

# Focus on HR and CSR Strategy

Work is an inevitable part of human existence, and today, more than ever, it cannot be seen merely as a way to earn a living or as a simple “right”. As an instrument of self-realization and personal growth, it also incorporates other important aspects of life, such as satisfaction, responsibility, and social relations.

People also want to apply their intelligence, so work is almost an end in itself, a pleasure, an instinct. For companies, and especially personnel departments, acknowledging this means conceiving policies and systems for managing people that are increasingly attentive to the intangible aspects of organizational life.

If it is true that the best places to work are not the ones where you earn the most, the Company’s actions must be directed at creating a work environment based on results: one that is capable of liberating energy and creativity and of allowing individual and collective specificities to be expressed.

This means creating a culture in which we are less “employees” and more individuals, Enel citizens who can combine their growth prospects with the development of the Company in a framework of overall sustainability.

In Enel this aspiration can be translated into concrete strategies and action plans at Enel.

First of all, a strong propensity to listen is necessary. The periodic climate study provides us with the temperature of our organization. It reveals signs of possible turbulence, but also gives us glimpses of calm weather, on the basis of which we can plan future actions.

In the second place, by paying constant attention to the issue of safety (which for Enel means “zero accidents”), not only with regard to Enel personnel, but to everyone who comes into contact with the Company. The next step is to extend the concept of workplace health from an absence of accidents, illness, or discomfort to one of mental, physical, and social well-being.

The dissemination of multiculturalism and the development of global capabilities are definitely other important questions on which the Company should work in the immediate future in order to support Enel’s process of internationalization through recruiting and training programs aimed at increasing the presence of international talent. Consequently, the objectives the Company intends to achieve by 2012 are: to increase the non-Italian recent university graduates we hire to 20% of the total and have them spend the first months working in Italy; to have 20% of our managers with at least 2 years of international experience; and to strengthen formal relations with the 10 best European universities and the 2 best universities in non-European countries where Enel is present.

This also entails facing increasingly frequent issues of diversity in a broad sense, in order to ensure fair treatment and make the best use of all the specific capabilities the Company needs to compete in the global market.

In the background, Enel confirms its commitment to the dissemination of behavior that is consistent with its corporate values and the leadership model the Company adopted, for which constant dialogue with people and the structured processes of internal communication remain the instruments of choice. Occasions for listening and reflecting, safety and well-being, and multiculturalism and diversity are thus the key words that Enel’s Personnel Department places at the center of its activity, with the objective of preserving its corporate values and linking its history and its corporate culture with its new multinational dimension. In the process, the Company must not forget the contribution that may derive from these actions for the systems of the countries in which Enel is present in terms of social impacts and consequences for employment in a phase when the economic and financial situation risks influencing the growth prospects of all the players involved.

## Development and training

The development and training efforts in 2008 were done with the general objectives of maintaining excellence in core skills, ensuring the appropriate management of organic growth and actively facilitating the transformation of Enel into a multinational company, also by promoting the general adoption of the corporate style set forth in the company Leadership Model. This constitutes the Group’s primary response to the first Climate Survey, conducted in 2006.

The main initiatives in 2008 consisted of the following:

>> the implementation of a new performance appraisal system, reconfigured in light of the Leadership Model, involving all top and middle management and,

in a pilot project, also the staff of the Sales Division. For employees operating under the Management By Objectives (MBO) incentive program, the new system provides for a direct link between performance appraisal and compensation: in other words, the annual appraisal of results will now be integrated with an appraisal of behaviors relating to leadership qualities;

- >> the launch of a new system of talent management, which resulted in the identification of the first pools of talent. Specific development and training activities were carried out in relation to this. They included “360° feedback”, coaching, mentoring and a training initiative called “Leadership for Energy: Executive Program”, designed and delivered in partnership with the Harvard Business School;
- >> the completion of a second Climate Survey in December, which involved around 53,000 people in 14 countries. The completion of this second Survey attests to the recurrent nature of the tool, the scope of which has been expanded thanks to the addition of new organizational layers. The latest Survey was based on a sample of more than 630 organizational units to ensure that the ensuing action plans can be far-reaching and implemented across several different sectors, while remaining responsive to local conditions;
- >> the revised system of institutional training, modified in the light of the new leadership model and the new international context, was launched. The first important example was the Junior Enel Training International program, a series of induction courses for new graduates. Nine courses were completed in 2008;
- >> the organization of training programs delivered by Enel University for a number of non-Italian companies in the Group. The programs are intended to share the lessons learnt in Italy in the areas of technical training and change management. The courses have been designed to build up local skills that can then be transferred down the hierarchy of the companies concerned.

The main initiatives planned for 2009 are:

- >> the implementation of the company evaluation system and its progressive extension to other levels of staff;
- >> the conclusion of the Talent Management project for the identification of talent pools. The year will also see the full implementation of the training and development initiative as provided for by the Enel system, in particular the “Leadership for Energy: Management Program”, which is being conducted in partnership with IESE and Bocconi;
- >> finalization of the revision of institutional training practices, with the replanning of the courses for new appointees to middle and top management, and the development of courses based on the results of performance appraisals;
- >> the analysis of the results of the Climate Survey and their communication throughout all levels of the Group; the determining of programs, to be applied across the board as well as locally, to improve on the results, and the implementation and monitoring of the actions.

## Hiring

During 2008, the Hiring and University Relations unit focused on the hiring of young university and secondary-school graduates and setting them on course for professional development within the company and, at the same time, on intensifying the Group’s employer branding and recruiting activities in the most prestigious areas of the international labor market. The international recruitment activity is also a reflection of the Group’s keen interest developing its business activities outside Italy.

In its recruitment efforts, Enel exploited several channels for contacting candidates, attaching particular importance to the Internet site, and using collaboration projects with schools and universities in Italy and abroad. Thanks to agreements with agencies specializing in selection and recruitment, Enel was able to identify particularly important technical profiles (relating to, for example, nuclear power and renewable energy sources).

The hiring process involved both aptitude-motivational testing and technical professional evaluation, using a series of diverse methodologies and tools that varied according to the type of employee sought. In the selection of new graduates, Enel used assessment centers and English language tests.

In 2008, 926 people were hired in Italy, of whom 77% were first-time recruits. Specifically, 32% consisted of new graduates (of whom 35% were female) and 45% of young people with secondary-level qualifications.

The hiring was aimed mainly at building up the technical areas of the GEM

Division and the Engineering and Innovation Division, as well as the business development departments of the Renewable Energy Division and the International Division. Particular emphasis was given to strengthening the nuclear engineering area, which led to the hiring of 50 people.

The international recruitment project “Energy Without Frontiers” also continued, and resulted in the hiring of an additional 40 foreign university graduates. During the year, the number of partnerships with foreign universities was increased, especially in countries where Enel has strategic interests.

Enel also stepped up its employer branding activities on university campuses, both by means of *ad-hoc* recruiting days connected with the presentation of specific business projects and by means of co-operation in “alternative” teaching programs. Finally, Enel offered internships, both in Italy and abroad, for foreign students attending prestigious international business schools.

## Compensation and incentive systems

Compensation policy in 2008 focused on:

>> reinforcing integration between the Group’s MBO and compensation policies and its evaluation processes;

>> expanding the variable performance-linked component of remuneration;

>> making selective changes to fixed remuneration, thereby confirming a meritbased policy aimed at rewarding valued skills within each professional family.

Short-term incentives continued to be based primarily on management by objectives (MBO), involving about 94% of senior management and about 17% of middle management, as well as a specially designed system of incentives for all sales-related employees.

As for medium/long-term incentives, a stock option plan for 2008 was approved for the top managers of Group companies. As regards the Group’s general management, a long-term stock incentive plan based on restricted share units was implemented. In 2008, as in 2007 and in line with the resolution on unbundling, an ad hoc restricted share units plan was developed for the management of the Infrastructure and Networks Division.

## Environment and workplace safety

The year saw a continuation of the review of the health and safety system for workers in all Enel Group Divisions and companies. The purpose of the review is to strengthen structures and rationalize processes by clearly defining roles, duties and responsibilities and by identifying operational and management methods.

In Italy, the hierarchical chain of responsibility and the persons in charge of enforcing current legislation (employer and senior management) were identified for each production unit. At the same time, a Prevention and Protection Service has been set up within each unit with its own manager. Where necessary, a physician has also been appointed to oversee health and related issues. In 2008, further important training work was done on hygiene, health and safety in the workplace. More than 864,000 training hours, almost twice as many as in the previous year, were dedicated to the issue, equal to more than 15 hours per person. This attests to the Group’s belief that constant and regular training is the key to the establishment of a healthy culture of workplace safety.

Investment in workers’ health and safety amounted to more than €41 million in 2008, a large slice of which was dedicated to training. Total expenditure came to almost €85 million if the cost of safety employees is also included.

In 2008, many different initiatives connected with workplace health and safety were undertaken, including the “Safety First For Everyone” summit, the “International Safety Week” and “Safety Walks” (consisting of visits to workplaces with a view to promoting the preventative aspects of safety), “Safety Communities” and “Safety Days”.

Following the coming into force of Law 123/2007 (measures for the protection of health and safety in the workplace) and confirmed in Article 300 of Legislative Decree 81/2008 (the extension of the administrative liability of legal persons, pursuant to Legislative Decree 231/2001 to include manslaughter and serious or very serious harm through negligence in violation of regulations governing accident prevention, hygiene and safety in the workplace), the Board of Directors of Enel resolved on February 27, 2008 to update the 231/01 Compliance Model, in force since 2002, by adopting a new Section F, which refers to the new offences. The number of fatal accidents (1) in the workplace was one, and was caused by a car crash in Italy in November. The frequency rate in Enel went from 5.47 in 2007

to 3.91 in 2008, while the severity rate fell from 0.22 to 0.16 in the same period. As regards workers in companies subcontracted by Enel (including Viesgo), the positive trend of recent years suffered a setback, and in 2008 there were 32 cases, of which 10 were fatal and 22 involved serious injury. Enel is making efforts to improve the system for the certification of companies and to introduce better and more effective management, validation and control mechanisms such as vendor rating, a system of sanctions and penalties, disclosure of information, etc.

## **Diversity and Equal Opportunity**

Consisting of both corporate and union representatives, the National Equal Opportunity Committee has been in function at Enel since 1989, playing an active role in promoting the value of diversity and putting into practice the principle of non-discrimination, which the Company's Code of Ethics clearly expresses. Ever since its creation, the Committee has been engaged in different areas of resource management with the intention of ensuring that due attention is paid to equal opportunity in the areas of communication, training, leadership development, and the search for a better balance between work life and private life.

In the last few years, the Committee has acted in cooperation with international partners to identify the best practices regarding Equality and Diversity as part of the European Social Dialogue.

In line with the increasing internationalization of Enel, the Committee has supplemented these experiences with an international project on Equality and Diversity in order to explore the situations of the Enel companies in Italy, Romania, Bulgaria, and Slovakia from the organizational and social points of view. Along with the recording of quantitative data, the project used a qualitative questionnaire focused on two broad areas: on the one hand, both corporate and national regulations, and on the other, corporate policies regarding selection, personnel development and management, the balance between work and life, and the instruments supporting non-discrimination.

Elaborated and shared by the Committee with the Personnel Department during 2008, the results show a positive situation with regard to the regulations adopted in the four countries concerned by the study.

In effect, the national laws show concern for the subject of Equal Opportunity at the level of their constitutions, fundamental rights, and labor codes and regulations, as well as specific ordinary laws. In line with this reference framework at the national level, each company of the Enel Group has contractual clauses that are explicitly dedicated to equal opportunity, the support of families, labor market regulation, and maternity/paternity rights.

As far as the other focus (corporate policies) is concerned, the study recorded a number of initiatives in the different countries in support of equality and diversity. Particularly significant among these are the ones regarding the implementation of gender balance, internal communication, and participation in external projects supporting the development of female leadership.

The study also noted the commitment of the individual companies to ensuring equality of access, because they do not believe that some tasks should be performed by women rather than by men.

Overall, with regard to women in all the countries involved in the study, periodical statistics show a trend of increasing employment among the younger age groups, a higher level of education, and a larger number of women in positions of responsibility.

In accordance with these trends, personnel management policy cannot fail to be increasingly attentive to the promotion of the value of equality and diversity.