

AN ENERGY COMPANY AND LOCAL COMMUNITIES: A SHARED VALUE APPROACH



10th Forum on Business Ethics and CSR in a Global Economy
Back to Basics:
What is the Purpose of the Corporation?
Milan, October 3rd, 2014

Edison

Edison is Europe's **oldest electric utility** and one of the **key players in Italy's energy sector**. For **130 years** it has played a leading role in Italy's industrial development. Today, Edison is ready to resume its growth path, consistent with its strategic mandate within the **EDF Group**.

Edison is active in its traditional **electric power sector** and is the most credible challenger of the former monopolists. It also plays an increasingly important role in the **hydrocarbon area**, bolstered by growing investments in **exploration and production** designed to increase oil and gas reserves and production.

In addition, Edison is promoting **infrastructural projects** to import **natural gas** that will help Italy and Europe as a whole diversify energy supply sources.

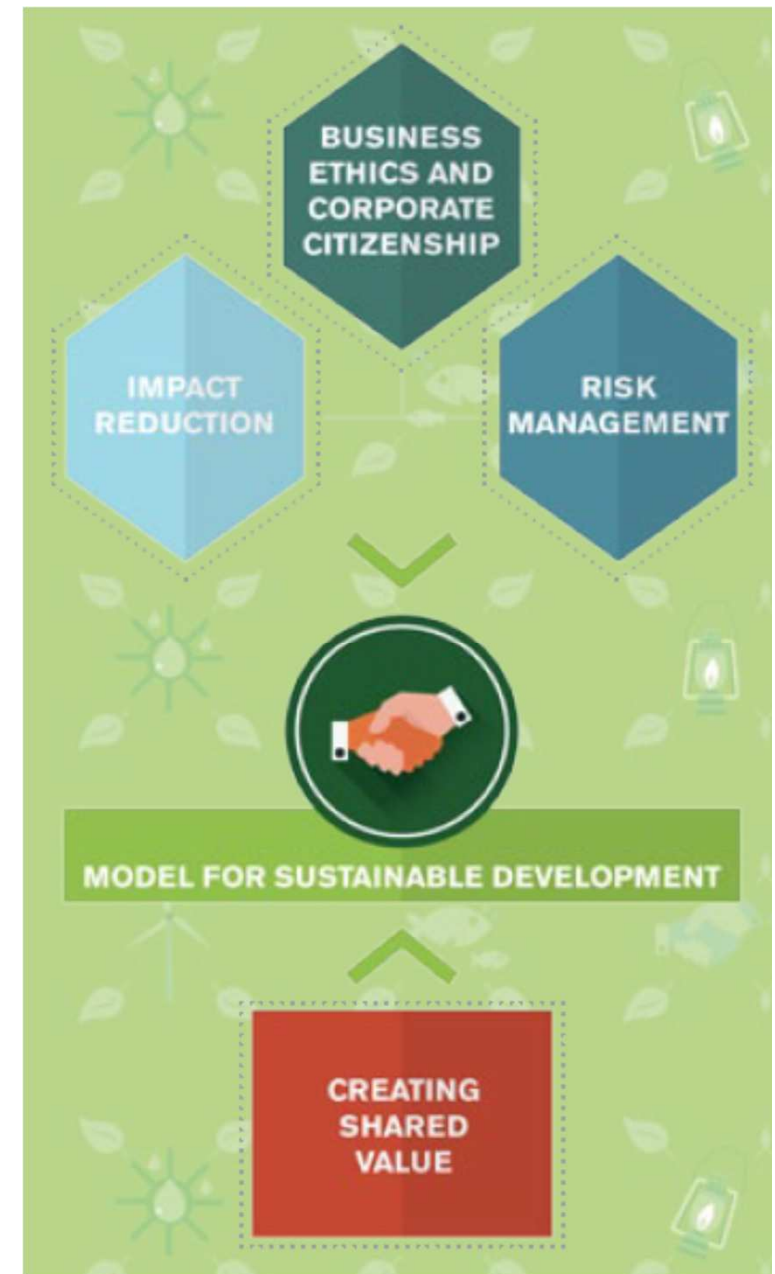
Lastly, the Company stands ready to seize international growth opportunities, particularly in the Mediterranean Basin.

Edison, sustainability for change

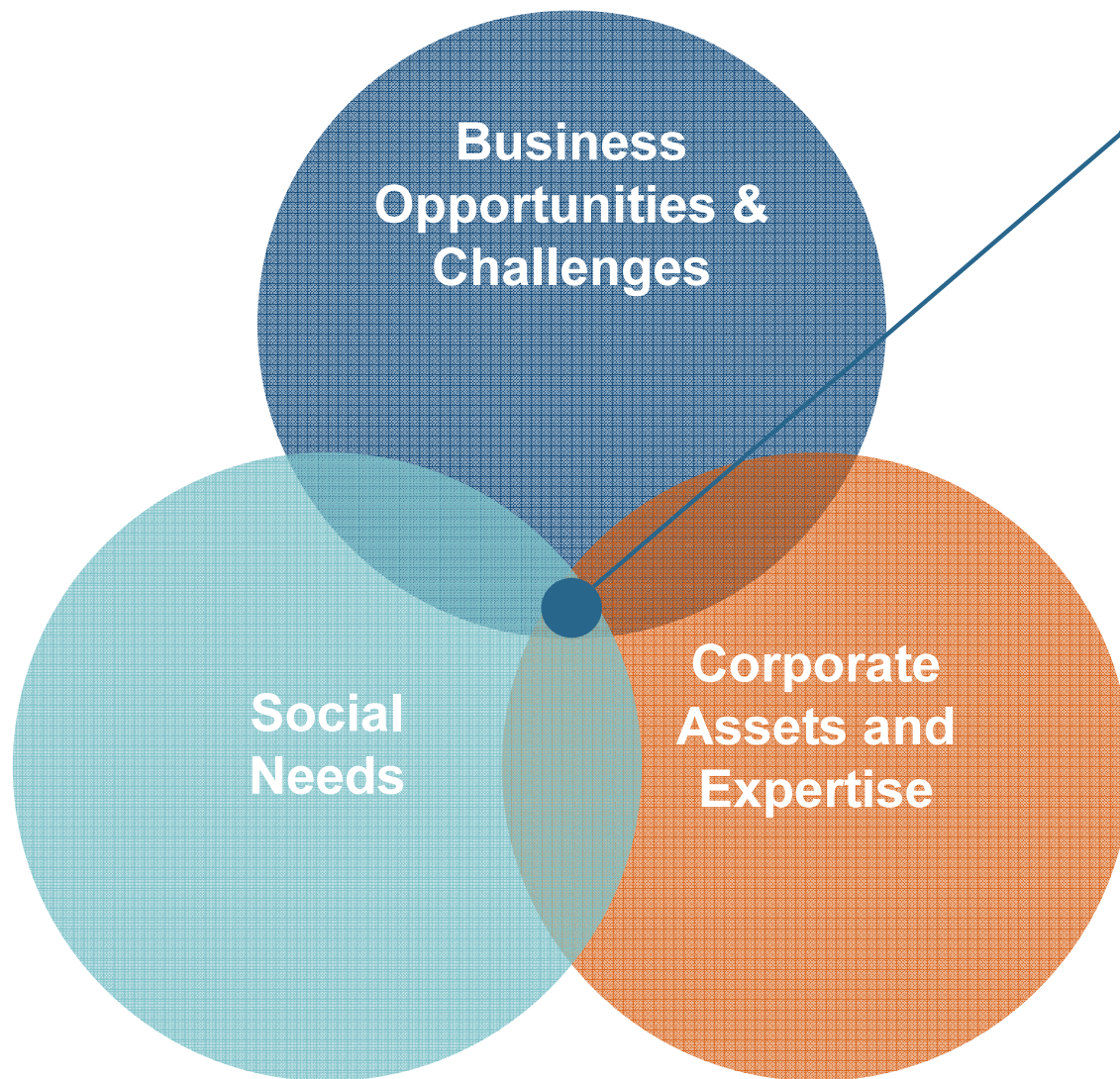
The principle behind Edison's approach to sustainability is that a company's role in society is not limited to providing products and services and thus the creation of economic value. As a result, Edison is an open system, that by engaging with its stakeholders, generates progress and a value that exceeds mere economic value: **the social value**.

Edison is implementing an innovative way of redesigning the business-society relationship improving its position within the social context: **creating economic value while delivering value to society and addressing social needs through business.**

This means integrating assessments of social and environmental issues concerning the relevant local areas into business choices to create value for the company and all national and local partners it works with.



Shared Value: a definition



Shared Value is:

Policies and practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates

- The overlap between the three circles defines the shared value opportunity set
- Shared value initiatives must be designed to:
 1. Provide a business return
 2. Address a specific social need
 3. Efficiently and effectively leverage corporate assets

Seeking shared value with stakeholders

The premise:

No company organization is an independent entity but rather draws competitive advantage from the support services and infrastructures that surround it, as well as from interactions with its actors of reference.

In particular, Edison possesses plants across the country, and the energy that it supplies crosses Italy .

Today Edison assumes a key role in applying its energies for the development of the local communities in which it operates. In a logic of creating value, it transforms into a force for changeable to bring a long term vision not only with regard to the economy, but society as a whole.

To reinforce its sustainability strategy, from 2013 Edison has set itself the ambitious goal of maximising the positive benefits of its presence in Italy and in local areas, and consequently, embarking on a path to redefine and strengthen its practices of communication, debate and partnership with the stakeholders, positioning them with an innovative approach that aims to generate shared value.

Seeking shared value with stakeholders

Context

Two challenges for the company:

- 1) To combine the difficult challenge of company competitiveness and reliability with its presence in the territories
- 2) To reconcile the double level on which Edison operates: the Company plays the "macro" role of a leader on a national and international market with its widespread presence throughout Italy and abroad and the need to maintain constant and transparent dialogue with local stakeholders in each territory.



Double dimension that combines a complex scenario at international level and numerous specific scenarios at local level, with the relative impacts on development, people, environment, cohesion and social inclusion.

A path to the creation of shared value

Edison's position in the electric power and gas sector in Italy includes modulation of an innovative approach to sustainability and corporate citizenship, that overtakes the traditional concepts of risk mitigation, reputation and business ethics.

In 2013- 2014, Edison has started a strategic reflection and an internal path to Shared Value that, after mapping the existing, permitted to read and identify some projects that can create social value through the exploitation of business levers.

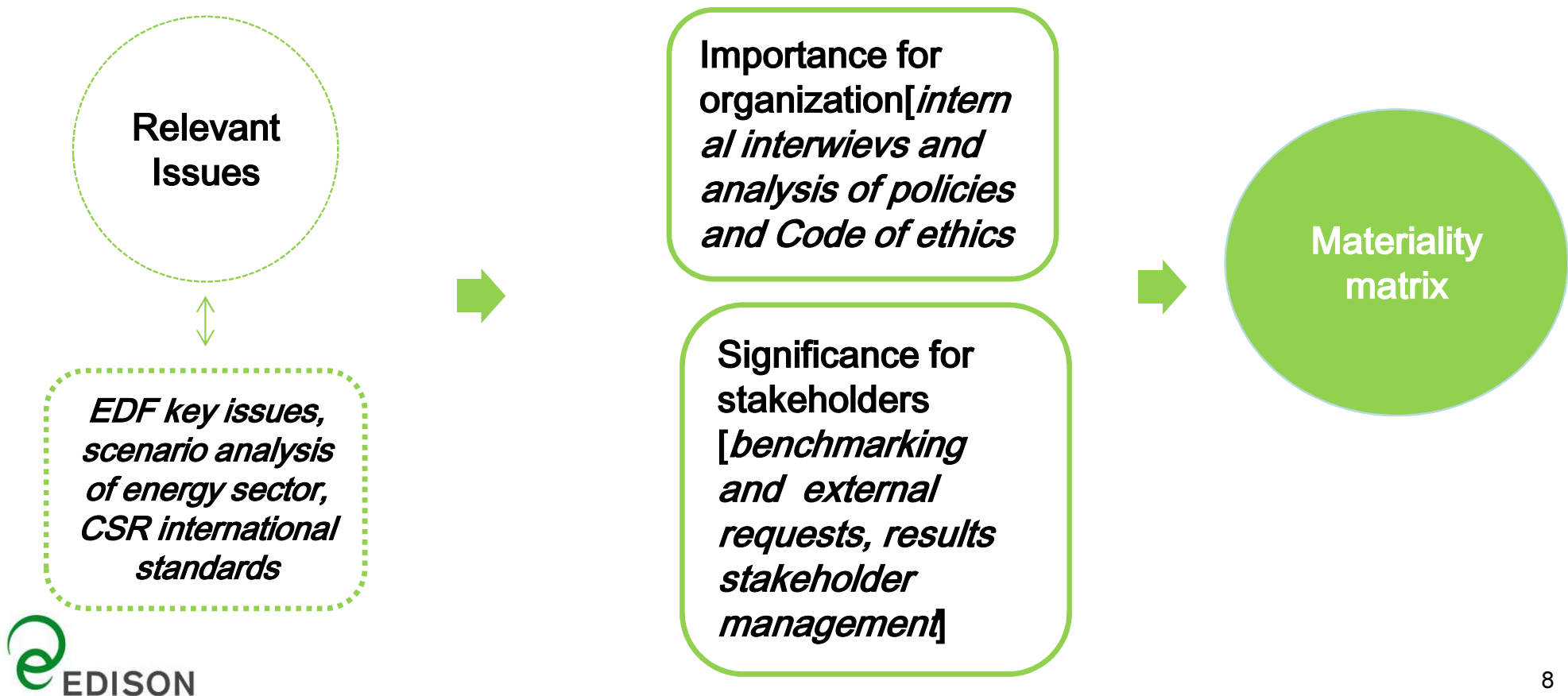
1. **Materiality analysis:** during the Sustainability Report 2013 work a materiality analysis was completed (in line with GRI G4) and identified relevant issues according to stakeholders and corporate perspectives .
2. **Corporate sustainable development strategy:** match of business opportunities with materiality issues, internal sharing and prioritization. Goal: corporate sustainable development strategy linked to industrial plan (in progress).
3. **Mapping corporate assets:** at the same time, the major corporate assets have been mapped, to identify new opportunities for value creation consistent with the core business.

Materiality Analysis, goals and method

Goals:

- Focusing reporting only on **relevants themes** (materiality issues);
- Answering to the need of a **deeper integration of sustainability in business**;
- Developing an **action plan focused on the real needs** of the Company and those of Stakeholders.

Method: materiality themes are individuated through a solid and transparent process based on **corporate management and stakeholders committment**



Materiality Analysis, the results

- **Employability**, also considering the actual macroeconomic scenario. To this aspect is strictly linked the theme of the quality of working: health and safety, but also protection of relationships between company and worker; furthermore considering clear and bidirectional relations.
- **Social Responsibility** as a tool for supporting business, in order to reach strategic objectives through **all stakeholders commitment** to create concrete projects characterized by shared value approach (premise for an active commitment of all community).
- For the environmental side, considering the specific context in which Edison operates, most relevant themes concern **biodiversity, sustainable use of resources** and **the fight against climate change**.
- **Commercial fairness**, from marketing to sell of products and services, from customer care to conflicts resolution, is the field the most significant for what concerns market relations;

Edison implemented a structured process of stakeholders management that, for the first phase has been focused in stakeholders mapping (2012) and, consequently, listening to them (2013 – 2014), for arriving to project and implement a specific tool for structured dialogue with stakeholders (2014- 15).

The analysis of ongoing projects

Edison, like any company, is characterized by corporate assets that act as levers for the creation of value. These distinct elements of every company represent internal capital stock on the one side while defining the scope to compete on the market on the other side, generating wealth and value.

In the preliminary phase, the analysis model foresees the identification of specific company assets and the positioning of ongoing projects.

The path taken in 2013 was based on 5 modular steps:

- to understand which characteristics of the Edison business are compatible with the Shared Value approach;
- to interpret and personalise a methodological approach borrowed from the theory of Porter and Kramer; to identify stakeholders who can be more involved and who benefit from this business approach;
- to select the existing initiatives that are to be reread with regard to the stakeholders, identifying those that can be projected externally as levers for the creation of value for the company and territory;
- to develop a strategic approach and an intervention model based on this model, that can be integrated into the action plan for sustainability and allow for communication with the territories (in progress together with corporate sustainable strategy).

In order to make a concrete start along the path to Shared Value, Edison has carried out mapping and analysis of company processes and activities.

NEXT STEP:

This work will lead to the identification of plans, intrinsic to the business, that are capable of generating positive social impacts.

The mapping of actions with high potential, currently underway, aims to identify a set of activities that, conveniently remodelled, can be arranged inside an innovative model for liaising with the territories in which the company operates.

During the definition of the corporate sustainable action plan, new shared value projects- linked to business opportunities- will be identified.

3 possible ways to create shared value

Edison can generate shared value:

☐ **Rethinking products and market:**

- ☐ Designing products and services to satisfy social needs
- ☐ Opening new markets and promoting access to energy of local communities

☐ **Redefining productivity along the value chain**

- ☐ Facilitating the professional improvement of local supply chains, supporting suppliers in strengthening their entrepreneurial potentiality, reducing their environmental and social impacts and increasing the efficiency of their business
- ☐ Generating economies thanks to a better use of natural resources, more efficient processes and improving their quality

☐ **Facilitating local development**

- ☐ Working on social dialogue and increasing stakeholder engagement, intercepting social innovation consistent with business

Today focus on

Today, the focus is on sharing expertise and competences:

Edison Start: supporting development projects from the starting idea to business plan. Edison Start was born in order to promote change and innovation at local level, supporting new entrepreneurial projects.

The Prize is characterized by a national scope and sustains the development of partnerships with entrepreneurial oriented organizations, which purpose innovative and sustainable projects in the fields of:

- Energy (energy saving and access to energy)
- Social and cultural development
- Smart Communities(Life Style innovations)

A tailored program for finalist support concerned a set of different activities: networking occasions, Edison management advices (Team of experts supporting finalists according to their specific competences), training and tools on business management & technical issues (by Bocconi University and MIP Politecnico di Milano), pitch elaboration (Team of Experts supporting them in preparing their optimal pitch).

Each finalist has a dedicated micro team of support composed by:
An external expert (from Bocconi University or MIP Politecnico) and Edison experts.

Today focus on

Capacity Building in Egypt: is a partnership with Politecnico of Milan and American University in Cairo, in order to create a center of excellence on energy and sustainable development.

In the perspective of establishing an effective synergy with the local university sector, promoting actions to foster local development and sustaining the empowerment of new generation of employees, Edison intends to start a collaboration with Politecnico of Milan and the American University in Cairo, and as a first step to support a PhD research.

The initiative will constitute an effective beginning of collaboration between the university and the company, which will lead Edison to have positive effects on the local context and to strengthen its interaction with other stakeholders, as industries, municipalities, ministries and international institutions.