

impak Battles



About the author *impak*, the independent impact rating agency, regularly publishes content providing transparent data on the social and environmental impact of companies. By doing so, it aims to accelerate the transformation towards a stakeholder economy generating an overall more positive contribution to society.



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Between the urge for a green recovery, the financial support needed by the utilities sector badly impacted by the decrease in energy consumption, and the evaluation of measures regarding energy security, investors have watched the utilities sector with interest these last few months. At the same time, the climate crisis and the goals of the Paris Agreement have accentuated the need for renewable energy, while the roll-out was jeopardized by severe interruptions of renewable energy equipment deliveries from China and the many loosening of environmental regulations to help providers. It is with great interest that *impak* analyzed Engie and Enel's 2018 impact statements and *impak Score*™, because past environmental and social actions, in regards to the current situation and its crucial importance for the "world after", are like a fortune cookie for the future of these two utilities giants.



COVID-19

First, let's have a quick look at their COVID-19 initiatives. The French Engie offered financial support to their small suppliers (€250M), set up an emergency aid program in Latin America (US\$2M), reduced by 15% its executives' salary for a period of 2 months, and provided an extensive social insurance policy to all of its employees worldwide. It also established various measures for its vulnerable clientele: 2 months worth of electricity refund and suspended or spread out payments without fees or penalties, as well as solidarity actions for hospitals, senior residences and vulnerable people through its foundation.

On its part, the Italian Enel, through its foundation, allocated €23M to support Italian healthcare structures and the Civil Protection Department. One of its subsidiaries also purchased healthcare products and offered special energy rates to quarantine centres. Regarding employees, it allowed them to donate leave days to their colleagues, and offered a new insurance policy covering all employees, as well as free remote psychological support. Finally, Enel mentioned that 55% of its workforce works remotely to prevent the spread of the virus. Note that Brazil's Consumer Protection Agency fined Enel São Paulo US\$2M on July 12th for "poor service and violation of the federal Consumer Protection Code [...] related to the collection of high amounts in electricity bills during the pandemic period".

Key figures

2018 Data

		
impak Score ™ 1000pts max	152	220
Positive impact 500pts max	2	8
Negative impact 300pts max	74	122
Governance 200pts max	76	90
Total % of activities positively linked to SDGs	4.92%	7.15%
Number of Z-rated negative impacts	2	1
Overall ABC classification <small>See Methodology commentary</small>	Z	Z
Turnover EUR bn	60.596 bn	75.672 bn
Total return from Jan 1st, 2018 to July 17th, 2020	-9.07%	77.52%

Source: public data © *impak* Finance 2020



Positive impacts

Engie 2/500

Engie dedicates 4.92% of its activities to contributing to SDG 7 through one unique material positive impact: the increase in the use and production of renewable energy via its solar and wind power and its hydroelectric projects. The Group reports well on the subject and has set ambitious targets, however, they may rely on infrastructures that are highly detrimental to local communities and ecosystems.

Enel 8/500 **Winner**

In the right corner, Enel has two material positive impacts. One counts for 6.97% of its activities contributing to SDGs and regards the substantial increase in the share of renewable energy in the energy mix—as Enel is one of Europe's utilities company with the highest renewable energy production capacity. The second material positive impact, which represents 0.18% of its activities, is Enel's contribution to the social and economic development and growth of local areas and communities in which it operates. Even if the company's reporting is partly aligned to the London Benchmarking Group (LBG) standards, it does not report on the duration of its impacts or the degree of change for the beneficiaries (see the Methodological notes).

Negative impact mitigation

Engie 74/300

Engie's analysis revealed 9 material negative impacts, among which 2 are rated Z—meaning the impacts "Do or may cause harm". One Z is due to convictions for illegal competitiveness towards Électricité de France (EDF) in 2017 and 2018, and for corruption scandals surrounding the Jirau Dam case in Spain, for which 175 incidents were reported in 2016. Since, the company saw a 25% evolution in reported incidents which could indicate more reports on incidents or more incidents. The second Z involves Engie's conviction for unethical canvassing and unethical subscription conditions. Despite the frequent improvements to contracts and sale policies, the issue is recurring almost annually.

Enel 122/300 **Winner**

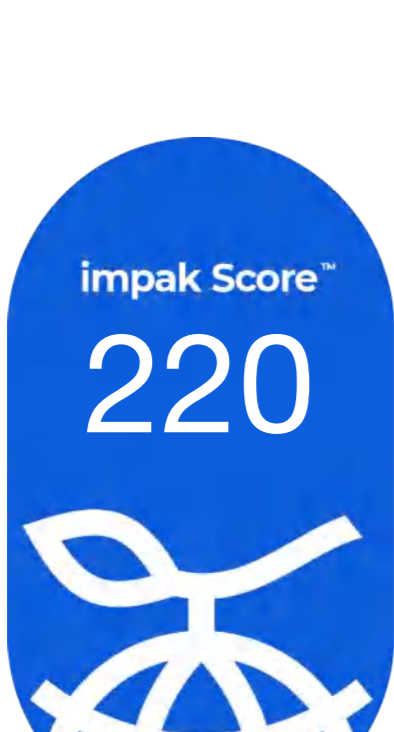
Among 10 material negative impacts, Enel has one Z for several confirmed breaches of the code of ethics, notably regarding corruption, conflict of interest and bribery, and also for a conviction by the Italian Competition Authority for abuse of a dominant position in 2018. However, the fact that the Group reports extensively on the fines and sanctions, and the fact that it is the first Italian company to adopt organisational and managerial checks to prevent offenses in identified at-risk areas is quite noteworthy. Furthermore, it adopted the ISO 37001 anti-corruption certification.

Governance

Engie 76/200

Enel 89/200 **Winner**

The two companies' governance scores are tight. What stands out as a major discrepancy is in regards to the formalisation of the impact mission in the companies' governance documents. Enel reaches 14 points out of a possible 20, thanks to the presence of its commitment to SDGs in its corporate governance report, where Engie doesn't formalize its mission or identify social or environmental issues to tackle as part of its governance. Interestingly though, Engie includes employee representatives in its decision-making process, for instance on the board, but Enel still lacks in regards to this good practice.



Enel wins

When looking at the 2018 *impak Scores*™, it seems as if Enel is always a step ahead more positive impact, and one less Z (again, meaning does or may cause harm) that the Group seems to mitigate through an anti-corruption ISO certification of its Italian sites. As a matter of fact, at the time, Enel mitigated all of its 10 material negative impacts, which differentiate it from Engie who mitigated some of its 9 material negative impacts, but not one of its two Zs, which is aggravating. However, let's note that Engie has since taken several actions in the right direction, which may result in a nice surprise for next year's *impak Score*™.

For now though, considering both companies have major social and environmental impacts inherent to their sector, and the mitigation actions they have proceeded to take or not, Enel is the clear winner of this *impak Battle*, even if being a positive impact company is still way down the road for both companies.

Specificity of the sector

The utilities sector used to be, by definition, one of the most polluting sectors of all, but nowadays, technological improvements in renewable production, stocking and energy distribution allows a true breakthrough. With this strong emergence of renewable sources, the use of polluting energy (fossil fuels, for instance) relies only on the intention and transformation willpower of the companies themselves. As a matter of fact, the sector contains at the same time the world's best-in-class and laggards, demonstrating hard-factly the potential for transformation as well as the aftermath of not doing so.

Methodological notes

Data are based on both companies' 2018 public financial and extra-financial statements, compiled using *impak*'s rating methodology available on www.impactfinance.com, and aligned with the [Impact Management Project \(IMP\)](#) framework.

The methodology follows the IMP classification: A (Act to avoid Harm), B (Benefit stakeholders), C (Contribute to solutions), and Z (Does or may cause harm).

It should be said that both companies count a few other potential positive impacts that were not taken into account because of a lack of information or because they represent less than 0,01% of the companies' total activities.

Note that according to our methodology, the level of penalties in case of a Z is based on 3 different factors: the type of Z (does cause harm or may cause harm), the repetition of the Z throughout time and, only in the case of a Z "does cause harm", whether or not corrective actions have been taken.

Two positive impacts can overlap—for example, if the same product is certified Fair Trade AND Organic. The percentages of activities linked to these impacts are therefore not cumulative.

Duration is the timeframe for which the stakeholder experiences the outcome, and Depth is what is defined as the degree of change for the people experiencing the outcome (the beneficiaries). Both relate to the How Much dimension, one of the 5 dimensions defined by the IMP.

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