

# Letter to stakeholders

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In increasingly changing and competitive scenarios, also due to the acceleration of technological progress, companies need to change very quickly. In defining and implementing its strategic vision, Enel carefully integrates and combines all relevant factors: economic-financial, environmental, social and governance-related. Value creation in the long term is therefore closely linked to the Group's robust financial management, as well as to the way in which we: interact with the environment, cooperate with communities, ensure an open culture based on listening and inclusion, and promote an increasingly integrated corporate governance system. It is thanks to our sustainable business model that we are able to meet the new challenges of the energy transition, not only by reacting to



risks, but by seizing all opportunities without overlooking their social implications.

A clear and defined strategic vision strengthens the trust with which one looks at the future and at the role of Enel, today as in the years to come. Identifying key trends in advance allows to direct the business model and guide the transition in a sustainable manner. The increase in world population, the growing urbanization of metropolitan areas, the unstoppable development of renewables driven by increasingly competitive costs and its positive effects in terms of decarbonization, and digitalization are the main trends underpinning the change in the energy industry. The next few years will see a greater consumption of electrical energy enabled by new technologies and a reduction in the

cost of use, making it financially advantageous to use energy in industrial processes and in civil uses previously powered by other sources. Digitalization of the energy world underlies technological change and it is inseparable from electricity, enabling the current aggregation platforms to provide new services and contributing to the development of new low-carbon businesses. The energy transition is a true transformation process that allows to support effectively a sustainable long-term development trajectory. In a context that has remained challenging throughout the year, Enel has nevertheless achieved significant results thanks to a matrix organization that has allowed complexities to be managed and synergies to be created. In 2017 the Group achieved an ordinary EBITDA of 15.6 billion

euro, with 63 thousand people working in the company, an average customer number of approximately 64 million, over 2 million kilometers of distribution lines and 48 million smart meters installed, 1.7 million of which are new generation meters.

In line with the low-carbon strategy, 45%<sup>1</sup> zero emission generation, with a renewable installed capacity of around 41 GW<sup>1</sup> and a total capacity of around 88 GW<sup>1</sup>.

Significant results related to the commitments to the United Nations' Sustainable Development Goals (SDGs) have been made:

- > the 2020 target for access to inclusive and equitable quality education was achieved, reaching around 600 thousand beneficiaries (SDG 4);
- > considerable progress has been made in providing affordable,

reliable, sustainable and modern energy, reaching 1.7 million beneficiaries (SDG 7) in Africa, Asia and Latin America;

- > the target for 2020 was achieved in terms of sustained, inclusive and sustainable economic growth, set at 1.5 million beneficiaries (SDG 8);
- > progress has been made towards complete decarbonization, despite a year characterized by low availability of water resources, reaching 400 gCO<sub>2</sub>/kWh<sub>eq</sub><sup>1</sup> (SDG 13).

Almost 100% participation was recorded in the performance reviews conducted on the Company's people and about 1,500 actions were carried out on the priorities highlighted during the last climate survey. Enhancing diversity continues to be a priority. To speed up the digital transformation of the entire Company, a specific change management program was launched, and, from the organizational point of view, an agile workflow was introduced. This rigorous methodology is made up of quicker and more fluid models that put people at the center, involving them and empowering them in order to create value quickly in a collaborative and effective way. The path towards new forms of energy was reinforced by the new 2018-2020 Strategic Plan, with further steps and acceleration in its implementation. It is a plan that is based on industrial, environmental, social and governance (ESG) pillars, which allows for different cultures and objectives to be combined, for consolidated activities to be managed, and for emerging business opportunities to be seized, contributing to the achievement of the 17 UN SDGs. In the 2018-2020 period, the plan envisages 14.6 billion euro of growth investments, mainly linked to the digitalization of grids

and the development of renewables. The objectives of the Strategic Plan include an increased dividend and an ordinary EBITDA of 18.2 billion euro in 2020, against a profit that will rise to 5.4 billion euro. Operationally speaking, in 2020 renewable installed capacity will be about 48 GW and thermal capacity will equal about 39 GW, resulting in 55% of zero-emission production. Enel confirms and reinforces the commitment it took in September 2015 to the United Nations SDGs:

- > SDG 4 - Inclusive and equitable quality education: 800 thousand beneficiaries by 2020, doubling the previous target of 400 thousand beneficiaries;
- > SDG 7 - Access to affordable, reliable, sustainable and modern energy: 3 million beneficiaries by 2020, mainly in Africa, Asia and Latin America;
- > SDG 8 - Sustained, inclusive and sustainable economic growth: 3 million beneficiaries by 2020, doubling the previous target achieved in 2017;
- > SDG13 - Climate action: reduction of CO<sub>2</sub> emissions by 2020 (< 350 gCO<sub>2</sub>/kWh<sub>eq</sub>).

People working in the Company are key to a strategy aiming at strengthening their roles and skills within the organization, through clear and precise objectives in terms of performance evaluation, corporate climate, development of digital skills and promotion of diversity. A way of working based on ethics, transparency, inclusiveness, respect for human rights and maximum attention to safety. Clear objectives are also set for the promotion of a sustainable supply chain, an increasingly integrated and modern governance structure and the spread

of a circular economy approach that combines innovation and competitiveness.

Two new strategic enablers have been added: digitalization and customer focus. An investment of 5.3 billion euro has been earmarked over the three-year period to digitalize assets, design agile customer-related processes, and promote the digital skills of the people working in the Company. This technological transformation cannot occur without a major focus on cyber security. Enel also has the ambitious goal of increasing the free market customer base by about 80% in three years, from 20 million to almost 35 million, by taking advantage of growing demand and capturing the needs of customers. The new global e-Solutions Business Line will play an important role in this by providing accessible, integrated and state-of-the-art solutions.

This plan features all aspects of the energy of the future: efficiency, flexibility, digitalization, the development of electric mobility and the integration of renewables, as well as the new leading role customers will play as a consequence of their greater awareness and growing needs. The result of this strategy is the creation of long-term sustainable value for all stakeholders.

Everyone with enthusiasm and passion can contribute to the current evolution, because Enel's growth will be based precisely on enhancing different skills and experiences. In line with the Open Power vision, the Group promotes an open innovation model to meet the challenges posed by the sector throughout the value chain. Sharing is a key factor enabling challenges to be faced by connecting



all Company's areas, with startups, industrial partners, small and medium-sized enterprises, research centers, universities and crowdsourcing platforms.

This leads to commitments and tangible results that are also recognized by the financial community, which is increasingly focused on environmental, social and governance-related (ESG) elements. ESG investors are constantly increasing and as of December 31, 2017, they represent over 8.6% of the share capital, up from 2016, which is the result of Enel's oversight on these issues. In 2017, for example, Enel signed a letter of support for the implementation of the voluntary guidelines of the Task Force on Climate-related Financial Disclosures (TCFD) proposed by the Bank of England. These guidelines are intended to raise awareness among companies about the disclosure of likely financial impacts arising from non-financial and climate-related metrics. Furthermore, two green

bonds were issued, one in 2017 and one in January 2018, as instruments dedicated to financing projects useful to the transition to a low-carbon economy.

Innovation, the ability to understand and anticipate events, and resilience in a world where changes are no longer linear are the key elements to creating sustainable value and progress in the long run, promoting economic and social growth.

Chairman of the Board of  
Directors  
**Patrizia Grieco**

Chief Executive Officer and  
General Manager  
**Francesco Starace**

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1 Values including the capacity managed through the joint ventures of the renewables area in Italy, USA and Canada.