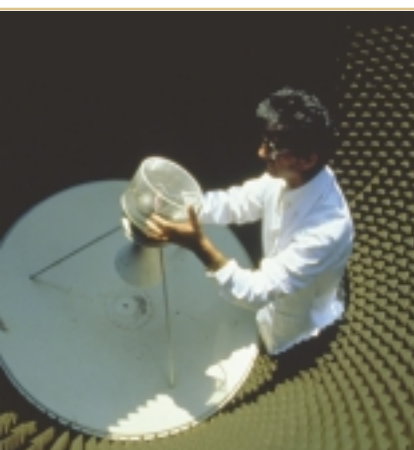


As far as distribution is concerned, Enel plans to reduce the cash cost per customer by 15% by the end of 2005 by lowering its operating costs and optimizing its capital expenditure. The project of installing digital meters is proceeding as planned, with 5 million already installed and the goal of installing the remaining 25 million by the end of 2005. Enel will continue to be a leader in quality and reliability. In 2002 Enel was the only electricity distribution company in Italy to obtain an award from the Authority for Electricity and Gas for having attained a level of service quality higher than required.

The third strategic objective is to create a closer relationship between Enel and its customers. In 2002 the Company went forward with its plan to develop an extensive network of efficient sales channels, thus strengthening its local presence throughout Italy and reducing the average cost per contact by two-thirds, one of the highest levels of efficiency in the industry.

With regard to gas, Enel has consolidated the acquisitions carried out in the last few years through the creation of a new company, Enel Gas, which now serves about 10% of the market. Enel can exploit the important growth opportunities deriving from the liberalization of the gas market, the changes in distribution licenses, and advantageous acquisitions in a market that is extremely synergetic with the electricity business.

The strategy of concentrating on the core business, cost-consciousness and customer service will make Enel a safe haven for its shareholders: a growing company with a solid financial position that will generate large cash flows and will provide an advantageous return for its shareholders.





## Who we are

## Enel's business activities

	Main business activities	Main companies
<b>Divisions</b>		
Generation and Energy Management	<ul style="list-style-type: none"> <li>Fuel supplies</li> <li>Fuel-mix optimization</li> <li>Commodity-risk management</li> <li>Electricity generation</li> <li>Sale to "large electricity users"</li> </ul>	Enel Produzione SpA Enel GreenPower SpA Elettroambiente SpA Conphoebus SpA Enel Trade SpA (formerly Enel.FTL SpA) Enel Logistica Combustibili SpA Viesgo Generacion SL
Infrastructure and Networks	<ul style="list-style-type: none"> <li>Distribution of electricity and gas</li> </ul>	Enel Distribuzione SpA Enel Distribuzione Gas SpA Electra de Viesgo Distribucion SL
Sales	<ul style="list-style-type: none"> <li>Sale of electricity and gas</li> </ul>	Enel Distribuzione SpA (market area) Enel Energia SpA (formerly Enel Trade SpA) So.l.e. SpA Enel.si SpA Enel Gas SpA
Telecommunications	<ul style="list-style-type: none"> <li>Innovative and integrated fixed-line and mobile telephony and Internet services for businesses and households</li> </ul>	Wind SpA
<b>Area</b>		
Business Services and Diversified Activities	<ul style="list-style-type: none"> <li>Support services for businesses (information technology, professional training, real estate, etc.)</li> <li>Diversified activities (management of water resources, research, engineering and construction services)</li> </ul>	Ape SpA (personnel administration) CESI SpA (consulting and research) Enel Capital SpA (advisory venture capital) Enel.Hydro SpA (management of water resources) Enel.it SpA (information-technology services) Enelpower SpA (large-plant engineering) Enel Real Estate SpA (real-estate management) Sfera SpA (e-learning, professional training)
<b>Company</b>		
Terna	<ul style="list-style-type: none"> <li>Operation, maintenance and development of the National Transmission Network</li> </ul>	

## Main results

## Development strategies

- The leader in electricity generation in Italy
- Third-largest electricity producer in Europe and fifth-largest in the world in terms of installed capacity
- World's leading producer from exclusively renewable energy sources
- Global Energy Award recipient in 2002
- Revenues: 11,777 million euros
- Employees: 13,397
- Italy:
  - > 45 thermal power plants (26,000 MW)
  - > plants using renewable energy sources (15,000 MW)
  - > CO<sub>2</sub> emissions reduced by 18 million tons/year

- Attainment of cost leadership in Italy:
  - > Conversion of 5 GW to combined-cycle
  - > Conversion of 5 GW to competitive fuels
  - > Best international practice in O&M from 2005
- Profitable growth:
  - > Concentration on European markets
  - > Acquisitions aimed at achieving synergy
  - > Further development of renewable energy sources

- 82% market share in electricity distribution
- 10% market share in gas distribution
- Revenues: 20,586 million euros
- Employees: 39,489
- 1,063,010 kilometers of distribution network:
  - > 20,316 high-voltage
  - > 332,055 medium-voltage
  - > 710,639 low-voltage
- So.l.e.:
  - > 60% of municipalities in Italy served
  - > 1,800,000 light points in Italy

- Attainment of international best practice by the end of 2005:
  - > Electricity
    - Cost reduction
    - Investment rationalization
    - Improvement of service quality
  - > Gas
    - Consolidation of a single platform
    - Rationalization of operations
    - Creation of synergy with electricity distribution

- Enel.si: 610 franchise outlets

- Preparation for market liberalization:
  - > Maintenance of profit margins
  - > Maintenance of competitive positioning through:
    - Brands
    - Sales organization, channels and processes
    - Commercial synergy between electricity and gas

- Second-largest integrated telephone company in Italy
- Number 1 Internet portal in Italy in terms of pages visited and market penetration
- 28.5 million customers, including:
  - > 8.9 million mobile
  - > 7.2 million fixed-line
  - > 12.4 million Internet

- Mobile: increase average profit per customer and customer base through Mobile Number Portability and value-added services, exploiting infrastructure in place
- Fixed-line: increase provision of broad-band services

- Revenues: 2,874 million euros
- Employees: 6,083
- Enel.it:
  - > 12,300 kilometers of fiber-optic network
  - > 1,600 local networks managed and 5,600 servers

- Concentration on business activities according to criteria of:
  - > consistency with strategic objectives
  - > importance for core business
  - > service to the Company

- Revenues: 828 million euros
- Employees: 3,106
- Kilometers of network:
  - > 33,884 (transmission lines)
  - > 37,583 (three-phase lines)

- Improve operating efficiency
- Improve service quality



## Enel's commitment to the promotion of corporate social responsibility

Enel has always been committed to sustainable economic development, integrating its business objectives with respect for the environment and the social development of the communities in which it operates.

In the last few years, Enel has strengthened its commitment, providing itself with modern organizational and managerial methods that both contribute to ensuring the constantly increasing transparency of its business activities and facilitate the spread of Enel's values in all of its activities.

### Enel's values

#### A cooperative approach to stakeholders

Enel wants to maintain and strengthen its fiduciary relationship with its stakeholders, that is, with those categories of individuals, groups and institutions that contribute to the carrying out of its mission or that, in any case, have an interest in its pursuit.

Stakeholders are all those who make investments connected with Enel's business activities, first of all its shareholders, its employees, its customers, its suppliers and its business partners. In a broader sense, stakeholders are also all those individuals and groups, as well as the organizations and institutions that represent them, whose interests are influenced by the effects, direct or indirect, of Enel's business. This latter sense includes the local and national communities in which Enel operates, environmental and consumer associations, future generations, etc.

#### The value of credibility and fiduciary duties

Credibility is an essential immaterial resource. Externally, it fosters investment by shareholders, customer loyalty, the attraction of the best human resources, the peace of mind of suppliers, and reliability towards creditors. Internally, it strengthens the sense of belonging and enables decisions to be made and implemented collegially and work to be organized without the arbitrary exercise of authority.

Enel's specific duties towards its stakeholders (fiduciary duties) are set forth in the Code of Ethics. Their actual observance can become the criterion by which Enel's credibility is to be judged.

The Code of Ethics contains:

- > the general principles governing relations with stakeholders, which establish the reference values for Enel's business activities;
- > the criteria of behavior towards each category of stakeholders, which specify the guidelines and rules that Enel's employees must observe in order to uphold the general principles and prevent the risk of unethical behavior;
- > the mechanisms of implementation, which describe the supervisory system for the observance of the Code of Ethics and its continual improvement.

#### The value of reciprocity

The Code of Ethics is based on an ideal of cooperation that aims at the reciprocal advantage of the parties involved, while respecting the role of each one. Thus Enel requires that, in his or her relations with the Company, each stakeholder act according to principles inspired by a similar idea of ethical behavior.

## Enel's general principles of conduct\*

### Impartiality

Enel avoids all forms of discrimination based on the age, sex, sexual preference, health, race, nationality, political opinions or religious beliefs of its counterparts

### Honesty

Within the context of their professional activities, Enel staff members are required to respect, with all due diligence, the laws currently in force, as well as the internal code of ethics and regulations.

Under no circumstances may pursuit of the interests of Enel be used as a justification for dishonest conduct

### Correct behavior in the case of potential conflicts of interest

In the performance of any activity, situations in which the parties involved in the transactions are in fact, or only appear to be, in a conflict of interest must always be avoided

### Confidentiality

Enel guarantees the confidentiality of the information in its possession, and it refrains from searching for confidential data, except in cases where express and informed authorisation has been granted, and where the legal norms currently in force are complied with

### Relations with shareholders

Enel creates conditions under which the participation of shareholders in decisions affecting their interests is widespread and informed. It also promotes parity of information, in addition to safeguarding the interests of the Group and of all the shareholders from actions undertaken by coalitions of shareholders for the purpose of seeing their specific interests prevail

### Ensuring the value of the shareholder investment

Enel works to ensure that its economic/financial performance both safeguards and increases the value of the Group, in order to provide adequate compensation for the risk taken by the shareholders investing their own capital

### The value of human resources

The staff members of Enel are an indispensable factor in the success of the Group. With this in mind, Enel defends and promotes the value of its human resources, so as to improve and augment the assets and competitive force represented by the skills possessed by each staff member

### Equitable authority

Enel undertakes to ensure that the authority is exercised in an equitable and correct manner, without any type of abuse

### Well being of the individual

Enel guarantees the physical and psychological well being of its staff members, with working conditions that respect the dignity of the individual and workplaces that are safe and healthy

### Transparent and complete information

Enel staff members are required to supply complete, transparent, understandable and accurate information, in such a way that the stakeholders, in establishing their relations with the Group, are able to reach independent, informed decisions regarding the interests involved, the alternatives and the noteworthy consequences

### Diligence and precision in the fulfilment of tasks and contracts

Enel undertakes not to exploit conditions of ignorance or incapacity affecting its counterparts

### Correct and equitable conduct in the eventual renegotiation of contracts

Situations are to be avoided in which anyone acting in the name or on behalf of Enel attempts to take advantage of contractual shortcomings in existing relations, or any other unforeseen circumstances, in order to renegotiate a contract, for the sole purpose of exploiting a position of dependency or weakness in which the counterpart happens to find itself

### Quality of the services and the products

Enel's activities are oriented towards satisfying and safeguarding its clients, with attention paid to any requests that can favour an improvement in the quality of products and services

### Fair competition

Enel intends to defend the principle of fair competition, refraining from conduct that proves collusive or predatory, or represents an abuse of a dominant position

### Responsibility towards the body public

Enel intends to conduct its investment activities in an environmentally sustainable manner, respecting local and national communities while supporting initiatives of cultural and social value

### Environmental defence

Enel is working to improve the impact of its activities on the environment and the countryside, in addition to taking preventive action against risks facing the population and the environment



Code of Ethics

[www.enel.it/gruppo/gr\\_codiceetico.htm](http://www.enel.it/gruppo/gr_codiceetico.htm)

\* Extracts from the Code of Ethics.

## Who we are

### Plan of action in support of corporate social responsibility

In 2001, Enel's Board of Directors decided to initiate a process of reflection on the system of values that characterizes and governs its business activities with the goal of balancing the expectations of its stakeholders and unifying the Company's conduct according to high ethical standards based on the utmost fairness and transparency.

Therefore, Enel gradually adopted a plan of action in support of corporate social responsibility that provided for the elaboration and implementation of the Code of Ethics (for which precise responsibilities and duties are entrusted to the Internal Audit Committee) and making it known within and without the Company, as well as the adoption of an Organizational Model as required by Legislative Decree 231/2001, the planning of the Sustainability Report, and the creation and promotion of training courses in ethics.

Activity	2001	2002	2003	2004
Elaboration Code of Ethics				
Internal communication Code of Ethics				
External communication Code of Ethics				
Organizational Model (Legislative Decree 231/2001)				
Planning Sustainability Report				
Planning and promotion training courses in ethics				
Mechanisms to implement corporate social responsibility				

### Code of Ethics implementation plan

Enel has started up a system to verify the observance of the Code of Ethics and to make it known within and without the Company, as well as carrying out a number of initiatives. In particular:

- > ethical auditing activities, that is, the analysis and evaluation of the process of controlling ethical risks aimed at promoting the continual improvement of ethical behavior;
- > review of Company policies and procedures that have a significant impact on the Company's ethics;
- > institution of an information channel through which violations of the Code of Ethics can be reported;
- > activities to make the Code of Ethics known internally and externally.

#### Reports from stakeholders

Enel establishes for every stakeholder information channels that can be used to communicate with the Company (for example, units responsible for relations with consumer and environmental associations, suppliers and employees, call centers for customers, etc.).

In addition, all of Enel's stakeholders can report – in writing and not anonymously – all violations or suspected violations of the Code of Ethics\* to the Corporate Auditing Department, which examines the report and may talk with whoever reported the case as well as with the person responsible for the alleged violation.

The Corporate Auditing Department acts in such a way as to protect the person who makes a report against any Company action which could be construed as retaliation, discrimination or penalization by ensuring confidentiality with regard to his or her identity, subject to the obligations of the law.

\* Reports can be sent in the following ways:

- e-mail ([audit.enel.codice.etico@enel.it](mailto:audit.enel.codice.etico@enel.it)); Enel employees can also use the "Code of Ethics" section of the Company intranet;
- letter addressed to: Enel SpA – Funzione Audit – Codice Etico – viale Regina Margherita, 137 – 00198 Rome, Italy.

## Internal communication activities

- > Events to present the Code of Ethics to the management of all the companies of the Enel Group
- > Distribution of the Code of Ethics to all employees
- > "Code of Ethics" section of the Company's intranet, which displays the text and a discussion of it and from which it is possible to request information and report abuses
- > Web TV specials on the characteristics and contents of the Code of Ethics, featuring interviews of the top management
- > Delivery of the Code of Ethics to all newly hired employees
- > Distribution of the Code of Ethics in English and Spanish to the employees of foreign subsidiaries
- > Distribution of the training course on the Code of Ethics to all employees
- > Initiatives to raise awareness regarding the issues of the Code of Ethics in institutional training courses.

## External communication activities

- > Web site [www.enel.it](http://www.enel.it), where the Code of Ethics can be consulted, information requested and reports of abuses sent
- > Distribution of the Code of Ethics to numerous suppliers
- > Inclusion in all contracts with suppliers of a note informing them of the Company's adoption of the Code of Ethics. In contracts with suppliers in countries that are "at risk", clauses are introduced regarding social obligations (respect of fundamental rights, the principles of equal treatment and non-discrimination, protection of workers who are minors) and Enel's right to verify compliance on the spot
- > Participation in the network of firms and scholars for corporate social responsibility coordinated by Politeia, a not-for-profit association for research and training in politics and ethics.

## Organizational mechanisms in support of corporate social responsibility

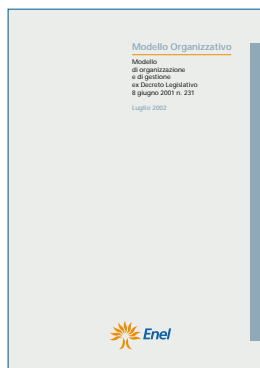
In order to foster the integration of respect for the environment and society with its business activities, Enel provides for:

- > The Board of Directors to assume responsibility with regard to environmental and social sustainability;
- > The creation of an organizational unit within the Corporate Communication Department dedicated to the coordination and governance of all activities connected with corporate social responsibility;
- > Integration of planning and audit processes with objectives and indicators of sustainability.

## The Management and Organization Model provided for by Legislative Decree n. 231 of June 8, 2001

In line with the commitments with respect to stakeholders declared and assumed with the Code of Ethics, in 2002 Enel was the first Italian company to provide itself with the Management and Organization Model provided for by Legislative Decree n. 231 of June 8, 2001, which introduced a regime of administrative (but actually criminal) liability regarding companies for crimes against the civil service (bribery, extortion, etc.) and corporate crimes (for example, false accounting) committed by company directors or executives or other employees in the interest or to the advantage of the aforesaid companies.

Enel's Model, approved by the Board of Directors on July 23, 2002, is consistent with the provisions of the guidelines elaborated by business associations and best practice in the United States and represents a further step towards strictness, transparency and sense



### Organization Model

[http://www.enel.it/gruppo/gr\\_modello.htm](http://www.enel.it/gruppo/gr_modello.htm)

## Who we are

of responsibility in both internal and external relations, and at the same time provides shareholders with the best guarantee of efficient and fair management.

The Model consists first of all of a "general part", in which are described, among other things, the content of Legislative Decree n. 231/2001, the objectives of the aforesaid Model and how it works, the duties of the Compliance Officer who oversees the working and observation of the Model, the information flows, and the system of penalties, as well as distinct "special parts" concerning the different kinds of crimes provided for by the law. Enel has completed the general part and the special one regarding crimes against the civil service, while the one regarding corporate crimes is currently being prepared.

The position of the Compliance Officer has been entrusted to the head of the Corporate Auditing Department, who is the appropriate person in terms of the requisites of autonomy, independence, professional qualifications and continuity of action.

### Investigation of Enelpower's business activities

After this report had already been prepared, with notice served on February 20, 2003, a search of Enel SpA and a subsidiary of Enel, Enelpower SpA ("EPW") was carried out by the office of the District Attorney of Milan as part of a legal proceeding against the former chief executive officer of the latter and seven other persons under investigation.

The investigation currently underway is aimed at verifying the possible violation of article 2521 of the Civil Code (false corporate communications) and articles 322 bis (bribery of officials of a foreign government) and 646 (embezzlement) of the Penal Code, as well as Legislative Decree 74/2000 (new legislation regarding tax crimes).

As part of the investigation, according to information communicated on March 4, 2003, the District Attorney's office is examining possible administrative liability under Legislative Decree 231/2001 of EPW, which has already prepared the Organizational Model provided for by the aforesaid Legislative Decree 231/2001. Enelpower is actively cooperating with the investigating officials and confidently awaits the outcome of the investigation.



### Enel admitted to the Socially Responsible Indexes of E. Capital Partners

In November 2002 Enel passed the process of ethical screening, in which E. Capital Partners (an independent financial advisor providing socially responsible benchmarks that are personalized by geographical area and financial instrument, share or bonds) examines all listed companies in terms of their social and environmental responsibility, and was admitted to the Socially Responsible Indexes – European and Global – devised by the aforesaid E. Capital Partners:

- > Ethical Index EURO®: created in May 2000, it identifies the 150 European best-in-class companies among those with the largest capitalization, excluding those that do not pass the ethical selection process;
- > Ethical Index GLOBAL®: created in January 2002, it consists of the securities of the 300 best companies in the world.

### Enel admitted to the FTSE4Good indexes

On March 21, 2003, Enel was admitted to the sustainability indexes of the Financial Times Stock Exchange (FTSE4Good) in London. The admission criteria evaluate a company's commitments and the results it achieves with regard to the environment (policies and systems for environmental management) and society (systems for managing relations and cooperative activities with stakeholders), as well as in terms of respect for and defense of human rights.

In particular, Enel is the first utility admitted to the FTSE4Good 100, a stock-exchange index that includes the 100 leading companies of the world in terms of market capitalization that distinguish themselves by the results achieved and the commitments made with regard to sustainable economic development.



FTSE4Good Index Series

# Economic responsibility



## Main results

- Avant-garde corporate governance system
- Large portfolio of services with a constantly rising quality level and a high degree of innovation
- Advanced methods of communication for 2.5 million shareholders
- New technologies for improving relations with suppliers



**Fulvio Conti,**  
Chief Financial Officer

The measure of a company's economic significance is not only the value added it creates, but also the extent to which the value added is created in a transparent and responsible way.

## Added value created by Enel

Enel contributes to the economic growth of the communities in which it operates, generating wealth and distributing it to the stakeholders.

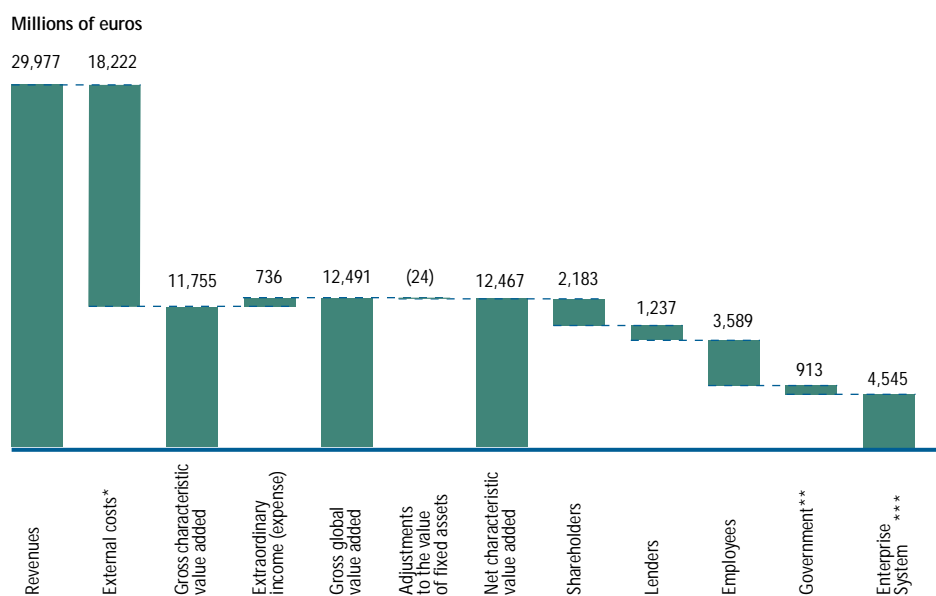
The Enterprise System produces added value, which is wealth measured by the difference between turnover and the external costs incurred during the year.

In 2002, the revenues of the energy business were influenced by the sale of production and distribution capacity, which was partially offset by the acquisitions made both in the core business of energy (Viesgo in electricity generation and distribution, Camuzzi and Marcotti in gas) and in telecommunications (Blu's customers).

As far as the consumption of inputs is concerned, purchases of fuels and energy from other companies account for 62% of total external costs.

6.3% of the total added value (gross characteristic added value) regards the extraordinary transactions that Enel carried out according to the commitments provided for and aimed at the creation of a free market in the electricity industry.

63.5% of the wealth created by Enel was distributed to its main stakeholders: shareholders (both private and public), lenders, employees, the government (as a complex of bodies and institutions) and communities, while the remaining 36.5% was reinvested in its business activities, in the form of depreciation, amortization and provisions.



\* Cost of raw materials and services.

\*\* Direct and indirect taxes to the national and municipal governments (730 million euros), license fees, etc. (183 million euros).

\*\*\* Depreciation and amortization (4,477 million euros), provisions (480 million euros), excess of dividend over net income (412 million euros).

The Income Statement reclassified according to the value-added format includes minority interests (237 million euros).



## Shareholders

- Financial performance
- Share-capital ownership
- Relations with shareholders
- Shareholder protection

### Financial performance

Enel SpA has been listed on the Italian stock exchange Borsa Italiana and on the New York Stock Exchange since November 1999.

Enel's shares are included in the main industry indexes at the European and world levels. The weight of Enel's shares in these indexes is shown in the following table:

Index	Ticker	Enel weight (%)
FTSE Eurotop 100	E100	0.554
MIB	MIBTEL	7.671
MIB30	MIB30	9.942
Milan Index His.	MIBHIS	7.581
Milan Public Utilities	MIBPUBLH	27.311
Bloomberg Europe	BE500	0.805
BE500 Electric	BEELECT	18.413
DJ Euro STOXX 50	SX5E	1.106
DJ Euro STOXX	SXXE	0.692
DJ Euro STOXX Utilities	SX6E	10.461

Source: Bloomberg; updated to March 2003

### Quality of investment in Enel shares

During 2002 international stock markets recorded a drop in share prices connected with the unfavorable trend of the business cycle in the United States and Europe.

The Italian stock market also experienced a slump in the same period, with the MIB30 stock index recording a decline of about 25% with respect to the values of the beginning of the year. In this situation Enel shares confirmed their defensive nature by recording a decrease of about 21%. During the year the shares climbed to their highest value, 6.765 euros per share, on April 19 and fell to their lowest, 4.49 euros per share, on July 24. From the latter date to the end of the year the shares recovered about 10.5% compared to a recovery of 1.4% by the MIB30 and about 6% of the FT-SE Electricity in the same period.

On the whole, then, the performance of Enel shares during the year was the same as or better than that of the stock markets concerned. Even though they were penalized by the negative performance of the telecommunications industry, which influenced the value component regarding Wind, they maintained their position as the number-four listed security in Italy in terms of market capitalization, after Eni, Telecom Italia and Telecom Italia Mobile, and the number-one European utility. The average daily volume exchanged during 2002 amounted to about 19.5 million shares.

## Economic responsibility

The dividend yield (the ratio between the annual dividend per share paid to shareholders and the market price per share), calculated as of the ex-dividend day (June 24, 2002), amounts to 6.5%.

Enel's 2001 dividend policy ensured shareholders a high return, especially if compared with those offered in the same period by the main comparable European companies and with the yield guaranteed by government bonds.

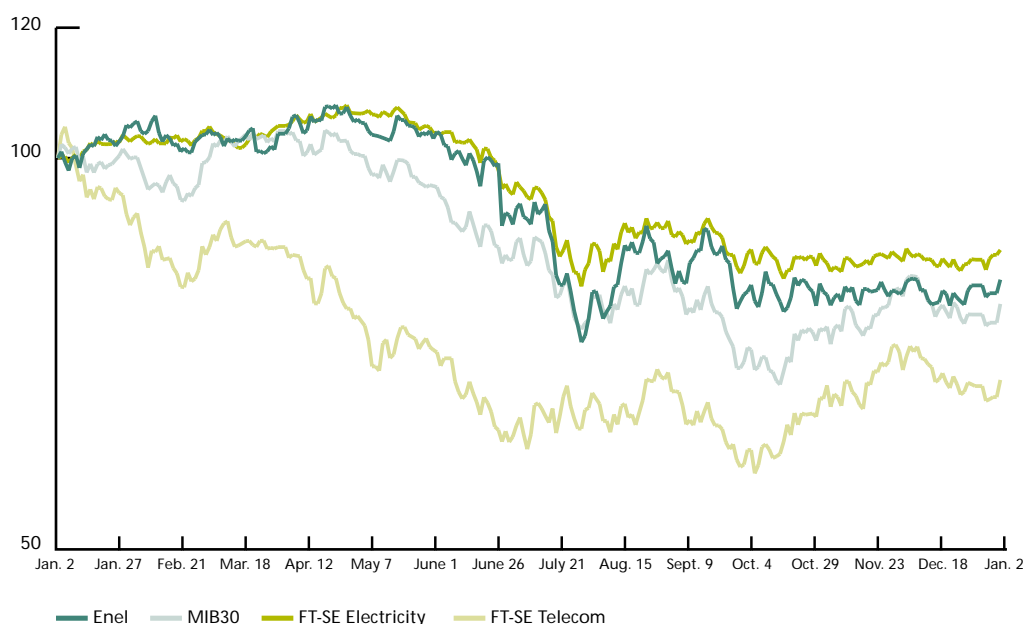
The following table shows Enel's 2001 yield with respect to those of comparable European companies, calculated according to their closing price on December 31, 2002.

### Comparative analysis of dividends

Company	Country	Yield - 2001 (%)
Enel	Italy	7.3
EDP	Portugal	7.1
Endesa	Spain	6.1
Eni	Italy	5.0
Acea	Italy	4.3
Iberdrola	Spain	4.3
E.ON	Germany	4.2
RWE	Germany	4.0
AEM MI	Italy	3.3
AEM TO	Italy	3.2
Snam RG	Italy	2.9
Italgas	Italy	1.4

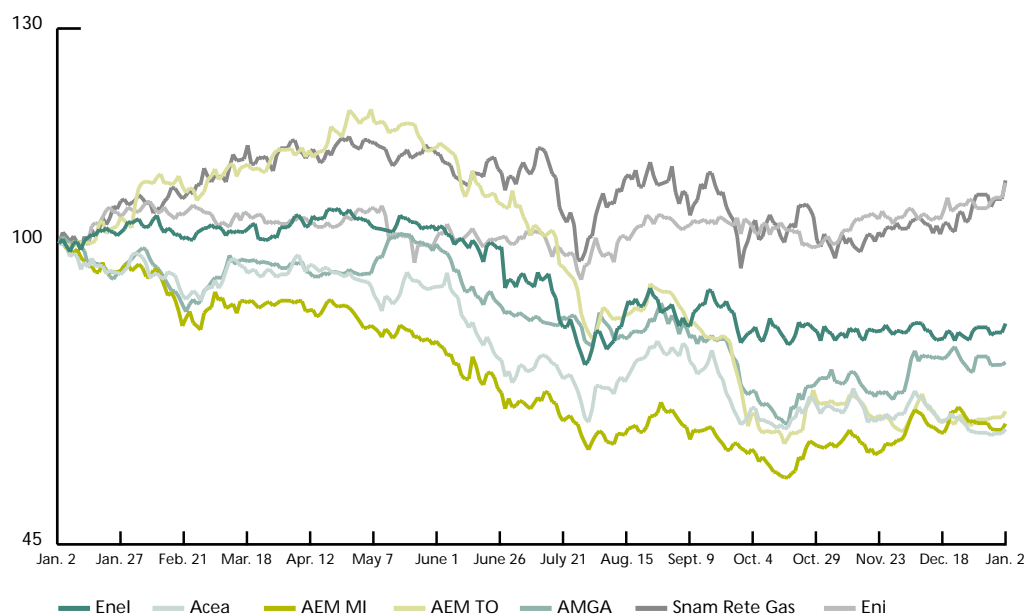
*Dividend yield = dividend per share/price per share*

### Performance of Enel shares with respect to stock indexes



Source: Bloomberg, period: January 2, 2002 – January 2, 2003

### Performance of Enel shares with respect to comparable Italian companies



### Performance of Enel shares with respect to comparable European companies



### Financial indicators

	1999	2000	2001	2002
ROI (%)*	14.3%	12.8%	7.2%	5.9%
ROE (%)**	13.0%	12.2%	21.5%	9.6%

\* Operating income / average gross capital employed.

\*\* Group net income / average Group Shareholders' Equity.

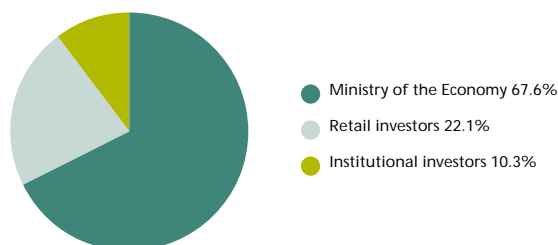
## Economic responsibility

### Share-capital ownership

#### The present composition

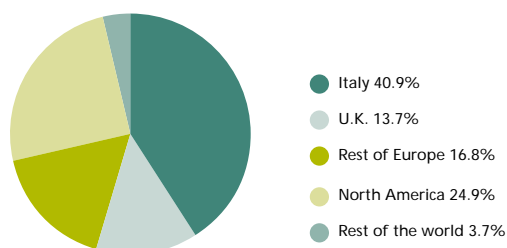
With about 2.5 individual shareholders, Enel has the largest retail shareholder base of any Italian listed company.

OWNERSHIP COMPOSITION AS OF DECEMBER 31, 2002



Source: Citigate Dewe Rogerson

Enel's institutional investors as of December 31, 2002 are mainly Italian, as shown in the following chart.



Source: Citigate Dewe Rogerson

The institutional-investor shareholder base has been growing ever since Enel was listed.

### Relations with shareholders

#### Proactive and transparent communication with institutional investors

The Investor Relations organizational unit directly manages relations with institutional investors. There are multiple channels available and several significantly involve the Company's top management:

- > Presentations to the financial community every six months
- > Conference calls every three months
- > Road shows in Italy and abroad every six months
- > Individual meetings
- > "Investor Relations" section on Enel's web site ([www.enel.it](http://www.enel.it)).

At the end of every year the main financial-communication events for the following year are scheduled.

Financial-communication calendar for 2003



**Investor-relations web channel**

The investor-relations section of Enel's site ([www.enel.it/investor\\_relations/ir\\_titolo.asp](http://www.enel.it/investor_relations/ir_titolo.asp)) is an important instrument in support of relations with shareholders, to whom it offers special services and information. The site displays documents, data and financial information and facilitates interaction with shareholders by providing them with precise answers and access channels regarding the main issues that interest them through F.A.Q. and e-mail.

**Continuous dialogue with retail investors**

The relationship between Enel and its retail investors is based on transparency and the immediacy of information. Relations with these shareholders are handled through various channels by a specific unit of the Department of Corporate Affairs.

In particular, all shareholders can turn to Enel's web site for data and documents of general interest regarding the composition of Enel's governing bodies and the professional qualifications of their respective members, the corporate bylaws, the regulations of shareholders' meetings and other questions regarding the latter, periodical updates on changes in the corporate-governance system adopted by the Company and a chart displaying the breakdown of Enel companies.

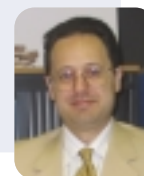
Also available are a telephone number (06 8509 2081) and an e-mail address ([azionisti.retail@enel.it](mailto:azionisti.retail@enel.it)) specifically dedicated to retail investors. Both instruments are especially valued by their users, as demonstrated by both the large number of inquiries by phone and e-mail and the thank-you messages received during 2002

**Awards and citations for the quality of financial information**

During 2002 Borsa Italiana SpA commended Enel, together with a leading bank, for the best practice among Italian listed companies regarding the procedures adopted to ensure proper internal management and transparent communication to the market of price-sensitive information. Enel was then invited to describe its experience during the various editions of a focus group on transparency in financial communication organized by Borsa Italiana.



Luca Torchia,  
Investor Relations  
Manager



Fabio Bonomo,  
Retail Investors  
Manager

**Shareholder protection**

**Enel's corporate governance system meets the requirements of the Self-regulation Code of Listed Companies – July 2002 with regard to:**

- > Role and composition of the Board of Directors
- > Independent Directors
- > Chairman of the Board
- > Information to the Board
- > Treatment of confidential information
- > Appointment of Directors
- > Compensation of Directors
- > Internal audit
- > Internal audit committee
- > Transactions with related parties
- > Relations with institutional investors and other shareholders
- > Shareholders' meetings
- > Statutory auditors.

**An advanced corporate-governance system**

The system of corporate governance adopted by Enel corresponds fully to the principles recommended by the Self-regulation Code of listed companies and, more generally, to international best practice.

The Board of Directors has a central role in Enel's system of corporate governance.

The Board is entrusted with the responsibility of choosing the strategic and organizational strategies as well as with the verification of the audits necessary for monitoring the Company's performance.

The Board of Directors is appointed through a procedure based on strict criteria of transparency. With the exception of the Chief Executive Officer, it consists entirely of non-executive members (that is, without operating powers and/or managerial functions in the Company) so as to ensure, by their number and authoritativeness, that their judgment can have significant weight in the Board's decision-making. All the non-executive members of the Board of Directors qualify as independent Directors.

The activities of the Board of Directors are coordinated by the Chairman, who also has the duty of ensuring that the Board itself functions according to proper corporate-governance practices. Like the Board of Statutory Auditors, the Board receives periodical and exhaustive reports from the Chief Executive Officer on the activities the latter carries out in the exercise of the powers granted him.

Within the Board of Directors are special Compensation and Internal Audit Committees, which are made up entirely by independent, non-executive Directors and were set up to handle issues that are particularly sensitive and the source of potential conflicts of interests. Any transactions with related parties are carried out by Enel according to adequate criteria of procedural and substantive fairness.

## Economic responsibility

**Enel's corporate-governance system complies with the proposals of new standards for companies listed on the NYSE – August 2002 insofar as the following are concerned:**

- > Majority of independent Directors;
- > Obligation of independence for the members of the Compensation Committee;
- > Obligation of independence for the members of the Internal Audit Committee;
- > More important role to shareholders regarding stock-option plans;
- > Adoption of a Dealing Code;
- > Adoption of an Internal Audit System.

### Development of instruments for risk prevention and management

Enel has had a special internal audit system for a long time. The system is entrusted with:

- > evaluating the adequacy of the various corporate processes in terms of their effectiveness, efficiency and cost-effectiveness;
- > ensuring the reliability and fairness of the Company's account and the safeguard of its assets;
- > making sure that operating activities comply with internal and external regulations and with corporate directives and guidelines aimed at ensuring sound and efficient management.

Enel also adopted some time ago special regulations for the management and processing of confidential information within the Company. These regulations also contain the procedures for transmitting documents and information to outsiders concerning any of the Enel companies, with special reference to price-sensitive information. During 2002 Enel adopted a Code of Ethics, a specific Organizational Model devised to prevent Company representatives from committing several kinds of crimes, and a Dealing Code. The last is a code of practice for the management, processing and communication to the market of information regarding transactions of financial instruments carried out by persons who have significant decision-making powers and access to price sensitive information within the companies that issued such instruments. The Code of Ethics establishes, among other things, the incompatibility of the business of auditing with the business of consulting. Enel encourages and facilitates the participation of all its shareholders in shareholders' meetings, which are normally attended by all the Directors. In particular, in order to ensure that such meetings are orderly and functional, as early as 1999 Enel endowed itself with special regulations that provide detailed rules governing the different phases into which the latter take place, while respecting the fundamental right of every shareholder to request explanations regarding the various items discussed, to express his or her opinions, and to make proposals. Like the Directors, the members of the Board of Statutory Auditors are appointed according to a procedure based on the utmost transparency.

To safeguard the value of its shareholders' investments, Enel has developed instruments for identifying, preventing and managing risk. In effect, the Company promotes strategies, policies and operating plans that contribute to the identification, evaluation, handling and control of risks connected with events that can damage its resources and critical processes, strategic information and knowledge, operating continuity, and corporate image, as well as the quality of the service it provides its customers. In addition, the Company has established a specific procedure for preventing and handling environmental events, which classifies such events and the actions to be taken and attributes the responsibility for carrying out the latter. Enel protects its electricity-generation and electricity- and gas-sale businesses (hereinafter called "commodities") from the changes in fuel prices and

the euro/dollar exchange rate.

The objective of Enel's Commodity Risk Management is to stabilize purchase prices, reducing or eliminating the risks associated with the fluctuations of commodity prices by using financial hedge instruments (derivatives), without which Enel's income-statement results would be subject to potential instability.

### Safeguarding Wind's assets

Wind's Asset Corporate Governance Department ensures the uniform management of the security and safety policies and procedures regarding tangible and intangible assets. The duties of this Department are:

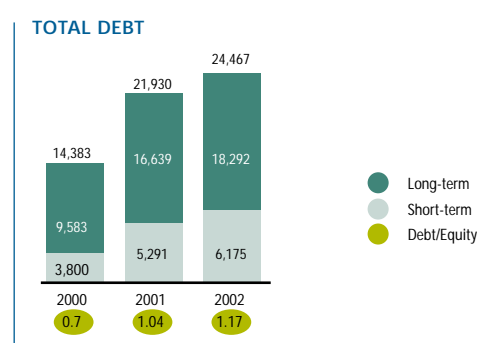
- > Administration Management and Monitoring: security, management of sensitive data and information, application of regulations regarding health and safety on the job, environmental protection and electromagnetic emissions;
- > Asset Corporate Governance Consulting: security of the Company's information systems;
- > Intelligence: prevention of/reaction to illegal acts damaging the Company, plans for dealing with emergency situations, obligatory services for the judiciary authorities and police;
- > Asset Control Management: ascertainment that emergency and security plans and procedures are implemented, verification of information-technology and telecommunications security, promotion of improvements;
- > Risk Management & Planning: corporate security strategies, evaluation of threats and asset vulnerability.

## Lenders

- Volume and uses of debt
- Rating
- Bonds
- Concessionary loans

### Volume and uses of debt

Enel's net debt at the end of 2002 amounts to 24,467 million euros. The Company's objective is to maintain the current rating in the years to come.



## Rating

Enel has an official rating assigned by the leading specialized bond-rating agencies:

	Long-term	Short-term	Outlook*
<b>S&amp;P</b>	A+	A-1	credit watch Negative
<b>Moody's</b>	A1	P-1	Negative
<b>Fitch</b>	A+	F1	Negative

\* Long-term outlook.

## Bonds

Four bonds are currently outstanding:

Issuer	Amount	Coupon (%)	Maturity	Guarantee
Enel SpA	1,000 million euros	4.5	Oct. 13, 2008	*
Enel SpA	1,000 million euros	4.75	Oct. 5, 2004	*
Enel SpA**	750 million euros	5.875	Dec. 12, 2005	
Enel I.H.***	2,000 million euros	5	June 7, 2004	Enel SpA

\* The bond issue enjoys an implicit guarantee of the government in its capacity as the sole shareholder when the securities were issued under article 2362 of the Civil Code.

\*\* Inaugural issue of the Medium-Term-Notes plan.

\*\*\* Enel Investment Holding B.V.



## Economic responsibility

### Wind's project financing

At the end of 2001 Wind carried out two project-financing transactions (opening of long-term lines of credit or facility agreements) amounting to a total loan of 7,000 million euros, thus obtaining the resources necessary for completing its ten-year business plan, on which the banks evaluated the company's overall credit risk.

About 60 banks currently participate in the lines of credit. Wind will begin to pay back the principal during 2005, with the last payment scheduled for 2010.

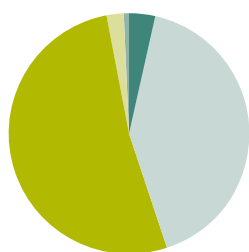
Both loans are of the non-recourse kind (without repayment guaranteed by the shareholders), are subject to quarterly reporting obligations, and – beginning in December 2002 – entail meeting predetermined financial-performance indicators.

The main indicator concerned is the ratio between net financial indebtedness and EBITDA, whose reduction indicates increasing corporate solidity from the financial point of view and allows the interest rate to be lowered because of the decline in the company's risk level. To this end, on October 10, 2002 a meeting of Wind's shareholders approved a capital increase amounting to 235 million euros.

Another indicator, consisting of the ratio between EBITDA and debt maturities year by year, provides evidence of the ability of operating income to cover the cost of the debt.

### Concessionary loans

CATEGORIES OF PROJECTS PRESENTED FOR LOANS



- Environment 3.5%
- Infrastructure 41.3%
- Research and Innovation 52%
- Local Development 2.3%
- Employment Support 0.7%

Enel has set up a unit at the holding-company level with the task of governing planning, coordinating and reporting on the projects presented by Enel companies for concessionary loans.

This unit is also entrusted with monitoring the main opportunities for funding that can be tapped and with offering up-to-date information on a dedicated intranet site.

This site allows information to be accessed by both geographical area and type of project, and rules, calls for projects, discussion, contacts (internal and institutional) and links to other sites of interest are available for every program.

Enel's utilization of public funds is targeted for the environment, technological innovation, research, infrastructure, training and retraining. The Company's largest commitment has been to research, for which Enel SpA obtained funds totaling 4 million euros in 2002. In 2002 Enel signed a loan agreement with the European Investment Bank in the amount of 300 million euros in order to finance investment in Enel GreenPower's hydro, wind and geothermal plants.



## Employees

- Trend of personnel costs
- Incentive system

### Enel employees in Italy and throughout the world

Italy	69,370
Rest of Europe	1,153
North America	190
South America	281
Asia	184
Africa	26
<b>Total</b>	<b>71,204</b>

As of December 31, 2002 Enel employees totaled 71,204. The total change with respect to the number on December 31, 2002 breaks down as follows.

The reduction of 1,457 is the net result of 1,533 new hires and 3,860 transfers to Enel deriving from changes in the consolidation area and the acquisition of companies (including 2,171 from Camuzzi, 941 from the Viesgo Group and 522 in telecommunications connected primarily with the acquisition of Blu) against 438 transfers from Enel deriving from the sale of a corporate division (mainly to AEM Milano and AGSM Verona), 1,738 connected with the sale of Eurogen and 80 with that of Power.co, and 4,594 terminations consequent mainly to incentives for early retirement.

## Trend of personnel costs

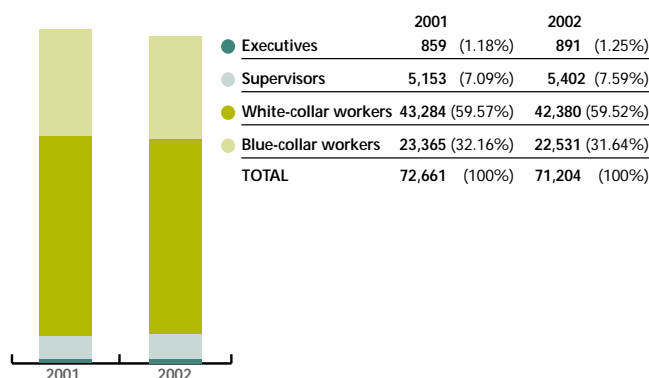
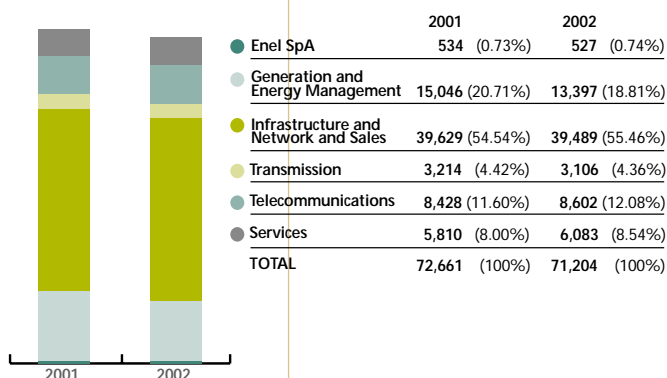
In the last three years personnel costs have increased in absolute terms by 58 million euros because of the combined effect of changes in Enel's consolidation area, mainly regarding telecommunications and gas, and the decrease in personnel employed in the traditional electricity business.

### Personnel costs

(millions of euros)	2000	2001	2002
Wages and salaries	2,467	2,645	2,554
Social-security contributions	691	726	700
Termination indemnities	217	218	208
Retirement benefits	21	26	22
Other costs	135	107	105
<b>Total personnel costs</b>	<b>3,531</b>	<b>3,722</b>	<b>3,589</b>
Average number of employees	75,887	77,184	71,932

Average unit cost (thousands of euros)	46.5	48.2	49.9
% change with respect to preceding year		3.6%	3.5%

## PERSONNEL



## Economic responsibility

### Incentive system

Enel's pay policies are aimed at attracting, retaining and motivating human resources. They constitute an integral part of growth policies and are established and directed according to the results of evaluation processes.

The use of incentives concerns:

- > base pay, with the objective of acknowledging growth in employees' roles, in terms of the expansion of responsibilities, the extension of duties, and the impact on business results;
- > variable pay, with the objective of making explicit the relationship between individual activities and corporate performance, emphasizing the link between organizational responsibilities and value creation.

Incentives concerning variable pay are aimed at ensuring:

- > agreement on business objectives and emphasis on results;
- > alignment with respect to the levers of corporate value;
- > focus, so that more importance is given to objectives that are really fundamental to value creation with respect to those that have a supporting role.

#### Enel's pay policies

The followings kinds of actions regarding variable pay should be noted (2002 data):

- > MBO (management by objectives): links variable pay to the achievement of shared business goals that are objective and measurable and is addressed to about 66% of executives and supervisors who perform important organizational or managerial roles;
- > Sales incentives: link variable pay to the performance of the personnel engaged in sales activities and are addressed to supervisors and white-collar workers;
- > One-off: aimed at rewarding the realization of highly important corporate projects or the achievement of excellent performances;
- > Stock-option plan: regards about 53% of all executives with the aim of reinforcing management's entrepreneurial spirit and at the same time ensuring constant concern for creating value for the Company;
- > Collective incentive program: regards all employees under the collective bargaining agreement of the electricity industry, based on parameters regarding the Company's earnings (EBITDA) and productivity/quality per operating unit.

#### Wind's pay policies

The pay policies of the Telecommunications Division break down as follows:

- > MBO: involves 100% of the executives, about 34% of the supervisors and a small percentage of white-collar workers considered to be developing resources;
  - > System of sales incentives: regards all personnel (supervisors and white-collar workers) engaged in corporate, consumer, wholesale and web sales and accounts for about 29% of their gross annual pay;
  - > Stock-option plan: involves 91% of all executives with the aim of reinforcing management's entrepreneurial spirit and is based on the achievement of strategic executives;
  - > Results bonus: regards all employees (except executives) and is linked to parameters concerning the Company's earnings (MOL) and customer satisfaction.
- The last-mentioned objective constitutes one of the Company's priorities. Significantly based on the motivation and involvement of employees, concern for customers and service quality are elements that characterize the Company in the market for telecommunications services and stand out as factors of success for the Company. The measurement and certification of customer satisfaction are carried out by external certification firms.

## Customers

### Customer portfolio and sales volumes

- Customer portfolio and sales volumes
- Supply system and channels of access
- Relations with interest group

Almost all of Enel's customers are concentrated in the core business of energy and in telecommunications.

- > Distribution and sale of electricity: in 2002 there was a decrease in the number of clients in the regulated market with respect to 2001 (from 29,945,296 to 29,129,529), mainly because of the sale of the distribution networks of Rome, Turin, Milan and Verona. At the same time, the number of customers in the free market came to about 400. Total sales revenues amounted to 18,267 million euros.
- > Gas sales: Enel strengthened its position as the second-largest company in Italy in the gas-distribution market, with a share of about 11% and 1.72 million customers. The Company is present in 16 regions and more than a thousand cities and towns thanks to the integration of 35 existing firms through the creation of a single company, EnelGas, which has been doing business since January 2003.
- > Telecommunications: in 2002 Wind strengthened its position as the second-largest integrated telephone company in Italy, increasing the number of its customers to 8.7 million in mobile telephony, 7.2 million in fixed-line telephony, and 12.4 million in Internet. Sales revenues rose to 3,921 million euros.

### Supply system and channels of access: electricity

Enel does business in both the regulated and the free markets through dedicated companies and facilities. Final customers, both consumer and business, have access to the electricity supply and related services through several sales channels.

Power bracket	Up to 30 kW	More than 30 kW	
market	regulated	regulated	free*
channel Telephone	Pronto Enel 800 900 800		800 900 161
Internet	www.prontoenel.it		www.enel.it/enelenergia
physical channel	Qui Enel (for supplies up to 15 kW)	Punto Enel Account manager	Account manager
Enel company concerned	Enel Distribuzione	Enel Distribuzione	Enel Energia Enel Trade

\* Until April 30, 2003 all customers with an annual consumption of at least 9 million kilowatt-hours (or 1 million kilowatt-hours if they are associated in a purchasing consortium) may enter the free market. With its resolution 20/03, the Authority for Electricity and Gas established that from May 1, 2003 all customers who consume at least 100,000 kilowatt-hours a year may enter the free market.

#### Commercial code

In compliance with the provisions of the Authority for Electricity and Gas directive 204/99, Enel Distribuzione has published a commercial code aimed essentially at:

- > ensuring customers the possibility of making rational economic choices;
- > guaranteeing the necessary fairness in the offer of both current tariffs and future options regarding tariffs and contracts;
- > allowing customers access to the electricity service at the lowest possible cost.

(The code is published in its entirety on the following web site:  
[www.enel.it/eneldistribuzione/diritti\\_del\\_cliente/codicecondotta\\_casa.asp](http://www.enel.it/eneldistribuzione/diritti_del_cliente/codicecondotta_casa.asp)).

## Economic responsibility

**Pronto Enel**  
800-900-800

**www.prontoenel.it**

**Qui Enel**

**Punto Enel**

### Supplying the regulated market

The supply of electricity for customers in the regulated market (physical or legal persons with a consumption of less than 9 GWh in 2001) is ensured by Enel Distribuzione, which every year offers tariff options in compliance with the regulations issued by the Authority for Electricity and Gas.

In order to provide an increasingly efficient service, as well as to be closer to its customers and respond to their requirements, in 2001 Enel Distribuzione began to reorganize its sales network, providing a series of services easily accessed by customers.

#### Pronto Enel

Customers can call Enel Distribuzione's toll-free number 800 900 800 to carry out transactions regarding contracts or bills.

25 contact centers and 2,300 operators throughout Italy provide access to this service.

#### www.prontoenel.it

Customers can also access the services provided by Pronto Enel via Internet through the portal [www.prontoenel.it](http://www.prontoenel.it)

#### Qui Enel

Customers can call on the professional expertise of the personal at 1,000 offices throughout Italy.

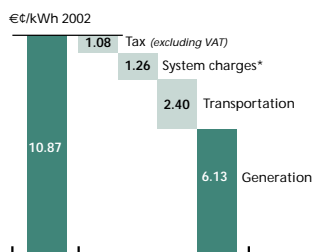
#### Punto Enel

Enel Distribuzione has opened 148 Punto Enel offices to manage the more complex transactions of businesses and the civil service.

#### Account manager

To provide information and assistance regarding tariffs choices, contract changes and the most important innovations in the fields of electricity and the new technologies, Enel Distribuzione offers its large customers 220 consultants located throughout Italy.

### STRUCTURE OF THE AVERAGE NATIONAL ELECTRICITY TARIFF



\* System charges:

A2 Coverage of nuclear expense;  
A3 Funding of renewable and similar energy sources;  
A4 Coverage of expense of special rates regime;  
A5 Funding of research;  
A6 Stranded cost;  
UC4 Equalization of small companies.

#### Electricity tariffs

The reform of tariffs begun by the Authority for Electricity and Gas directive 204/99 introduced mechanisms linking the price of electricity to the costs incurred by distribution companies. The base tariffs for the supply of electricity are set by the Authority as maximum prices chargeable net of taxes and updated by the price-cap method. This method sets a limit to the annual increase of tariffs amounting to the difference between the expected rate of inflation and the increase in productivity achievable by the company providing the service, plus other factors that could be taken into account, such as service quality.

**Enel.sicura**

Enel.sicura is the new service card for requesting assistance from electricians, plumbers, smiths, doctors and ambulances with a simple phone call, round-the-clock 7 days a week.

**Enel.si shops**

Enel.si is present throughout Italy with a large network of highly professional and reliable franchise shops that is progressively being extended all over Italy. The 610 shops open for business as of December 31, 2002 will become 1,000 by the end of 2003. It is planned that, when fully developed by the end of 2005, the network will comprise 1,900 outlets. These shops provide advanced services and expert solutions for electrical systems for both households and workplaces:

- > Safety and security: design, construction, renovation, and check-ups for electrical systems, as well as installation of warning systems for gas leaks and flooding and of video-surveillance and anti-intrusion systems
- > Comfort: installation, maintenance and assistance for household air-conditioners and automation systems
- > Energy conservations: sale and installation of photovoltaic plants and high-efficiency lighting systems for workplaces

Information on Enel.it services is available on the web site [www.enel.si.it](http://www.enel.si.it). The toll-free telephone number 800 90 1515 is active round-the-clock.

**Micro-generation of electricity**

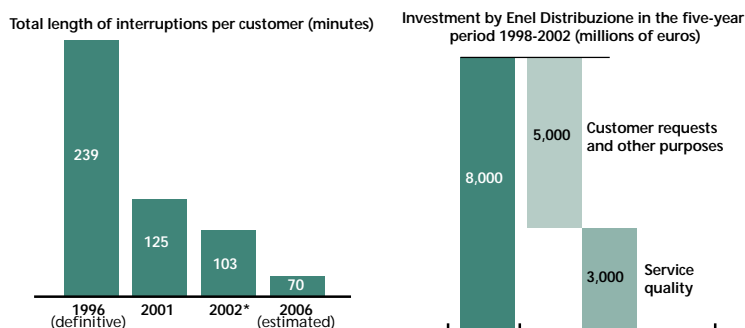
Enel has developed an innovative service of generation with small production plants utilizing natural gas in co-generation and located directly on the premises of the end user. Micro-generation systems (Combined Power and Heat, or CPH) ensure the availability of electricity required at all times through highly efficient innovative technologies derived from the airplane and automobile industries.

In early 2003 the micro-generation business was integrated into Enel.si as part of the latter's services for business customers. Enel.si provides both the system and the services of installation, operation and maintenance for a single fee (fixed or by-the-hour).

Offered for the first time in 2002, this solution is addressed mainly to small and medium-sized companies, hospitals, the Civil Service and museums, which require an uninterrupted supply of both electricity and heat. Our first customers demonstrate that micro-generation allows a cost saving of about 10%.

**Service quality in the regulated market****The technical quality of the electricity service**

In 2001 the length of interruptions per customer was well under the maximum values set by the aforesaid Authority for Electricity and Gas, which awarded Enel a bonus of about 32 million euros. The average annual length of interruption per customer was reduced to 125 minutes, an improvement of 25% with respect to the result in 2001 (a year in which the Company had already received an award of 4 million euros). Thanks partly to technological innovation and the large amount of investment in the networks, the Company progressed from the 196 minutes of average annual interruption per customer in 1998 to the results of 2001. In the five-year period 1998-2002, in effect, Enel Distribuzione invested 3 billion euros in service quality.

**QUALITY OF THE ELECTRICITY SERVICE IN ITALY**

\* Figure that must be validated by the Authority

## Economic responsibility

### Service quality in the distribution and sale of electricity

The average quality levels of Enel Distribuzione's service are higher than the standards set by the Authority. As of December 2002, the level of access to the service through the contact centers amounted to 79% and the average waiting time was about two and a half minutes.

#### Comparison of specific levels of quality\*

Indicators of specific levels of quality	Standard (days)	Service level provided (%)	Average execution time (days)
Estimate for simple jobs	15	95.74	10.14
Execution of simple jobs	15	95.76	7.68
Connection	5	98.85	1.73
Disconnection	5	99.08	2.40
Reconnection after delinquency	1	97.03	0.66
Range of punctuality for personalized appointments	3 (hours)	97.83	0.00
Execution of simple jobs ordered in advance	15	97.37	6.59
Total	7	98.11	3.43

The data are awaiting validation by the Authority for Electricity and Gas.

\* The specific levels of quality regard several kinds of services for low- and medium-voltage supplies for which an automatic indemnity to the customer who requested the service is prescribed if Enel does not finish the job within 90 days after the length of time set as the standard has elapsed.

#### Comparison of general levels of quality\*

Indicators of general levels of quality	Standard (days)	Authority standard (%)	Service level provided (%)	Average execution time (days)
Estimates for complex jobs	40	85	94.97	24.20
Execution of complex jobs	60	85	85.52	37.22
Bill adjustments	15	90	69.50	24.68
Check of meter functioning	10	90	91.92	8.40
Voltage check	10	90	84.09	12.67
Response to complaints	20	90	86.57	13.82
Appointments for estimates for simple jobs	3	-	97.59	0.00
Total	41	86	89.70	26.46

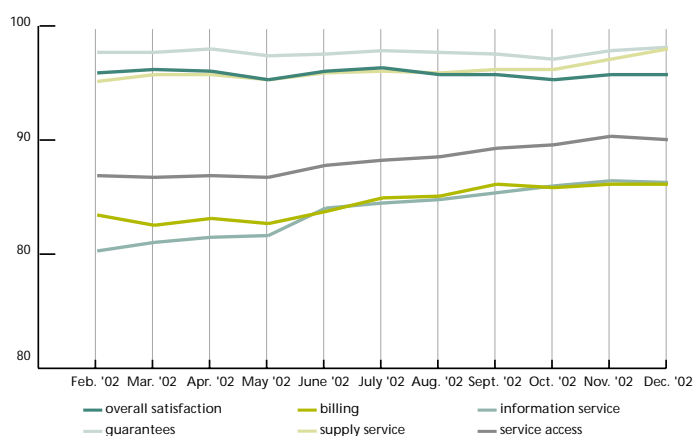
The data are awaiting validation by the Authority for Electricity and Gas.

\* The general levels of quality regard the kinds of services for low- and medium-voltage customers for which the Authority for Electricity and Gas prescribes meeting the time limits in a minimum percentage of the cases taking place in a year.

### Perceived quality

In 2002 about 15,000 customers were interviewed in order to monitor the satisfaction of customers with respect to the service provided by Enel. About 40% of those interviewed had a contact with Enel during the year through the channels of the Contact Centers and QuiEnel. About 70% of those interviewed perceived an improvement with respect to the service provided by Enel in the second half of 2001.

The performance of the main indicators of satisfaction in Italy measured during 2002 is displayed on the graph.





## Supply system and channels of access: gas

### Gas distribution

The gas distribution business (plant construction, maintenance and management) is handled by the Gas Network Business Area, under which five companies operate: Enel Distribuzione Gas, Camuzzi Gasometri, GEAD, Avisio Energia and Metangas Sicilia.

## Supplying the free market

Following a process of reorganization within Enel, since January 1, 2003 Enel Trade has sold electricity on the free market to both eligible wholesale customers (with a standard contract that is identical for all companies) and eligible final customers, so-called "large electricity users" (large industrial groups consuming more than 100 GWh a year).

Enel Energia, a new Enel company, has also been doing business in the free market since January 1, 2003, in the segment of end customers consuming less than 100 GWh a year. Both companies, in their respective market segments of end customers, are reference players for the supply of electricity and energy services. They provide personalized energy solutions combining the supply of electricity with products structured for risk management and optimization services, satisfy customers' requirements with an advanced level of service, and ensure the highest possible quality. With regard to the sale of natural gas in the free market, Enel Trade manages supplies to distributors and wholesalers, while sales to end customers have been handled since January 1, 2003 by Enel Gas.

In the near future the Italian electricity market will see the introduction of a so-called "energy exchange", a complex and highly integrated instrument where, within 24 hours, direct trading of energy and connected services will take place. As a company that will do business on the energy exchange in the future, Enel intends to participate in the new challenges and take advantage – for itself and its customers – of all the opportunities created by the free market by optimizing its productive capacity and increasing the efficiency of its processes to a level that is comparable with that of international best practices.

### The new integrated customer relationship management (CRM) system

At the end of 2002 Enel Distribuzione developed a new version of the CRM system, which ensures the integration of all the contact channels provided for customers. The integrated CRM system allows Enel Distribuzione's personnel to share information about a customer who accesses the company through different channels.

Enel Gas is the company that manages the sale of natural gas. Its mission is to reinforce its position as the second-largest Italian company in the field and to grow by selectively seizing the opportunities of the free market that enhance its competitive advantages. This mission takes the form of progressively focusing on micro-business and consumer customers and emphasizing the provision of excellent service and constant innovation of the product offer.

The customer base of Enel Gas has the particularity – which is strictly connected with the type of product in question – of being extremely heterogeneous in terms of its social, demographic and cultural characteristics, as well as its values, and therefore of presenting different requirements, to which correspond different relations with the company. Enel Gas is characterized precisely by its resolute orientation to satisfying such customers by continually seeking to provide quality services and respecting the values of its corporate culture that aim at increasing the company's value and image through the enhancement of its relations with its customers.

### Enel Gas contact channels for its customers

	Household Customers	Small and medium-sized firms, civil service, etc.	Business Customers
Telephone	800 998 998	800 897 733	800 897 733
Internet	www.enelgas.it	www.enelgas.it	www.enelgas.it
Physical channel	Customer service centers	Customer service centers	Key Account

## Economic responsibility

### Enel Gas services

#### Customer service – toll-free numbers

Since January 1, 2003 the Enel Gas contact center has been at the disposal of its customers. This single-call service center, which is accessible by phone (to different toll-free numbers for business and household customers), fax, letter and e-mail, allows customers to carry out all transactions regarding their contracts.

#### [www.enelgas.it](http://www.enelgas.it)

Since January 1, 2003 the web site has been in operation. This important instrument of customer relationship management enables customers to easily obtain information about the company and the services it provides as well as to carry out all transactions.

#### Customer service centers (P.A.C.)

These are local offices aimed at satisfying the requirements of customers who favor a more direct relationship with the company and at supporting sales activities and offers of new services.

### The quality of the gas service

Enel Gas places customer satisfaction and the quality of the service provided at the heart of its growth strategy. The objective is to understand customer expectations, identify areas needing improvement, and establish plans of action.

Enel Gas is active in respecting the parameters of quality established by the Electricity and Gas Authority and in measuring the quality perceived by its customers in order to monitor their degree of satisfaction with the service.

Enel Gas is currently engaged in the certification process regarding its quality management system.

From its birth Wind has been developing an innovative business proposition based on single-access communication and an innovative pricing policy.

In 2002 Wind was the first company in Italy to:

- > offer video-streaming services (first European company, too);
- > unbundle the local loop;
- > offer the service of mobile number portability.

### For business customers

Wind's proposals offer a high degree of personalization and solutions focused on the integration of the services of fixed-line and mobile telephony, data transmission, and Internet. Among the most innovative solutions, convergent virtual private networks (or VPNs, which include fixed-line, mobile and Internet technology) make the virtual office an operative reality for firms through the integration of the different services of mobile telephony, data transmission and high-speed Internet with guaranteed quality.

The availability of specific customer care completes the offer, with specialists who resolve technical, administrative and commercial problems.

The offer of data transmission and Internet is also particularly differentiated, with different options that not only ensure the greatest correspondence to the requirements of all segments of business customers, but are also subject to quality parameters that are among the highest to be found in the market.

Wind's product range also includes an offer of broad-band geographical connectivity (from 2 to 155 Mbps) that uses the national fiber-optic network for long-distance transportation. Finally, Wind has an offer for Internet-service providers based on the resale of ports with delivery on Internet Protocol or voice, with or without Internet band included.

### Supply system and access channels: telecommunications

### The activities that generate value for customers

Management of the relationship with the market takes place through the four process phases that well describe the use cycle of the product/service:

- > phase of access: presale, sale and activation activities carried out in order to enable customers to enter into contact with Wind's offer, to choose the service that most corresponds to their expectations and to activate the optimal conditions for using the service;
- > phase of use: the activities aimed at setting up an effective system of service provision, evaluated primarily with regard to the technical parameters that regulate the coverage of the telecommunications network and the quality of infrastructure use;
- > phase of assistance: provides customers with a channel for immediate and direct contact with the company for any problems that emerge during the use of the services;
- > phase of transparency: regards the activities of billing through the timely, fair and transparent communication of the data regarding the use of the services and the related cost.

## For the consumer market

Wind has perfected an easily understandable offer with "all-inclusive" tariffs, convergent plans for fixed-line and mobile telephony, and personalized proposals for the different market segments. Among the most important innovations introduced are:

- > "Followwind". Unified secretarial service for voice messages, faxes, e-mail, notification via SMS and updates of the messages received accessible by cell phone, fixed-line phone and personal computer;
- > "WindAttiva". The rechargeable card that allows you to know in real time the cost of a phone call and your remaining credit, which appear on the telephone's display at the end of every call.

In addition, Wind has built up an extensive sales network throughout Italy that is constantly expanding. As of September 30, 2002 there were about 5,000 sales outlets, over 320,000 "recharge outlets", and 5,500 counters for payments with ATM cards.

Wind's consumer-assistance service can be contacted round-the-clock by dialing 158, while its information service is available at 155; both numbers are toll-free.

## Wind's service-quality management model

Customer satisfaction and perceived quality are objectives present in all of Wind's business activities. The company has developed a system for managing service quality and the internal organizational mechanisms for registering, analyzing and improving service quality.

## Instruments for monitoring the value created for customers

Wind's system of proposals is strengthened by instruments for monitoring the customer value created. Specifically, the Quality Department carries out quality-management activities at the corporate level aimed at registering the quality provided by the system and the quality perceived by customers by using performance indicators. The comparison between quality provided and perceived quality, registered by customer satisfaction surveys, allows critical areas to be identified in detail. Efforts are made to improve such areas in order to increase the value generated for customers in the direction emphasized by the board of directors, which in 2002 decided to construct the system of strategic objectives on the basis of provided and perceived quality.

This model of analysis and the consequent process of continual improvement that has involved the company in the last few years have enabled Wind to obtain improvements in terms of quality provided and perceived by the market in all its front- and back-office activities.

## Management of Wind's relationship with the market

	PHASES			
	Access	Use	Assistance	Transparency
Wind activity	Presale, sale and service activation	Provision of service	Commercial and technical assistance to customer	Billing Dispute management
Driver of customer value	Rapidity of service activation Simplicity and clarity of information	Development and maintenance of networks and technologies	Promptness and effectiveness in resolving problems	Punctuality and clarity in sending billing data
Most representative indicators of perceived value	Completeness of information Facility of channel access	Network access	Ability to resolve problems on-line	Billing fairness

## Relations with interest groups

### Enel for business

Enel attentively follows the development of small and medium-sized businesses in Italy. These firms demonstrate every day their ability to compete in the market and to create wealth and jobs.

Enel wants to be a partner for these firms, one capable of fostering their growth, competitiveness and innovation. Enel's presence in such businesses can also represent a favorable condition for the growth of enterprises with deep local roots.

This is why since 2000 Enel has been promoting and developing at the national level its "Enel for business" project, which has given rise to a series of inter-regional conferences. Organized in cooperation with the Italian Association of Chambers of Commerce, these conferences have also led to systematic relations with the heads of local organizations of small and medium-sized companies to identify business opportunities with regard to local circumstances and to transfer throughout Italy the atmosphere of transparent discussion between Enel and business associations that already exists at the national level.

In order to develop and strengthen its relations with interest groups, in 2000 Enel set up a dedicated unit that is part of the Company's Department of Institutional and International Affairs. The Company has thus consolidated over time its dialogue and cooperation with interest groups in order to create an increasingly transparent approach to stakeholders.

Enel currently has systematic relations with 51 national associations, such as the associations of small and medium-sized firms; trade, environmentalist, consumer and local-government associations (such as, for example, the National Association of Municipalities); and Unioncamere (the Association of Chambers of Commerce). The "Relations with Associations" unit carries out its activities on three levels: governance, which concerns the elaboration and sharing of policies and guidelines regarding the management of relations with interest groups; management of the relations, which consists in developing them systematically and transparently; and support of Enel's business units to effectively manage relations with the associations that represent the Company's customers. Through this system of relations Enel constantly repositions its own corporate actions with respect to the requirements of the markets of the interest groups.

### Management-at-a-distance and digital meters

The digital-meter project represents an important innovation in Enel Distribution's relationship with its approximately 30 million customers.

The "Tele-manager" is a technologically innovative system for monitoring the low-voltage network (measurement of power interruptions, load, etc.), metering electricity consumption and managing contractual relations with customers, both locally and at a distance, which uses a bi-directional communication network between the digital meters installed on customers' premises and the company's customer-management center.

The project provides for the replacement of all of Enel Distribuzione's meters serving both business and household customers. As soon as they have been installed, the new meters allow each customer to check his or her consumption regarding both the current two-month period and the preceding one and to know the actual power absorbed by lights and electrical appliances.

With the tele-management system, which will be activated on the meters already installed, customers will be able to:

- > rapidly obtain connections and modify contracts without the need for a technician to be present on the spot. All they will have to do is simply dial 800 900 800, the number of Enel Distribuzione's Contact Center; the request will be satisfied automatically and customers will be able to check the change in their contract directly on the meter's display.

With the remote-reading system, which has also been progressively activated on the meters already installed, customers will be able to:

- > have their bills calculated according to the power actually consumed, so that they no longer have to pay advances or square up accounts. In effect, the digital meter allows consumption to be registered at a distance;
- > request the two-band tariff for household consumption if they already have a contract for household uses with at least 6.6 kilowatts of available power. This tariff allows customers to pay a lower price for consumption during the night (from 9 p.m. to 7 a.m.) between Monday and Friday, all day Saturday, Sunday and national holidays, and during the entire month of August.

The meter allows customers to fully use the maximum available power (amounting to 10% more than the committed power) for an unlimited period of time and in all environmental conditions.

### The consumer associations that are parties to the agreement on the meter-replacement plan

- ACU
- Adiconsum
- Adoc
- Adusbef
- Altroconsumo
- Assoutenti
- Cittadinanzattiva
- Codacons
- Confconsumatori
- Federconsumatori
- Lega Consumatori ACLI
- Movimento Consumatori
- Movimento Difesa del Cittadino
- Unione Nazionale Consumatori

#### Replacement plan

Enel Distribuzione is installing the new meters free of charge all over Italy according to a replacement plan that provides for the installation of about 30 million of them by the end of 2005. As of December 31, 2002 about 6 million meters had already been installed. Replacements are proceeding at a rate of about 700,000 a month. Customers are informed of the replacement three months in advance by a letter sent with their bill. One week before meters are to be replaced, notices are put up in the entries of customers' buildings informing them of the details. At the same time Enel delivers to their mailboxes brochures explaining the advantages of the new digital meters, with a dedicated toll-free number (800 069 111) they can call for further information.

The brochure also contains the addresses and phone numbers of two consumer associations, Cittadinanzattiva and Unione Nazionale Consumatori, which have been involved in order to increase the information channels available to customers. In the event that it is not possible to replace a meter because the customer is not home at the designated time, the latter will find

a notice in his or her mailbox with the name and telephone number of the company that is doing the work so that a personalized appointment can be set. When the meter is replaced, the customer is given a booklet containing instructions for the new meter. The investment for completing the entire project is estimated at about 2 billion euros.



Following an intensification of the pace of meter replacement, in the last few months of 2002 Enel began discussions at the Ministry of Productive Activities with all the consumer associations of the National Council of Consumers (CNCU) in order to contribute to the resolution of several problems and better satisfy the requirements of its customers. On February 5, 2003 Enel and all the consumer associations belonging to the CNCU signed an agreement providing for an increase in the "threshold of tolerance" of the new meters, the possibility of joint verification of their functioning, a common evaluation of the offer of the new two-band tariff for 3.3-kW household contracts (after the Authority for Electricity and Gas has established the new tariff for low-income families) and creation of additional channels of information about the digital meter, its use and its advantages for customers.

#### Disputes with customers

Enel's litigation consists of 10,349 pending proceedings, most of which (about 81%) were brought by the Company in order to recover amounts due from delinquent electricity customers.

During 2002, 4,386 decisions were handed down, a decrease of 22% with respect to the preceding year.

#### Legal proceedings with Enel customers as of December 31, 2002

	Pending 2002	Decided 2002	2001
Network and Infrastructure Division/Sales Division	10,211*	4,325	13,289
Telecommunications Divisions	103	46	25
Service Area	35	15	46
<b>TOTAL</b>	<b>10,349</b>	<b>4,386</b>	<b>13,360</b>

\* Including 1,218 begun in 2002 and 8,211 lawsuits brought by Enel, amounting to 81% of the total pending.

## Economic responsibility

**Enel Distribuzione**  
Energia Elettrica S.p.A.  
Via Lodi 1  
20123 Milano

Il tuo numero verde è: **699 889 999**

Antonio Giacopi  
Via Lodi 1  
20123 Milano

**Bolletta per la fornitura di energia elettrica**  
(Bimestre febbraio - marzo 2002)

Il totale da pagare entro il 26/03/2002 è di euro: **64,67**

La tua bolletta precederà gli addebiti in contante e sul conto corrente.

### The electricity bill

In agreement with consumer associations and availing itself of the expertise of the linguist Tullio De Mauro, the jurist Gustavo Ghidini and the communication consultant Annamaria Testa, Enel has completely revised the graphics and language of its bill in order to achieve the objectives of the utmost transparency and clarity of the items that make it up. To create the new bill, Enel sought a better overall design to contain the different components of the text. It then redesigned the structures and positioning of the information in order to make it easier for customers to read and understand. The language has also been improved, using the basic vocabulary of the Italian language, which consists primarily of words that are comprehensible to 90% of the population. For example, words such as "equalization", "invoice" and "delinquency" have been replaced by "difference", "bill" and "overdue".

### The new Enel Gas bill

Based on the experience of the electricity bill, the new gas bill is the fruit of the collaboration between Enel Gas and consumer associations and greatly facilitates the reading of the data regarding consumption, specifically:

- > the period concerned;
- > consumption expressed in cubic meters;
- > the amount to be paid;
- > the payment deadline;
- > billing data and the situation of preceding bills.

In addition, the telephone and fax numbers and the e-mail address of the customer service and the telephone number for reporting breakdowns and emergencies are highlighted.

There is also a space dedicated entirely to the service that handles customers' phone calls reporting their own meter readings, with information on using the service, the toll-free number and the period in which readings may be reported.

The message space on the bill is used by Enel Gas to communicate notices and information concerning activities in progress.

On the back of the bill are found all the itemized details that determine the amount to be paid, the data regarding consumption and a series of additional information about the management of the methane gas supply service provided by Enel Gas.

At the bottom of the page are explanations of all the terms useful for reading the bill correctly.

**Enel Gas**  
Energia Gas S.p.A.  
Via Varesi 26  
20136 Milano

Il tuo numero verde è: **3222 2222 2222**

Massimo Bazzani  
Via Varesi 26  
20136 Milano

**Bolletta Gas**  
(Bimestre febbraio - marzo 2002)

Il totale da pagare entro il 26/03/2002 è di euro: **78,71**

La tua bolletta precederà gli addebiti in contante e sul conto corrente.



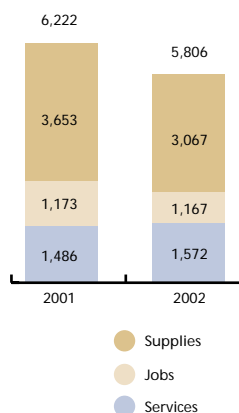
## Suppliers

### Purchase volumes and supplier portfolio

- Purchase volumes and supplier portfolio
- Relations with suppliers
- Impact of the Code of Ethics on relations with suppliers

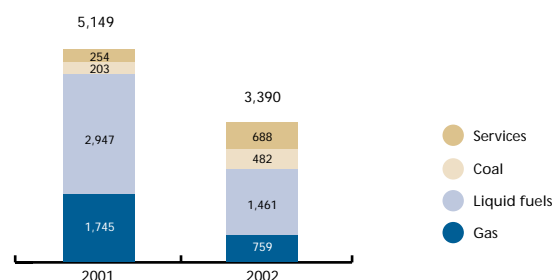
With respect to 2001 there was a total decrease of about 7% in supplies ordered (excluding fuels), with the sharpest reduction in contract work, which fell by 14%. There was also a considerable decline in fuel purchases amounting to about 34%, which was accompanied, however, by a significant increase in purchases of coal (+137%).

ENEL'S PURCHASING IN 2001 AND 2002 (total contracts in millions of euros)



Data regarding Enel SpA and its Italian subsidiaries

FUELS PURCHASED IN 2001 AND 2002 (total contracts in millions of euros)

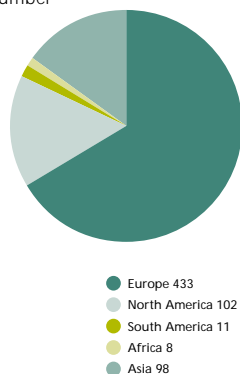


In 2002, 16,997 suppliers received contracts, including 652 abroad.

Within Enel, activities regarding energy raw materials are managed by Enel.FTL – whose name was changed to Enel Trade in January 2003 – which was incorporated with the double objective of optimizing the conditions of supply of Enel companies and to develop a range of products and services for the external market in order to supplement and optimize its activities. There has been considerable investment in new technologies, in the development of instruments of risk management, and in experimentation with innovative instruments of e-commerce (Enel Trade has a stake in Global Coal, a portal for international coal trading). Enel Trade is currently (2002 data) the third-largest European trader of coal (14 million tons), the second largest trader of gas in Italy and among the largest in Europe (15 billion cubic meters), and the leading non-integrated trader of fuel oil and petroleum products in the world (15 million tons), as well as the world's largest purchaser of orimulsion (2.5 million tons).

GLOBAL GEOGRAPHICAL DISTRIBUTION OF ENEL'S SUPPLIERS

Number



### Global Coal

Global Coal is an on-line coal market in which the largest international companies in the industry participate.

Among the partners of the company, which was born on April 18, 2001, several utilities stand out, including E.ON (Germany), EPDC Overseas Coal Company Limited (Japan), TXU Europe Energy Trading Limited (U.K.) and Enel.FTL – now Enel Trade – a founding shareholder of the portal, in which it owns a 5.5% interest, in addition to several of the world's largest coal producers, such as Anglo American plc (U.K.), Billiton plc (U.K.), Glencore International (Switzerland) and Rio Tinto plc (U.K.). On the Global Coal portal, which is open to all international companies in the industry, it is possible to carry out on-line transactions of coal using standard contracts, specification contracts or calling for bids, as well as to trade derived products and services connected with the coal industry.





## Economic responsibility

### Relations with suppliers

Enel applies the principles of transparency, clarity, non-discrimination and integrity in its relations with suppliers.

The Purchasing Department is constantly engaged in devising objective parameters for registering the requisites necessary to tender for contracts.

#### Partnership initiatives

Good relations with suppliers have over time allowed the formation of business partnerships. Projects with key suppliers allow the realization of works of reciprocal importance in which Enel and the suppliers selected share the entrepreneurial risk of the undertaking.

The digital meter is a recent example of partnership with a diversified group of both Italian and foreign suppliers.

#### The new technologies in the service of suppliers

Enel invests significantly in the introduction of the most up-to-date technologies in order to:

- ensure transparency
- increase the efficiency and effectiveness of its relations with suppliers.

#### On-line transactions for suppliers

At the end of 2002 Enel activated the Web Edi (Electronic Data Interchange) system for the electronic exchange of documents regarding the technical and administrative management of contracts.

Jointly developed by Enel Distribuzione and Pirelli Cavi e Sistemi Energia (its most important supplier of medium- and low-voltage cables), the system – which represents a reference point for the entire energy industry – ensures both companies an increase of efficiency estimated at over 70%. Thanks to Web Edi, in effect, all the documents exchanged between the two groups are managed electronically, which allows clerks to check the situation regarding order documents in real time and whenever they need to and to reduces considerably the possibility of errors. Web Edi is destined to revolutionize Enel Distribuzione's relations with its partners thanks to the elimination of the use of paper to send documents and the improvement of all the processes of contract management. The realization of this system and the e-procurement platforms now allow our company to present itself as one of the European leaders in the field of e-business.

#### The company portal ([www.enel.it/impres](http://www.enel.it/impres))

The company portal communicates and rationalizes the core services of the operating companies addressed to firms and at the same time provides Enel's suppliers and business partners a point of access to on-line procurement services.

As part of the services for companies, there is an "on-line office" dedicated to the contractors and suppliers who are partners of Enel Distribuzione ([www.enel.it/edb](http://www.enel.it/edb)), which during 2002 accredited itself as a meeting place for the community of Enel Distribuzione and its business partners for everything regarding their requirements connected with the supply chain.

## Qualification of suppliers

There are 4,925 suppliers that have gone through the qualifying process and have been judged fit and inscribed in the register of qualified companies. In 2002, 400 new suppliers were qualified through the on-line qualification procedure. There are currently 355 product groups active after qualifying on-line.

## e-Procurement

About 2,400 tenders were held on-line in 2002, in which the 6,000 suppliers who requested and obtained special qualification were invited (in general more than once) to participate. 1,000 million euros in contracts were awarded through on-line bidding (including, however, many framework orders, whose amounts are not counted in the total commitment stated on page 39).

The number of catalogues displayed on-line during the year totaled 30.

1,600 items were ordered from them, representing a total amount of 1.6 million euros.

## Vendor rating

Enel is starting to communicate the results of its vendor rating to its suppliers.

There are two aims:

- > to provide incentives for suppliers to improve their performances by offering real advantages for such improvement;
- > to optimize purchases through a system that enables the Company to choose the overall most advantageous products/jobs/services in the most objective way possible.

The process requires the gathering, processing, circulation and exploitation of information that, in most cases, is already present, in different forms, within the Company. Data regarding performances are gathered at the level of single divisions and also involves local operating personnel. It is the Company, however, that puts all the data together.

## Disputes with suppliers

Enel's litigation consists of 465 pending proceedings.

In 2002 78 decisions were handed down. Taking into account the proceedings initiated during the year, there was no change in total pending litigation.

### Enel's litigation as of December 31, 2002

	Pending 2002	Decided 2002	2001
Generation and Energy Management	31	5	31
Infrastructure and Networks Division/Sales Division	336	41	335
Telecommunications Division	16	17	12
Services Area	82	15	87
<b>TOTAL</b>	<b>465</b>	<b>78</b>	<b>465</b>

## Economic responsibility

### Impact of the Code of Ethics on relations with suppliers

#### Safeguarding the ethical aspects in supplies

With regard to companies that do even part of their business in so-called "countries at risk" (list available on the site <http://ilolex.ilo.ch:1567/english/docs/declprint.htm>)

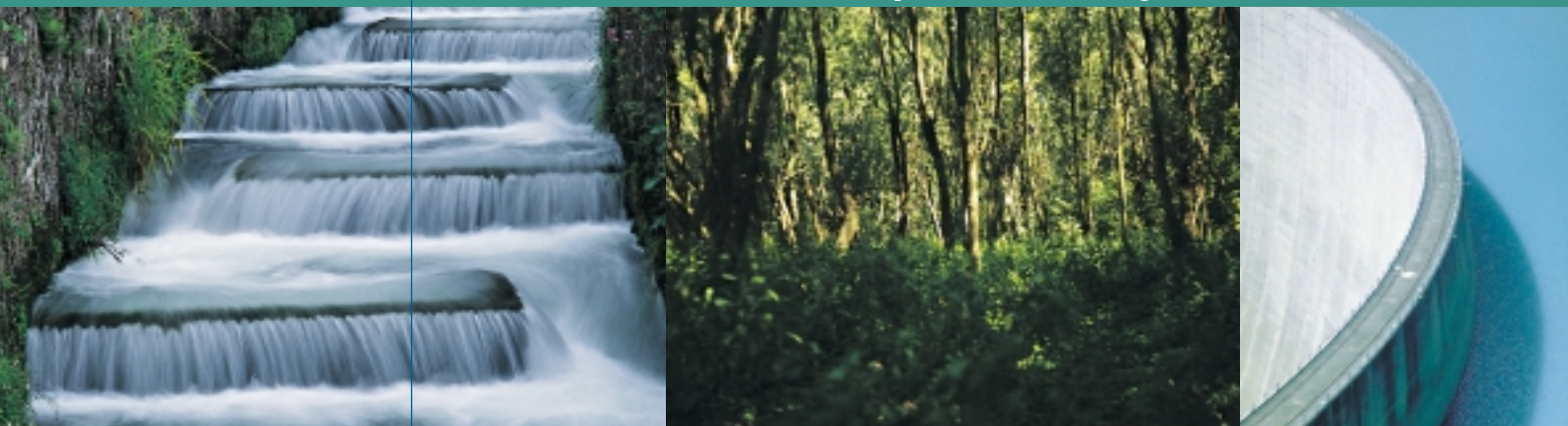
Enel has prepared several specific clauses on ethics that will be progressively inserted in supply contracts. The clauses will oblige suppliers to not employ, directly or indirectly, in their business activities any person below the minimum age established by law in the country in which the activities are to be carried out. In any case, whatever kind of work is entrusted to minors (the term "minor" refers to all persons less than 18 years old) must not impair their health, safety or morality.

Furthermore, suppliers will be obliged to allow Enel access to registers and/or documents that must show the personal data of all employees less than 18 years of age. The ethical clauses will also regard the treatment of personnel in general, the safeguard of union rights, and the forbiddance of discrimination, abuses, harassment and forced labor, as well as the protection of workers' safety and health.

#### Express resolatory

In order to give force to the ethical clauses, contracts will provide for resolution in case of nonperformance. "Violation on your part of the aforesaid clauses shall entail the de jure resolution of the present contract under article 1456 of the Italian Civil Code without prejudice to Enel's right to compensation for the damage. Enel in any case reserves the right to carry out inspections at the production units concerned by the present contract in order to verify compliance with the preceding clauses".

# Environmental responsibility



## Main results

- Reduction of environmental impact
- Increasing energy efficiency
- Extension of environmental management systems
- Commitment to the conservation of nature
- Information and awareness-raising on environmental issues



**Massimo Romano,**  
Head of Institutional  
and International Affairs

A company's ability to compete is increasingly measured by its ability to use the best of modern technologies to ensure development that does not upset the environmental balance.

## Reduction of environmental impact

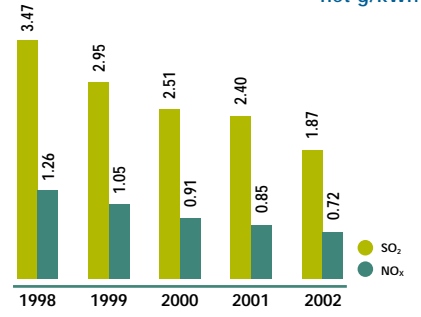
### Reduction of atmospheric emissions

- Reduction of atmospheric emissions
- Waste recovery
- Contribution to the mitigation of climate change
- Better utilization of energy sources

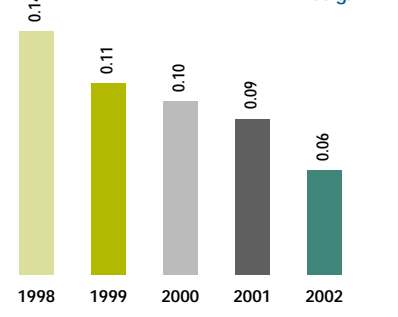
The atmospheric pollutants deriving from the combustion process in thermal power plants are mainly sulfur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>) and particulates. These emissions have been greatly reduced thanks especially to the use of advanced combustion techniques, the installation or improvement of abatement systems, and the use of a different mix of fuels. In the last five years, in effect, significant reductions of the specific emissions\* have been obtained:

- > - 46% of SO<sub>2</sub>
- > - 43% of NO<sub>x</sub>
- > - 58% of particulates

**SPECIFIC EMISSIONS OF SO<sub>2</sub> AND NO<sub>x</sub> IN THERMAL GENERATION**  
(data regarding Enel's business activities in Italy)  
net g/kWh



**SPECIFIC EMISSIONS OF PARTICULATES IN THERMAL GENERATION**  
(data regarding Enel's business activities in Italy)  
net g/kWh

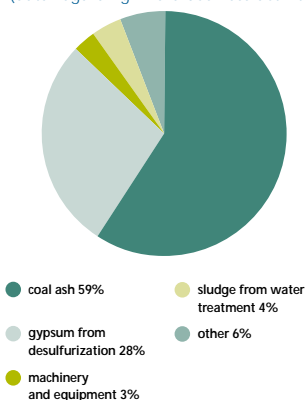


### Waste recovery

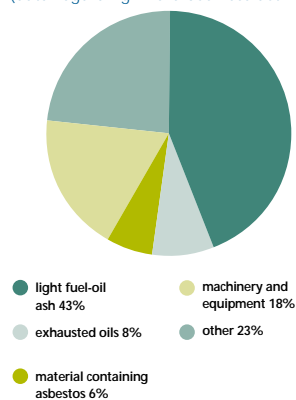
Among the objectives of Enel's environmental policy is also the reduction of the quantity of waste produced and the increase of its recovery.

Through the implementation of integrated management of the industrial-waste cycle, realized by developing the various kinds of recovery (reutilization, recycling, recovery of matter and/or energy), in 2002 Enel was able to recover over 90% of coal ash and gypsum from desulfurization.

**NON-HAZARDOUS SPECIAL WASTE**  
Total (tons) 2,056,582  
(data regarding Enel's business activities in Italy)



**HAZARDOUS SPECIAL WASTE**  
Total (tons) 33,443  
(data regarding Enel's business activities in Italy)



\* Combustion products of a thermal power plant introduced into the atmosphere, with respect to the kWh generated.

## Contribution to the mitigation of climatic change

CO<sub>2</sub> EMISSIONS IN ITALY  
(Millions of tons)



Source: APAT (Agency for Environmental Protection and Technical Services).  
Environmental Data Yearbook 2002.

ABSOLUTE CO<sub>2</sub> EMISSIONS  
FROM ENEL'S THERMAL  
PRODUCTION IN ITALY  
(Millions of tons)



Companies held constant:  
includes Endesa Italia, Edipower  
and Tirrenopower.  
Calculation based on the "Revised  
1996 IPCC guidelines for National  
Greenhouse Gas Inventories".

The issue of climate change has rightly become so politically important as to impel the European Union to ratify the Kyoto Protocol and to promote actions to get other governments to quickly do so.

With law n. 120 of June 1, 2002 Italy also ratified it. A resolution of the Interministerial Committee for Economic Planning (CIPE) on December 19, 2002 set goals for reducing greenhouse-gas emissions in the various sectors (thermal generation of electricity, manufacturing, transportation, agriculture) in order to realize the commitment to reduce Italy's total emissions of such gases during the period 2008-2012 by 6.5% with respect to 1990.

### The Kyoto Protocol and CO<sub>2</sub> emission credits

In order to achieve the goals for reducing greenhouse-gas emissions, the Kyoto Protocol – in addition to direct actions for cutting CO<sub>2</sub> – provides for so-called flexible mechanisms, which include:

- > implementation by industrialized countries of emissions-reduction projects in less developed countries (clean development mechanism);
- > cooperation between industrialized countries and countries in transition to a market economy on joint undertakings for emissions reduction (joint implementation);
- > buying and selling of tradable emissions permits (emissions trading).

With regard to emissions trading, a special EU directive currently pending approval will establish the related procedures. Enel is ready to participate actively in trading CO<sub>2</sub> emissions permits (so-called "blue certificates") in the future international market.

### The Voluntary Agreement on greenhouse-gas reduction

In 2000 Enel was the first company in Italy to sign a "Voluntary Agreement" with the Italian government on the reduction of greenhouse gases.

In this agreement, the Company committed itself to reducing equivalent average emissions of CO<sub>2</sub> of 20% in the period 1990-2006.

By the end of 2002 Enel had already decreased such equivalent average emissions of CO<sub>2</sub> by 11% with respect to 1990.

#### CIPE resolution of December 19, 2002

With a resolution on December 19, 2002, the CIPE approved the national plan for reducing greenhouse-gas emissions and increasing their absorption prepared by the Environment Ministry pursuant to article 2 of law n.120 of June 1, 2002.

This plan presents – for the various sectors of the economy (thermal power generation, manufacturing and construction, transportation, agriculture, etc.) – scenarios of CO<sub>2</sub> emissions in 2010 based on trends and targets. They were elaborated on the assumption of average annual GDP growth of 2% and on the basis of, respectively, actions that are underway or in any case have already been decided and actions that had been identified as of June 30, 2002.

The plan assigns thermal power generation a minimum emissions level amounting to 124.1 million tons of CO<sub>2</sub> equivalent. With respect to 1990, when the industry's greenhouse-gas emissions amounted to 124.9 million tons of CO<sub>2</sub> equivalent, the CIPE resolution essentially requires the industry to stabilize its emissions.

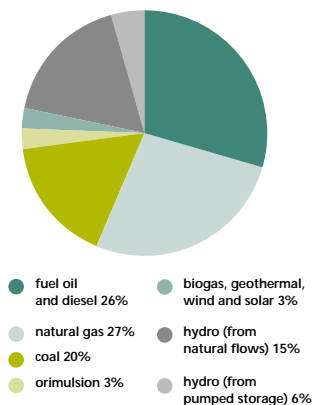
Pending the assignment of individual company shares regarding the industry goals for CO<sub>2</sub> reduction, Enel intends to pursue its commitment to cutting emissions by:

- > increasing energy efficiency in the field of generation;
- > increasing electricity production from renewable energy sources;
- > improving energy efficiency in the end uses of electricity and gas.

## Environmental responsibility

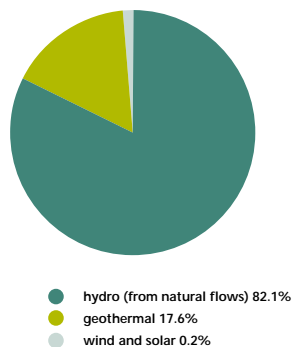
### Better utilization of energy sources

**NET ELECTRICITY PRODUCTION PER SOURCE 2002**  
Total (millions of kWh) 137,112\*

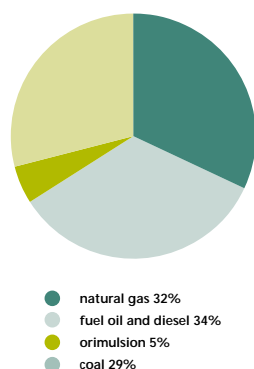


\* Production regarding plants owned by Enel as of December 31, 2002

**NET ELECTRICITY PRODUCTION FROM RENEWABLE SOURCES 2002**  
Total (millions of kWh) 24,834



**FUEL CONSUMPTION 2002**  
Total (ktoe) 23,864



### Utilization of sources

Among the energy resources used by Enel to generate electricity, renewable sources (hydro, geothermal, wind and solar) account for 18% of net total production.

Considering an Italian energy scenario in which the Bersani Decree provides for an increase in electricity generated from renewable resources amounting to 2% of domestically produced and imported electricity and an EU situation where directive 2001/77 assigns Italy the goal of generating 25% of its electricity from such sources, Enel has accelerated its plans for constructing new plants.

A wind farm was recently inaugurated at Alta Nurra, in the province of Sassari. It is the first plant in Italy with large wind generators: seven 1,750-kW towers, which will produce energy sufficient to supply 12,500 families.

Almost 18 million tons of CO<sub>2</sub> emissions were avoided in 2002 thanks to the generation of electricity from renewable sources instead of the fuels that would have otherwise been necessary.

### GREEN CERTIFICATES

Article 11 of legislative decree n. 79 of March 16, 1999 (the Bersani Decree) obliges electricity producers, from 2001, to introduce into the national transmission network a quantity of electricity from new plants using renewable sources amounting to 2% of all the electricity they generated or imported in the preceding year. Such energy must come from plants placed in operation (after construction, repowering, renovation or reactivation) after April 1, 1999. The subsequent decree issued by the Environment Ministry in agreement with the Industry Ministry on November 11, 1999 (implementation of article 11 of the Bersani Decree) established that the production of electricity from qualifying renewable-resource plants is entitled to "green certificates" certification of production from renewable resources. Green certificates have a value that is equal to or is a multiple of 100 MWh.

The Ministry of Productive Activities' decree of March 18, 2002 introduced amendments to the preceding decree, especially with regard to co-combustion (award of green certificates to 50% of the electricity generated from renewable sources and to 100% of the electricity generated by the utilization of "farine animali") and the upgrading of thermal and geothermal plants. In 2002 Enel did not meet the target of 2% and had to purchase green certificates from the Independent System Operator (ISO). In the next few years the investment planned for increasing electricity generation from renewable resources will allow Enel to meet the target.

### Fuel mix

Enel considers it necessary to change the current mix of fuels used in its thermal power plants.

With the electricity market being liberalized, the change is necessary in order to:

- > lower the cost of generating electricity;
- > reduce polluting emissions;
- > obtain greater supply security.

Enel's plan provides for investment to increase the use of natural gas and adopt advanced technologies for a greater utilization of coal, ensuring a level of polluting emissions that is markedly lower than that of fuel oil. Specifically with regard to coal, with the adoption of innovative technologies it is possible to obtain emissions levels (SO<sub>2</sub> = 100 mg/Nm<sup>3</sup>, NO<sub>x</sub> = 150 mg/Nm<sup>3</sup>, particulates = 20 mg/Nm<sup>3</sup>) significantly lower than those established by the law (SO<sub>2</sub> = 400 mg/Nm<sup>3</sup>, NO<sub>x</sub> = 200 mg/Nm<sup>3</sup>, particulates = 50 mg/Nm<sup>3</sup>). Some oil-fired power plants have already been converted to combined-cycle technology and others are in the process of being converted. In addition, permission has already been requested to use coal and orimulsion in several large power plants.

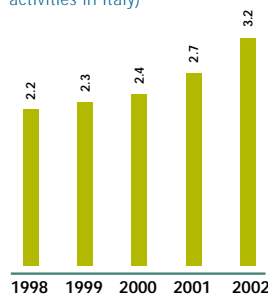


### Enel wins the International Renewable Energy Award

With its GreenPower unit, on November 18, 2002 in New York Enel was named "Company of the Year for Renewable Energy" as part of the Global Energy Awards. Organized by the Business Week/Platt's publishing group, the latter are among the most important awards in the world in the energy industry. The award is an acknowledgment of Enel's commitment to maintaining its technological leadership and environmental excellence.

### PERCENTAGE OF TOTAL ELECTRICITY PRODUCTION CONSTITUTED BY PRODUCTION FROM RENEWABLE SOURCES OTHER THAN HYDROELECTRIC

(data regarding Enel's business activities in Italy)

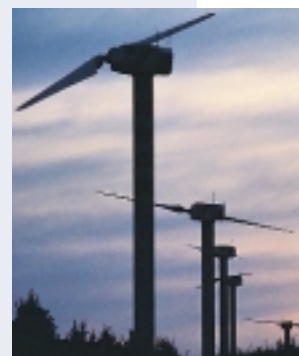


## Development of renewable-energy sources

Through its "Renewable Energy" business area, Enel manages hundreds of power plants in Italy, the United States, Canada and Latin America, with a total capacity amounting to over 15,000 MW. The individual foreign companies (CHI Energy Inc. and EGI - Energia Global International Ltd.) occupy important positions in their respective national markets and operate synergically at the international level exclusively for the development of green electricity.

### CHI Energy: largest independent producer of electricity from renewable sources in the USA

Originally incorporated as an electricity-generating company and operator of hydroelectric mini-power plants in the United States, CHI Energy Inc. has rapidly evolved during the last few years. It has become an important company in the hydroelectric industry in North America, with business activities in 14 states in the U.S. and two provinces in Canada and a recent entry into other technologies regarding renewable energy. In December 2000 CHI Energy was acquired by Enel GreenPower. The company currently owns and operates 65 mini-hydro power plants with a total capacity of 241 MW, three wind plants representing a total of 67 MW, a 23-MW plant running on biomass, and a 1.8-MW plant fired by biogas. In addition to pursuing objectives of acquisitions and development of opportunities in North America, it provides services of operating management and maintenance of hydroelectric plants to other companies. In the photovoltaic field, CHI Energy owns a stake in Energy Photovoltaics Inc. (EPV) in Princeton, New Jersey, one of the world's leading companies in the development, production and sale of advanced photovoltaic technology. Environmental protection has always been one of the primary objectives of CHI, which has established an environmental policy for the planning and management of its own operating activities.



### EGI: Latin America

EGI (Energia Global International), which has its registered office in the U.S.A., is extensively present in the Latin American market, where it does business in the field of renewable energy and aims to develop new opportunities and acquire existing power plants. Specifically, EGI manages plants in operation in Guatemala, Costa Rica and Chile with a total capacity of about 157 MW.

Founded in 1991, it was acquired by Enel GreenPower in June 2001. It currently manages hydroelectric power plants with a total capacity of 133 MW and wind farms in Costa Rica with a capacity of 24 MW. Energia Global International operates hydroelectric power plants in Chile with a capacity of about 88 MW.

Finally, EGI has equity investments in electricity distribution and in the electricity market in Guatemala and El Salvador.

## Plants for the abatement of mercury and hydrogen sulfide in geothermal power plants

At the Bagnore 3 power plant the first mercury-and-hydrogen-sulfide-abatement plant, developed to reduced emissions of hydrogen sulfide ( $H_2S$ ) in geothermal power plants, has been put into operation.

Enel financed the construction of this plant in order to reduce the uneasiness perceived by the population of the surrounding area notwithstanding the fact that the power plant was already meeting the limits set by law with regard to fumes.

The new plant is the fruit of a patented innovative technology developed internally by Enel GreenPower, which does not require treatments with chemical substances and does not produce byproducts that have to be disposed of. It took about four years of studies, planning and laboratory experiments to realize the entire project.

The result is a contribution to the improvement of air quality in the surrounding environment through the abatement of  $H_2S$  emissions. The innovation is connected with the ability of the substances contained in the geothermal fluid to allow the massive displacement of the hydrogen sulfide in the various sections of the plant towards the abatement treatment and the capture of the sulphides in geothermal condensation water.

The results of the experimental operation are especially comforting. The plant abates more than 80% of the  $H_2S$  that enters the power plant, thus eliminating the characteristic odor associated with the fallout of the gas emitted.

The realization of the plant is part of a larger project that also includes the Air-Quality Monitoring system in the surroundings of geothermal areas, consisting of 11 fixed measurement plants between the Amiata area and the Larderello-Travale area. Four new stations will be installed in Santa Fiora, Chiusdino, Montieri and Pomarance to complete the air-monitoring network.

## Environmental responsibility

### The RECS project

Enel is one of the promoters of the RECS (Renewable Energy Certificate System), a voluntary international certification system for the production of electricity from renewable energy sources, which was created in 1999 with the aim of promoting and fostering the development of a free market for renewable energy.

The system involves the 15 countries of the European Union and more than 170 companies in the electricity industry participate in it. Enel coordinates the Italian team.

### RECS certificates

RECS certificates are issued to companies that produce electricity from renewable sources in proportion to the amount of electricity generated and they are traded in a dedicated market distinct from the electricity one, which therefore is not affected by restrictions connected with transmission and distribution.



The end of 2002 marked the completion of the pilot phase, during which Enel's "Renewable Energy" business area traded 7,000 MWh of RECS certificates deriving from wind plants in Italy.

The RECS does not overlap with the regulations regarding green certificates, but covers different kinds of needs. It allows producers to also certify electricity generated by plants that do not qualify under the Bersani Decree and to also sell such credits to foreign buyers.



## Increasing energy efficiency

### Energy efficiency in generation

- Energy efficiency in generation
- Energy efficiency in distribution
- Energy efficiency in end uses of energy

In order to rationalize the use of natural resources and increase the efficiency of generating plants and the consequent reduction of polluting emissions, Enel has launched an investment plan regarding its thermal plants that provides for:

- > conversion to gas-fueled combined cycles of five thermal power plants that currently run on fuel oil, with a total capacity of about 5,000 MW;
- > conversion to coal and orimulsion of plants representing an additional 5,000 MW.

These conversions will lead to an increase in the energy efficiency of the plants. Specifically, the yield of the coal-fired plant will increase from 39% to 45%, while for the combined-cycle plants the yield will be 56%.

### Energy efficiency in distribution

A measure of efficiency of electricity transportation is represented by network losses. Construction of new HV/MV and MV/LV substations and renovation and repowering of MV and LV power lines have allowed losses to be reduced on the distribution network, thus avoiding the amount of thermal production that would otherwise have been necessary and the related emissions of CO<sub>2</sub>.

### Energy efficiency in end uses of energy

#### Enel.si: energy efficiency in distributed generation and end uses

Since 2001 Enel.si has been developing and managing solutions for increasing energy efficiency and for plant safety for its customers. Its offer includes services that have a positive repercussion on the environment:

- > installation of air-conditioning/heating systems using electric heat pumps;
- > installation of electricity rephrasing;
- > installation of fluorescent light sources with electronic reactors instead of light sources with traditional ferromagnetic reactors;
- > development of energy-management systems;
- > design, construction and management of co-generation plants;
- > installation and maintenance of photovoltaic plants;
- > installation of safety systems in workplaces and homes;
- > installation and management of small natural-gas-fueled co-generation plants located on the premises of the final customer.

The "twin" decrees of April 24, 2001 on increasing energy efficiency in end uses of energy reintroduced the issue of the rational use of energy, which concerns, among other things, energy conservation.

The aforesaid decrees oblige electricity distributors with more than 100,000 customers to achieve quantitative targets of primary-energy reduction from 2002 until 2006.

Some time ago Enel also launched programs in this field to foster the development and utilization of efficient electrotechnologies and the reduction of Italy's primary-energy requirements. Specifically, Enel continues to implement the following programs:

- > Climawatt, for the application of electric heat pumps in air-conditioning and heat systems in private buildings and in the service sector of the economy;
- > Serrawatt, for the utilization of electric heating sheets, supplementary lighting and heat pumps in plant nurseries.

#### Energy Efficiency Certificates

Electricity and gas distributors that meet the reduction targets regarding primary energy provided for by the decrees of April 24, 2001 are awarded Energy Efficiency Certificates, called "white certificates". Issued by the Authority for Electricity and Gas, these certificates have a value amounting to the consumption reduction obtained. The aforesaid certificates may also be purchased from energy services companies (E.S.Co.), which transfer them through trading to electricity and gas distributors that have not succeeded in achieving their assigned targets.

Enel is equipping itself to offer solutions aimed at energy efficiency in end uses that regard in particular selected projects concerning:

- > the dissemination of electrotechnologies through specific programs addressed to agriculture, industry and services (Serrawatt, Climawatt, etc.);
- > the construction of micro generating plants;
- > the design, construction, maintenance and operation of electric systems;
- > the use of district heating with geothermal fluids;
- > the application of energy audits for buildings in the service sector and the consequent renovation of the buildings that are the largest energy consumers, including the design and operation of air-conditioning and heating systems;
- > the design and construction of photovoltaic plants;
- > the design and construction of more efficient public lighting systems.

## Extension of environmental management systems

### Foundations of environmental management

- Foundations of environmental management
- Application of environmental management systems

#### Environmental policy and planning

Enel has adopted an environmental policy prompted not only by ethical principles, but also by awareness that the safeguard of the environment can represent a competitive advantage in a market that is constantly expanding and increasingly demanding with regard to quality and behavior.

Enel's environmental policy can be summarized in simple principles and objectives.

##### Principles

- > Protect the environment and the safety and health of workers;
- > Safeguard the value of the Company;
- > Improve environmental and product-quality standards.

##### Objectives

- > Utilization of processes and technologies that prevent and/or mitigate environmental impact;
- > Rational and efficient use of energy resources and raw materials;
- > Optimization of waste recovery;
- > Application of international systems for environmental management and safety in the Company's various activities;
- > Optimization of the integration of plants in the environment;
- > Application of the best operation techniques;
- > Communication about the Company's environmental management to the public at large and institutions;
- > Education of employees and raising their awareness with regard to environmental issues.

#### Environmental organization

Enel's environmental activities are managed by the corporate Department of Institutional and International Affairs, whose mission is to:

- > represent Enel's interests to the national and local governments of Italy, as well as domestic and international bodies active in the environmental field;
- > monitor the formulation of environmental regulations at both the Italian and EU levels;
- > select the indicators of and monitor the environmental impact of Enel's business activities (environmental audit);
- > assist Enel Divisions on environmental matters such as permits, compliance with regulations, green certificates, energy efficiency, the greenhouse effect, electromagnetic emissions, etc.;
- > make program agreements with institutions, bodies and agencies in the environmental field;
- > prepare Enel's environmental report.

### Application of environmental management systems

In order to deal with environmental matters in an orderly and efficient manner, Enel has continued to introduce management systems at its sites and in its activities.

By now they are effective strategic instruments aimed at improving performance and organization by reinforcing practices, procedures, roles and responsibilities.

The systems introduced are subjected to certification. Enel's goal is to obtain EMAS certification for 100% of its installed capacity by the end of 2005.

As of now EMAS registration has been obtained by the La Casella, Sulcis, Torrevadalliga Nord, Torrevadalliga Sud\*, Turbigo\*, Porto Marghera, Fusina and Montalto di Castro thermal power plants and by the Cordevole and Avisio hydroelectric ones.

In addition, the Brindisi Sud, Leri Cavour, Porto Tolle, Priolo Gargallo, Sermide\* and Vado Ligure\* thermal power stations have obtained ISO14001 certification.

#### Wind's environmental management system (EMS)

Wind was the first (on December 18, 2000) and is still the only telecommunications company to obtain ISO 14001 certification.

Involving the entire company at both the central and local levels, the system consists of two subsystems, Office and Network, for each of which different aspects are monitored (waste, hazardous substances, visual impact, noise, water, land, air).

The system is subject to continual audits, both internal (by eco-auditors) and by the certifying agency.

The implementation and monitoring of the EMS are entrusted to a coordinated combination of units:

- > an Environmental Supervision Committee (made up of the heads of the departments involved in the EMS), which carries out departmental reviews (analysis of audit results, state of EMS progress)
- > an Environmental Coordination Team (contact persons of the departments involved in the EMS)
- > the corporate-level Quality Management Department, which is concerned with project management and gives methodological support to and performs audits for the Coordination Team.

The EMS also involves different operating and staff departments: Procurement and Services, Human Resources, Asset Corporate Governance, External Relations, General Operations and Network. The instrument for implementing the EMS is the Environmental Program, which establishes objectives, goals, actions, responsibilities, implementation schedules, necessary resources and state of progress of undertakings.

The program is updated annually on the basis of the projects in progress – reorganizations, additions – legal constraints, technological options, and available financial resources.

#### Enel activities in the transportation and movement of primary sources of energy

Enel transports and moves energy raw materials with total respect for the environment.

Particular attention is dedicated to the aspects connected with:

- safeguard of the marine environment:
  - > Enel was the first company to forbid the passage of ships, leased directly or in any case with Company cargo on board, through the Straits of Bonifacio;
  - > Enel maximizes the use of ships with double hulls (for the transportation of oil only ships of this kind are used), which represent the highest quality and safety standard currently available, and in any case carefully selects the ships employed;
- active participation in domestic and international organizations for the safety of maritime transportation.

Enel has been a participating member of the Oil Companies International Marine Forum (OCIMF) since 2002.

\* Sold as provided for by legislative decree n. 79 of March 16, 1999 (Bersani Decree).



## Commitment to the conservation of nature

### Enel programs for the conservation of nature

#### Restyling of electrical stations

Electrical stations are changing their look. In effect, Terna has begun a program to upgrade some of them, including Roma Est, Tavernuzze and Carpi. The aim of the project is to reduce the environmental and visual impact of electrical stations, to furnish information on the power plants (name, capacity of the electricity flows, areas served, etc.) and, where necessary, to communicate data on the monitoring of electromagnetic emissions. The particularity of the project consists in the variety of the ingenious applications on elements and equipment that make up the power plants: paint, green islands, reflecting shields, film for exteriors, information panels.

- Enel programs for the conservation of nature
- Instruments for the enhancement of areas of great value
- Main projects realized
- Environmental research

The impact of the electricity system on the environment and the landscape occurs at the local level around plants.

Years ago Enel started up programs for the conservation and enhancement of zones particularly significant from the natural, historical or artistic point of view that are located near electrical installations.

Particularly important is the "Nature and Land" program, which has allowed numerous important initiatives for knowledge of the environment, the study of the land, and the development of recreational and sports activities.

Cooperation has been initiated with local institutions and government bodies, the main environmental associations (WWF, LIPU, Legambiente, ItaliaNostra, Italian Fund for the Environment, Federparchi), the Italian Mountaineering Club, and several sports federations and associations.

Thus a network of environmental communication has been developed through the creation of wildlife oases, electricity and nature paths, centers for environmental education, all of which are cooperative activities aimed at making known Enel's technological and environmental heritage.

#### Wildlife oases

As part of the Nature and Land program and in order to enhance the wildlife heritage of areas of great value where its hydroelectric plants are located, Enel has made possible - with the cooperation of the WWF - the creation of 10 wildlife oases (most recently those at Alanno in Abruzzi and Nembia in the Trentino Region, which were inaugurated in 2002).

The creation of the oases takes place through an agreement for the gratuitous use of wetlands bordering on hydroelectric plants, on which the WWF undertakes to replant forests, protect and increase the fauna, build huts for bird watching, put up educational signs, and organize tours of the oasis and the adjacent Enel plant for schools and the public at large. (Every year each oasis is visited by an average of 5,000 people).

In this way Enel contributes to the protection of eco-systems that are important for the conservation of biodiversity, environmental education and scientific research.

### Instruments for the enhancement of areas of great value

In 2000 Enel signed the "Electricity from Parks" agreement with the Environment Ministry, Legambiente and the Italian Federation of Parks and Wildlife Preserves with the aim of promoting the development of renewable energy sources, preserving and enhancing the protected environments in which electricity-generating plants are located, and furnishing information for the rational use of electricity and publicizing the projects concerned. The initiatives ensuing from the implementation of the agreement have already led to several important results:

- > the funding granted Enel by the Environment Ministry for feasibility studies regarding increasing renewable sources in the Lipari Islands and in the archipelagos of Ponza and Tuscany;

### Restyling power plants

For every project for converting its power plants, whether to combined cycles, coal or orimulsion, Enel Produzione has carried out an architectural study aimed at harmonizing the plants with the landscape. Included in such projects are compensatory undertakings, such as the creation of new areas of greenery.



> granting Legambiente the gratuitous use of sites at Ariamacina (Calabria) and Ancipa (Sicily) as areas with high wildlife potential on which it is possible to carry out energy and environmental projects with funding from the regional governments.

The Agreement has thus proved to be an important instrument of coordination and an effective means of attracting and bringing together people with the necessary expertise around a project with social, environmental and economic interest.

### The Hundred-Cities Program

Enel Distribuzione participates in projects for environmental rehabilitation initiated by city governments through the modification of the power distribution network. A plan of such modifications is provided for in at least 100 cities in three years. In only one year memoranda of understanding have been signed with 42 city governments selected according to the following criteria:

- > the existence of a plan of environmental rehabilitation of the city government or other institutions;
- > particular historical, artistic or monumental value of the city concerned;
- > importance of tourism in the area.

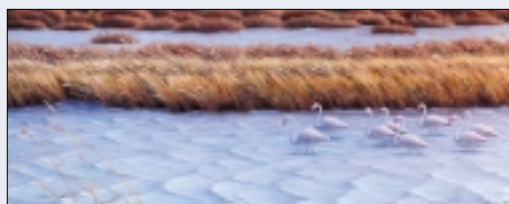
## Main projects realized

Among the more recent projects developed during the last few years in cooperation with environmental associations are:

- > the "Nesting on power-line towers" project, aimed at enhancing Enel's power lines;
- > the "Wildlife rehabilitation center", a hospital for wild animals run by the LIPU in the Rome 'Bio-park' (the former zoo).  
A "Nature and Land" Enel Infopoint and activities promoting communication with schools in Rome have been realized at the Rehabilitation Center, which treats more than 16,000 sick wild animals and is visited by about 10,000 people a year;
- > the "Wind Landscapes" competition for the design of two wind plants in Sicily and Basilicata;
- > the realization of a "Center for Environmental Education" and a wildlife preserve for pedagogical activities at the hydroelectric power plant on the Tiber River at Castel Giubileo, in the metropolitan area of Rome;
- > the creation of the "Farfa educational farm", which intends to promote and enhance areas of particular environmental value and recover the landscape through historical, archeological and wildlife pedagogical paths addressed to schools.

### "Naturally Accessible": preserves that the disabled can enjoy

Enable also the disabled to enjoy nature. To contribute to the achievement of this objective, Federparchi, environmental associations, the Student Tourist Center (CTS) and Enel are sponsoring "Naturally Accessible", a competition for the creation of a model center of mobility, education and information aimed at facilitating access to and enjoyment of wildlife preserves by the disabled. Presented in December 2002, it will be developed in 2003, the International Year of the Disabled as part of the European Park Day (May 18-25, 2003) by Enel, Federparchi, and the following associations: FAI, ItaliaNostra, Legambiente, LIPU, WWF and CTS. The competition concerns the regional wildlife preserves of Italy and aims to exploit and enhance the best practices that have been realized and are realizable regarding this question: demolition of barriers; equipment with electrical and manual devices that can be used by the elderly, people who have been injured, etc.; creation of educational and interpretive instruments in visitors' centers (cut-outs of animals, tactile exploration of relief maps, etc.) that can also be used by children and the blind. In addition to the "Naturally accessible" project, FAI, Federparchi, ItaliaNostra, Legambiente, LIPU, WWF and Enel jointly signed a Christmas-and-New-Year's card with the commitment to carry on with our projects aimed at safeguarding and enhancing nature. More than 80,000 copies were printed of the card, which portrays "Flamingos at Santa Gilla", from an oil painting on canvas by Concetta Flores, commissioned by Ars et Natura.





## Environmental responsibility

### Ergagia: environmental education in schools

Green energy has become a subject for study in schools. Given the growing interest of the public at large in this topic, Enel GreenPower decided that, in addition to its activity of developing plants with limited environmental and visual impact, it would also promote the dissemination of environmental knowledge. Thus was born Ergagia, a program that involves high schools in issues connected with the operation of a power plant and encourages students to propose solutions. At the end of the year a committee of Enel GreenPower experts and teachers evaluates the projects presented by schools from all over Italy and awards a prize to the best one. During the 2001-2002 school year more than 450 students in 19 schools participated in Ergagia; while in 2002-2003, 460 students are working on 18 projects.



### Environmental research

#### Generating with hydrogen

The aim of Enel's hydrogen projects is to integrate the hydrogen-based production system with thermal generating plants fired by fossil fuels (especially coal). In addition, to reduce production costs as much as possible and foster the dissemination of such systems. The hydrogen produced in power plants can be used to curb pollution in urban areas with intense traffic adjacent to thermal plants. In addition, it can also be made available at a modest price for generating with hydrogen urban transportation systems and the heating/air-conditioning of households through fuel-cell co-generation systems. In this way it would be possible to curb emissions of particulates, nitrogen oxides and ozone produced by automobile traffic and household heating systems.

#### "Wind Landscapes"

With Legambiente and a contribution from the Environment Ministry, Enel GreenPower extended a fascinating challenge: to integrate infrastructure for generating electricity from renewable sources in the environment in such a way as to obtain a more balanced relationship between man and the environment. The subject of the competition was the design of two wind plants, one at Cinisi (province of Palermo) and the other at Pescopagano (province of Potenza) in order to experiment with more advanced forms of high-technical-quality wind structures and to enhance the landscape. The participants developed design solutions that both take into account the technical aspects (intensity and direction of the wind, the number of wind generators, power and size) and enhance these extremely modern windmills in areas of environmental, historical and cultural importance. Fifty-eight projects, from a number of European countries and by highly qualified candidates, were presented. In part because of the diversity of the approaches to the problem that was set, the results were very interesting: landscape and large-scale signs, impact on the local landscape and perception, creation of wind farms in a contemporary key, linked to the creation and use of paths and areas. The French work group that won the competition for Cinisi presented a project of great quality and effectiveness from the technical and energy point of view, while the Italian group that won the competition for Pescopagano gave more emphasis to the details of the local landscape.

Enel Produzione set up a unit specifically dedicated to research with the aim of using to best advantage both plants that are already in operation and newly-constructed ones by exploiting – in an ecologically compatible manner – diversified low-cost fuels in highly reliable generating systems. Activities are concentrated on programs aimed at cutting production costs, protecting the environment, and developing innovative technologies.

#### Enel Produzione research

Reduction of production costs.

In the fuel field, low-cost products can be used in an ecologically compatible manner by applying Enel's equipment to the treatment of fumes.

With regard to waste, the aim is to reutilize the by-products, thus eliminating disposal costs and enhancing all the products of generation and fume-treatment processes. The project is called "Doc Ash" for controlling the quality of ash and its pre-treatment for reutilization or disposal. In order to ensure greater plant reliability and flexibility (another way to reduce production costs), research is focused on combined cycles with two specific projects. The first, called "Flexibility", is being carried out together with construction companies and is studying operating conditions in order to suggest ways in which the plants should be modified; the other one, called "Early Diagnosis", will develop methods for preventing plant malfunction.

Environmental protection.

A project in progress called "Zero Emissions" is studying technologies and processes for reducing the solid, liquid and gaseous emissions of all pollutants. The results of the research will be applied to the Fusina (province of Venice) power plant, which will become an important example of a zero-emissions coal-fired power plant.

Another important project is concerned with minimizing the environmental impact of generating systems, including through the development of techniques for avoiding soil pollution caused by accidental factors.

Innovative generating technologies.

Enel Produzione participates in international research projects on the use of low-cost fuels in highly efficient systems and on the development of innovative generating systems. Worthy of particular note are:

- > the so-called external-combustion cycles, for which a project funded by the European Union has been started up to realize a pilot plant by the end of 2003;
- > the development of fuel cells, which Enel Produzione is carrying out in cooperation with RWE (Germany's largest utility). In particular, a 300-kW fuel cell with a yield greater than 55% has been realized.

## Information and awareness-raising on environmental issues

### Education and awareness-raising for employees

- Education and awareness-raising for employees
- External communication

Environmental education is an essential instrument for the knowledge and growth in understanding of Enel employees in order to increase their awareness that, at all levels, the performance of their duties can have repercussions on the environment. In 2002 Enel developed specific educational activities concerning the environment and dedicated almost 18,000 hours to them.

#### Wind activities for raising employee awareness on environmental issues

Beginning in 2000, Wind has carried out a multi-faceted internal information campaign on environmental issues in consequence of having obtained the ISO 14001 environmental certification. The instruments used to raise the awareness of its employees all over Italy were:

- > company intranet
- > documents available on line
- > brochures
- > company bulletin board
- > poster campaigns.

Specifically, Wind created a web-based internal site that uses Edutainment (Education through Entertainment) techniques of tests based on games.

In addition, a campaign of differentiated waste collection (paper, plastic, cans) was started up in the company's main offices.

Training activity was dedicated to creating awareness of the impact that each role can have in the environmental management system. In 2002 this activity was addressed to more than 100 department heads, who subsequently implemented on-the-job training for employees working under them, thus involving more than 1,000 employees who were selected as having key roles in the environmental management system.

In addition to courses for mobility managers, certification courses for eco-auditors were held for 12 employees.

The employees involved were asked to fill out questionnaires testing their knowledge in order to evaluate the level of competence and training requirements for preparing the 2003 plan.

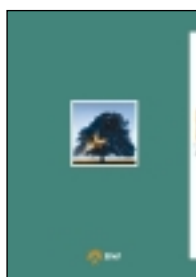
### External communication

External communication is another important means of making known Enel's environmental projects and services. Environmental activities are made known in different ways, which take the forms of the publication of the Environmental Report and the preparation of special Internet-based instruments of information (Canale Ambiente and Canale Natura).

#### The Environmental Report

The main vehicle for communicating Enel's environmental activities is the Environmental Report. It has been voluntarily published every year since 1996.

Because of the transparency and clarity of its presentation of the data (which are verified and certified by certification agencies), this document is highly thought of by public and private institutions, environmental and business associations, and scientists and specialists, as well as by the public at large.



[www.enel.it/ambiente](http://www.enel.it/ambiente)

## Environmental responsibility

### Conferences and seminars

Other occasions for external communication are represented by Enel's participation in thematic conferences and seminars on sustainable development and on the relationship between industry and the environment. During the "Recycle Energy" event in November 2002, Enel made available the experience it had acquired in the application of an industrial policy based on sustainable development.

### Canale Ambiente and Canale Natura

In addition, "Canale Ambiente" and "Canale Natura" were recently inaugurated. These are two thematic sections that can be accessed through Enel's portal and aim to:

- > inform viewers about the relationship between the industrial world and the environment and nature;
- > highlight the main environmental issues that stir up public debate;
- > open a channel of communication between Enel and the outside world on specific issues of environmental protection and the protection and conservation of nature.

The "Canale Ambiente" hosts an on-line magazine called "e-cology", which publishes technical and scientific articles written by experts with the aim of disseminating the most authoritative opinions on, for example, aspects connected with the production and efficient use of electricity, climate change, energy efficiency, the safeguard of the environment, protection of air quality, etc.

These instruments are important means of exchanging information between Enel and institutions.

In this regard, an agreement was signed with the Environment Ministry that allows Enel to display on line, in "Canale Natura", the important census of Italy's flora and fauna carried out by the Ministry's Preservation-of-Nature Service, which was published in 2001. This exclusive information on the characteristics of the numerous animal and plant species present in Italy is available free of charge on Enel's web site.



### Litigation regarding the environment

For the sake of completeness, the following is a summary of the information provided in Enel's Financial Statements.

Enel Distribuzione and Terna are parties to various civil and administrative proceedings in which plaintiffs have requested that power lines be moved or operated in a different way, claiming that the lines are potentially dangerous even though the Company's experts maintain that the plants were installed in full compliance with the relevant laws in force. Only in a limited number of cases has compensation been requested for damage to health attributed by the plaintiffs to possible electromagnetic effects.

With regard to the decisions in these proceedings, it should be noted that only sporadically have they been unfavorable, and all such cases have been appealed. At present, no unfavorable decisions have become final and in no case has compensation been awarded for damage to health (see Enel's Annual Report 2002, p.138).

Also pending are several proceedings regarding city planning, the landscape and the environment connected with the construction and operation of generating plants and transmission and distribution lines. Examination of such proceedings, taking into account the opinions of legal advisors, leads to the conclusion that, in general, negative outcomes are to be considered remote (see Enel's Annual Report 2002, p.139).

# Social responsibility



## Main results

- Development of employee-management systems based on the professional-family model
- Introduction of the most modern technologies in the service of communication to employees
- Increasing commitment to local economic and social development



**Angelo Delfino,**  
Head of Personnel  
and Organization

"If you want a year of prosperity, make your wheat grow.  
If you want ten years of prosperity, make your trees grow.  
If you want a hundred years of prosperity, make your  
resources grow".

*[Chinese proverb]*



**Gianluca Comin,**  
Head of Communication

A company's values are part of its assets. Our main responsibility is to communicate them transparently and effectively.

## Employees

- Ensuring a safe and healthy workplace
- Personnel composition
- Employee satisfaction and professional development
- Social institutions for Enel employees
- Management of relations with employees

### Ensuring a safe and healthy workplace

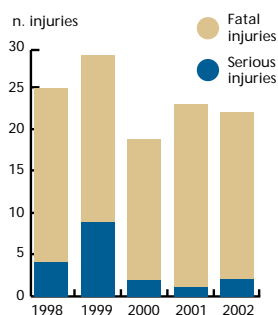
#### Accident prevention

*"Enel undertakes to spread and reinforce a culture of safety, developing an awareness of risk while promoting responsible forms of behavior on the part of all staff members"* (Code of Ethics).

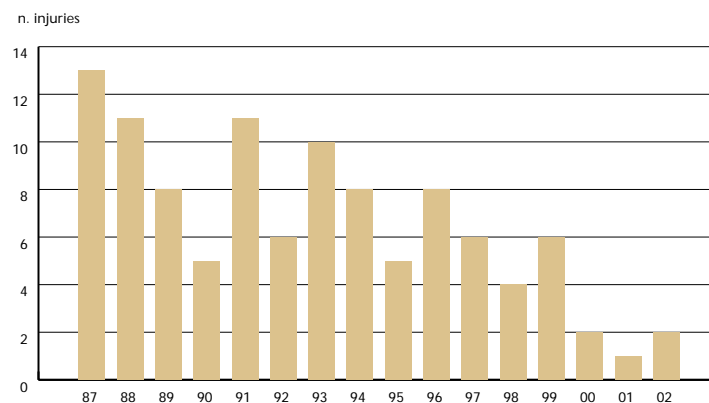
The subjects of on-the-job safety and health are an integral part of Enel's culture and industrial policy and ensuring them actively involves all workers and their representatives. In order to implement its commitment with regard to safety, Enel is active on many fronts, for example the following:

- > training and awareness-raising for employees (325,000 hours dedicated in 2002);
- > provisions for the prevention of electricity-connected risks;
- > safety-management systems meeting OHSAS 18001 standards.

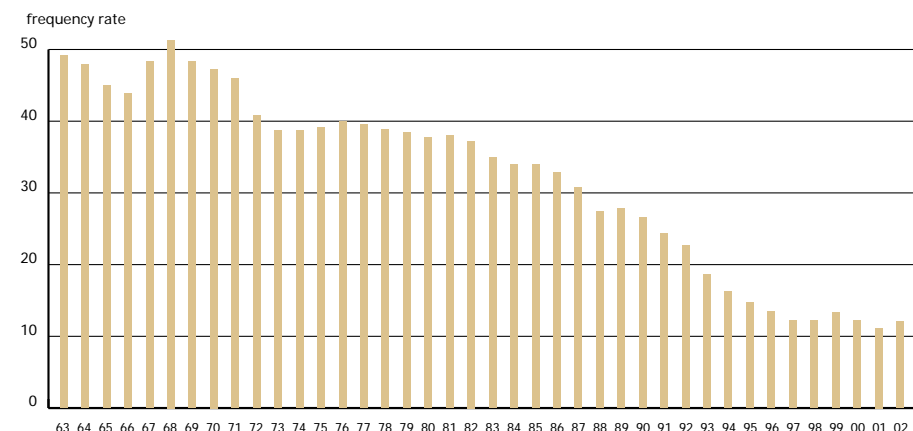
#### SERIOUS AND FATAL INJURIES TO ENEL EMPLOYEES



#### FATAL INJURIES TO ENEL EMPLOYEES IN THE LAST 15 YEARS



#### NUMBER OF INJURIES TO ENEL EMPLOYEES PER MILLION HOURS WORKED



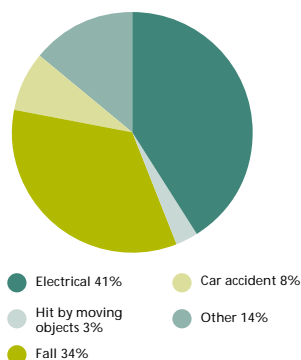
The frequency rate of injuries to Enel employees relates to the number of injuries that entail more than one day of absence from work to the hours actually worked. For 2002 the index is essentially the same as the average of the last 5 years and confirms the long-term downward trend.

*"Our number one priority is to reduce the number of injuries."*

Paolo Scaroni,  
Chief Executive Officer



#### KINDS OF SERIOUS\* AND FATAL INJURIES TO ENEL EMPLOYEES IN THE PERIOD 1998-2002



\* Prognosis of more than 30 days.

#### Increasing on-the-job safety: the Memorandum of Understanding regarding prevention of electrical risk for activities in borderline and interference areas

Promulgation of the CEI EN 50110-1 regulation – The operation of power plants and the concomitant reorganization of Enel have made it necessary for the various units of the Company to revise the Provisions for the Prevention of Electrical Risk and tailor them to their individual needs in order to best ensure the safety of workers doing electrical work, keeping in mind the particularities of each corporate unit in a network system.

The necessity of establishing behavior and procedures as uniform as possible, especially with regard to activities on the borderline between companies, led to the constitution of an inter-company work group coordinated by the Parent Company's Security and Safety unit, which has the task of establishing rules and procedures for the performance of such activities, in compliance with the specific applicable regulations.

Signed on October 1, 2002 and implemented by all Enel companies concerned, the Memorandum of Understanding elaborated by the work group definitely represents a serious contribution to the improvement of safety in electrical work in a situation in which great changes are taking place.

#### Reinforcing the culture of safety: education as an instrument for prevention

The financial effort that Enel dedicates to the safety and health of its workers is enormous. During 2002 a total of about 24 million euros was spent on these matters. About 300 employees are engaged full-time in safety activities at an expense of over 10 million euros. Enel attributes a central role to education and information in its philosophy of safety and dedicated about 9 million euros to them in 2002. The costs incurred translated into 325,000 hours of educational and informative activities taking place in classrooms, on line and on the spot, all of which were aimed at the creation of a deeply rooted culture of safety, awareness of risks, and specific training for the operating activities to be carried out. In addition to the costs already mentioned, about 3.5 million euros were spent on medical supervision, studies, and specific research.

#### Enel Distribuzione's contact centers: an example of excellence in the creation of innovative workplaces with the highest safety standards

##### The project

The stage of rapid growth that call-center activity is experiencing in Italy stimulates the design and realization of innovative, high-tech structures that contribute decisively to the reorganization of front and back offices.

With a project that goes back to the end of 1999, Enel is one of the main companies that use these structures to make the services it offers to customers increasingly effective and efficient.

Begun in the Triveneto area in February 2001, this project was completed in February 2002 and led to the construction throughout Italy of 25 sites where about 2,500 members of its sales force work.

##### Qualitative and environmental standards

One of the factors that most influence not only the effectiveness and efficiency of work performed, but also the physical and psychological well-being of workers is certainly the quality of the workplace. The offices created combine individual and shared spaces, as well as places for meetings, training and relaxation. Special attention was given to heating and air-conditioning, lighting and acoustics.

##### Ergonomics

The choice of furnishings was of the first importance in the design of these workplaces and enabled Enel Distribuzione to create highly ergonomic and technological work stations where all cabling is integrated and can be easily inspected.

The vertical screens that delimit the work stations ensure a good level of visual and acoustical privacy. The choice of furnishings for the stations was based on the most innovative and technological solutions the market had to offer. In effect, activities that require long periods in a seated position have to constantly allow the body to move freely and foster blood circulation. The chair that was chosen, for example, is equipped with advanced devices covered by 23 patents. Its characteristics enable it to constantly adapt the position of the back and the seat to the movements of the user. During 2002 the CSQ (Certification of System Quality) declared that the work environments of the 25 Contact Centers met OHSAS standard 18001, 1999.

## Personnel composition

*"The managers utilize and optimize all the professional capabilities present in the structure through activation of the points of leverage available for favoring the development and growth of their staff members" (Code of Ethics).*

### Management of Enel's human resources

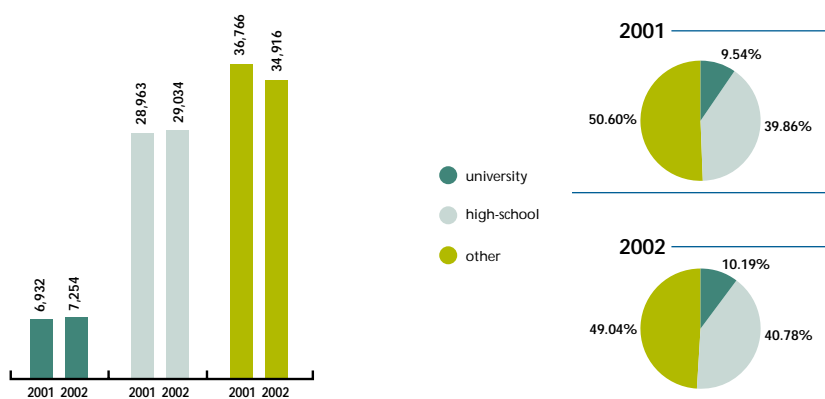
In order to cope with the constantly changing and competitive scenario connected with market liberalization, in the last few years Enel has carried out a thorough transformation that has led it to organize itself in an innovative way adapted to an external context that is increasingly competitive. Aware that strategic and business goals and organizational change can be fully supported and realized only with the contribution and active involvement of all its resources, Enel invests in the enhancement, professional growth and participation of its personnel by governing in an integrated and consistent way the processes of management and development and paying constant attention to internal communication.

The objective of Enel's personnel policies is thus to keep up the ability of its resources to compete by investing in their expertise and professional qualifications.

The model concerned is Enel's professional system, which defines and maps out the areas of expertise understood as complexes of technical and professional knowledge and capabilities, both current and prospective, necessary for the achievement of the Company's objectives. On the basis of this model, actions regarding management and development aim to enhance and disseminate such expertise within the organization and to support the professional growth of the resources in step with the evolution of corporate processes.

In addition, in order to foster the involvement and active participation of the personnel, Enel is very careful to share and disseminate throughout the Company the policies, guiding principles and levers underlying management of its human resources. This objective is pursued both by encouraging constant and direct discussion with individuals and undertaking ad hoc, large-scale communication initiatives.

#### EMPLOYEES BY EDUCATIONAL DEGREE





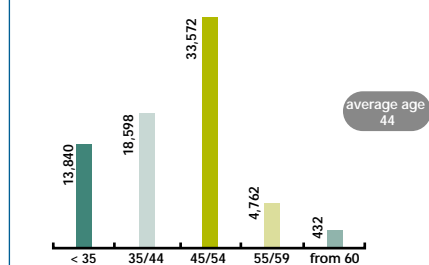
## Personnel turnover

	2002
Parent Company	8.99%
Generation and Energy Management	6.17%
Sales, Infrastructure and Networks	6.16%
Transmission	4.04%
Telecommunications	7.19%
Services	7.61%
Group	6.32%

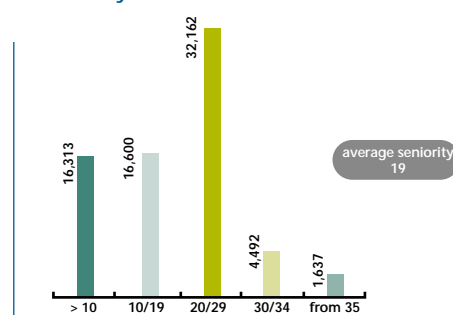
Turnover is calculated on the total of terminations taking place during the year in the various business Divisions. Incentives for early retirement account for over 70% of the total turnover.

## AGE AND SENIORITY OF ENEL EMPLOYEES

## Age Brackets



## Seniority Brackets



## Employee satisfaction and professional development

*"Enel promotes the value of its human resources, so as to improve and augment the assets and competitive force represented by the skills possessed by each staff member"* (Code of Ethics).

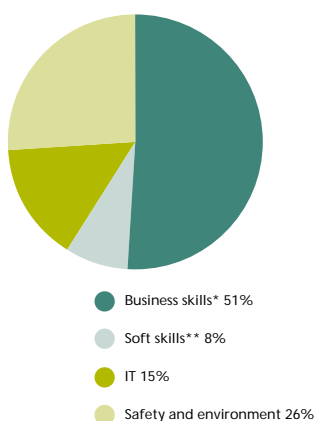
At the same time as it adopted its new Organizational Model, Enel implemented a personnel management system based on the concept of "professional families": a new way of managing professional expertise, which is based on the identification of processes that cut across corporate organizational structures and require uniformity of expertise.

The procedures of interaction between the business Divisions and the Parent Company and among the Divisions themselves have been redefined according to the professional-families model. Parent-Company departments have been assigned direct responsibility throughout Enel for the effective and efficient functioning of the professional family concerned. In order to supervise the development of expertise and knowledge in a systematic and uniform manner. Through this management system, moreover, Enel intends to pursue the following objectives:

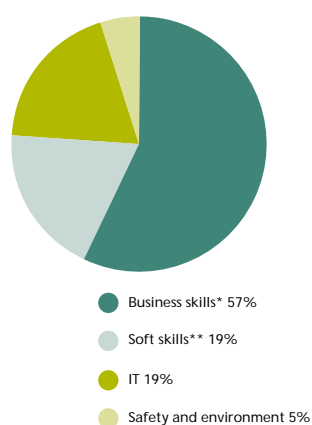
- > to foster the dissemination and sharing of "departmental" know-how;
- > to delineate and implement attractive and agreed upon career and development paths.

## Social responsibility

### HOURS OF TRAINING



### TRAINING COSTS



\* Technical and professional knowledge.

\*\* Management and human-relations abilities.

### Employee training and professional development

The general objective of Enel's development and training system is to maintain a high level of competitiveness for the Company's stock of knowledge and abilities, integrating the organizational requirements of professional development with personal expectations. Through development and training initiatives, moreover, Enel intends to ensure that resources qualitatively qualified to supervise the Company's processes and activities are available and that its professional and managerial positions are covered, while constantly balancing availability and requirements.

Enel's general approach to the processes of managing, developing and training its human resources is based on a model of expertise. This model establishes the kinds of expertise (understood as a combination of abilities and professional knowledge) that have to be possessed by employees in order to perform their duties as well as possible. The related evaluation system then allows Enel to examine the level of such performance (by comparing the expertise expected with that actually possessed by individuals) and to determine the most advisable development and training actions for filling in any gaps that might exist and, in general, for supporting the professional development of its resources.

In addition to expertise, Enel's evaluation processes also focus on results and potential. Specifically, the evaluation of results allows heads and employees to share the results attained, in terms of the abilities demonstrated in carrying out activities and the qualitative and/or quantitative results achieved. The analysis of potential, on the other hand, allows evaluation of the resource's potential to cover, or to progress toward, positions of greater responsibility and complexity.

A combined reading of the different evaluations allows actions regarding training, development, career paths and incentives to be targeted.

Specifically, as far as training is concerned, in 2002 institutional projects addressed to four groups of employees were started up: those who had just graduated from college, newly promoted supervisors, upward-bound supervisors, and newly promoted executives.

#### The communication project regarding personnel policies

Attention to the issue of Company values was central to the communication project regarding personnel policies.

Through new communication instruments accompanied by seven videos the Company wanted in particular to impress a uniform perspective and direction on the levers of personnel development and management as guiding instruments supporting the Company's evolution.

The personnel policies are dealt with in the different videos with regard to the guidelines for Enel's day-to-day activities: the various kinds of expertise, assumption of responsibility, the human factor, a culture of customer service, meritocracy, quality and efficiency.

The videos were presented and discussed during targeted meetings with employees – organized at the company level by the personnel departments concerned – and subsequently transmitted by Web TV and the Company Intranet, where there was also instituted a discussion forum, open to everyone, on the issues concerned.

### Knowledge Management

The objective of Knowledge Management (KM) is to enhance and share employees' experience, creativity and expertise through the use of web-based technologies and methods. To this end, in 2002 a project was started to define and implement knowledge management. All of Enel's main business areas participate in the project, which is coordinated by the Parent Company's "Personnel and Organization" and "E-business Development" Departments. The project aims to develop the Enel Intranet into an instrument providing concrete assistance for employees' work, decision-making and professional-development activities, in addition to allowing knowledge that is not immediately explicit to be shared within the Company.

Enel's knowledge-management project, which will be completed by the end of 2003, provides for the following stages:

1. selection of the participants and of the key subjects of KM in terms of the necessary/advisable knowledge for the different persons and corporate units concerned;
2. determination of the model of the services to be offered;
3. definition of the model of the functioning of the KM system;
4. determination of the specifications for the technological support.

### A "melting pot" in Enel Produzione

"Melting Pot" is a project promoted by Enel Produzione's management and its Personnel, Organization and Services Department with the aim of enhancing the wealth of personal and professional diversity of its employees.

The project consists of a series of gatherings that in a morning's time foster occasions for employees' personal and social enhancement and growth.

The first 7 editions were attended by 68 young high-school and university graduates (44 men and 24 women), whose average age was 32.

The participants particularly valued the clear signal of the Company's attention to these matters, the informality and spontaneity of the event, and the possibility of a direct encounter between people from local units and the main office.

Numerous initiatives were carried out to support the processes of change and organizational development in progress and specific pathways were determined in order to reinforce and/or disseminate know-how of interest to all Enel companies.

The remaining training activities were concerned with the development of the abilities and expertise of the different "professional families" through the organization of internal courses and participation in international courses provided by consultancies as well as Italian and foreign business schools.

In all cases employees are given responsibility for their own training paths, because they may decide the kind of courses to take and the ways in which to access to training as long as they are in synch with the Company's needs.

A very important role in this context is performed by the distance learning system, with which the Company has been endowed since 2001.

### Distance learning Enel

Enel has always fostered and provided incentives for the introduction of the most advanced technologies for the benefit of its employees' professional development. Sfera, an Enel company dedicated to professional training, designed and realized an integrated system of distance learning services called the EDLS (Enel Distance Learning System), which is accessible to more than 50,000 employees from their work stations.

Created in 2001, the EDLS has constantly expanded its offer and now represents one of the most advanced distance learning environments in Europe as well as Italy (more than 1,400 courses, Italian-, English- and French-language dictionaries available for consultation, reviews, files, guidance and tutoring services).

Since February 2003 Enel employees have been able to access the EDLS through Internet, from home or any other place, 24 hours a day, seven days a week.



## Social responsibility



### Social institutions for Enel employees

#### Internal communication

The aim of internal communication at Enel is to provide all employees with information that may be useful to them, especially in their professional life. But a second aim is to obtain, through complete information about relevant programs and events, involvement that is also useful in their interpersonal relations outside the world of work, so that employees can positively communicate the initiatives that the Company pursues.

##### Intranet sections dedicated to communication with employees

The corporate-wide Enel web is the Company's natural internal channel of communication. It consists of a series of sections which, using web technology (site, newsletters, etc.), allow the distance between the Company and its employees to be reduced and easy interaction – both top-down and bottom-up – to take place.

There are push sections like "Press Releases", "Organizational Provisions" and "Enel News", but also more innovative spaces where employees can find discussion of work-related issues and develop a fruitful exchange of best practices through instruments for the on-line "Forum". The goal for 2003 is to transform the corporate Intranet from an instrument for passive use and information gathering into a place for work and continual exchange, the professional development of employees, and the creation of value for shareholders (the knowledge-management project).

##### Web-TV

The introduction of Web-TV constitutes an innovative project in terms of both contents and technology, because it allows corporate communication to be integrated with different kinds of issues and discussions.

Web-TV is able to bring out and foster the vital, cultural and professional energy of everyone who works at the Company.

Every day employees throughout Italy can follow on their own computers the transmissions that regard the Company in general, important decisions, strategies, organization, local activities, art, protection of the environment and professional training. Every week about 20,000 people follow the transmissions, whose aim is information that is transparent and complete.

The social institutions constitute a real "internal welfare" system that characterizes employment at Enel (blue- and white-collar workers, supervisors and executives). This system has developed over the years and is now a complex and differentiated structure of activities, initiatives and services that ranges from complementary pensions and supplementary medical assistance to insurance coverage, sports and cultural activities, special maternity benefits and concessionary loans for employees. Many of these social institutions also extend to employees' families and retired personnel as well.

#### Recreational, cultural and sports activities

For employees covered by the national collective contract for the electricity industry (blue- and white-collar workers and supervisors), these activities are run by the ARCA Association (about 58,000 employees are concerned), while similar activities are run for executives by the ACEM Association (about 800 executives are concerned). In addition, the ANSE Association carries out activities for older Enel employees (blue- and white-collar workers, supervisors and executives) both in service and retired (about 32,000 people are signed up).

**ARCA** - This is an unincorporated association that was formed through an agreement between Enel and the national labor unions to implement article 11 of the Workers' Rights Law (law n. 300/1970).

The governing bodies are made up exclusively by workers' representatives elected on slates presented by the unions of workers in the electricity



### "Day of mothers (and fathers) who work at Wind"

In May 2002 Wind accepted the Equal Opportunity Ministry's proposal for a day dedicated to working mothers and fathers.

Employees throughout Italy (at 8 main and 32 local offices) were involved in the event, which "opened the doors" of the company to employees' children for an entire afternoon so that they could see where their parents spend their working days. The company made a big effort to promote the occasion, which regarded various activities, including:

- > Creation of a data base to register the children and anyone who might be accompanying them, which was also used for temporary insurance coverage;
- > Realization of dedicated gadgets diversified according to age brackets;
- > Entertainment for the children, guided tours to several areas of the company, distribution of the gadgets to the children in all offices.

At the end of the event, in which more than 1,200 children participated, activities took place that aimed to give employees a return (for example, photos and filmed footage viewable on the Intranet, posters with drawings by the children displayed in Wind offices).



industry. ARCA's funding is determined by an agreement between Enel and the workers' unions when the collective labor agreement is renegotiated and is exclusively charged to the companies whose employees are ARCA members. For 2002, total funding amounted to 30,902,211.52 euros. For 2003, funding is based on an annual membership fee of 510 euros per member.

ARCA's activities are specifically:

Recreational activities – in addition to end-of-the-year presents for employees' children, travel benefits such as tourism at special prices, camping in trailers and mobile homes owned by ARCA, family vacation stays for employees with children from 3 to 12 years old (at special prices for adults and free-of-charge for children);

Cultural activities – initiatives to promote culture (including support for national cultural events such as, for example, the Venice Film Festival) and activities providing incentives for the education of employees' children, according to criteria of merit (competition for school expenses, academic prizes and scholarships, including scholarships for courses at the graduate-school level);

Sports activities – promotion of sports activities, including the organization of national and regional tournaments, etc.;

Activities for young people – travel and cultural activities to foster socialization and the acquisition of linguistic skills through stays abroad, as well as initiatives aimed at entertaining employees' children during the summer (vacation camps, organized activities in the city, study vacations abroad);

Promotional activities – agreements with banks and insurance companies, agreements for the purchase of goods and services (without the direct provision of goods or services).

**ACEM** - This is an unincorporated association that was formed through an agreement between Enel and elected union representatives of Company executives both in service and retired.

ACEM's funding is determined by an agreement between Enel companies and union representatives of the executives. ACEM's institutional activities are also connected with leisure: organization of cultural, educational and travel activities.

**ANSE** - This is an unincorporated voluntary association of older employees in service (Enel employees with 25 years of company seniority or who have 5 years of company seniority and are at least 45 years old) or retired former employees and their surviving family members.

The Association organizes leisure-time activities aimed at fostering social relations and exchanges of ideas between older and younger workers and individually assists its members and surviving members of their families. Enel's funding of ANSE amounts to 109,000 euros. Members also pay a membership fee (15.50 euros for workers in service and retired workers, 10.50 euros for surviving family members).

### Supplementary medical assistance

For employees covered by the national collective labor agreement of workers in the electricity industry (blue- and white-collar workers, supervisors), the supplementary medical assistance is managed by the FISDE Association (about 58,000 employees); for executives, similar services are entrusted to the ASEM Association (about 800 executives).

**FISDE** - The "Supplementary medical fund for Enel employees" was formally incorporated on March 12, 1997 according to the prior agreements (bylaws, electoral rules, etc.) signed by Enel and union organizations. The Company and the unions have equal weight in the Association's governing bodies. FISDE's funding is decided by an agreement between Enel and employees' unions and is charged exclusively to the companies.

For 2002, total funding amounted to 45,196,223.60 euros. For 2003, funding is based on an annual membership fee of 695 euros a head. Pensioners also contribute to FISDE's revenues with the payment of an annual membership fee under certain conditions; the 2003 fee set for them amounts to 180.76 euros.

## Social responsibility

### FISDE: assistance to the disabled

From a network constituted by 22 qualified consultants throughout the country who are coordinated by a national scientific consultant, disabled members and/or their dependents have access to three distinct categories of services:

- > personal services: guidance regarding schooling, apprenticeships, social and psychological support;
- > financial services: services supplementing the family's ability to spend on medical and social services;
- > services for social life: cultural (participation in conferences on particular subjects), recreational and sports opportunities.

The FISDE offers:

- > supplementary medical services, provided both indirectly (with reimbursement of the expenses incurred) and directly through agreements with medical specialists and with public and private facilities accredited by the National Health Service or in any case authorized to provide medical services;
- > preventive medicine;
- > assistance to the disabled, including social integration and rehabilitation, and to those with problems connected with the "new social emergencies" (drug and alcohol addiction, maladjustment).

The services are provided to employees and their dependents as well as to former employees who have retired.

**ASEM** - This is an unincorporated association that was founded through an agreement between the Enel companies and the executives' union representatives made up by both active and retired executives. It manages the supplementary medical assistance, providing financial support when executives of the companies concerned have medical expenses. Such support is also provided to their dependents, as well as to retired executives and their dependents.

### Complementary pension coverage

At Enel forms of complementary pensions are available through the creation of special pension funds: FOPEN for employees covered by the national collective labor agreement of workers in the electricity industry (blue- and white-collar workers, supervisors) and FONDENEL for executives.

**FOPEN** - This pension fund for Enel employees was instituted on December 3, 1998 by Enel and union organizations and became operative in October 2000. It is a pension fund that provides services that are complementary to the obligatory pension system. (As of December 31, 2002 there were 50,132 participants).

The fund is capitalized individually. The contributions paid into the fund and the returns obtained through financial management are accumulated for each worker and constitute the basis for determining the size of the complementary pension to be paid when the requisites provided for have been attained. Moreover, the amount of the contribution due to the FOPEN is established in advance. Membership in the FOPEN is voluntary and is obtained through presentation of a special application by the worker. The FOPEN is funded by contributions charged to the participating companies and workers in the amount of 1.35% of the pay used to determine the employee's termination indemnity. The fund is also financed by shares of the annual provision for said termination indemnities, the amount of which varies according to the contributive seniority accrued. Every participant worker also can augment his or her position by paying a voluntary contribution either on a regular basis (from 1% to 8%) or on a one-off basis.

**FONDENEL** - This complementary pension fund for Enel executives was instituted on April, 1998 in agreement with the National Federation of Executives of Industrial Companies. It provides pension services that are complementary to the obligatory ones (as of December 31, 2002 there were 871 participants).

Capitalization of the fund is on an individual basis. That is, the contributions paid into the fund and the returns obtained by financial management are accumulated for each executive and constitute the basis for the determination of the size of the complementary pension, which is paid when the requisites provided for have been attained. Moreover, the amount of the contribution due to the FONDENEL is established in advance. Membership in the FONDENEL is voluntary.

The FONDENEL is funded by contributions charged to the executives and their employers. This contribution is differentiated according to the status of the participant executives: specifically, "old members" (that is, those who were members of the complementary fund before October 1992) in the amount of 7% charged to the company and 3% charged to the executive and "new members" (those who joined after April 1993) in the amount of 3.5% charged to the company and 2.5% charged to the executive.

### Insurance coverage for employees

Enel companies cover their employees (blue- and white-collar workers, supervisors and executives) with special insurance policies against the following risks:

> Occupational injuries: the insurance is taken out to cover risks that the companies would have to compensate directly if the insured event were to occur.

The annual cost of such insurance policies is a function of the total amount of wages and salaries; in 2002 it amounted to 5,450,000 euros for blue- and white-collar workers and supervisors.

- For personnel *not subject* to Inail (National Institute for Insurance against Occupational Injuries) insurance, coverage regards the following risks: death or permanent invalidity caused by accidents (including "in itinere" risk) and permanent invalidity caused by occupational disease;

- For personnel *subject* to Inail insurance, coverage is operative only if the Inail excludes any kind of compensation and regards the following risks: permanent invalidity caused by an occupational injury (including "in itinere" risk) if the degree is less than 6% (the Inail, in effect, provides for compensation of permanent invalidity caused by an occupational injury only if the degree is 6% or higher);

> Non-occupational injuries: the annual cost – a function of the total amount of salaries and wages – in 2002 amounted to 2,336,000 euros for blue- and white-collar workers and supervisors. The coverage regards the risks of death and permanent invalidity caused by a non-occupational injury;

> Personal civil liability for third parties or other employees in the performance of the duties assigned them.

There is also an "Assistance" policy that is provided especially for employees on missions abroad.

### Loans to employees

Loans may be granted to employees (blue- and white-collar workers and supervisors) to purchase their first home or for serious family needs in the maximum amount of, respectively, 25,822.85 euros and 7,746.85 euros. The interest rate applied to these loans is equal to the official rate concerned at the time of the loan as established by the European Central Bank and may change only when said rate fluctuates upwards or downwards by more than 2%. The total provision for loans in 2002 amounted to 14,460,794 euros. Loans are also granted to executives in service for home purchases and/or renovation and for personal needs.

### Maternity benefits

Enel employees under the national collective labor agreement for workers in the electricity industry (blue- and white-collar workers and supervisors) receive extra maternity benefits with respect to those provided for by law. For obligatory abstention from work such employees receive maternity indemnity amounting to 100% (instead of 80% as provided for by law) of their pay for the month preceding the one in which the abstention began; for optional abstention the maternity indemnity amounts to 45% for the first month, 40% for the second and third month, and 30% for the following three months. (the law provides for 30% for 6 months).



## Social responsibility

Wind further supplements pay during optional maternity abstention. For a period of four and a half months subsequent to the obligatory abstention employees concerned receive 100% of their pay instead of the 30% provided for by law. This treatment is applied if such period is utilized without interruption at the end of the obligatory abstention.

### Loyalty bonuses

Enel companies award their employees (blue- and white-collar workers and supervisors) who have accrued 25 or 35 years of service a loyalty bonus amounting to, respectively, one-third of and the entire monthly pay they are receiving when they attain the aforesaid seniority. Special ceremonies are also organized, with the participation of the top management, for the presentation of the medals – silver ones for 25 years of service and gold for 35 years – to the workers in acknowledgment of the individual contribution of everyone to the company's growth.

### Agreement on social actions

The electricity workers' collective contract provides for the adoption of several measures – unpaid time off, leaves on absence, special work hours – in favor of workers voluntarily engaged in performing activities or a function with special social or humanitarian significance (social solidarity, civil defense, assistance to less developed countries, etc.) and workers who find themselves in situations of need deserving assistance (for example, employees who have to assist close relatives struck by a serious illness or close relatives undergoing treatment for addiction to drugs or alcohol). In addition, Enel companies may grant extraordinary financial assistance when particularly serious misfortune strikes employees or their families (serious illnesses, disabilities).

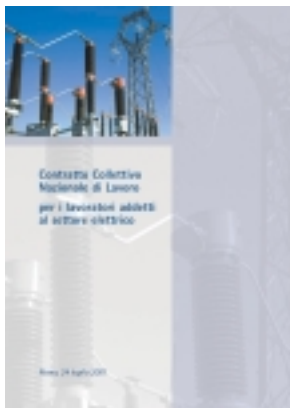
### Advances on termination indemnities

In a more extensive sense with respect to the provisions of law, Enel provides for repetition of the advances on termination indemnities to employees for medical expenses, as well as advances for the purchase of a first home for themselves or their children. Even though advances for the latter purpose may be paid out only once during the period of employment, they are granted for a number of different purposes: purchase from third parties, construction, renovation to make a house or apartment inhabitable or safe, etc. For employees who need to do so, Enel also provides for advances on termination indemnities for the purpose of removing "architectural barriers".

### Relations with labor unions

Enel's management of union and industrial relations is a distinguishing characteristic of the Company in the Italian panorama. In the awareness that they are involved in a strategic industry, Enel and the labor unions have for some time shown their reciprocal interest in a system of industrial relations with a high profile.

The distinction of their roles, responsibilities and autonomy being understood, the parties have agreed on the advisability of establishing a regulated system of industrial relations and contractual matters in order to reconcile as well as possible the Company's aims with the interests of its workers.



*The National Collective Labor Agreement was printed in Braille also for Enel's 122 blind employees*

## Management of relations with employees

In addition to the industry contract signed in July 2001, a few instruments utilized are:

- > the Agreement on the System of Union Relations
- > the Agreement on Industrial Relations.

The Agreement on the System of Union Relations constitutes the fundamental understanding for relations between the unions and industry associations. Based on continual discussion, consultation and ad hoc and/or periodic information, this instrument is aimed at the creation of conditions enhancing efficiency, competitiveness and the quality of the services provided by the Company, as well as the common objective of enhancing the knowledge and expertise of its workers.

The Agreement on Union Relations characterizes Enel as one of the great Italian companies managing, together with the unions, a regulated system of continual information, discussion and consultation on the main issues of reciprocal interest.

Its management has developed and reinforced an effective network of relations between the parties at all levels, which has allowed numerous disputes of great corporate and social interest to be governed and resolved.

#### Internal mobility in Enel companies

The instruments developed have allowed the unions to be informed beforehand and to discuss Enel decisions having significant effect on the economic and social development of local communities and on employees, thus reducing conflicts and allowing the most difficult cases to be resolved. In particular, it has been possible to manage the complex process of liberalization of the electricity market and the beginning of privatization with the consequent restructuring and organizational changes to enhance the Company without bitter and significant conflict.

#### Wind's role in the promotion of the telecommunications collective contract

Also in 2002 Wind contributed to the application of the agreement, signed in December 2000, implementing and harmonizing the industry contract of companies operating telecommunications services, particularly in the process of integrating Infostrada and Blu.

Wind participated actively in the birth and drawing up of the national industry contract for companies operating telecommunications services, which was signed by the Confindustria business association and the CGIL, CISL and UIL labor unions on June 28, 2000.

Following the liberalization of the market and the entry of new companies, until that date the situation was characterized by the contract signed by the Telecom Group with the Sic-CGIL, Fistel-CISL and Uilte-UIL unions (which in effect was a company contract) and the National Collective Labor Agreement in force at companies such as Omnitel, Infostrada and Albacom, which applied contracts (metallurgy, chemicals, etc.) deemed most adapted to an industry that was competitive and no longer monopolistic, but characterized by considerable rigidity and high labor costs.

In 1998, on the other hand, Wind had already introduced into the existing situation the innovation of a company contract signed by the confederated labor unions CGIL, CISL and UIL and not by industry ones. The contract was based on the one adopted by the metallurgy industry, with the particularity that it provided for the willingness of the parties to go beyond the transitory phase to arrive at a new real industry contract. Blu and Acea Telecomunicazioni went along with Wind's decision and signed – with the confederated national unions – collective labor agreements that were almost identical to the one adopted by Wind. For these reasons the delegation representing the industry companies decided to follow the Wind model, which they considered the closest to the kind they intended to pursue as a reference for a national collective industry contract.

In 2002 67.57% of Enel's employees were union members, with the percentage being higher (75.83%) among electricity workers. On the one hand, this high percentage ensures that union representation is not fragmented, while on the other it constitutes the condition for a high-profile system of relations, the aforesaid distinction of roles and responsibilities being understood.

In 2002 absenteeism because of strikes amounted to a total of 823,270 hours, a per-worker average of 11 hours and 37 minutes, markedly higher with respect to the preceding year.

The increase was due mainly to factors external to the Company and especially to the demonstrations organized by the labor unions against the social policy of the Italian government (article 18 of law n. 300/70 and the signing of the so-called "Agreement for Italy"), with the proclamation of general strikes in, respectively, January, June and October.

## Social responsibility

### Equal Opportunity at Enel

The observance of Equal Opportunity at Enel is a principle that is present in the Code of Ethics as well as in the Company's identity.

#### Women at Enel

Executives	32
Supervisors	611
White-collar workers	7,014
Blue-collar workers	20
<b>Total electricity</b>	<b>7,677</b>
Enelpower abroad	41
GAS, TLC, CITIDA	4,440
FTL abroad	15
<b>Total non-electricity</b>	<b>4,496</b>
<b>TOTAL ENEL</b>	<b>12,173</b>

#### European Social Dialogue

The European Social Dialogue is the name given to the systematic meetings of business and workers' associations at the industry and/or inter-industry level. Pending the re-definition of the procedures for participating in inter-industry bodies of Italian and European employers, Enel continues to participate in the definition of the guidelines expressed by the industry European Social Dialogue. Specifically, the Parent Company's Equal Opportunity unit takes part in and actively contributes to various kinds of meetings at the European level on issues of policy of the Human Resources, Social Affairs, Diversity Management and Equal Opportunity in the EURELECTRIC Association and the General Departments of the European Commission: Transportation and Energy, Employment and Social Affairs, Research, Education and Culture.

### The Equal Opportunity Committee

The first company in Italy to do so, in 1989 Enel set up a committee (with an equal number of Company and union representatives) for Equal Opportunity, based on the work of a committee for the study of the condition of women in Italy established in 1986. The more general principle of non-discrimination in the management of personnel was recently confirmed in the Code of Ethics.

The Committee is entrusted with examining the situation of women at Enel and to propose to the Company and the unions the most appropriate measures for concretely removing the obstacles that still make women's careers complicated and difficult. Such role was confirmed by the industry's new collective labor agreement and consists specifically in planning and carrying out measures, as well as analyzing situations. This means influencing both the organizational culture and the culture of the individuals who make up the organization, demolishing stereotypes and promoting forms of management and behavior that give the proper value to gender differences and transform them into levers of efficiency and competitiveness.

The guiding principles of the Committee's activity can be summarized as:

- > constant reference to the strategies, programs and guidelines of Enel and of the European Union and its Commission;
- > sharing initiatives with partners in other industries or countries, in both the public and the private sector;
- > seeking innovative instruments of organizational development and trying them out with a view to their systematic adoption;
- > attentiveness to the specificities of the electricity industry, which represents Enel's core business.

The individual projects planned, managed and implemented by the Parent Company's Equal Opportunity unit are in line with the mandate given by business associations and unions to the National Committee for Equal Opportunity ("...task of studying and making proposals to the parties to the agreement...").

The affirmative-action projects carried out so far aimed at developing female leadership and at creating and disseminating gender awareness and a mainstreaming culture among the management and within Enel of different organizations of work and in the social and economic context concerned.

### Top managers in a mentoring experiment to develop female leadership

This was an experimental application of mentoring – an instrument of organizational development with a high potential for training – to the field of Equal Opportunity.

The idea was developed by the Equal Opportunity and European Social Dialogue unit of the Parent Company's Department of Industrial Relations and is based on the positive experience of participating with other European partners in the DIAMOND Project (Internet site: <http://www.e.lst.se/jem/diamond/>). One of the 52 out of 330 approved by the Labor Ministry for the funding provided for by Law n. 125/1991 "Affirmative action for realizing the equality of men and women in work", the project was developed by Enel Distribuzione SpA over a period of 18 months.

The experiment involved managers from Enel and 12 partner companies in the offices of Turin, Rome, Bari and Cagliari. The participants were 24 female middle managers (12 from Enel and 12 from the partner companies), who had 24 top managers (12 from Enel and 12 from the partner companies) as mentors.

The objectives that were declared and attained can be summarized as follows:

- > to reinforce the work position of the middle managers directly involved in the project and, in general, that of the female personnel of Enel and the partner companies;
- > to offer the participants in the project the opportunity to exercise leadership from a gender point of view;
- > to allow the participants in the project to transform their professional and personal aspirations into a concrete development plan, in synch with corporate goals and verifying the validity of mentoring as an instrument with a high potential for the development of resources;
- > to disseminate the culture of equal opportunity and the gender approach (mainstreaming) both within and without Enel and the organizations involved in the project;
- > to create a network of companies interested in promoting equal-opportunity policies and organizational projects based on gender.

### Wind: projects for the integration of disabled persons in the workplace

In connection with the agreement entered into with government employment offices for establishing a plan for the integration of protected categories of workers in the workplace, Wind's Milan headquarters started to implement an agreement regarding training periods, training and guidance with the Don Gnocchi Foundation, a not-for-profit organization for the development and professional training of disabled persons.

The project intends to foster planning and gradualness in cases of targeted hires in order to allow both disabled workers and the company an initial period adapted to the professional and human characteristics concerned. To this end an initial training period of three months is provided for to put into practice the knowledge acquired during a course taken at the Foundation and promote the professional growth of the trainee.

If nothing critical gets in the way, at the end of this period it is provided for the trainee to be hired. Cooperation with the Don Gnocchi Foundation also provides for identifying disabled candidates who have not necessarily gone through previous training periods. This program contributes to making the integration of the disabled in work environments more effective and satisfying, as well as enabling companies to evaluate specific needs in order to facilitate the attainment of important results with respect to the autonomy of the individual.

## Communities

### Transparency in communication with the media

- Transparency in communication with the media
- Economic commitment in communities
- Partnership with local, national and international institutions and associations for development

Relations with the media are based on the principles of clarity, promptness, and transparency. During a Eurisko study (July 2002) on Enel's image, the focus group of journalists interviewed was unanimous in its positive assessment of the activity of the Press Area and emphasized:

- > its helpful and cooperative spirit;
- > the punctuality, truthfulness and completeness of the information.

### Economic commitment in communities

At the same time as the Sustainability Report was being planned, Enel decided to adopt an international benchmark to offer an overall and structured vision of its projects and initiatives in support of local communities.

Enel traditionally stands out in the Italian panorama, and increasingly in the international one as well, as a company that is attentive and sensitive to social development. Adoption of the model of the London Benchmarking Group ([www.lbg-online.net](http://www.lbg-online.net)) will allow Enel to ensure continuity to the fundamental consistency between the Company's strategic aims and social ends.

#### The London Benchmarking Group model

The model was created in 1994 in the United Kingdom by a project aimed at establishing categories of comparative analysis for corporate social performance and consists of a method for measuring the support given by a company to the development of a community.

Specifically, the three main ideas that initially prompted the model are:

- > the company's sense of social and moral responsibility, partly in response to society's expectations;
- > the conviction that companies have an interest in promoting social welfare;
- > the awareness that projects for the community that also involve suppliers, employees and customers can really affect the company's profitability, its reputation and image return, the reduction of costs connected with the prevention of social conflict, the motivation of its employees, and the loyalty of its customers.

The method allows all the projects that the company undertakes in support of the local communities in which it is present to be identified and classified.

The model identifies four categories of company expenses/investment regarding the community, which can be represented on the basis of the degree of correlation between the social undertakings and the company's business objectives.

### Social commitment to communities according to the London Benchmarking Group

The model identifies four main categories of social contributions to communities, which differ in the possibility of measuring their benefits and returns both for the business and for the communities: from the activities least connected with characteristic corporate management and more intrinsically bound to the company's sense of social responsibility to the activities typical of the company's core business that have great social impact.

- |  |   |
|--|---|
| - Largess                                    | > All forms of gratuitous support that Enel gives in favor of good causes in response to the expectations or the needs expressed by charitable organizations and groups of citizens (e.g., donations)   |
| - Investment in the community                | > Medium-/long-term investment in projects of social development that are close to Enel's own long-term objectives with potential for the Company's image and reputation (e.g., environmental education in schools)   |
| - Business undertakings with social impact   | > Activities that are more closely connected with promoting sales of services offered, but carried out in cooperation with not-for-profit organizations to promote brand identity or addressed to particular categories of customers (e.g., insulation services for energy conservation for less well-off families)   |
| - Socially sustainable business undertakings | > Business activities closely connected with characteristic corporate management, but capable of meeting the expectations of both customers (because of the provision of services at lower prices) and the community at large (because of the great social and environmental impact of such activities (e.g., works for the supply of electricity and gas in less developed countries). |

### Largess

A characteristic of these contributions is their largess and gratuitousness. There is, therefore, no economic obligation in return on the part of the beneficiary, who is only obliged to use the resources assigned for the purposes agreed upon. Such contributions, both in money and in kind, are made to not-for-profit associations with valid articles of incorporation and bylaws and to bodies and institutions whose legal status does not allow them to charge for services.

Proposals are authorized by Enel's Chief Executive Officer and are directed at projects and undertakings that have significant cultural or charitable value, are of national interest or, in any case, involve a large number of citizens.

In 2002 Enel allocated resources in the amount of about 605,000 euros\* to purposes ascribable to the concept of largess. Among the main initiatives special mention should be made of the contributions to the Community of Sant'Egidio – for which a supporting press campaign was also organized – and the Italian Association for Cancer Research. In order to abide more closely by the principles of the Code of Ethics and raise its social commitment to a new level, Enel decided that in the future it will commit the resources allocated to largess through instruments that by nature are independent, agile and effective and therefore closer to the cultural and social fabric of the country. The first initiative in this direction was the incorporation of the ONLUS Association. Set up with the participation of several Enel companies, the Association will pursue exclusively ends of social solidarity and those regarding community health, charity, amateur sports and the defense of the civil rights of disadvantaged persons, with particular regard to the disabled, the ill, children and the elderly. In addition, the project allows other objectives to be attained:

- > ensuring Enel's stable presence in communities through support activities or funding for socially useful activities, without affecting the financial resources of the Company and without subtracting resources from its shareholders;
- > using ONLUS activities to reinforce the Company's social awareness, involving – in forms and ways yet to be identified – the Enel stakeholders concerned, from employees and suppliers to institutions and customers.



\* Figure calculated using reclassified management-accounting data.

## Social responsibility

### Largess: Viesgo's contribution

In 2002 Viesgo offered its support to a number of organizations engaged in both cultural and charitable undertakings. In particular:

- > cooperation with the Fundación Isaac Albéniz to fund the Paloma O'Shea International Piano Competition in Santander (Cantabria), whose aim is to discover and promote the young finalists of the competition;
- > donation to the Red Cross and the Multiple Sclerosis Association;
- > early in 2003 Viesgo began to fund the Fundación Energía Sin Fronteras, an organization for assistance to the development of poor countries.

### Viesgo's support of local communities

In 2002 Viesgo participated in specific projects for communities with the aim of cooperating socially in its zones of influence. The following are among the main undertakings:

- > Viesgo's cooperation with the municipality of Espiel (Cordoba) for the construction of a public library;
- > the organization, together with the University of Cantabria, of the "A World without Electricity" competition, the winner of which has his or her expenses paid for the first year at a university;
- > a contribution to the Association of Consumers and Housewives of Cantabria for the funding of social activities;
- > cooperation with the Fraternity of Blood Donors for the donation of blood by Viesgo employees;
- > grant of the use of the installations of the Puente thermal power station to the Andalusia Light Sailing Championship.

### Wind: a phone call for reconstruction

With a simple phone call it was possible to make a concrete gesture of solidarity in favor of the people struck in November by the earthquake in Molise.

Wind customers could donate one euro (VAT excluded, a sum that was entirely turned over) making a call directly from their own phone, either fixed-line or mobile.

In December Wind extended the initiative to include those hit by the floods in northern Italy.

### ANSE's volunteer activities

In addition to volunteer activities addressed to its own members, the association of older Enel employees also carries out on the spot activities connected with particular emergencies or situations of need. In 2002 the main ones were:

- > Mission in Bosnia Herzegovina: ANSE and Emmaus delivered to the hospital and school in Tuzia more than 10,000 items of clothing contributed by Enel Distribuzione, from which ANSE volunteers removed all reference to corporate logos;
- > Day hospital for mothers and infants in Albania: With the support of funds donated by national headquarters, the Apulia section of ANSE is cooperating on the completion of a day hospital for mothers and infants in Nenshat, one of the poorest places in Albania.

Preparatory actions are in progress regarding the following projects, which, to varying degrees, will receive support from Enel:

- > Senegal: on-the-spot training provided by ANSE members for technicians in the field of electricity distribution;
- > Congo Democratic Republic: a supply of electro-mechanical meters and other disused equipment;
- > "Micro-projects" for the realization of electric power plants in sub-Saharan Africa: supply, installation and technical assistance in the realization stage regarding equipment for the production and distribution of electricity.

## Investment for communities

Investment for communities has a special importance for Enel, a company that is present everywhere in Italy and deeply rooted in specific places with its power stations: a formidable, but at the same time intrusive, presence.

This widespread presence determines Enel's need to make itself known as an essential component not only of the economic and industrial, but also the social fabric. Enel's plants are not islands, but places where people work and spend much of their life contributing to the welfare of the public at large. Integration requires a communication effort in which all of Enel's departments seek not so much consent with regard to the Company's business as the widespread awareness of the important role played by Enel's plants and people.

In 2002 Enel's investment for these purposes amounted to 1,535,000 euros\*.

### Relations with universities

During 2002, Enel actively cooperated with the main universities and post-graduate institutions of learning by:

- > supporting the educational undertakings deemed of greatest interest (for example, newly instituted master's degrees), contributing financially as well as with personnel for teaching and talks
- > offering about 500 university graduates enrolled in post-graduate courses the opportunity of brief but significant work experiences (internships, project work) at the Company.

These initiatives have the double aim of fostering contact between young people and the world of work, while allowing the Company to avail itself of their contribution on projects delimited in time and thus to get to know them, and vice versa.

Specifically:

- > internships last for up to 12 months and include in-depth discussion of theory as well as practical experience through participation in innovative Company activities and projects
- > project work (lasting up to 6 months) is defined with the educational institution concerned and takes place during the final stage of study for a master's degree or other post-graduate courses. It consists in innovative approaches to concrete work situations.

In addition, Enel cooperated with university students working on their theses by putting them in touch with the relevant internal experts, who helped the students deepen their knowledge of subjects connected with the Company's activities.

\* Figure calculated using reclassified management-accounting data.



"Nature and Land" is Enel's program aimed at enhancing the environmental, tourist and recreational aspects of the areas near plants. The projects are developed and carried out in cooperation with institutions, local authorities, and environmental and sports associations in three main areas: environment, sports and tourism, and cultural itineraries.

The program aims to narrow the distance between society and Enel, which is increasingly committed to developing its businesses of the production and distribution of electricity in an environment-friendly way. The objective is to make available for enjoyment the areas and plants where the presence of natural, historical and technological elements allows more complete knowledge of the situation there.



#### Electricity and Nature trails

As part of the Nature and Land program, Enel has realized about 120 "Electricity and Nature" trails all over Italy. These are hiking itineraries in areas of particular environmental value where power stations are located. They are normally trails that already existed in the vicinity of the plants (in order to allow their surveillance and maintenance) along which Enel has put up signs and panels explaining the technical characteristics of the power stations as well as of the local flora and fauna. They enable, for example, more than 40,000 people a year (including many students) to venture on foot or bicycles along more than 3,000 kilometers of paths of varying degrees of difficulty in the midst of protected nature. In the last few years the trails have been equipped so that disabled persons can also participate in sports and guided tours.



#### Presenzano Aquatic Sports Center

One of the objectives of Enel's Nature and Land program is to promote sports and tourism in the areas in which its plants are located. As in Presenzano (province of Caserta), where a disused Enel building adjacent to the power station was transformed into an aquatic sports center. This is a multi-sport facility, with playing fields, stands for the public, a playground, a swimming pool and guest-quarters. Utilizing the plant's basin for aquatic sports such as surfing, canoeing, sailing and rowing, the Center offers young people the possibility to train and to compete in athletic events, both Italian and international, thus constituting a real reference point.

#### Solar energy for a nursery school in Rome

In March 2002 Conphoebus – an Enel company specializing in renewable energy – completed an up-to-date photovoltaic system at the "G. B. Valente" nursery school in Rome as part of the "Photovoltaic Roofs" national program sponsored by the Environment Ministry. Utilizing the school's large roof terrace, Conphoebus was able to install a 3-kW system capable of partially satisfying the buildings electricity requirements and to quickly make the latest generation familiar with the production of electricity from renewable sources right away. With its simple structure the plant integrates nicely with the buildings and its surroundings. It was possible to complete it in such a short time thanks to the cooperation between the city government and the designers and installers of Conphoebus SpA, which drew on its more than a decade of experience in the field of photovoltaic systems.

## Social responsibility

### Open doors at the power station

This is a program that works together with local communities to promote transparency and knowledge.

The power stations are "transparent" because they are open to anyone who wants to visit them, and learning about their main components is facilitated by the guidance provided visitors along their way through them.

Information is available to visitors on the operation of the power station, environmental protection, and all the issues of interest to local communities.

The plants also often host artistic and cultural events, such as concerts and art exhibitions.

The main activities included in the program are:

- > routes through the power station for visitors
- > net points
- > projects for schools
- > competitions
- > sports
- > cultural events.

Net points are equipped spaces inside the power stations in which personal computers are available for Internet surfing.

Access is free-of-charge and surfing is assisted by tutors from local young people's associations. The aim is to give the people who live in the area where the power station is located an opportunity to learn how to surf the Internet and develop research projects. Visits to the power station thus become important occasions of connection with the area.

In 2002 there were more than 200,000 visitors.



### Topics discussed on the Enel portal

The contents of the [www.enel.it](http://www.enel.it) portal support Enel's services and are selected together with the operating companies, the Company's top management and the Communication Department. Each channel is subjected to daily, weekly and monthly performance analysis (page views, visitors, length of visits, etc.).

There are two general sections: Science & Ecology and Culture & Society.

- > In addition to the institutional channels on environmental issues, Science & Ecology contains magazines on the latest scientific and technical questions for a medium-high-level readership (for example, Boiler [www.boiler.it/](http://www.boiler.it/)) and discussions of the same issues from a historical point of view (for example, ReS [www.enel.it/magazine/res/](http://www.enel.it/magazine/res/));
- > The Culture & Society section is concerned with issues such as geo-economics (for example, Emporion [www.enel.it/emporion/](http://www.enel.it/emporion/)) and highly popular issues of everyday life from the social, economic, anthropological and cultural point of view.

There is also another channel, which deals with current events, referring viewers to sections specialized in issues regarding the world of modern music, cinema, theater, opera, dance and fashion.

All the issues presented are topics of special discussions in dedicated forums (e.g., Energy Forum, [www.enel.it/it/enel/portale/forum/](http://www.enel.it/it/enel/portale/forum/)).

### Participation in civil-defense activities

Enel is licensed for the provision of public utility services, such as electricity, gas, and telecommunications, which are strategically important and with which Italy must be constantly provided.

For this reason Enel actively cooperates to mitigate the effects of natural disasters (floods, earthquakes, volcanic eruptions, etc.) or war, providing organization and resources and contributing to ensure the orderly pursuit of civil and social activities.

Enel has an organization for the management of emergencies on three levels – Parent Company, Divisional and Operative – that is able to promptly integrate with government bodies such as the Department of Civil Defense and prefectures.

### The geothermal museum

The history of the use of geothermal energy in all its aspects, from research to drilling and the different systems of exploiting geothermal fluid for the production of electricity and thermal and mechanical energy. Models and original equipment trace the history of drilling. Founded in 1950, the museum in Larderello is now visited by 60,000 people a year and offers a complete view of the geothermal world.

## Commercial initiatives with social impact

Enel sponsors social, environmental and sports events regarding entertainment or art.

While the event is taking place, the sponsored organizer is obliged to publicize the Company's product or logo and in any case its business. Sponsored events must have great cultural value and be of national interest or in any case must involve a large number of the public at large and be organized by important organizations that guarantee quality. Furthermore, they must provide for Enel's involvement right from the planning stage so that the Company's presence is not limited to sponsorship in the narrow sense, but takes the form of real active participation.

On the basis of these principles, in 2002 Enel invested about 459,000 euros\* in sponsorships.

The most important events were:

- > the organization of the "The others' paradise". Enel brought together representatives of the world's main religions, from Islam and Hinduism to Christianity, Buddhism and Judaism, to discuss the topic of their respective conceptions of paradise. The conference also had the function of introducing readings of the cantos of Dante's *Paradise* in the Pantheon, a cultural event now in its third year;
- > the "The triumph of color" exhibition, which brought the most important masterpieces of Carmen Thyssen-Bornemisza's collection to Rome.

### Bills in Braille

As part of the "Enel service for society" program, which was started in cooperation with the Department of Social Affairs of the Prime Minister's office, Enel has created bills in Braille for the blind. The bill in Braille is an extraordinary innovation and is emblematic of the new philosophy of the Company, which is increasingly closer to its customers and to improvement of service quality. The bill in Braille contains all the most important information on consumption and useful telephone numbers. Blind customers can receive their bills in Braille by simply filling out the request form with a family member or friend. This form can be downloaded and printed directly from Enel's Web site or it can be obtained from associations and organizations of the blind. The address to which it should be sent is already printed on the request form. The bill in Braille is made out and sent at no extra cost to holders of the contract for the supply of electricity in order to meet his or her needs or those of a family member. The beneficiary of this new service naturally also continues to receive the traditional bill.



### DTS: toll-free number for the deaf

The toll-free number for the deaf 800 114 499 is active throughout Italy and is a free-of-charge video-writing service connected to the DTS telephonic device. Through a telephone connection with Enel, deaf persons can carry out most of their transactions regarding contracts, report meter readings and service failures, and get information concerning bills and payments.



### The Christmas and Sustainable Energy Development

For two years now our Christmas present has been energy sustainability for a rural village. This year the recipient was the village of Laj Chimel in Guatemala, which is made up of 40 Indian families – about 90 inhabitants, of whom half are children. Among those active in this project are the Rigoberta Menchú Foundation, Enel GreenPower and the Italian Sole e Vento (Sun and Wind) committee, which promotes numerous charitable undertakings.

The project consists in photovoltaic systems that can generate enough electricity to meet the basic requirements connected with lighting, medical, social and educational services the pumping of drinking water, and handicrafts and other kinds of small-scale production.

Thus solar energy will provide for heating, cooking and motor power and will decisively improve the quality of the population's life, making economic development possible and fostering the education and health of the children.



\* Figure calculated using reclassified management-accounting data.

## Social responsibility

### Santa Cecilia

Beginning in 2003, Enel is engaged in a three-year project for the promotion of classical music in cooperation with the Foundation of the National Academy of Santa Cecilia and the Foundation of the Teatro alla Scala. As part of this project a series of concerts with young musicians will be organized inside power stations or in the theaters of the principal Italian cities in order to offer a "network" of places and occasions of cultural entertainment throughout Italy. In 2003 about 20 concerts will be organized in partnership with the municipal institutions that are participating in this project, presenting a varied repertoire that includes classical music, jazz and readings of selected excerpts from Beethoven's letters, accompanied by the performances of pieces of music.

### Soccer

Beginning with the 2003-2004 season, Enel will be the main sponsor of amateur soccer in Italy, a world that – with the D series, soccer with 5-player-teams, women's soccer and the so-called "promotion" and "excellence" leagues – involves over 13,000 clubs, 1,700,000 members and more than 10,000 playing fields all over the country. The aim of the cooperation between Enel and the National Amateur League is to annually award prizes to the best players for their ability and fair play on the field, the best teams for their fair play, and the best fans for their welcome to the visiting team. The Italian Association of Referees and the Italian Sports Press Union are also participating in the project.

### Italian lighting for Times Square

The year 2003 began in New York in the sign of green energy. The crowd that gathered in Times Square, in the heart of the American metropolis, said farewell to the old year with the illuminated billboard for the reverse countdown and greeted the beginning of the new one with a luminous ball, both of which were powered by the electricity produced by the Fenner wind farm, which is owned by Chi Energy, an Enel subsidiary.

### Socially sustainable business initiatives

A company sponsors culture because it is part of its business or because the interaction between the company and society is so strong that the corporate image does not end with its logo or products, but becomes – precisely – a cultural fact. And this is the case with Enel and its Light for Art program. For Enel, light is an everyday activity, business, service, and image, but it is also the means of communication par excellence. The figurative arts and architecture exist in light even before they exist in space.

Hence Enel's Light for Art program, through which Enel has demonstrated that light is an essential resource for communicating and increasing the value of Italian monuments (from San Marco in Venice to San Francesco in Assisi, the monument to Vittorio Emanuele II in Rome and the main churches of Tuscany).

### Light for Art and So.I.e.

So.I.e. is an Enel company that promotes a new culture of light aimed at the enhancement of Italy's artistic and landscape heritage.

The "Light for Art" program, managed and implemented by So.I.e., intends to foster local cultural and economic development by making Italy's art and landscape more alluring through quality lighting. Enel's lighting projects are distinguished by their respect for the environment through the use of lamps and equipment that can project light without dispersion, thus avoiding luminous pollution and optimizing electricity consumption.

The main lighting projects realized by So.I.e. in 2002 were Villa Reale (Monza); the Gesù Church, the Quirinale Palace and Villa Madama (Rome); the archeological area of Pompeii (Naples); the Basilica of San Nicola (Bari); Piazza del Duomo (Brindisi); Piazza del Municipio of Venosa (Potenza); the d'Orleans Palace (Palermo); and the Romanesque Church of San Gavino (Porto Torres).



### Light for Ginostra

Enel's construction of a photovoltaic plant for producing electricity will put an end to the hardships of the inhabitants of Ginostra. This is the result of the agreement signed on December 10, 2002 by Enel, the Sicily Region and the municipality of Lipari. The 100-kW plant, which is over 90% photovoltaic-fed and backed up by diesel sets, will produce electricity for the 140 users on Ginostra. It will replace the current private generators constituted by numerous diesel sets that are decidedly obsolete and by thirty small experimental photovoltaic systems dating back to 1988.

The approximately 2.3-million-euro investment for building the plant was financed by the Sicily Region as part of the program for financing the projects for electrifying the minor islands, as well as by revenue from the carbon tax.

Enel is contributing 15% of the investment through Conphoebus and Enel GreenPower with the construction of the photovoltaic-diesel plant and Enel Distribuzione with the realization of the distribution network. The plant will be built in 12 months, and Enel GreenPower will operate it for 7 years.



Numerous other Enel projects combine business requirements with respect for and development of communities, in Italy and abroad.

In Brazil, for example, the TSN company (Transmissora Sudeste Nordeste), in which Enel power has a controlling 98.2% stake, signed a contract with the Banco Nacional do Desenvolvimento Economico e Social (BNDES) to finance a project to construct and operate a high-voltage interconnection power line 1,095 kilometers long. The project financing provides for a maximum amount of 556 million reais (about 150 million euros) through 2016.

On August 31, 2000 the ANEEL (Agencia Nacional de Energia Elctrica) had granted TSN a three-year license to construct and operate the new line, which will connect the Brazilian states of Goias and Bahia. The project also includes the construction of five 500/230-kV substations and has a total cost of about 850 million reais (about 230 million euros). Enelpower and its subsidiary Enelpower do Brasil carried out the planning and construction of the line, which is scheduled to enter into service during 2003.

In Algeria Enelpower signed an important contract to build 410 kilometers of 400-kV high-voltage transmission lines also equipped with optical fibers. Awarded by SONEGAS to Enelpower as main contractor after an international tender, the contract provides for the 210-kilometer stretch between Touggourt and Biskra and another, 200-kilometer stretch between the Hassi Ameur electrical station and the border with Morocco.

The total value of the contract amounts to about 75 million euros. The line is of fundamental importance for the development of Algeria's electricity network and will be completed in 12 months.

#### Enel and Banca Intesa together to provide incentives for using photovoltaic systems

Enel.si's and Enel GreenPower's agreement with Banca Intesa for promoting the installation of photovoltaic systems by families and firms is still valid.

This agreement facilitates access to the "Photovoltaic Roofs" program funded by the Environment Ministry and the regional governments of Italy to support the production of electricity from this kind of source.

Within the program, Enel.si handles the offer and installs the systems, while Enel GreenPower furnishes the main components and technical supervision.

Thanks to this agreement, Enel.si is expanding its offer of photovoltaic systems with new financial instruments made available by Banca Intesa.

To satisfy all the requests to participate in "Photovoltaic Roofs", Conphoebus, Enel.si and Enel GreenPower have set up a special task force at the national level, which can supply "turnkey" photovoltaic systems at the concessionary interest rate provided for by the applicable regulations. Furthermore, if specifically requested by customers, the three companies can also supply plants of different sizes and with different characteristics.

In 2002, 350 requests for admission to regional financing programs, representing 1,500 kW of power, were presented through Enel.si.

## Partnerships with local, national and international institutions and associations for development

### Relations with local communities

Enel is an originator of local development through:

- > sharing projects with local institutions in order to contribute to resolving local issues and fostering the process of local development;
- > setting up partnerships with local-government bodies, firms, union organizations, business organizations, universities, etc.

In this way Enel increases the economic and competitive potential of its companies and becomes an essential resource for the social and economic development of the environment.

In effect, Enel contributes to the creation of wealth, to the solution of problems of local interest through support for the economic and social cohesion of local communities, and to the support of employment and lasting and sustainable development.

## Social responsibility

### Enel and the Academy

Especially noteworthy both quantitatively and qualitatively was the participation of Enel's management, with the presentation of papers and reports, in conferences, seminars and other meetings organized by universities and other institutions.

The subjects discussed were connected with Enel's core business and ranged from economics, company law and business ethics to new technologies, the progress of scientific research, telecommunications, energy questions and communication. Among our partners were Borsa Italiana, Luiss, the University of Rome at Tor Vergata, the *Scuola Superiore della Pubblica Amministrazione*, and the University of Toulouse. A total of 132 managers participated, of whom 41 were from the Parent Company and the others from subsidiaries.

### Green Energy Environment Program Contract

At the end of a long process of negotiation with local bodies, Enel presented a program contract in Apulia for carrying out investment, training, and research and development on environmental matters amounting to 220 million euros.

The program concerns four areas: increasing the share of green energy produced in the Region, innovative waste management, research and development for emissions reduction, and training and updating for personnel.

The projects provided for will give a boost to employment, both direct (for the plants built by Enel) and indirect (deriving from small and medium-sized local allied industries).



### Industry agreement on geothermal energy

The Tuscany Region, Enel GreenPower and local-government bodies signed an agreement to support companies that utilize geothermal energy in their production cycle.

The agreement concerns municipalities in the provinces of Pisa, Grosseto and Siena in which Enel GreenPower plants are located.

The benefits deriving from the agreement are:

- > geothermal energy up to 180°C on predetermined financial terms and at prices that are competitive with respect to conventional fossil sources;
- > industrial parks made available by Enel GreenPower;
- > contributions from the Tuscany Region in support of investment for productive activities that directly utilize endogenous heat;
- > contributions at the national level in support of new connections that use geothermal energy;
- > contributions at the national level in support of direct consumption of geothermal energy;
- > preferential treatment for the issue of licenses by local government bodies;
- > technical assistance from Enel GreenPower to evaluate the most advantageous technical and economic solutions for satisfying the heat requirements of the new production facility.



### Enel Talent Academy

The Talent Academy is a training project addressed to a limited number of candidates: 20 recent university graduates residing in southern-central Italy who are looking for a job. Partly financed by the Ministry of Labor and Social Policies, the Talent Academy was founded in cooperation with Consel (Consorzio Elis), a not-for-profit entity for higher professional training specialized in selection and training in the technological fields of IT and telecommunications.

The project was started up in 2002 and became operative in March 2003. Enel is committed to supporting the candidates selected throughout their training with 20 scholarships.

The training aims to enable the recipients to integrate technological and managerial expertise in order to plan and manage IT services and Web products. In addition, Enel will provide three-month internships in several of its companies for the participants so that they can acquire field experience by using the expertise acquired in the classroom.



### Enel Produzione: training for recent university graduates

The objective of this project is to involve young recent university graduates in research in the electricity field as established by the law and for pre-selection. In 2002, 32 training periods were begun in agreement with major Italian universities, amounting to a total of 200 months of presence.

An agreement was also concluded with the province of Pisa to promote training of university graduates from member states of the European Union and other countries. Co-financed by the European Union, as part of the Improving Human Potential and Marie Curie projects of Framework Program V, 12 internships were assigned.



### e-Finance project

In cooperation with the Technopolis Scientific and Technological Park, Enel started a project to train 30 unemployed young university graduates residing in the objective 1 Regions. The project aims to train a highly skilled new professional figure: the e-finance manager. The expertise acquired during the course is greatly demanded on the labor market. The project provides for both classroom instruction and distance learning, visits to offices, internships and placement.

### Relations with local institutions

One of the objectives of the activity consists in the implementation of a structured system of relations with local institutions that makes Enel a privileged participant and leads to active partnerships fostering new business opportunities.

#### Map of relations with local institutions

Institutions	Figures concerned	Areas of cooperation	Projects carried out
Regions	President of the Region, Councilors for Industry/Energy, Department heads	Regional energy plans, infrastructure investment, conversion of power stations, monitoring of legislative and administrative activity	Sicily Region: project for the construction of a waste-recycling plant.
Provinces and municipalities	President of the Province, Councilors for Industry	Memorandums of understanding (social and economic costs due for increases of thermal power), infrastructure investment	Ancipa dam (Sicily): reestablishment of reservoir capacity to meet water emergency in the Region. Municipality of Villavalle (Umbria Region): renovation of high-voltage power lines to facilitate the distribution of electricity in a region with a large energy deficit

#### The Marzano bill

In order to carry out the reorganization and reform of the energy industry, taking into account the proposals that emerged during the fact-finding investigation of the industry conducted by the Committee for Productive Activities of the Chamber of Deputies, in October 2002 a bill was presented in Parliament aimed at:

- > establishing the powers of the national government and regional governments with regard to energy in the light of the provisions of the new Title V of the Constitution;
- > redefining the relations between the national government and industry regulatory authorities;
- > completing the process of liberalizing markets;
- > increasing the efficiency of the domestic market.

Currently under examination by the Committee for Productive Activities of the Chamber of Deputies, the bill should be enacted into law by the end of 2003.

### Cooperation with Italian national institutions

Relations with the central institutions of the government are managed by a dedicated department with the following duties:

- > representing Enel in institutional seats and creating appropriate links with all the other companies;
- > assisting the top management in relations with central government institutions;
- > assessing the implications for Enel orders of the government;
- > verifying acts of Parliament regarding guidelines and control with the aim of assessing the implications for Enel and preparing responses with the support of the other companies.

These duties are performed through the following activities:

- > scouting and monitoring legislative and executive activity of interest;
- > with the support of the other companies and the departments concerned, preparation of changes to proposed regulatory acts being elaborated;
- > with the support of the other companies and the departments concerned, elaboration of responses to acts regarding guidelines or control presented in Parliament.

### Cooperation with national technical associations

With the aim of evaluating the reliability and significance of certification, Enel decided to actively contribute to the good functioning of the latter, intensifying the participation of its representatives in the elaboration of regulations and guidelines regarding quality, in particular through:

## Social responsibility

### Program agreement for the creation of the Single Accreditation Agency

In November 2002 Enel signed at the Ministry for Productive Activities a program agreement for the creation of the Single Accreditation Agency, which aims to refashion and coordinate the activity of accreditation bodies and of test and calibration laboratories. The agreement provides for the creation of the new agency by June 30, 2003.

Meanwhile, as part of the agreement, the institutes of accreditation (Sincert, Sinal and Sit) are forming a temporary confederation to coordinate their activity, ensure unified representation at the international level, and prepare the transition to the Single Agency.

- > an active presence in the Italian (UNI) and international (ISO) bodies entrusted with establishing the regulations;
- > membership as a promoting partner in the accrediting body of the certification agencies (SINCERT), to the board of which it has appointed its own representative;
- > membership on the boards or the certification committees of the principal institutes of certification;
- > presence on the certification committee of the AICQ-SICEV, the institute of certification of Quality System evaluators.

The proper and complete implementation of a Quality System in keeping with UNI EN ISO 9001 prescriptions is one of the essential requisites that Enel demands of a company in order for it to qualify as a supplier. Enel's hope is that the certification system attains a degree of reliability sufficient to replace direct verification, so that turning to a supplier with a certified Quality System constitutes a choice that is not only qualitatively but also economically advantageous.

### Participation in the principal international associations

Enel is present in all the principal international associations of its industry. The most important memberships in terms of active engagement are those regarding:

- > Eurelectric (Union of the Electricity Industry), which comprises the electricity companies of 42 European countries (EU and central and eastern Europe);
- > E7, which brings together the 9 largest electricity companies of the G8 in order to promote and carry out projects regarding investment and training for sustainable development in the electricity industries of less developed countries;
- > OME (Observatoire Méditerranéen de l'Energie), whose purpose is to develop cooperation among the energy companies that operate in the Mediterranean basin;
- > Medelec (Comité de Liaison Méditerranéen des Associations d'Entreprises d'Electricité);
- > World Economic Forum, an international foundation that brings together the 1,000 most important economic, institutional and academic organizations in the world for the purpose of raising their world level;
- > EFET (European Federation of Energy Traders).

### Indonesia Project

As part of its membership in E7, Enel participated in the project of creating systems for supplying renewable energy in Indonesia, which terminated in 2001.

In 2002 the related monitoring was carried out.

The project obtained important recognition in 2002: the "2002 Asean Energy Award" in the month of July and the ICC/UNEP World Summit Business Award for Sustainable Development Partnership during the summit for sustainable development held in Johannesburg in September.

### Bilateral international cooperation

As part of the assistance activities carried out by the Italian government in favor of countries in difficulty, in April 2002 a program for supplying electricity to Albania was elaborated.

The program provided for division of the supply in three lots, of which the first was assigned to Enel Produzione.

This program was realized in cooperation with the Albanian electricity company Kesh.

As part of the program, Enel Produzione supplied electricity to Albania during the period April-August 2002.

# Enel's commitment for the future

## Economic responsibility

Integrate Enel's Corporate Social Responsibility into its Industrial Plan

Develop processes that ensure the integration of business objectives with respect for the environment and social development in all its corporate activities

Ensure the creation of value for its shareholders

Enhance the quality of its cooperation with suppliers

## Environmental responsibility

Extend the application of environmental governance systems

Reduce environmental impact

Use a fuel mix that allows for the economic advantageousness of their supply, efficient generation, and environmental protection

## Social responsibility

Reinforce the involvement of stakeholders with social and environmental issues

Concentrate contributions to communities on projects with great social impact

Provide its human resources with opportunities for professional development

Reinforce systems for protecting the safety and health of employees

## Methodology employed and companies included in the Report

- International benchmark standards
- Sustainability rating agencies
- Italian and international best practices

The structure and content of the first Sustainability Report are the result of a study of the guidelines emerging at the international level on the preparation of Sustainability Reports and of Enel's approach to Corporate Social Responsibility.

The structure of the present document reflects two main requirements:

- > to offer a concise view of the Company's economic, environmental and social performance
- > to highlight the content and quality of the relations established with stakeholders.

In particular, Enel's Sustainability Report was based on:

### International benchmark standards

The main international standards developed by associations that study sustainable economic development, such as:

- > the "Global Reporting Initiative" : sets forth the most recent guidelines for sustainability reporting, the structure and the content of Sustainability Reports;
- > the "London Benchmarking Group Model" : a benchmark methodology for measuring the support given by a company to the development of local communities;
- > "Accountability 1000" : a process standard for social reporting, which pays special attention to dialogue with stakeholders.

### Sustainability rating agencies

Information and data required by the principal rating agencies (SAM for the Dow Jones Sustainability Index and ERIS for the FTSE4Good) for admission to the stock-exchange indexes of sustainability in the three categories of analysis:

- > Economic Performance
- > Environmental Performance
- > Social Performance.

### Italian and international best practices

Sustainability Reports prepared by Italian and international companies that are leaders in the field and excel in their commitment to sustainable economic development.

### Companies included in the Report

Unless stated otherwise, the data and information contained in this document refer to Enel and the companies consolidated as of December 31, 2002. The main companies are listed on page 10.

Thus, by "Company" or "Enel" is meant Enel SpA and its consolidated subsidiaries, while "Parent Company" refers to Enel SpA.

Attachments

**QUALITATIVE STUDY ON  
“ENEL’S SUSTAINABILITY REPORT”  
SUMMARY OF THE MAIN FINDINGS**

Eurisko was commissioned to conduct a qualitative study among a sample of stakeholders in order to gather their opinions about Enel's Sustainability Report - 2002.

The fieldwork was carried out in Rome between April 7th and May 9th, 2003 and took the form of five focus groups and two in-depth interviews. The focus group participants were employees, suppliers (2 focus groups), customers (i.e. consumers) and shareholders. The two interviews were held with officials from two pressure groups (WWF and Cittadinanzattiva).

In the great majority of cases opinions were favourable, especially those expressed by shareholders, consumers and the pressure groups.

Particularly positive remarks were made by all respondents with regard to:

- structure and graphic layout of the document, considered professional but also very accessible
- clear, easy-to-read language
- wide range of topics addressed
- rich, high-key content.

It was unanimously acknowledged that the report:

- endorses Enel's dedicated and far-from-superficial commitment to environmental and social issues
- points to a high level of transparency
- is evidence of a more progressive and accountable way of operating as a business
- can serve as an effective means of establishing a dialogue with all the stakeholders.

The consumers considered the report as clear evidence of Enel's adherence to ethical principles and of the responsibility it feels towards the community; they interpret it as a real sign of the company's caring attitude towards the environment and society at large.



The shareholders said that the sustainability report presented by Enel could well encourage them to confirm their decision to invest in this company.

The pressure groups expressed the most positive opinions of all: they regard the Enel report as one of the best documents of its kind produced to-date; it confirms Enel's "already familiar" commitment to environmental and social issues and it testifies to a sound and credible pledge for the future too. These respondents would like to see the company taking action to make the document known and explain its value to the general public.

The employees acknowledged that this document strengthens their sense of belonging to the company. They point out that they would very much like to see fuller information provided in the parts of the report that concern them personally.

The suppliers liked the report, particularly the initial section (letter from the CEO, the code of conduct, the action plan to implement Corporate Social Responsibility, etc.), both as a tool to promote Enel's image and as clear evidence of the company's ethical principles and its responsibility towards the community.

Two specific requests came from all stakeholders:

- the sustainability report should be a widely distributed communication tool, to be easily accessed by anyone who wants to consult it
- Enel should update the information and data it contains at regular intervals, so as to highlight the improvements achieved and the goals reached.



Paolo Anselmi  
*Vicepresident Eurisko*

Milan, 12 May 2003

(Translation from the Italian original which remains the definitive version)

## Report of the auditors on the sustainability report Attestation

To the board of directors of  
ENEL S.p.A.

- 1 We have carried out the compliance procedures and analyses on the sustainability report of the ENEL Group at 31 December 2002, described in paragraph 2 of this report.

The aim of the procedures was to evaluate the board of directors' statement, included in the paragraph entitled "Methodology employed and companies included in the Report" of the sustainability report of the ENEL Group at 31 December 2002, that such report was prepared in compliance with the guidelines established by GRI – Global Reporting Initiative – and the principles promulgated by AA1000 – AccountAbility 1000. The preparation of the sustainability report in line with such principles is the responsibility of the parent company's management.

- 2 Our engagement was performed in accordance with the International Auditing Standards issued by the International Federation of Accountants (IFAC) applicable to these engagement and the standards issued by AA 1000 Assurance Standard. These standards require that we plan and perform our procedures so as to be in a position to evaluate the board of directors' statement referred to in paragraph 1.

The procedures we performed were the following:

- verifying that the financial figures and information are consistent with those included in the consolidated financial statements of the ENEL Group as at and for the year ended 31 December 2002, approved by the shareholders, with respect to which we issued our audit report dated 2 May 2003;
- analysis of how the processes underlying the generation, recording and management of quantitative data operate. In particular:
  - interviews and discussions with management delegates and personnel of certain group companies, to obtain an overview of the group's activity, to gather information on the IT, accounting and reporting system used in preparing the sustainability report, and to chart the processes and procedures used to gather, combine, process and transmit data and information of the various group companies to the office that prepares the sustainability report;
  - sample-based analysis of supporting documentation used in preparing the sustainability report to confirm the reliability of the interview-derived information, as well as the effectiveness of processes and their adequacy in



relation to business objectives, and that the internal control system correctly manages data and information;

- analysing the completeness of the qualitative information included in the sustainability report and its consistency throughout. This activity was carried out in line with the previously-mentioned guidelines;
- verifying the stakeholders' involvement process, in terms of the methods used and analysis of the minutes summarising the salient features arising from meetings held with them and comparing them with the information disclosed in the sustainability report;
- obtaining the representation letter signed by the parent company's legal representative on the reliability and completeness of the sustainability report and on the information and data contained therein.

- 3 Based on the procedures listed in paragraph 2, we believe that the sustainability report of the ENEL Group at 31 December complies with the preparation guidelines described in the paragraph entitled "Methodology employed and companies included in the Report" of such report. Moreover, the financial figures and information contained in the sustainability report are consistent with the figures and information included in the consolidated financial statements of the group and with the documentation we were provided with, and meet the content requirements established by the guidelines governing sustainability report preparation.

Rome, 13 May 2003

KPMG S.p.A.

(Signed on the original)

PierMario Barzaghi  
*Director of Audit*

## Glossary of terms connected with Enel's business

ADSL  
(Asymmetric Digital  
Subscriber Line)

A technology that allows copper cables to be exploited for the high-speed digital transmission of contents (including audio-visuals), data and programs by means of special modems installed on the customer's premises. Transmission speeds significantly exceed those attainable with analogical technology (up to 120 times for transmissions from the exchange to the user).

Backbone

The backbone of a telecommunications network, characterized by a large traffic capacity. It connects other, smaller networks or the main exchanges with each other.

Bay

In transformer stations or primary substations, a section of electric plant comprising the equipment securing the power lines, the dischargers and the isolating switches. One generally speaks of line arrival bay or transformer bay. According to the plant's operating voltage, the bay can be very high-, high- or medium-voltage.

Benchmark

The real measurement of technical and/or economic data in a specified period of time that is used as the basis for comparing other, corresponding data.

Bersani Decree

Legislative Decree n. 79 of March 16, 1999

Biomass

Non-fossil organic matter utilizable as a source of energy: agricultural and forest leavings; food-industry waste; dung; organic parts of urban waste; expressly cultivated plant species; other plant species utilized to purify organic sewage.

Business customers

In the telecommunications industry, these are small, medium-sized and large business customers possessing a VAT registration number.

Carrier

Telecommunications company which has physical network infrastructure for voice and/or data transportation at its disposal.

CIP directive 6

The resolution adopted on April 29, 1992 by the Interministerial Price Committee implementing law n. 9 of January 9, 1991. Implementing law n. 9 of January 9, 1991, this resolution established the technical conditions and the prices of sale to Enel, as well as those of transport and exchange, of electricity produced by other companies, providing an incentive differentiated by technology for the first eight years of operation of plants using renewable energy sources.

Co-generation

The combined production of electricity and heat under the conditions established by the Authority for Electricity and Gas.

Combined Cycle (CCGT)

Technology used in electricity generating plants, comprising one or more gas-turbine sets whose exhaust heats a boiler, which may also be heated by an additional fuel. The steam produced by the boiler is used to drive a steam turbine coupled with a generator.

Corporate governance

The set of rules by which a company is managed and audited.

Denitrification  
and desulfurization  
plants

Plants that reduce the atmospheric emissions of nitrogen oxides and sulfur dioxide.

Dial up

Dialing a telephone number to begin a temporary voice or Internet communication.

Dispatching

Activity that coordinates the use and operation of generating plants, the transmission network, and auxiliary services.

## Glossary

Distribution	The transportation and transformation of electricity on high-, medium- and low-voltage distribution networks for delivery to Final Customers.
Authority for Electricity and Gas	The independent body that regulates and supervises the services of the electricity and gas industries, which was established by law n. 481 of November 14, 1995.
Electricity demand	The quantity of electricity made available on the network. It amounts to the sum of user consumption and network losses. It is also called electricity requested and electricity requirement.
Electricity Exchange	A soon-to-be-instituted market to which all producers, Eligible Customers and the Single Buyer will have access for trading electricity.
Electricity Industry Equalization Fund	A body established in 1961 in consequence of the decision of the CIP (Interministerial Price Committee) to create an equalization mechanism at the time of the introduction of the single national tariff. It is entrusted with managing the following funds: tariff supplementation account; energy cost (contributions for fuel costs and the purchase of electricity); financing for remaining nuclear activities; surcharge for new plants using renewable sources (CIP n. 6/1992); contributions replacing special tariff regimes; provisional contribution for the production of electricity for regulated market; research financing.
Eligible Customer	A natural or legal person who is entitled, pursuant to the Bersani Decree, to enter into contracts for the supply of electricity with any producer, distributor or wholesaler, both in Italy and abroad.
e-mail	Electronic mail service, through which Internet users can send and receive messages and attachments (documents, images and sounds).
EMAS	Environmental Management and Audit Scheme provided for by EC directive 1836/1993.
Equivalent average specific emission of CO <sub>2</sub>	Emission of greenhouse gases expressed in terms of CO <sub>2</sub> (according to the total heating potential of the single gases) and with regard to the net total production of electricity.
Final Customer	The natural or legal person who buys electricity exclusively for his/her/its own use.
Frame Relay	The package-switching service used to transmit data between company offices.
Free Internet	Internet access provided free of charge, with the customer paying only the amount due for the telephone traffic generated.
Gas turbine	A machine that by combustion converts the energy of gas into the mechanical energy of a rotating shaft.
Gigawatt (GW)	One billion watts (one thousand megawatts).
Gigawatt-hour (GWh)	One million kilowatt-hours.
GPRS (General Packet Radio Service)	A service that allows the transmission of data and connection to Internet through cell phones and portable computers. It allows Internet surfing through mobile devices. GPRS is based on Global-System-for-Mobile (GSM) technology.
Green certificate	A certificate regarding the production of electricity by plants using renewable energy sources that entered service after April 1, 1999. A green certificate has a value that is equal to or a multiple of 100 MWh and is issued by the Independent System Operator upon receiving a

## Glossary

	communication from the producer regarding the latter's production from renewable sources in the preceding year. For the producers concerned, green certificates represent an alternative system for complying with the obligation imposed by the Bersani Decree to produce and/or import a quantity of electricity from renewable resources amounting to at least 2% of the quantity of electricity it produced and/or imported from non-renewable resources in the preceding year. Green certificates are freely traded by their holders and other producers and importers of electricity that are subject to the aforesaid obligation.
Gross efficient power (in MW)	The maximum amount of electric power that can be continuously produced during a sufficiently long given period of operation, assuming that all parts of the plant, from the terminals to the generators, are functioning.
Gross production (in kWh)	The total amount of electricity (including that generated by pumping) produced by all the generating units concerned (thermal prime motor and one or more electricity generators coupled mechanically), as measured at the output terminals of the main generators.
GSM	Pan-European standard for radio mobile communication system using digital technology in frequency bands from around 900 to 1,800 MHz.
Household customer	Non-eligible customers consuming low-voltage electricity supplied to a single residential delivery point.
HV	High voltage.
Independent System Operator (ISO)	The corporation entrusted with the dispatching and transmission of electricity, including the unified operation of the National Transmission Network, regardless of who owns said network.
Industrial producer	A company that, subordinately to its main business activity, individually or jointly produces electricity not less than 70% of which issued to satisfy its own requirements.
Interconnection	A link between two telecommunications networks differentiated either by type or by operator, allowing customers connected to them to communicate with each other notwithstanding such differences.
Internet	The computer network system formed by the connection of many stations interconnected through the TCP/IP data-transfer protocol.
IP (Internet Protocol)	Internet's communication protocol, based on the connectionless exchange of information "packages".
Kilocalorie (kcal)	A measure of heat (thermal energy). One kcal is the quantity of heat required to raise the temperature of 1 kilogram of water by 1°C.
Kilovolt (kV)	1,000 volts.
Kilowatt (kW)	1,000 watts.
Kilowatt-hour (kWh)	One kilowatt of power supplied or demanded for one hour.
LV	Low voltage.
MAN (Metropolitan Area Network)	A communication network based mainly on optical fibers that covers the perimeter of a city.



## Glossary

Market Operator	The corporation that, after its formation by the Independent System Operator, will be entrusted with the economic management of the Electricity Exchange.
Megavolt ampere (MVA)	The measure of total (active and reactive) electric power.
Megawatt (MW)	1,000,000 watts.
Megawatt-hour (MWh)	1,000 kilowatt-hours.
Mid-merit	A type of generating plant used to manage network load and thus operating for a limited number of hours a year.
MV	Medium voltage.
National Transmission Network	The network of transformer stations and high-voltage electric power lines covering Italy.
Net efficient power (in MW)	The maximum amount of electric power that can be continuously produced during a sufficiently long given period of operation, assuming that all the parts of the plant are functioning, as measured at the point of entry into the network; that is, net of the power absorbed by the plant itself and the power lost in the transformers required to raise the voltage to the network value.
Net production	Gross electricity production net of the electricity absorbed by auxiliary generation services and losses in main transformers.
Network availability	The state in which the National Transmission Network is utilizable by the Independent System Operator for the activities of its concern.
Non-eligible Customer	A final customer who, pursuant to the Bersani Decree, does not qualify for the category of Eligible Customers and is thus entitled to enter into supply contracts exclusively with the distributor providing the service in the territorial area where the premises of the customer are located.
Orimulsion	A fossil fuel from the basin of the Orinoco River in Venezuela, consisting of very fine bitumen dispersed in water.
Peak power	The electric power demanded on the network at the time of maximum load.
Portal	A service organizing the contents and facilitating access to the information and service resources present on the Internet. Portals are called "horizontal" when they include different kinds of classified contents and a complete range of services, and "vertical" when they focus on a limited number of areas such as, for example, work, sports, finance or television.
Power transformer	A static machine that transforms a system of alternating current into another system generally with different voltage and current at the same frequency in order to transmit electric power.

## Glossary

Prepaid telephone cards	Cards representing a telephone credit that can be used to make calls from private and/or public phones. The amounts due for the calls are deducted from the original credit until the value of the card has been used up.
Price Cap	A limit imposed by a regulatory body on the revenues of determined industry, which takes into account changes in the consumer price index and the efficiency gains expected of companies in the same industry.
Production	Generation of electricity, however it is produced.
Private virtual network	A telecommunications network that, utilizing a portion of the public network, connects users in a company or an organized group.
Renewable Sources	Wind, sun, water resources, geothermal resources, tides, waves, biomass, and organic and inorganic waste.
Residential Customers	For telecommunications business activities, customers who are natural persons.
Roaming	Provision of service through the use of networks owned by other telecommunications companies.
Shared-charge services	Services that allow the caller to be charged only part of the cost of the call, with the remainder being charged to the receiver of the call.
Single Buyer	A corporation formed by the Independent System Operator (ISO) to endure the continuous, safe and efficient supply of electricity to Non-eligible Customers. It will become operational at the same time as the imminent inception of the Electricity Exchange.
SMS (Short Message Service)	A system of sending brief written messages on cell phones using digital technology.
Steam turbine	A machine that converts the energy of steam generated in a boiler or of geothermal steam into the mechanical energy of a rotating shaft.
Stakeholder	An individual, community or organization that influences the activities of a firm or is subject to the impact of the latter, directly or indirectly; whose rights and interests are affected by the firm. In the broadest meaning of the term, stakeholders can be internal (management and other employees) or external (suppliers, customers, shareholders, investors, business partners, local communities, the civil service, future generations, environmental interests, etc.).
Stranded costs	Costs deriving from investment and contractual obligations assumed and performed prior to February 19, 1997 (the year in which EU directive 96/92 went into force) by companies operating in a monopolistic market and carrying out business policies that penalized them in when the market became competitive. Stranded costs are defined by the Industry Ministry's decree of January 26, 2000.
Terawatt-hour (TWh)	1 billion kilowatt-hours.
Thermal Efficiency of a thermal power station, or Thermal Efficiency	The ratio between the quantity of electricity produced and the quantity of energy from primary sources used to produce it.

## Glossary

Thermal unit	A coordinated and essentially self-sufficient system of converting the thermal energy of fuels into electricity, consisting of one or more steam generators, prime thermal motors, one or more main generator and transformer sets, a regenerating cycle, and auxiliary circuits and services.
Three-phase line	The three conductors that constitute the three phases of an electric power line.
TOE	Ton of oil equivalent. A conventional unit, equivalent to 10 million kcal, that enables the quantity of any energy source to be expressed by comparing its energy potential with that of crude oil.
Transport	Use of the National Transmission Network and distribution networks for the transportation of electricity from a point of entry to a point of withdrawal.
Transmission	The transportation of electricity along interconnected high- and very-high-voltage networks from generating plants or, in the case of imported electricity, from the delivery point of the latter, to the distribution system.
UMTS (Universal Mobile Telecommunications System)	A third-generation mobile communications system belonging to the IMT-2000 family and based on the standard established by the ETSI (European Telecommunications Standard Institute).
Unbundling of the Local Loop	The unbundling of access at the local-network level, which allows telephone companies alternative to Telecom Italia access to the so-called "last mile" of the incumbent company's network; that is, the telephone lines that go from the telephone company's exchange to customers' homes, thus allowing the provision of telephone or data-transmission services directly to the final customer.
Volt	The basic unit of electric force.
WAP (Wireless Application Protocol)	Communications standard through which Internet services can be used directly on special cell phones and other portable wireless instruments.
Watt	The basic unit of active electric power.
Wind generator	A system consisting of the coupling of a wind motor with an electricity generator. The former converts the energy of the wind into the mechanical energy of a rotating shaft, while the latter converts the mechanical energy into electricity.

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# Evaluation of the 2002 Sustainability Report

We ask you to dedicate a few minutes to filling out the questionnaire evaluating the 2002 Sustainability Report. This will enable us to identify the critical areas and to improve future editions.

You can fill out the questionnaire on the [www.enel.it](http://www.enel.it) site or send it by mail or fax to the following address: **Enel SpA – Direzione Comunicazione**  
viale Regina Margherita, 137 00198 Rome, Italy – fax 06 83057643

## Quality and transparency

### Quality of the Report

#### Coverage

*How do you rate the completeness of the information?*

1 Poor 2 3 4 5 Excellent

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

#### Comprehensibility

*How do you rate the clarity of the communication?*

1 Poor 2 3 4 5 Excellent

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Enel's conduct

*How do you judge the commitment and results as presented in the Report?*

1 Poor 2 3 4 5 Excellent

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Who we are

Economic responsibility

Environmental responsibility

Social responsibility

Enel's commitment for the future

## What aspects did you find most interesting?

☐ Economic

☐ Environmental

☐ Social

## Credibility

*On the basis of your own knowledge, how reliable do you consider the information and data reported?*

Not at all

☐

Not entirely

☐

Not very

☐

Partially

☐

Totally

☐

## Comments and suggestions

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## Category

☐ Shareholder

☐ Student

☐ Customer

☐ Supplier

☐ Body, Institution

☐ Other

