

CSR STRATEGY

thinking big

Italian conglomerate Enel is using its corporate responsibility strategy, underpinned by a code of ethics, to bind the company together after a period of rapid and extraordinary growth. Integrating CSR across its global operations has therefore become a priority

Enel is huge. And growing. It wasn't always the case. Italy's largest electricity company used to be 100 per cent focused on its domestic market. What changed? One word: liberalisation. The European Commission issued a directive in 1999 saying it wanted more of it. That meant an overhaul for the electricity sector, with national operators broken up and power markets opened to competition.

The changes to the sector left Enel with a choice: guard what it could in its traditional home market and hang on as best it could, or go on the offensive. It opted for the latter. 'Instead of fighting to stop liberalisation of our market, we strongly supported it. That's what kick-started our strategy of internationalization,' explains Gianluca Comin, Enel's managing director of external relations.

From being a single-market player, Enel now boasts operations in 23 countries, and its reach stretches from Lisbon to Santiago via Moscow. Its business activities have expanded likewise, moving away from just electricity distribution to power generation and natural gas. It now has more than 85,000 employees.

To survive and thrive on such rapid growth, conglomerates need to forge a common identity and purpose. But how to do that? For Enel, the answer lies in CSR. Far more than a meaningless acronym or a 'nice to have', Europe's second largest electricity company sees it as a fundamental driver for the company's future. 'CSR is so central to our business because

responsibility and respect are two huge forces around which people unite,' explains Marina Migliorato, head of CSR and relations with associations.

Not that corporate responsibility is new for Enel. As with its European peers, its early focus concentrated on established management areas such as industrial relations and health and safety. As green issues began creeping up the agenda, Enel tightened its environmental management systems accordingly. The same happened on social issues, with the company moving from straightforward philanthropy to a more holistic stakeholder management approach.

But never before has CSR carried such weight in the company. Evidence of that fact can be found in the company's recently revised mission statement. Alongside commitments to deliver value and meet shareholder expectations runs an explicit pledge to deliver 'a better world to coming generations'.

The company knows that its power to build a better world does not lie in simply sponsoring charitable programmes or funding conservation projects (although it does both of these, and more). Instead, its stamp on the planet depends on the way it carries out everyday business activities: cutting greenhouse gas emissions from its power plants, settling disputes with customers quickly and fairly, sourcing locally where it can. For these reasons, Migliorato and her core team of eight people are pushing forward an ambitious plan to integrate CSR and responsible behavioural patterns

■ Enel is Europe's second largest electricity company and has a global presence with more than 85,000 employees in 23 countries. It has decided that a strong corporate responsibility programme is the key to forging a common purpose and identity within a rapidly expanding business



through every strand of the newly expanded company.

Where to start? Top of Migliorato's to-do list was taking a fresh look at Enel's core principles. The company's code of ethics – 'our identity card', as Migliorato puts it – was therefore put up for revision. Drafts of the document were sent for approval to every business unit within the group, and later approved by the company's board and at its shareholder assembly. It was then translated into Romanian, Bulgarian and every other language in which Enel employees operate.

'The code of ethics encapsulates who we are as a company. After the job contract, it's the first document that human resources sends to new recruits,' Migliorato emphasises. Complementing the code is Enel's Zero Tolerance of Corruption policy. Migliorato admits that bribery represents a 'huge challenge' in some of the new markets where Enel operates.

Going forward, Enel's integration strategy essentially rests on three pillars. First and foremost comes the need to communicate. Word is already out thanks to the wide consultation process for the code of ethics. But the company is also planning a major internal

awareness raising campaign for the first three months of 2010. Everything from company newsletters to the corporate intranet site will be used to get the message on CSR to each Enel employee.

Then there's the training. As a baseline, Enel runs a mandatory online course for all personnel on its code of ethics and anti-corruption

principles. Managers and those in 'at-risk' functions, such as procurement or business development, receive training updates on specific business responsibility issues. The CSR team is also putting the final pieces together for a global conference and training course. The event is designed to bring senior management and in-country managers with CSR responsibilities up to speed with the new code of ethics.

The third aspect of Enel's ongoing integration effort revolves around sustainability reporting. Again, reporting is not new at the Rome-based energy company. Its upcoming 2009 report will be its eighth annual publication. The last three reports have been put together in line with the benchmark Global Reporting Initiative's G3 guidelines. For the next report, Enel will use GRI's new sector guidelines for electricity utilities as its reference point.

'In order to make sure that everybody who is working with us is aligned with the latest GRI standards, we hold constant conference calls and organize meetings with our key contacts in every country,' says Migliorato.

The reporting process provides external stakeholders with an up-to-date, no-nonsense account of how Enel is performing. But more importantly, perhaps, reporting also builds internal engagement. Every January, the CSR department sends a request for information to the members of Enel's worldwide CSR network. That triggers them to ask their colleagues for

Enel's USB pen drive

Enel has produced a sustainability report every year since 2002. With more than 450 key performance indicators to measure, it's no small job. Nor, at over 250 pages, is it a quick read. While some specialist readers require a full copy, Enel is conscious that most of its stakeholders are interested in specific issues. For that reason, all the information is easily accessible in a disaggregated format on the company website. Directing readers online also has the benefit of saving paper. With that goal in mind, Enel has also been providing its full sustainability report on a pen stick memory drive. Readers can download the report, available in both English and Italian, and search it to their heart's content.

information, and so on and so forth down the management chain.

Weaving corporate responsibility into the fabric of the new-look company has its challenges. Every subsidiary Enel has acquired boasts its own business culture. The same is true for the diverse national cultures in Enel's expanded portfolio of country operations. Aligning all these is not an overnight job. It requires time.

One factor that will ensure this process takes place smoothly is the alignment of Enel's internal decision-making process. Functional responsibility for CSR sits with the CSR department at the corporate centre. Each subsidiary also has its own CSR representative. In the case of Spanish utility Endesa, there's a separate, experienced team that works in close co-operation with the centre. Couple that with the 1000 or more people involved in the reporting process and the challenges from an organizational perspective are considerable.

Enel has understandably focused on the job at hand: clarifying its vision and values, engaging its key internal audiences and beginning the implementation process. So to date, complex questions of internal organization and management responsibilities have had to wait.

'Rome wasn't built in a day,' as the popular phrase goes. Nor are responsible companies. But Enel has the blueprints in place. And it is building fast.

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This is a good example of how to embed a code of ethics in a diverse international organization. Enel has recognised the advantages of unifying its subsidiaries with a common set of core values. Its holistic 'three pillar' approach to CSR – focusing on communication, training and reporting – has helped Enel to create a reputation as a forward-thinking organization.

Points of interest include:

- the consultation process employed by Enel when drafting its code of ethics
- the appointment of in-country CSR representatives in each subsidiary
- recognition that building an ethical culture takes time and involves a cultural shift.

JUDITH IRWIN, INSTITUTE OF BUSINESS ETHICS