Integrated thinking in action
A spotlight on Enel

Case study
The Integrated Thinking & Strategy Group (a special interest group of the Value Reporting Foundation's Business Network) brings together some of the world’s most innovative companies so that they can collaborate, learn from each other, challenge each other’s thinking and share leading practices between themselves and those who follow them.

Integrated thinking is engrained in the discipline of making a deliberate and coordinated effort to connect the organization’s strategy, governance, performance and prospects. It is the active consideration by an organization of the relationships between its various operating and functional units and stores of value – which the Value Reporting Foundation refers to as ‘capitals’ in the International <IR> Framework – that the organization uses or effects to create value over the short, medium and long term.

It is used by businesses to improve decision-making, accountability and communication. It is therefore essential to the development of strategy and provides a valuable connection to the board.

The project aims to assess how integrated thinking is embedded within organizations through a series of interviews to understand:

- What led the organization to embed integrated thinking
- How they used integrated thinking to shape their strategy
- How integrated thinking has helped them deploy their strategy
- What the benefits have been.

Case studies from the Value Reporting Foundation
Providing gas and electricity in more than 30 countries across five continents, Enel, the Italian multinational energy company, has developed a business model that promotes the UN Sustainable Development Goals. To achieve those goals, Enel adopted integrated thinking. The process fosters integration of financial and non-financial components in a business. To put the process to work within its organization, Enel developed an ESG integrated thinking management system that guides the company towards its ultimate aim of creating sustainable long-term value for all of its stakeholders.

To embed sustainability into Enel’s business model, the organization also embarked on a thorough cultural change effort, which played a critical role in Enel’s ability to create a fully integrated sustainable business model.
Deep dive into integrated thinking at Enel

10 minute read

This case study summarizes the journey of integrated thinking at Enel and was developed through the conversations that Giulia Genuardi, Head of Sustainability Planning & Performance Management, Enel and Angelo Scipioni, Head of Administration, Enel had with Professor Cristiano Busco, LUISS and Roehampton University, and Elena Sofra, Value Reporting Foundation.
Enel identified the need to change its approach to value creation back in 2012, when it realized it needed to link business and sustainability issues more tightly to meet the needs and expectations of all its stakeholders. To achieve these goals, the business adopted integrated thinking to enable a holistic approach to addressing environmental and social challenges and create value across the enterprise.

The energy company also understood that to align the financial and non-financial dimensions of its business, it needed to transform its culture. A supportive culture was needed to successfully transition to a sustainable, long-term business model for value creation.

We have been active supporters of the integrated thinking movement since its embryonic stage. By supporting the movement, we started to analyze our value creation model in a critical way. We began working towards the integration of sustainability aspects in the business model and have been doing so gradually yet steadily since 2012. It has been and still is a journey which has taken effort and time."

Angelo Scipioni / Head of Administration, Enel Group
At the start of the new millennium, Enel had already created a roadmap leading to the full integration of sustainability into the company's industrial plan.

To begin, Enel began its work on sustainability through social philanthropy and ensuring compliance with environmental standards and regulations. Then, Enel went much further. The company changed its focus from compliance to embracing corporate social responsibility, by focusing on specific organizational processes and procedures relating to ESG issues.

In 2014, Enel transformed its operations by using ESG challenges as the foundation of its evaluation process from both internal and external perspectives. Enel started to integrate ESG issues and opportunities into all aspects of its operations, and ESG became an essential element of a holistic evaluation of the company. Enel analyzed the context of its industrial, environmental, social and governance issues, including financial and non-financial impacts of its business activities.

A change in the culture and employee mindsets drove adoption of this holistic approach to assessing value. The company reached the required level of cultural maturity needed to evaluate the financial value of sustainability. Enel now has an integrated business model, supported by the company's approach to financing. Since 2014, Enel has relied on ESG bonds which the company considers an expression of its integrated thinking.
In 2014, we completely changed our approach and started to think in an integrated way in all the areas and departments of our company. This meant changing the culture. We are a leading energy group with a sustainable business model that creates long-term value for all stakeholders. We approach every aspect of our business, including finance, in a sustainable, innovative and circular way. 2019 was a key year for Enel's sustainable finance strategy with the launch of the first SDG-linked bonds in the world. Their interest rate is dependent on the achievement of ambitious decarbonization objectives, as well as the strengthening of renewable energy generation, thereby marking the start of the sustainability-linked bond market".

Giulia Genuardi / Head of Sustainability Planning & Performance Management, Enel
What is the link between integrated thinking and Enel’s strategy?

Enel has implemented a strong ESG integrated management system to set corporate targets and goals in a holistic way. The success of this system relies on a strong organizational culture that the company has nurtured throughout the years.

The system includes the following four steps:

• An assessment of the environmental, social, governance and economic challenges the company faces in each region where it operates
• A materiality assessment of sustainability issues in order to identify priorities for the business
• Public consultation with stakeholders to assess potential gaps between Enel’s priorities and stakeholders’ expectations
• Specific targets and goals, based on identified priorities to be included in its sustainability plan, that demonstrate the contribution Enel is making to the Sustainable Development Goals (SDGs).

The results of this process are then disclosed through Enel’s corporate reporting. Embedding ESG into its integrated management system reflects the organization’s holistic approach to value creation and has led to the company’s inclusion in ESG ratings and sustainability indices.

In addition, the ESG integrated management system allowed Enel to highlight sustainability goals at its capital market day presentation. The company’s 2020-2022 strategic plan, *Maximizing Value Through Sustainability*, details how fully integrated sustainability has become to the organization’s strategy and goals.
How has integrated thinking helped Enel deploy its strategy?

Enel’s strategy is centred on its purpose: *Open Power for a brighter future. We empower sustainable progress*. The strategy creates sustainable long-term value for all categories of stakeholders. Enel’s goal is to manage the energy transition through decarbonization and electrification. To do so requires two forms of support: *infrastructure*, along with *ecosystems and platforms*.

Translating the company’s purpose into strategy is a process tightly linked to achieving specific sustainable development goals. The company’s willingness to create long-term value through energy transition plays a substantive role. This willingness allows Enel to actively fight climate change through business practices, including decarbonization and electrification, and contribute to SDG 13 (Climate Action).

Increasing renewable energy capacity and infrastructure to build sustainable cities lies at the heart of Enel’s ability to achieve its aims. These three operational supports are linked to Enel’s three sustainable development goals:

- By increasing its renewable capacity, Enel plays a role to *ensure access to affordable, reliable, sustainable and modern energy for all* (SDG 7)
- By increasing infrastructure, Enel helps to *build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation* (SDG 9)
- By providing solutions to build sustainable cities, Enel works to *make cities and human settlements inclusive, safe, resilient and sustainable* (SDG 11).
Integration of ESG factors in company management

1. **SUSTAINABILITY CONTEXT**
   Analysis of ESG trends and main risks.

2. **MATERIALITY ANALYSIS**
   Identification of the priority issues for the Group and for stakeholders.

3. **SUSTAINABILITY PLAN**
   Definition of ESG objectives, in line with the UN SDGs, to promote a sustainable business model throughout the entire value chain.

4. **ACTIONS**
   Daily commitment to create sustainable value for all stakeholders, thinking globally and acting locally.

5. **REPORTING**
   Reporting and communication of ESG performance, in line with the reference standards.

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Figure 1
For a detailed view of the model please consult pages 12 and 13 of Enel's *Sustainability Report 2019*
Futur-e, Enel’s specific plans to close its thermoelectric plants, is a clear example of how integrated thinking helps the company deploy its strategy. In fact, Enel’s aim is to convert the usage of its closed thermoelectric plants to new forms of usage. A co-creative process with Enel’s stakeholders determines what the new usage will be. Open dialogues with its stakeholders through specific platforms collect ideas and identify expectations of the communities living near its plants. Once Enel and its stakeholders decide on new usages of the plants, Enel develops and promotes reskilling and upskilling programmes for its employees. Enel’s commitment to people-centricity and adapting employees’ competencies is at the core of its energy transition.

To communicate with its constituents, Enel uses an innovative platform (openinnovability.com), that collects stakeholders’ ideas and supports the organization’s ability to co-create a sustainable and holistic approach to value creation. This connection with the public ultimately guides the company through its energy transition.
The energy transition is possible only if we work with the people inside and outside the company. We are open to innovative and sustainable ideas in a very dynamic way. We set the priorities that underpin our strategy, commitment and reporting through a structured materiality analysis process and the continuous and direct involvement of our stakeholders. By making a joint commitment we can create a new energy era and make our company and surrounding communities more prosperous, inclusive, sustainable, and resilient."

Giulia Genuardi / Head of Sustainability Planning & Performance Management, Enel
How has embedding integrated thinking benefited Enel?

"Enhancing a holistic approach to our value creation model has enabled us to integrate innovation in a transversal way across areas and departments. This has proven to be especially important to face the current uncertain circumstances, whilst meeting the expectations of our stakeholders."

Angelo Scipioni / Head of Administration, Enel

Enel has found that making significant changes to its organizational culture played a large role in the company’s ability to achieve full integration of sustainability into its business model.

By fostering an organizational culture that supports sustainability, Enel has developed a better understanding of how it creates value. It has also helped them understand how to transform this into a strategic driver for financial value creation.

Integrated thinking has helped Enel to embed sustainability into its strategy and operations and build an integrated approach to innovation. As a result, the organization is better placed to navigate risks and opportunities posed by current circumstances, including the climate crisis and the global pandemic.
The Value Reporting Foundation is a global nonprofit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value — how it is created, preserved or eroded over time. The resources — including the Integrated Thinking Principles, the Integrated Reporting Framework and SASB Standards — can be used alone or in combination, depending on business needs. These tools, already adopted in over 70 countries, comprise the 21st century market infrastructure needed to develop, manage and communicate strategy that creates long-term value and drives improved performance.