



sustainability report 2007

seventy years
of energy

how we work

growing
sustainably

competing
responsibly



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ERG Group is celebrating its 70th anniversary. We have grown a great deal over the years, in terms of industrial and economic results, but also and above all in terms of corporate culture and the ability to undertake and manage new entrepreneurial challenges.

This has stemmed from the sound strategic choices made in the past: today we are a multi-energy group operating in the sector of refining and distribution of petroleum products and in electricity generation, with a strong vocation for the development of renewable sources.

Over the past decade, however, there has also been a change in the general and market scenario in which our Group operates.

The dynamics of the energy sector are conditioning those of other economic segments and are significantly impacting prices and household consumption. As a Group belonging to this sector we have a greater presence through the media at both national and local level, particularly as regards Sicily where many of our strategic interests are located. Moreover, not only the reference shareholders, but also the financial analysts and institutional investors are always careful to consider and evaluate risks of a socio-environmental nature in their respective investment decisions.

Lastly, as a Group of national importance we cannot fail to take into consideration our Country's commitment vis-à-vis the sustainable growth objectives defined within the framework of European Union policy, which aim to guarantee competitive and "clean" energy within a context characterised by climatic changes, an increase in global demand and the need to be sure of future supplies.

All of this gives rise to new and greater expectations of engagement and responsibility on our part: to recognise and manage these expectations will become an essential factor for ERG to continue its growth and create sustainable value over time.

This is the path we have taken, and which we shall be portraying each year starting with this first Sustainability Report.

Our mission is now to combine the creation of economic and financial shareholder value, which continues to be our primary objective, with the pursuit of social and environmental value in everything we do.

In order to achieve this, during the next four years we shall be committing investments of over 2 billion Euro, more than 60% of which will concern the electricity sector, where the greatest effort will be made with regard to production from renewable sources. We shall be giving importance to operational excellence, the skills and value of our human capital, innovation and our target of integration with the local community.

Our daily actions will continue to be guided by the principles and values expressed in the Code of Ethics, which have always been fundamental to our role as an industrial company.

Edoardo Garrone
Chairman



Alessandro Garrone
Chief Executive Officer



message to stakeholders





The document's structure, the issues dealt with and the indicators used are in keeping with those suggested by internationally recognised standards; more particularly, we have adopted the 2006 revision of the Global Reporting Initiative guidelines (GRI/G3). The level of application of the GRI/G3 guidelines has been internally assessed as "C" (as regards the Profile Disclosure level, reference is made to the specific section).

The data shown, except where otherwise stated, refer to all companies consolidated in the Group Financial Statements with reference to the 2007 accounting period. To allow an evaluation of the performance trend,

time series data and indicators for at least three years are shown.



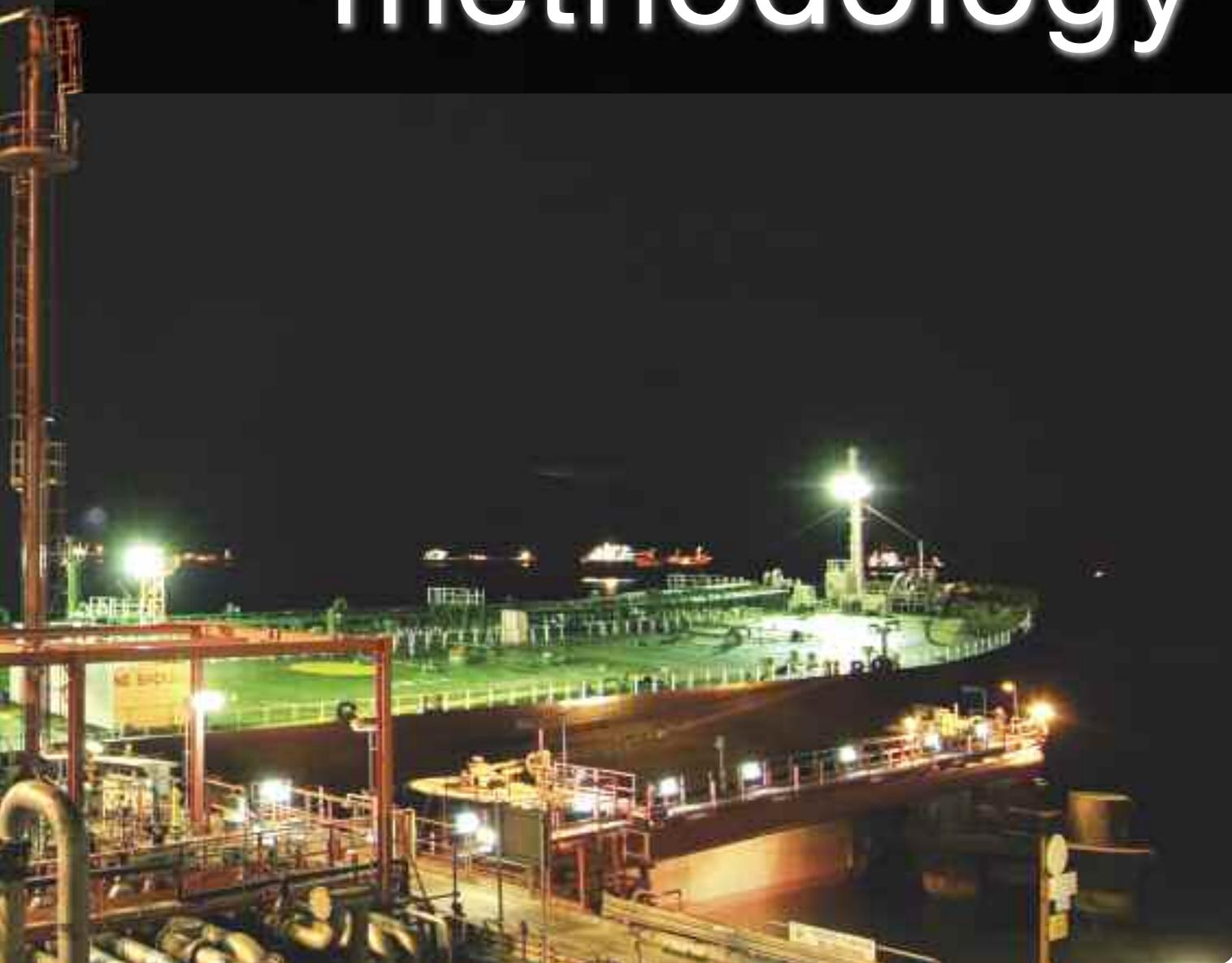
A specific symbol identifies the targets associated with areas of commitment to sustainability.

Regarding the Health, Safety and Environment (HSE) data, the methodology adopted combines appraisal methods and identification and quantification criteria set by various organisations recognised at domestic and international level such as Eurostat, the European Federation of Accountants (FEE), the European Petroleum Companies' Organisation for HSE matters (CONCAWE),

the American Environmental Protection Agency (EPA), the Italian Petroleum Industry Association (*Unione Petrolifera*).

The principal atmospheric emissions are determined through continuous measuring at the emission points and, where necessary, by estimates based on emission coefficients that take into account both the combustion systems and the quality of the fuels used. In particular, for the purpose of reporting CO₂ emissions, reference has been made to the Italian and European guidelines which set forth specific procedures for determining the quantity and quality of fuels. HSE economic information is broken down

references and methodology



between investment and operating expenditures (current expenditures). It should be noted that, for recording purposes, expenditures need to be reclassified so that they can be shown “by use” and not “by origin”, as required for general company accounting purposes.

The main HSE performance indicators are constructed bearing in mind the specific nature of the various industrial sectors. In particular:

- for Coastal Refining, reference has been made to the quantity “processed”, considered to be the sum of crude oil, semi-finished products introduced and additives

consumed during the reference period;

- for Thermoelectric Power Generation, reference has been made to the net energy output expressed in MWheq; the heat produced has been transformed to electricity taking account of the fact that not all of the thermal energy can be fully exploited as useful work. From the energy generated a deduction is made for the contribution on input, therefore considering it as lost output.

For the standardisation of energy components, we have used the tonne of oil equivalent (toe) conventional unit of energy, equivalent to 10 million kcal.

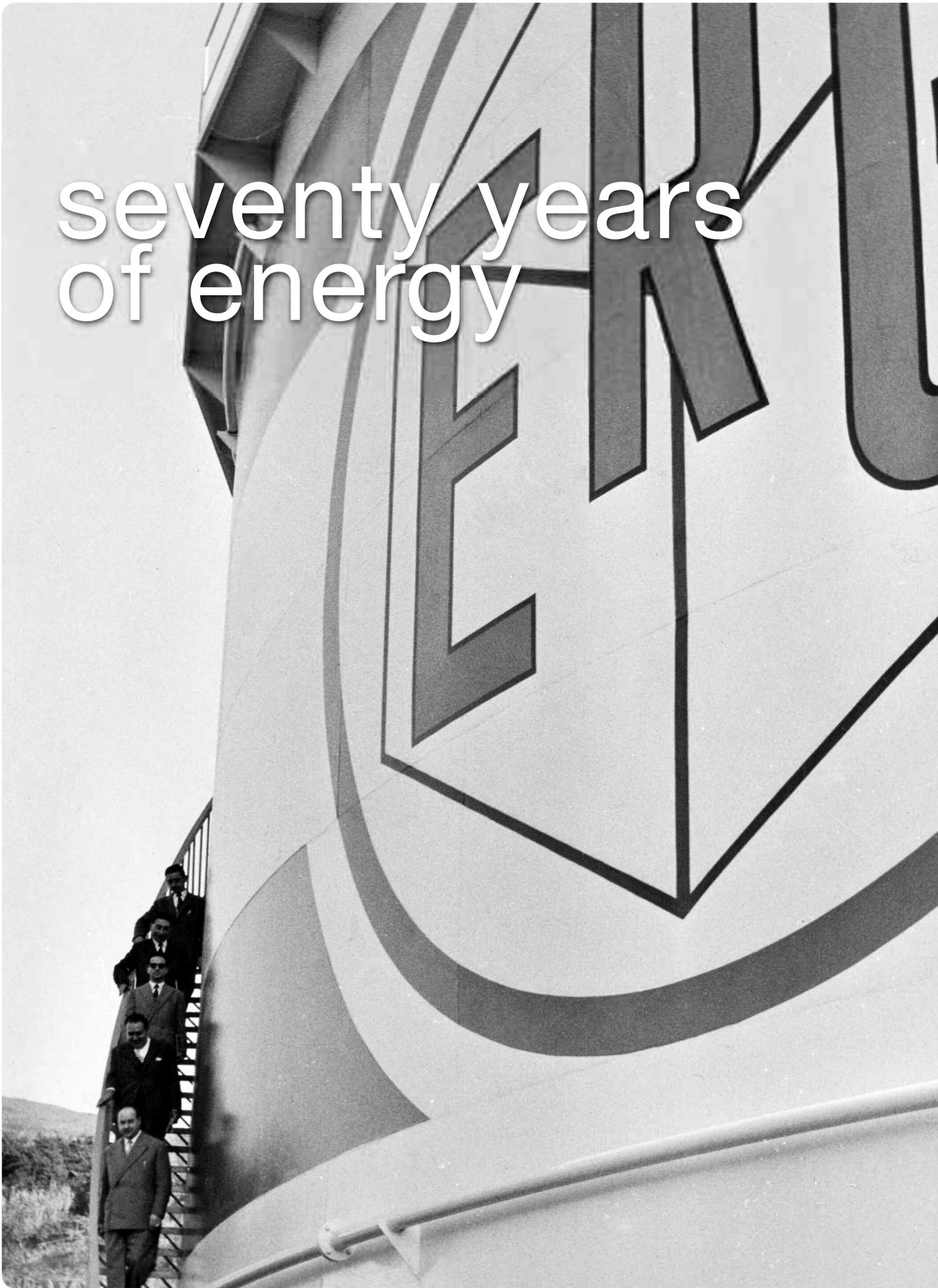


This is a CarbonZero® Sustainability Report.

ERG, through *co2balance Italia*®, has neutralised the CO₂ produced as a result of printing the 2007 Report by investing in *co2balance* “Solar Ovens” project, which provides for the replacement of wood waste fired ovens, in Kenya, with new solar powered equipment.



seventy years
of energy





I.1 GROUP PROFILE

Having been founded in 1938 as a family owned and run business, ERG has passed through various growth and consolidation phases to become, today, a multi-energy Group.

ERG operates in the sector of refining and distribution of petroleum products, and is committed to developing and consolidating a significant presence in the production and marketing of electricity, the procurement of natural gas and power generation from renewable sources.

The Group's assets are located above all in Italy, with a heavy industrial concentration in Sicily.

Since being admitted to listing on the Milan Stock Exchange in 1997, the ERG Group has increased its market capitalisation from 500 million to approximately 2 billion Euro.

Today it accounts for around 19% of the total national refining capacity and is the second largest sector operator in Italy.

Its sales on the domestic market cover 9% of the national consumption of petroleum products.

Its electricity sales represent approximately 2% of the Italian domestic market.

The ERG Group is divided into four sub-holding companies which operate in the different business sectors:

- ERG Raffinerie Mediterranee (coastal refining);
- ERG Petroli (integrated downstream);
- ERG Power & Gas (thermoelectric power generation and natural gas procurement, marketing and logistics);
- Enertad (power generation from renewable sources).



ERG'S HISTORY

1938

Edoardo Garrone founded ERG in Genoa.

1947

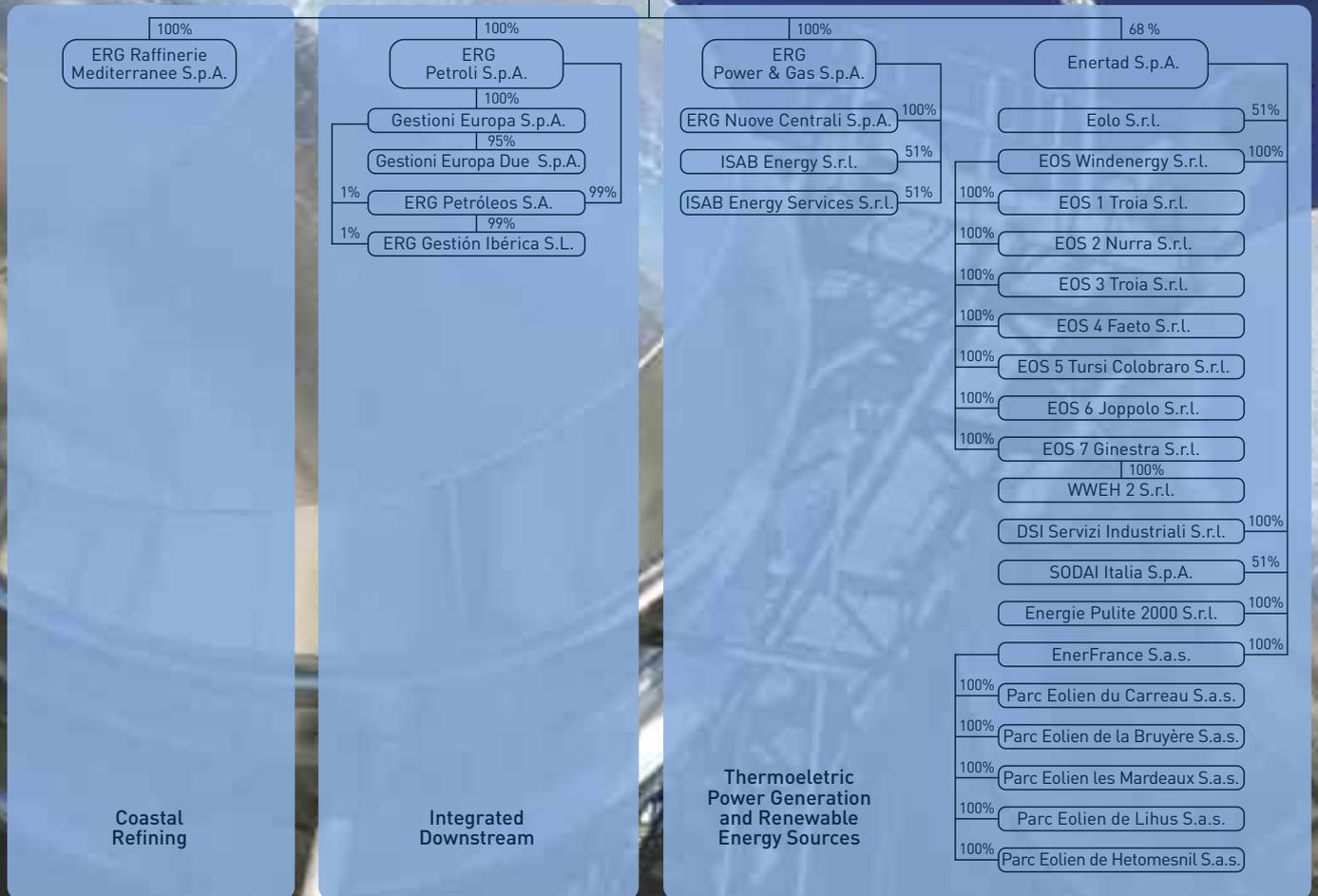
Production began at the refinery in S. Quirico (Genoa).

1958

British Petroleum became a shareholder of ERG.

2007 FIGURES

ERG S.p.A.



REVENUES FROM
ORDINARY
OPERATIONS

10,166
Million Euro

EBITDA AT
REPLACEMENT
COST

361
Million Euro

NET GROUP
INCOME AT
REPLACEMENT COST

39
Million Euro

INVESTMENTS

380
Million Euro

EMPLOYEES
AS AT 31/12

2,825

1963

Edoardo Garrone died.
Riccardo Garrone
became Chairman
of ERG.

1967

ERG completed
the first Italian oil
logistics structure
at Arquata Scrivia.

1971

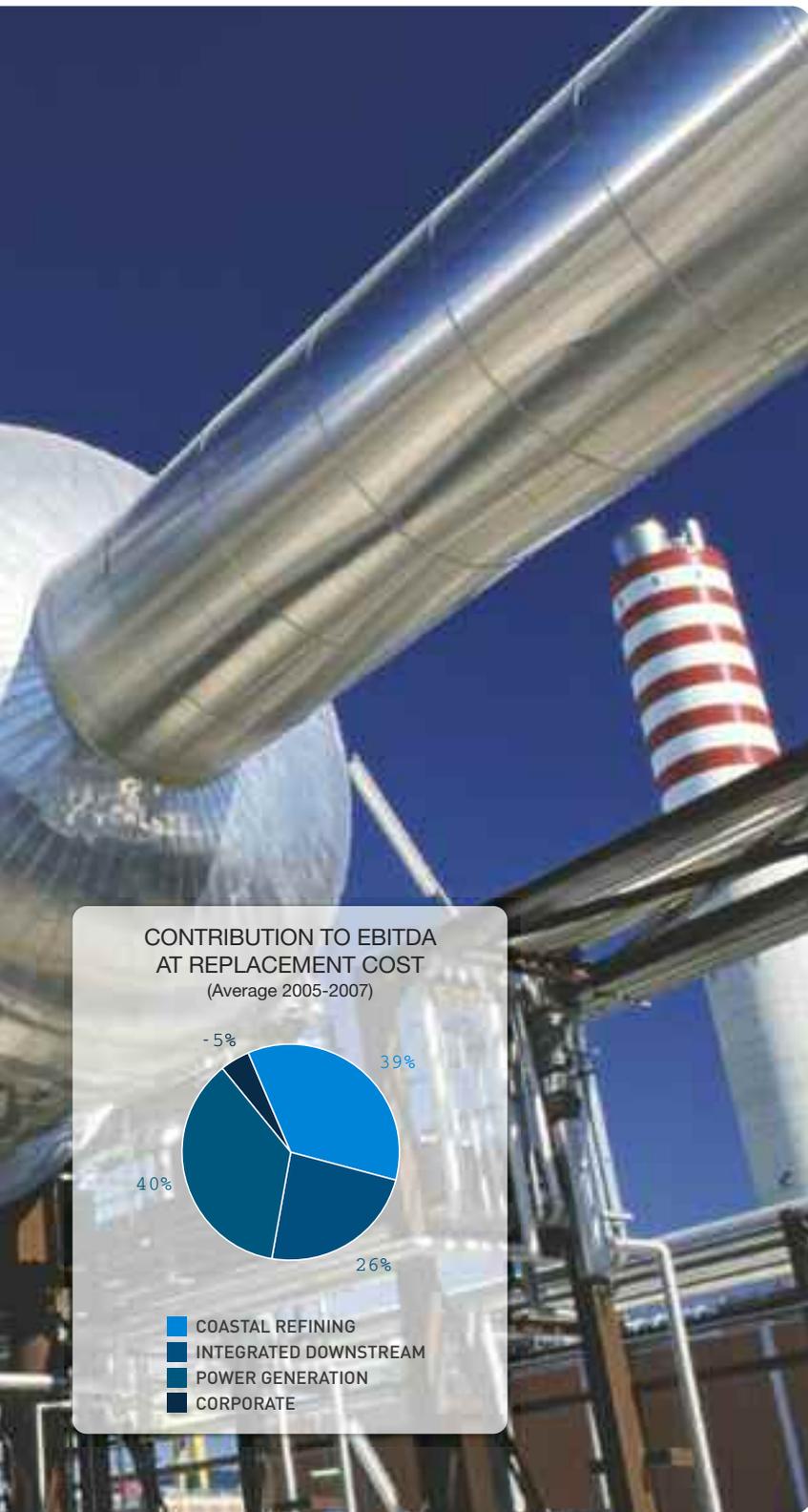
ERG joined the project
to build the ISAB
refinery in Priolo
(Syracuse).

1975

Production commenced
at the ISAB Refinery.

1984

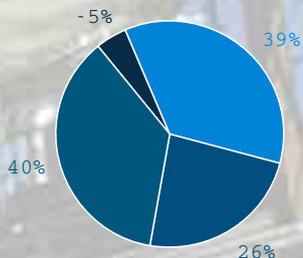
ERG purchased
780 service stations
from ELF Italiana.



ALLOCATION OF NET VALUE ADDED

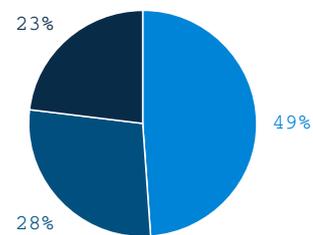


CONTRIBUTION TO EBITDA AT REPLACEMENT COST (Average 2005-2007)



- COASTAL REFINING
- INTEGRATED DOWNSTREAM
- POWER GENERATION
- CORPORATE

CONTRIBUTION TO NET VALUE ADDED (Average 2005-2007)



- COASTAL REFINING
- INTEGRATED DOWNSTREAM
- POWER GENERATION

* This is made up of voluntary disbursements and donations and costs relating to sports, social and cultural events. It does not include sponsorships for sports teams taking part in amateur or professional championships.

1985

ERG acquired Chevron Italia (1,700 service stations). ERG's market share rose to 5%.

1988

ERG took control of ISAB. Activities ceased at the Genoa refinery.

1993

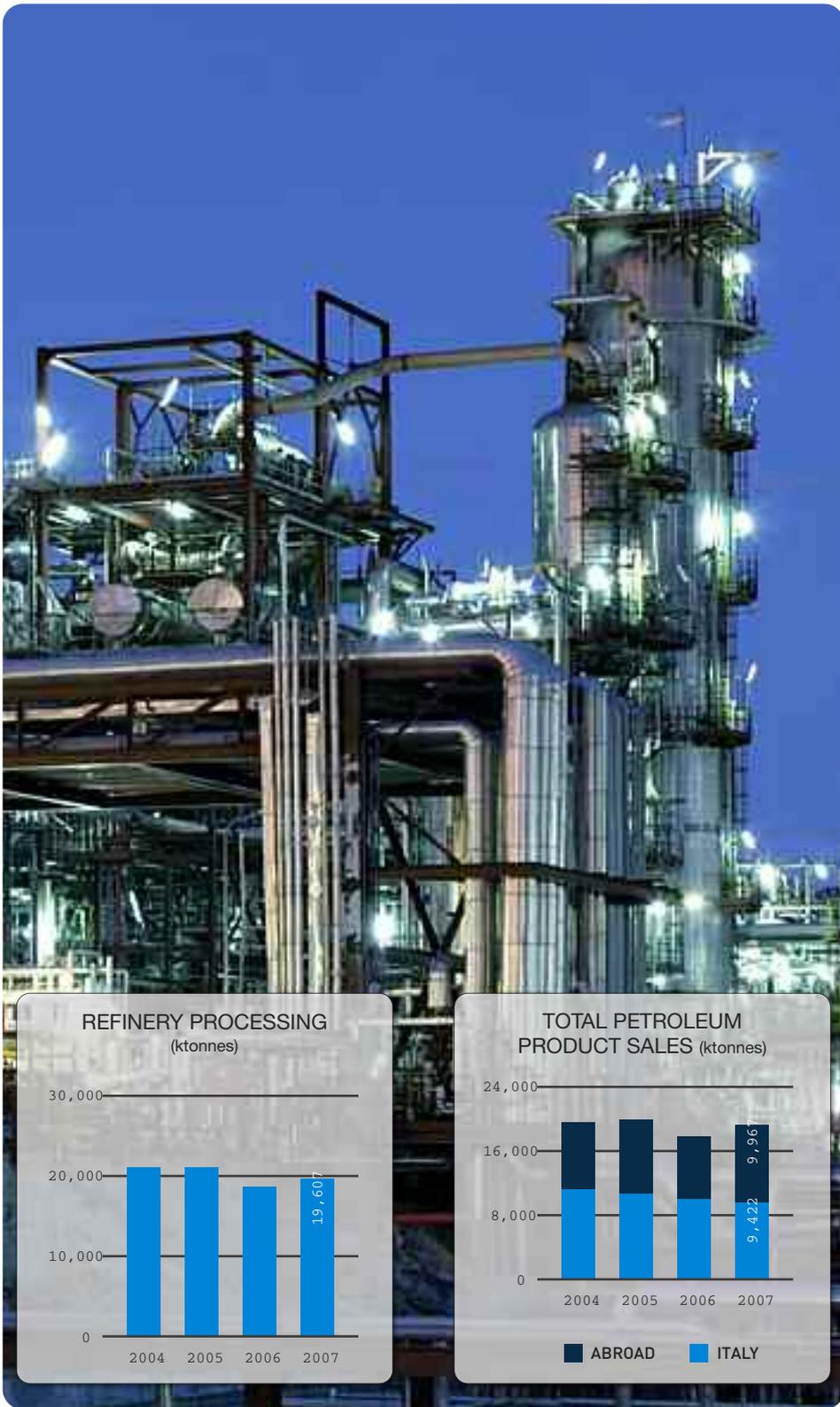
ERG formed ISAB Energy together with Edison Mission Energy, to build Europe's first oil residue gasification-cogeneration plant.

1997

ERG flotation on the Stock Exchange.

1999

ERG's fuel market share rose to 7%. ERG Petroleos was created, to enter into the Spanish market.



1.2 COASTAL REFINING

The Coastal Refining business is carried on by the company ERG Raffinerie Mediterranee, owner of two production sites – ISAB Impianti Sud and ISAB Impianti Nord – located in Priolo Gargallo (Syracuse, Sicily), which together form the largest Italian production structure and one of the more particularly complex “Supersites”.

Activities include the procurement and processing of crude oil: the Refinery is capable of processing medium-heavy crude oils, obtaining high value added products, mainly gasoline and diesel.

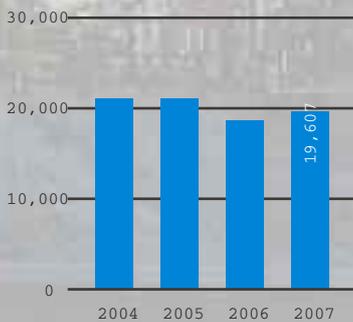
The month of July 2007 saw the completion of the major investment plan for over 300 million Euro, launched in 2003, to fully integrate the production facilities. The refining capacity was passed from 380 thousand to 320 thousand barrels per day, enhancing the Refinery’s sustainability from both an economic standpoint, thanks to the higher conversion capacity, and from an environmental standpoint, by reducing the atmospheric emissions and improving the quality of gasoline and diesel.

ERG Raffinerie Mediterranee is mostly oriented towards the international market (it is the leading exporter of petroleum products from Italy) but is also closely integrated with electrical and chemical activities within the Syracuse industrial complex.

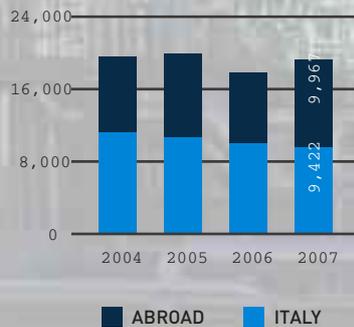
1.3 INTEGRATED DOWNSTREAM

ERG Petroli operates either directly or through its subsidiaries in all downstream petroleum phases: procurement of crude oil

REFINERY PROCESSING (ktonnes)



TOTAL PETROLEUM PRODUCT SALES (ktonnes)



2000

ISAB Energy began producing and marketing electricity.

2002

ERG Raffinerie Mediterranee was created, a company which integrated the ISAB Refinery with the former ENI refinery in Priolo. The ERG Group reorganised its structure into three subholding companies: ERG Petroli (integrated downstream), ERG Raffinerie Mediterranee (coastal refining) and ERG Power & Gas (production and marketing of electricity and natural gas).

2003

After 40 years Riccardo Garrone retired as Chairman of ERG. Edoardo Garrone became the new Chairman and Alessandro Garrone became the new CEO.

2004

The Edoardo Garrone Foundation was created, as a natural development of the involvement on the part of the ERG Group and the Garrone and Mondini families in the social and cultural field.

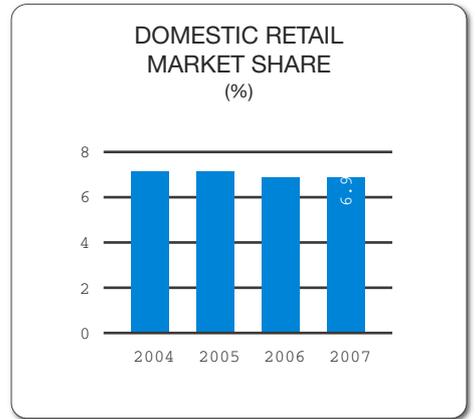
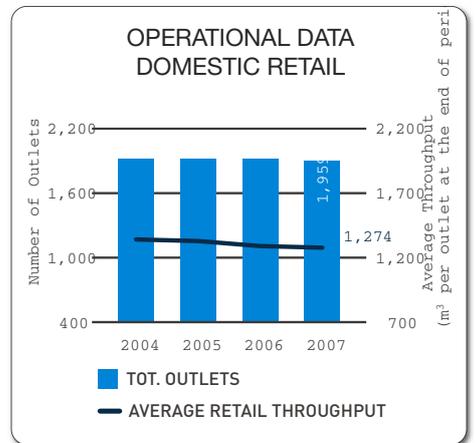
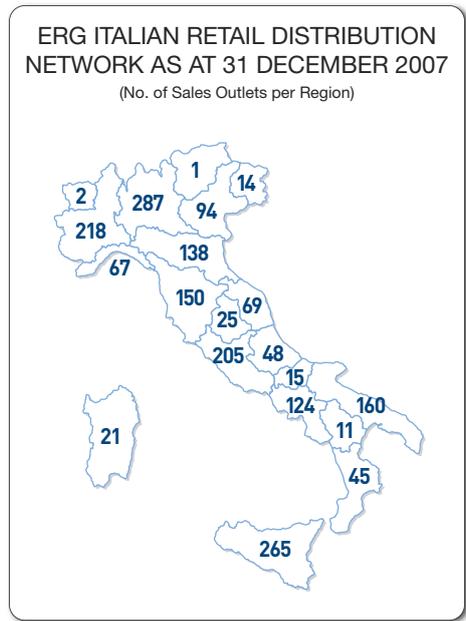


and finished products, refining, logistics, marketing of fuels and combustibles, production and sale of lubricants.

The supply and logistics for commercial operations, performed all over the country, are guaranteed by ERG Petroli through a logistics system which, in terms of dimension, is Italy's second largest. Procurement takes place via the products of the two investee refineries, located in two of the areas featuring the greatest intensity of consumption in Italy (Sarpom Refinery in Trecate and the Rome Refinery), and by purchasing on the petroleum product market.

In Italy, there are around 2,000 ERG service stations, including 53 directly managed, which, in addition to car accessories and services, offer a wide and diversified range of products. Over 13% of the sales outlets are located in various parts of Sicily. ERG Petroli also sells petroleum products on the Wholesale market, principally via a network of retailers.

Activities abroad are concentrated in Spain, where subsidiary ERG Petroleos operates on the Retail (112 sales outlets) and Wholesale markets, and in Switzerland, where ERG Petroli Suisse manages 16 outlets in the Canton of Ticino.



2005

ERG's multi-energy strategy and its commitment to renewable energy led to the establishment of Ionio Gas (50% ERG Power & Gas and 50% Shell Energy Italia) for the construction and management of a Liquefied Natural Gas regasification terminal at the ISAB Impianti Nord refinery in Syracuse.

2005

ERG became part of the MIDEX Index within the Blue-Chip segment of the Italian Stock Exchange. The move from the previous STAR segment to the Blue-Chip segment took place following the significant increase in market capitalisation of ERG's shares.

2006

ERG acquired a 51.33% equity interest in Enertad, a listed company operating in the sector of electricity generation from renewable sources. In 2007 the shareholding was increased to 68.38%.

2007

The restyling of ERG's service stations began. The Group commenced the production of electricity from wind sources located abroad.

1.4 THERMOELECTRIC POWER GENERATION

ERG Power & Gas operates in the electricity and gas markets, pursuing development opportunities for all the Group's electrical assets. Electric power generation is carried out via subsidiaries ERG Nuove Centrali (100% ERG Power & Gas) and ISAB Energy (51% ERG Power & Gas).

ERG Nuove Centrali owns production facilities located at the ISAB Refinery in Priolo. The portion of utilities produced that is not used by the Refinery is sold to third-party buyers at the Priolo/Melilli industrial site, to the National Grid (*Gestore dei Servizi Elettrici - GSE*) and to "wholesale buyers".

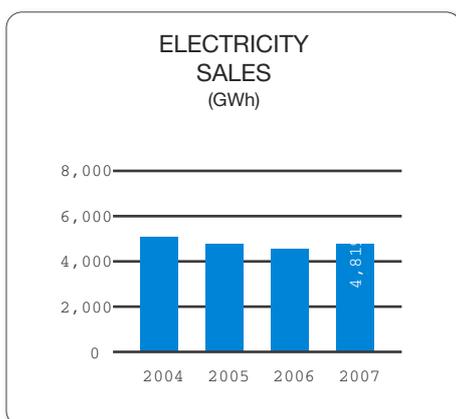
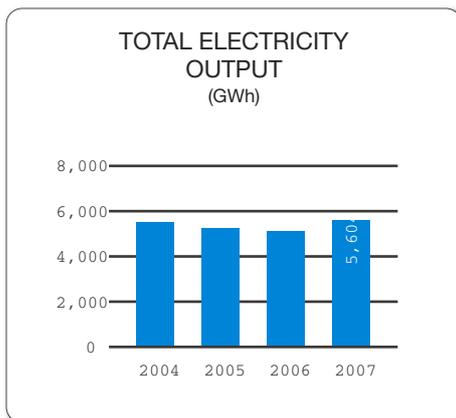
ISAB Energy produces electricity at its combined cycle IGCC plant in Priolo, which has an installed capacity of 528 MW and is equipped with a low environmental impact technology that utilises as fuel synthesis gas obtained from the processing of residues originating from the adjacent Impianti Sud Refinery. The electricity generated is sold entirely to the GSE at the CIP 6 tariff. The purpose of Ionio Gas (owned 50% by ERG Power & Gas in joint venture with Shell Energy Italia) is to design, construct and

operate a terminal to receive and regasify Liquefied Natural Gas, which will be located at the Priolo industrial site. Recently the Ministerial Commission for the Environmental Impact Assessment has given the acceptance to the project

1.5 RENEWABLE ENERGY SOURCES

In October 2006, ERG acquired a majority stake in Enertad, a company listed on the Italian Stock Exchange which operates in the production of electricity from renewable

sources. During the course of 2007, the equity interest was increased to 68.38%. The wind power generation business comprises sixteen companies, including two subholding companies (Eos Windenergy S.r.l. and EnerFrance), eight operational companies and six companies at development stage. The total installed capacity amounts to more than 132 MW (77 MW in Italy and 55 MW in France), plus over 100 MW in additional authorised capacity. ERG is also active in the purification treatment of industrial waste water originating from Trenitalia S.p.A. facilities and in the



treatment of liquid and solid waste.

In addition to the strategic acquisition of Enertad, ERG Power & Gas holds an equity interest in ERG Eolica (created in February 2008 from the hived off business unit assigned to ERG following the demerger of ERG CESA Eolica), which pursues the development and management of wind farms in Italy, with 1.6 MW in operation, a further 37.5 MW under construction and 110 MW already authorised. ERG Power & Gas also holds a controlling interest in the companies ISEA and Ecopower, both active in the field of hydroelectric power generation with an

M&A AWARD 2007

The Enertad acquisition was assigned the M&A Award 2007 for the “acquisitions in Italy by Italians” category. The M&A Award, organised by KPMG in collaboration with Fineurop Soditic, with the patronage of AIFI (The Italian Venture Capital and Private Equity Association) and Bocconi University, now in its third edition, awards a recognition to corporate mergers and acquisitions distinguished for their importance in promoting the country’s competitiveness.

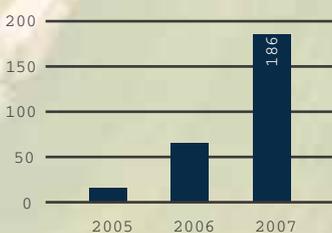
installed power of over 4 MW.

The growing importance of this sector within ERG’s development strategy is leading to the definition of a new corporate

structure providing for the complete spin-off and subsequent integration into Enertad of all ERG Power & Gas assets in the area of renewable energy sources.



ELECTRICITY OUTPUT FROM RENEWABLE SOURCES (GWh)



The figures also concern companies not included within the consolidation area of ERG's financial statements.



how we work

GROWING SUSTAINABLY

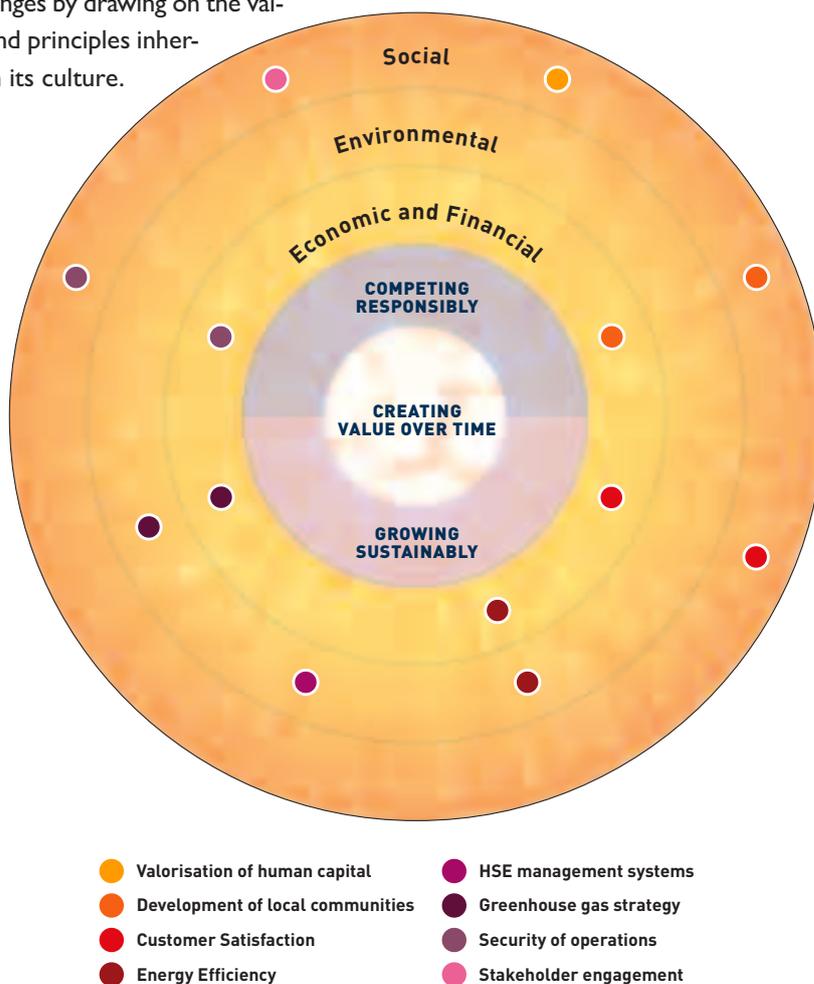
To grow sustainably ERG must integrate its economic growth and business objectives with the creation of value for the environment and the community, in order to enhance the value generated and transform it into also a competitive advantage.

COMPETING RESPONSIBLY

To compete responsibly ERG must manage its activities in a transparent and responsible manner, and take into consideration, when developing its industrial projects, also the requests emerging from its dialogue with all stakeholders.

Within a socio-economic and market context in continuous evolution, ERG deals with the new industrial and management challenges by drawing on the values and principles inherent in its culture.

This section aims to describe ERG's way of doing business in order to pursue its mission of creating sustainable value over time.



2.1 CORPORATE GOVERNANCE

The ERG Group works to create first and foremost economic and financial value for its shareholders. In this respect, the responsibility for defining the business strategies and objectives falls to the Board of Directors (BofD) of the Parent Company ERG S.p.A., while the implementation of same is remitted to the operating companies, each of which acts independently within its own area of competence. The Parent Company's BofD comprises 13 members, of which 3 are non-executive and 4 are independent. During the course of 2007 the BofD met 12 times.

The Parent Company's CEO is empowered to legally represent the company and holds all powers of ordinary and extraordinary administration, while the Chairman is delegated to perform tasks of supervision, di-

rection and control over the staff functions performed by the Corporate Affairs unit, insofar as concerns Corporate Affairs and Internal Auditing, and by the Institutional and International Relations Division.

In addition to the definition of business strategies, the Parent Company performs management and coordination activities vis-à-vis the operating companies on various aspects, the most significant of which include:

- organisational aspects and personnel policies;
- strategic finance and group treasury management;
- management of communications policies and institutional relations;
- management of environmental, health and safety policies;

- definition of risk management policies;
- management of “non oil” purchases.

A major role in the development of strategic guidelines is performed by the Strategic Committee, which has consultative and propositional functions vis-à-vis ERG’s Chief Executive Officer and the Boards of Directors of the holding company and the operating companies.

2.2 PRINCIPLES OF RESPONSIBLE BEHAVIOUR

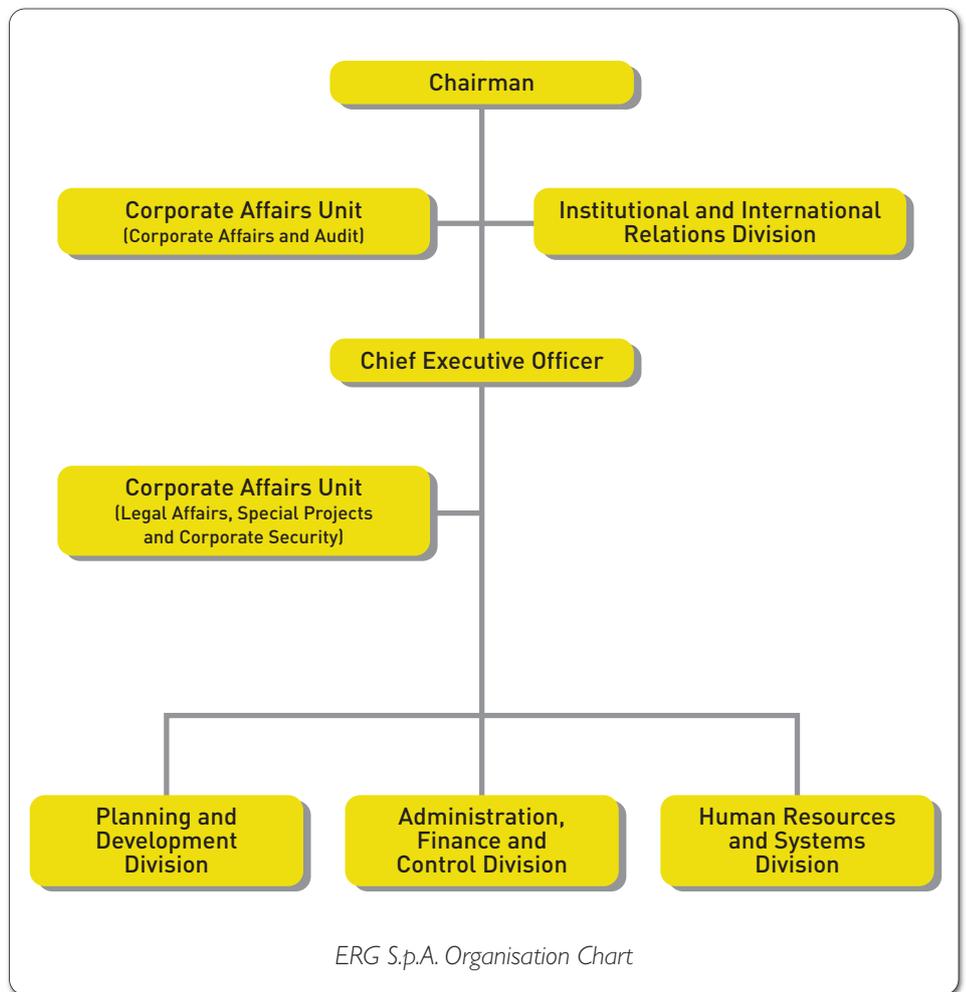
The company’s management operates in accordance with the Code of Ethics, which sets out first and foremost the reference principles and values defined with a view to ensuring the correct and transparent performance of business activities. It applies to all employees, as well as to the other parties acting on behalf of the company.

The Code of Ethics has recently been revised in order to give more emphasis to the commitment to pursue the company’s sustainable and responsible growth from an economic, social and environmental perspective. The new version, approved by ERG’s BofD at the meeting held on 10 March 2008, is available on the Group’s website (www.erg.it).

The company promotes dissemination of the Code of Ethics also by way of specific training and awareness initiatives with regard to the issues discussed and verifies its effective application, investigating any matters reported to the Supervisory Committee (no reports were made in 2007).

ERG has accepted the Corporate Governance Code for Listed Companies, which was created in 1999, on the initiative of Borsa Italiana S.p.A.’s Committee for the Corporate Governance of listed companies, and revised in 2006.

The code particularly provides recommendations on how to delegate powers in order to avoid potential conflicts of interest and on the organisation of the internal control system. In ERG, this system is spread over various corporate functions, whose activity is coordinated by the Internal Control Committee. During the course of 2008, the latter will carry out a revision of the system’s overall policy guidelines with a view



to enhancing its efficiency.

The process of bringing Corporate Governance into line with the recommendations contained in the latest version of the Corporate Governance Code was completed during 2007.

Furthermore, all the Group’s main companies have completed the process of adopting the organisation model referred to in Legislative Decree 231/2001 for the prevention of corporate offences, so-called “market abuse” offences and offences against the Public Administration and against individuals.

The model is currently being revised to also cover offences connected with violations of the accident prevention and health and safety in the workplace regulations.

2.3 SUSTAINABILITY MANAGEMENT

ERG has devised a specific management system to oversee integration between the objective to create economic and financial value and the aspects of environmental and social responsibility.

In defining the sustainability strategy various inputs are in fact taken into account, the most significant of which, besides the strategic business objectives, are the values contained in the Code of Ethics, the results of stakeholder consultation activities, the recommendations received from the Risk Management function, international best practices for business responsibility. The process of defining the sustainability strategy is concluded with the identification of specific environmental and social responsibility commitments and objectives.

From an operational standpoint, integration takes place within the business planning and control cycle.

The system’s organisation model, aligned to the Corporate Governance model, provides for the following corporate bodies and structures, which operate according to different roles and levels of responsibility:

- ERG S.p.A.’s Board of Directors;
- the Sustainability Committee;
- the ERG S.p.A. Sustainability and Health Safety Environment and Quality (HSEQ) Governance Unit;
- the various corporate functions of the

holding company and the operating companies.

ERG's BofD has the role of business sustainability sponsor; its main responsibility being to provide guidelines and approve the commitments and principal means of supervision and governance.

The Sustainability Committee, on the other hand, is the system's central body and comprises the company's top management. The Committee, supported by the Sustainability Function, oversees the dissemination of knowledge regarding issues of relevance

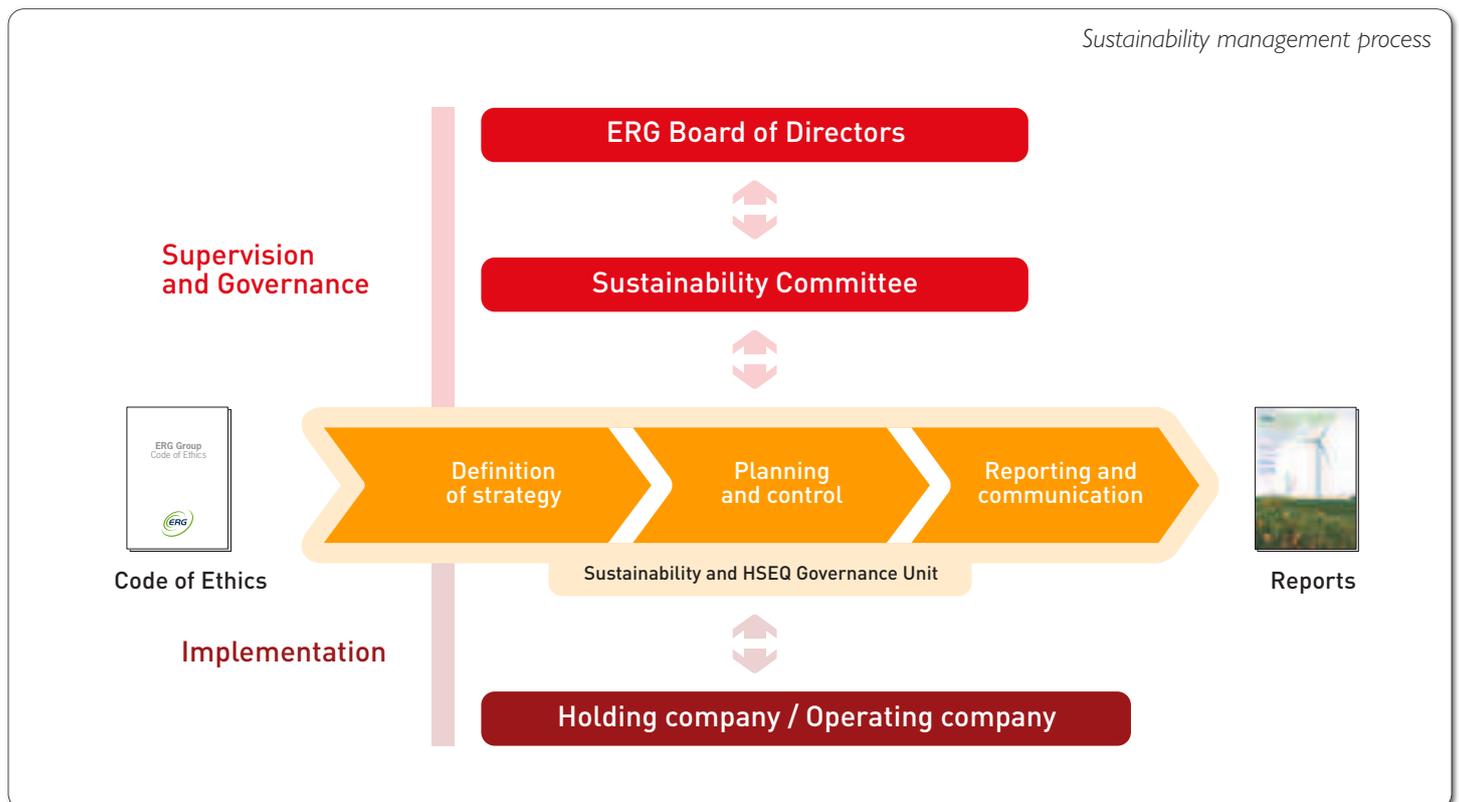
for business sustainability, promotes and verifies the effectiveness of actions aimed at continuous improvement also then acting as socio-environmental risk mitigator. It is also responsible for identifying areas for socio-environmental commitment and encouraging the definition of objectives to be integrated into the plans of the operating companies.

The Parent Company and the operating companies are required to integrate the commitments within their respective planning cycles by:

- rejecting specific objectives;

- defining or confirming performance indicators (KPI) to be used as a basis for assessing the level of achievement of objectives and their integration within the reporting cycle;
- identifying projects already underway or already scheduled and any specific initiatives planned that might affect the objectives, to which adequate financial and human resources must be allocated.

The system, which is currently being perfected, will become fully operational during the course of 2008.



RISK MANAGEMENT

ERG considers it essential, within the framework of its sustainability model, to identify and manage all types of risk associated with the Group's activities. The phases and principles regulating these processes, within the scope of the guidelines laid down in the Group policy, provide for a dedicated function within the Administration, Finance and Control Division. The Risk Management function measures and checks the level of exposure on a continuous basis, its objective being to safeguard the company's assets and the continuity of the businesses.

The activities to minimise significant risks concern above all the financial, credit, liquidity and operational risks.

The instruments used for the management of financial risks, such as Options, Forward transactions and Swaps, are utilised mainly for hedging purposes, without assuming any speculative positions, in keeping with the Group's industrial business philosophy.

The year 2007 saw the completion of activities to update the risk map launched in 2006. This was carried out also in view of ERG's evolution towards a multi-energy portfolio. The objective is to create an integrated risk management system, based on an Enterprise Risk Management approach. Furthermore, a specific and adequate Governance system has been developed for the implementation, among other things, of an organisation model designed to facilitate the exchange of information between the function at the Parent Company and the operating companies. Plans have also been made for the implementation of computer tools to support the entire risk management process.

2.4 STAKEHOLDER DIALOGUE

The dialogue with the groups and institutions whose interests are affected by ERG's businesses is one of the main activities in the management of sustainability. The operating procedures for stakeholder engagement and consultation are based on the fundamental values expressed in the Code of Ethics: moral integrity and personal honesty, transparency and correctness.

During the past two years, in addition to the consolidated activities of internal and external communication and the periodic meetings held by the company's management with the financial community, major engagement activities have been launched with a series of significant stakeholders:

- with staff, through a climate survey on a sample of over 400 employees from all the Group's companies;



- with the local community in Syracuse, in all its various forms, to understand the expectations and open questions of same and to more effectively and transparently direct the communication activities and the interventions to support the economic, social and cultural development;
- with the service station operators and consumers, in order to provide material input to define the ERG network's new customer-focused commercial strategy

and evaluate the first feedback on the initiatives connected with the new value proposal.

The requests emerging from the stakeholder dialogue are collected and assessed in order to define and update the specific social and environmental responsibility commitments and objectives.

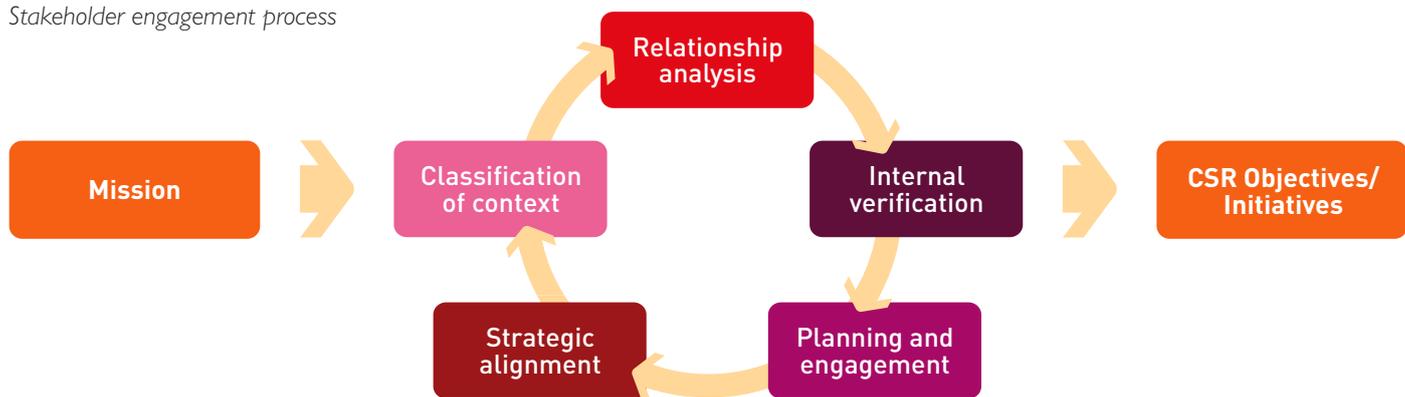
2.5 COMMITMENTS AND ACTIONS



DIALOGUE TOPICS	
Construction of new industrial infrastructures. Transparency and completeness of information.	
Economic development and employment. Effectiveness and recognition of social commitment implemented in the area.	
Safety of operations and Health protection.	
Development and valorisation of human capital.	
Climate change and energy efficiency.	
Pollution prevention.	



Stakeholder engagement process



COMMITMENTS	ACTIONS
To develop and consolidate a structured system of relationships and communication with stakeholders.	<ul style="list-style-type: none"> • Implementation of the sustainability management system at the holding company and the operating companies. • Development of a communication plan focused on business sustainability. • Execution of specific engagement activities correlated to the industrial development projects.
To participate in local development through intervention in the economic, social and environmental field.	<ul style="list-style-type: none"> • Rationalisation of interventions according to a strategy linked to the results of local consultation.
To guarantee people’s health and safety in the workplace.	<ul style="list-style-type: none"> • Implementation and certification of Health and Safety Management Systems at all industrial sites. • Completion of the “Prevention Project” and execution of operational enhancement activities. • Extension of the voluntary Health Prevention Project.
To promote and achieve the managerial development of human capital.	<ul style="list-style-type: none"> • Implementation of the “Managerial Development” project. • Development of a specific Sustainability training and awareness programme and its integration into the institutional training cycles.
To contribute towards reducing greenhouse gas emissions.	<ul style="list-style-type: none"> • Development of power generation from renewable sources. • Industrial process energy efficiency improvement.
To improve prevention activities and environmental protection.	<ul style="list-style-type: none"> • Implementation and certification of Environmental Management Systems at all industrial sites. • Intensification of activities for the reclamation of surface soil and subsoil. • Launch of specific initiatives to increase the level of pollution prevention.

growing sustainably

To grow sustainably ERG must integrate its economic growth and business objectives with the creation of value for the environment and the community, in order to enhance the value generated and transform it into also a competitive advantage.

2008-2011
INVESTMENTS

2

Billion Euro

2008-2011
RENEWABLE
SOURCES

2.7
TWh

2008-2011
AVOIDED CO₂
EMISSIONS

1.2

Million tonnes

2006-2011
THERMOELECTRIC
PARK EFFICIENCY

+20%



3.1 STRATEGY AND INVESTMENTS 2008-2011

ERG plans to operate in the electricity market through the management and repowering of existing assets and by expanding its energy output from renewable sources particularly in the wind sector.

Improvement of the electricity business encompasses the aim of entering the Italian gas market in the role of stable long-term operator, giving maximum priority to the design and construction of the terminal for Liquefied Natural Gas regasification inside the Syracuse industrial complex.

In the refining sector, efforts will be focused on improving the reliability of the new plant and processing configuration to produce increasingly greater quantities of fuels with low environmental impact.

The main objective of the Integrated Downstream sector concerns the process of

3.2 POWER GENERATION AND CLIMATE CHANGE

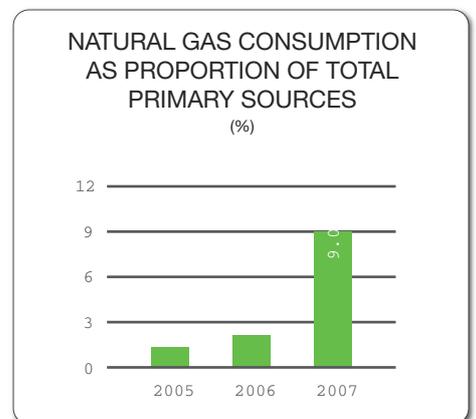
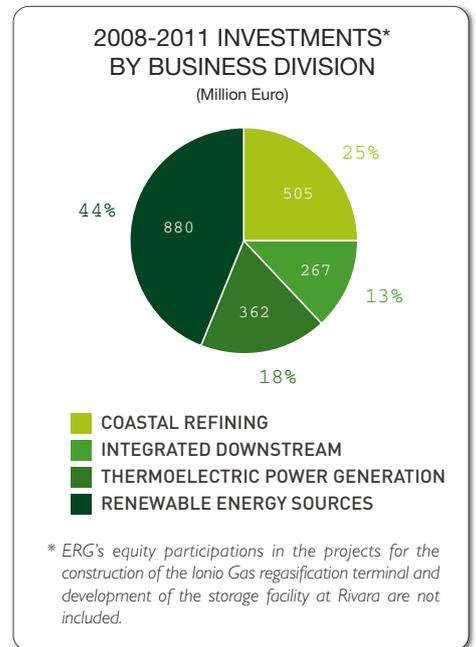
The development of renewable energy sources is one of the main objectives of ERG's sustainable growth policy and forms part of the Group's contribution to the global strategy for reducing and controlling the effects generated by Climate Change. Investments in this area are particularly concentrated in the wind sector where the Group is targeting a market share in excess of 10% (around 700 MW installed) by 2011.

 Total electric power output from renewable sources expected during the period 2008-2011, approximately 2.7 TWh, will help to reduce greenhouse gas emissions by 1.2 million tonnes.

A further contribution towards reducing specific emissions in the thermoelectric sector is synergically made both by the substantial increase in the use of natural gas, which makes it possible to achieve high levels of environmental efficiency, and the utilisation of plant engineering techniques, such

structural enhancement of its Network to improve its position vis-à-vis the market leaders.

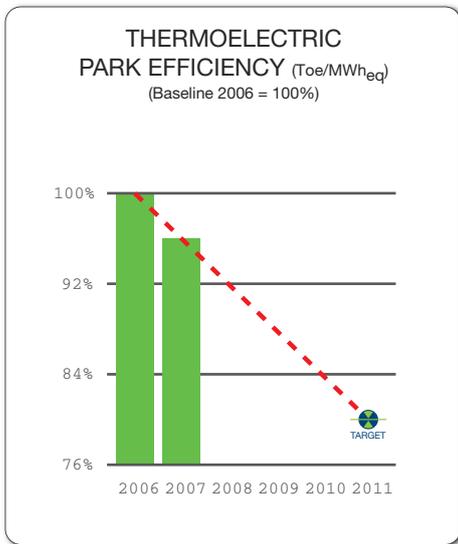
Overall the investments scheduled during the period 2008-2011 will amount to over 2 billion Euro.



as cogeneration, capable of ensuring greater energy savings.

The operational start-up of the new natural gas fired Turbogas Sud plant at the beginning of 2007 (502 GWh generated during the year) and the 480 MW cogeneration combined cycle power plant at the North site in Priolo, scheduled to come on stream in 2009, are two of the most important projects for the implementation of these strategic lines.

 ERG's goal is a 20% improvement in the energy performance of the thermoelectric power generation facilities by 2011 (baseline year 2006).



Via the construction of the Liquefied Natural Gas regasification terminal, which will have a capacity of 8 billion cubic metres (operational from 2013), and participation in the development of a storage facility at Rivara in the province of Modena (15% ERG), the Group plans to enter the natural gas logistics and marketing segment, thereby helping to increase the supply throughout Italy against the expected growth in consumption in the electric power generation sector. More specifically, an annual average growth rate of 2.5% is anticipated, to reach an overall domestic consumption of around 106 billion cubic metres in 2015. Efficiency in the supply of natural gas facilitates the change in the domestic energy mix towards a reduction in the use of fossil fuels.

With the investments anticipated for the thermoelectric sector, ERG aims to increase its annual energy output to over 11 TWh from 2011.

The interventions planned will generally help to improve the current level of specific CO₂ emissions, especially as regards the sector of thermoelectric power generation.

In 2007, total Group emissions for the plants coming within the scope of application of the “Emissions Trading” Directive amounted to around 7 million tonnes.

THE EMISSIONS TRADING DIRECTIVE

On 13 October 2003 the European Commission published Directive 2003/87/EC concerning the emissions market, better known as the Emission Trading System (EU ETS), which defines a system for trading greenhouse gas emissions quotas for the countries of the European Union. This system allows one industrialised country to sell to another surplus rights arising from a reduction in its emissions beyond the threshold to which it is committed based on the Kyoto protocol.

In order to comply with the provisions set forth by the Directive, the operators of plants belonging to the above-mentioned sectors and authorised by the Ministry for the Environment, must:

- monitor their annual CO₂ emissions starting from 1 January 2005.
- transmit to the competent Authority, on or before 31 March of each year, a report, certified by an independent third-party Entity, relating to the emissions during the previous year.
- surrender, by 30 April of the following year, a number of CO₂ allowances equal to actual emissions, trading on the market the differences, if any, with respect to the quantities authorised.

The Companies therefore have the possibility to sell surplus quotas or purchase additional quotas required.

In case of failure to surrender the quotas, severe pecuniary penalties are envisaged (equal to 40 Euro per tonne of CO₂ equivalent during the period 2005-2007 and 100 Euro during subsequent periods).



EMISSION TRADING MANAGEMENT SYSTEM

ERG has developed a specific greenhouse gas management system, defining the responsibilities for fulfilment of obligations towards the Authorities, the procedures for valorisation of CO₂ in investment programming and planning activities, optimisation of emissions, minimisation of risks via transactions for the sale and purchase of emissions quotas and/or utilisation of financial instruments. Management of the reduction of CO₂ emissions, as set forth by the National Allocation Plan, is carried out through continuous evaluation as regards both environmental protection and maintaining the competitiveness of industrial activities.

In the management process, the main activities concern the monitoring and reporting of emissions (system developed and certified by accredited third-party Entities as required by the European guidelines) and the trading of rights (quotas).

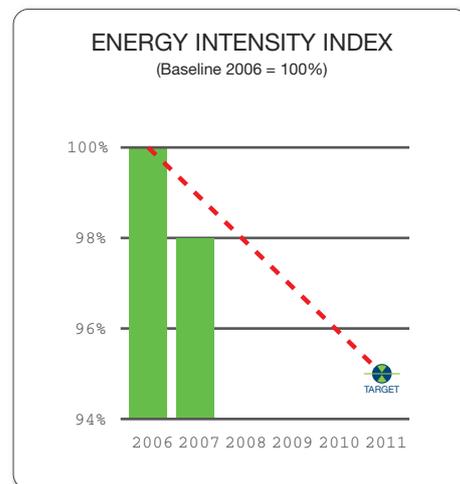
Also in view of the further reduction in CO₂ emissions rights, as envisaged by the new National Allocation Plan for the period 2008-2012, ERG has decided to participate, along with various other leading Italian companies, in the Italian Carbon Fund, a fund set up by the Ministry for the Environment and Territorial and Marine Protection in agreement with the World Bank.

The Fund's main purpose is to acquire credits on the emissions rights market, financing projects to reduce the greenhouse gas emissions in developing countries, the so-called Clean Development Mechanism (CDM). The Italian Carbon Fund project portfolio is diversified insofar as concerns both the type of technologies and the geographical regions, which include China, the Mediterranean Area, Latin and Central America, the Balkans and the Middle East.

The first annual general meeting appointed the Participants' Committee, the body which oversees the Fund's activities, made up of 5 members, including one appointed by ERG.

3.3 ENERGY EFFICIENCY IN REFINING

The investment strategy as regards the coastal refining sector envisages, for the period 2008-2011, a further increase in conversion capacity, with a view to both improving profitability and enhancing operating efficiency overall, and energy efficiency in particular.

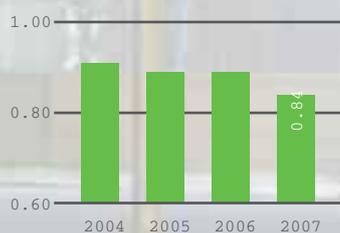


 The goal of the various Energy Saving activities already completed and those planned during the next few years is to achieve at least a 5% improvement in the Energy Intensity Index by 2011 (baseline year 2006).

The reduction in CO₂ generated as a result of the increase in efficiency will offset the higher emissions expected following the increase in conversion capacity and simultaneous tightening of certain facilities, for example the Catalytic Cracking Unit.



CO₂ INDEX - THERMOELECTRIC (Tonnes/MWh_{eq})



CO₂ EMISSIONS REPORTING

ERG has engaged DNV Italia, a company accredited by the competent Authority, to certify the carbon dioxide emissions for the plants coming within the scope of application of Directive 2003/87/EC (Emissions Trading).

The inspections carried out at the ERG plants concerned the system used to monitor and collect data and the existence or otherwise of non-conformities in the annual Report to the Authorities, as required for such data.

On completion of its activities, DNV Italia, guaranteeing impartiality and independence of judgement, expressed for each industrial site a positive opinion with regard to the reporting system, certifying the consistency, conformity with the requirements of the Directive and statistical accuracy of same.

3.4 FUELS CHARACTERISED BY HIGH ENVIRONMENTAL EFFICIENCY

In July 2007 the plant for hydrotreatment of catalytic cracking feedstock came on stream. Together with the integration of the two refineries and operation of a new desulphurisation plant, this made it possible for ERG to increase its conversion and production of sulphur-free gasoline and diesel (maximum 10 mg/kg).

A further step towards improving the production capacity for products with lower environmental impact is expected to come from the revamping of the existing diesel hydrodesulphurisation plant, which will be upgraded with special reference to the reaction section and the hydrogen transmitting devices. ERG plans to invest over 50 million Euro in this project.

The investment programme also provides for specific interventions to be carried out with regard to the production of biofuels. ERG in fact plans to remodel the existing MTBE (methyl-ter-butyl ether) production facility in order to produce bio-ETBE (ethyl-ter-butyl ether) from ethanol of agricultural origin.

The possible installation of a plant for the production of biodiesel is also being evaluated. A solution is in fact under consideration which provides for the construction and operation of the facilities by an outside company on sites owned by ERG, closely integrated with the production of the ISAB Refinery.

In the distribution area, ERG continues to promote the use of fuels capable of reducing air pollution. The year 2007 saw a consolidation of the distribution network for methane, sulphur-free fuels (over 10% of sales outlets), fuels containing biodiesel and Diesel One, the premium diesel with high environmental efficiency.

The use of Diesel One, which is now available at 970 service stations (690 at the end of 2005, the year in which the distribution

programme was launched), corresponding to almost 50% of the total Retail network, helps to reduce carbon monoxide, unburnt hydrocarbons and particulate. It also enables a more efficient use of the energy deriving from combustion with consequent optimisation of consumption.

3.5 A DISTRIBUTION NETWORK AT THE SERVICE OF CUSTOMERS AND THE COMMUNITY

For the ERG Retail network a major programme to consolidate its trademark is planned. In 2008, this will see the completion of the restyling plan, which is highly innovative and in keeping with the promised transparency vis-à-vis consumers. To date, these activities have concerned 60% of the company's sales outlets.

The new commercial organisation will utilise innovative customer loyalty tools, exploiting local and social marketing actions which will provide for synergies also using local partners.

Moreover, the system of consumer relationships will be enhanced, supported by customer contact tools (customer service, website and market surveys), via the periodic monitoring of customer satisfaction.

The 2008-2011 activity plan provides for investments in the Integrated Downstream division totalling 267 million Euro. The plan's implementation is aimed at increasing the market share in Italy to 7.8% by 2011.



ERG ALONGSIDE THE UNIVERSITIES FOR INNOVATION THROUGH RESEARCH AND TRAINING

The Group's sustainability policy aims to promote and support research projects with leading Italian Universities, directed towards product and process innovation.

More specifically, at the beginning of 2007 collaboration projects were launched for studies into predictive models and materials for wind power generation, the optimisation of energy consumption, the recovery of secondary raw materials (nickel and vanadium derivatives) in the refinery production processes, biofuels.

Another two major research projects are also currently underway with the University of Genoa, which will have a duration of three years, concerning the production of electric power from hydrogen generated by the gasification of crude oil processing residues using fuel cells and the optimisation of risk analysis methods for plants subject to significant risk of accident.



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€/litro

DIESEL
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SENZA
PB
€/litro



Noi di Erg
ci mettiamo
la faccia.



Alessandro
lavora qui,
per voi.

PREMI IMMEDIATI
per tuffarti nell'estate
30€ di carburante + 1€ di
premio





competing responsibly

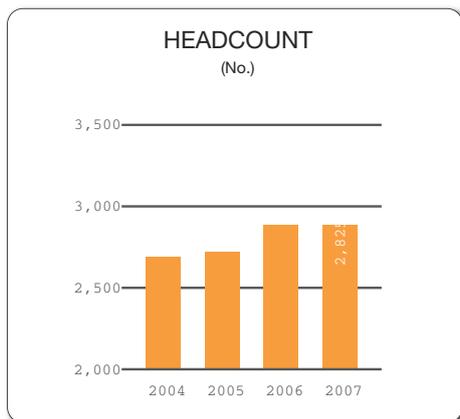
To compete responsibly ERG must manage its activities in a transparent and responsible manner, and take into consideration, when developing its industrial projects, also the requests emerging from its dialogue with all stakeholders



4.1 PEOPLE

The ERG Group's industrial growth has always been accompanied by the need to have qualified and quantitatively adequate personnel available to ensure the correct and effective performance of its business activities and processes.

At 31 December 2007 the ERG Group had a total of 2,825 employees (+5 compared to 31 December 2006), ending a year that saw 378 new hires, 384 people leaving and the transfer of 11 individuals who previously worked at nonconsolidated companies.



During the year the turnover process continued, taking the average age of employees to around 42 years, and giving rise to a further improvement in the level of education, with about 80% of employees holding a high-school diploma or university degree.

From an organisational standpoint, at all the Group's companies structural optimisations were carried out with a view to enhancing the supervision of business objectives.

- In ERG Raffinerie Mediterranee, having concluded the phase of completing the strategic investments and plant integration, the plant operation, development and construction area was reorganised and the Planning, Programming and Control Division was created as a single unit for

the setting and monitoring of objectives.

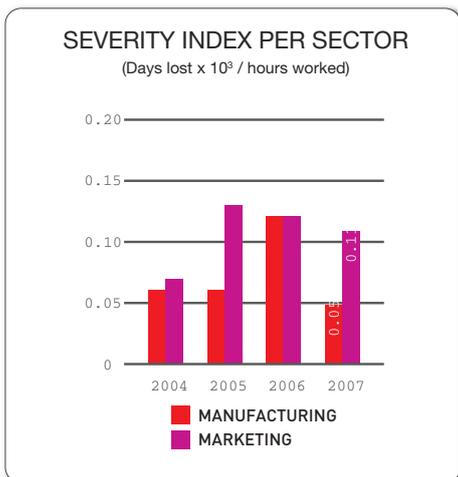
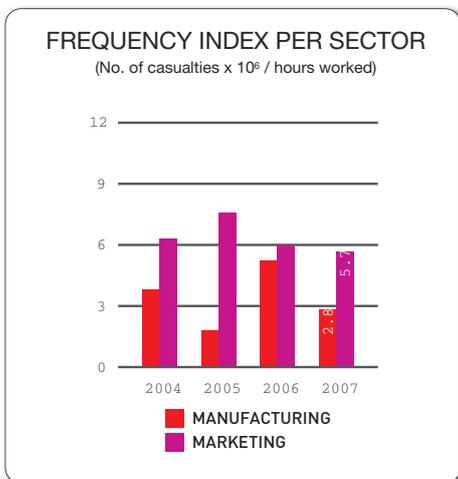
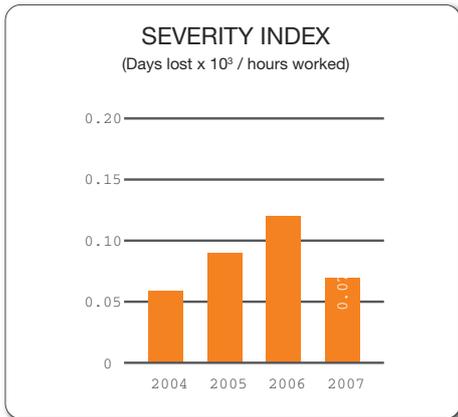
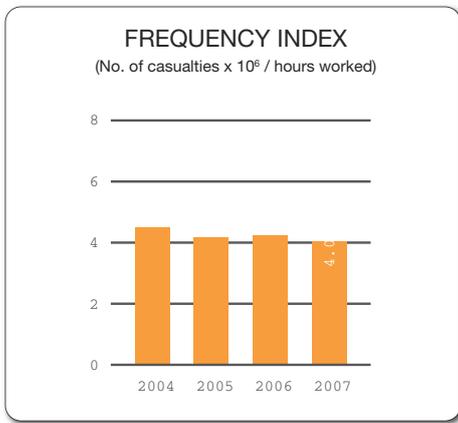
- In ERG Petroli, marketing activities were reorganised in order to enhance the attention given to the strategic objective of "customer focus".
- A new commercial organisation was set up at ERG Power & Gas to support the consolidation and development of the customer base in the "end user" market and commence trading in the electricity and gas markets. Furthermore, the organisational structures of the thermo-electric plant operating companies, subsidiaries of ERG Power & Gas, were completely revamped with a view to creating a single centre of excellence for activities connected with the operation and maintenance of assets.
- The organisational structure of Enertad was redesigned, particularly with a view to improving the business management and development areas and enhancing the efficiency of staff functions.

Accident prevention and health protection

 The safety of its employees and of all external personnel working at the plants is ERG's foremost commitment and is fundamental to being a responsible company. In this connection, a steady and continuous reduction in casualties is a permanent objective.

In 2007, the overall number of casualties as regards ERG employees was 19 (26 in 2006). Most of the events are ascribable to the distribution network's commercial and supervisory activities.

The frequency and severity indices have improved with respect to the trend in previous years and are in line with the average for the European oil industry (see CONCAWE Report "European downstream oil industry safety performance" on the website www.concawe.be).



Of the actions launched to support the commitment to safety, one of the most important activities concerned the “Prevention Project”, a long-term programme designed to enhance awareness and involvement as regards risk prevention and management issues at all organisational levels.

The project was divided into three phases, respectively aimed at the enhancement of safety culture, the improvement of communication and the motivational aspect for people and the definition of even more stringent management standards.

Regarding the first phase, during 2007 the working mechanisms of the HSE Committees at all company levels were revised and a reporting system was set up to monitor the effectiveness of the Committees’ activities in relation to the handling of non-conformities observed within the ambit of sites’ HSE management systems.

The reporting system was also conceived so as to allow verification of the effective participation of the parties acting on the Committees with respect to the minimum requirements established by the Group Guidelines.

In this way the Prevention Project fits into the development, implementation and certification of health and safety management systems according to the OHSAS 18001 standard. By the end of 2007, certification was completed for the ERG Petroli Trecate and Savona depots and for ISAB Energy Services, the company responsible for the operational management of the thermo-electric power stations, while the system is currently being developed for the entire Priolo refining site.

Alongside the “safety culture”, ERG has aimed at disseminating a “health-conscious culture”, intended as both application of specific health protocols and the development of voluntary awareness actions.

Coming within this context is the “Health Prevention Project”, a voluntary initiative destined, during its first phase, for all personnel of the Sicilian industrial area. The project offered the opportunity to carry out a full oncological screening using internal company structures combined with local

public facilities: via this procedure it was possible to trigger synergies with the local health institutions with a view to setting up an innovative prevention model of general interest. During the period 2004-2006 almost 1,400 people took part in the initiative, each person being subjected to examinations, ultrasound scans and complete clinical analyses, as well as any further specialist examinations required. A total of approximately 3,500 clinical and instrumental analyses were carried out.

At the end of 2007 the project was extended to the entire Group with the expected participation of another 600 people. The initiative is accompanied by health information and education activities, such as the publication of the magazine “Prevenzione Sanitaria News”, which is distributed internally and externally.

Another health-related project launched in 2007 concerns the “Progetto OSAS - Come respiro quando dormo” (OSAS Project – How I breathe during sleep), which involves all employees at the Priolo industrial site in collaboration with the Palermo CNR (National Research Council) and the Syracuse Hospital. The purpose of the study is to identify those employees who suffer from apnea disorders that disturb sleep, a pathology that can also affect the quality of life in the workplace. There were 637 participants in the first screening activity and for 100 of these in-depth clinical examinations followed and are still underway.

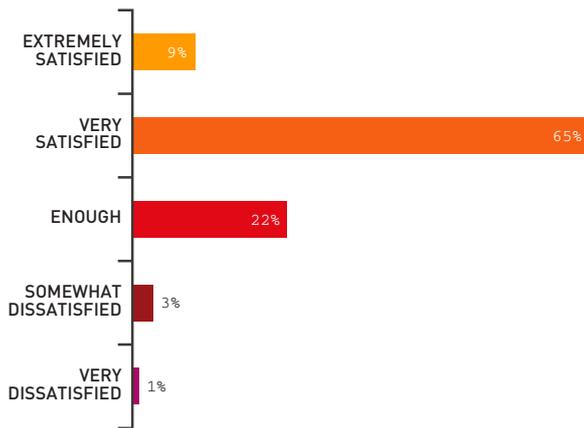
Development of human capital

ERG considers the development of human capital a fundamental leverage for ensuring long-term value creation and makes this an area of specific commitment.

To this effect, the development activities conducted during the course of 2007 featured a continuation of the Managerial Development plan. In particular, following definition of the new System of Business Competencies, training activities were initiated during the year with the precise intention of supporting and developing the managerial culture.

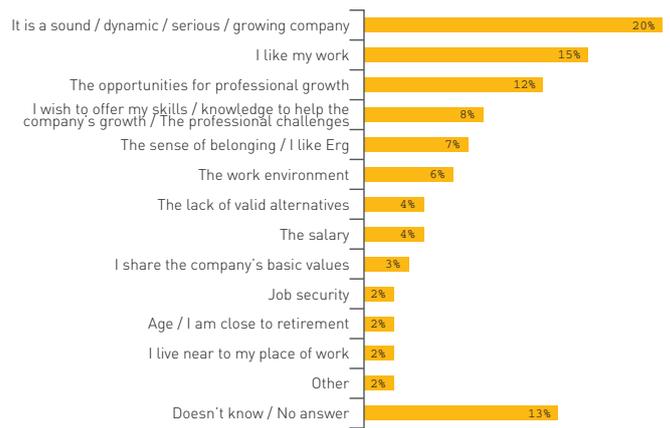
A survey was also conducted on the Managerial Development Model based on a representative sample of the company’s population, with the participation of 423

OVERALL, HOW SATISFIED WOULD YOU SAY YOU ARE TO WORK FOR THE ERG GROUP?

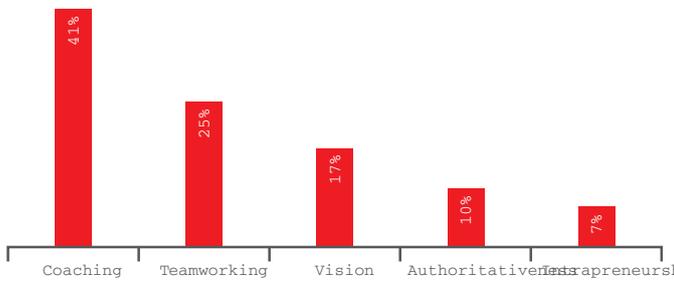


WHEN ALL IS SAID AND DONE, WHAT CAUSES YOU TO REMAIN IN ERG?

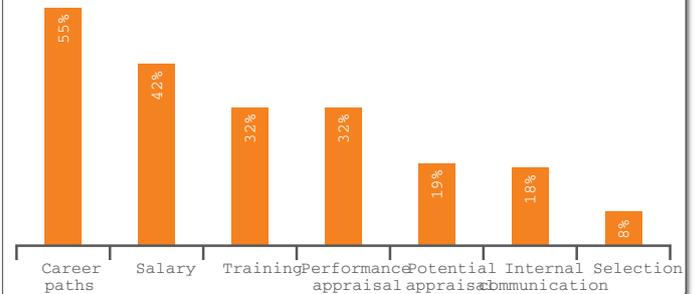
(Open answer)



IN YOUR OPINION, ON WHICH OF THESE COMPETENCIES SHOULD ERG FOCUS MOST URGENTLY? INDICATE ONE OF THEM.



IN YOUR OPINION, ON WHICH OF THESE TOOLS SHOULD ERG FOCUS MOST URGENTLY? INDICATE TWO OF THEM.



employees, including executives, managers and clerical staff distributed between the Genoa headquarters, the Rome offices and the plants in Priolo. The purpose of the survey was to gather the opinions and expectations of employees with regard to the internal climate and the overall project approach. Insofar as concerns the first point, 74% of the employees interviewed declared that they were “very satisfied” or “satisfied” to work for the ERG Group, providing various motivations to support their

intention to remain with the company in the medium to long-term.

The expectations expressed and the areas for improvement identified by employees were equally indicative and will help to improve the orientation of training and development programmes in order to aim at the objective of managerial excellence.

The Managerial Development Project is accompanied by an intense training activity which, in recent years, has gradually been rearranged according to organisational requirements. The training programmes are currently divided into four areas of value, which reflect the contribution expected with respect to the business objectives:

- institutional training, which starts from the time of joining the company and develops through periodic cycles on basic subjects associated with the company's business;
- individual training which is focused above all on the technical competencies associated with the corporate function where the employee works and the role covered;
- HSE training as regards the specific tech-

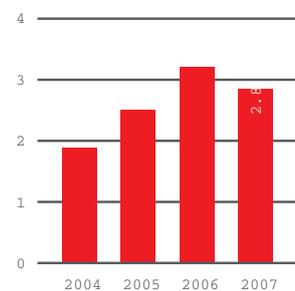
anical and management aspects of the reference subject-matter;

- managerial training in order to specifically develop the essential competencies for ERG.

THE SYSTEM OF BUSINESS COMPETENCIES

1. Teamworking: working together on shared objectives.
2. Authoritativeness: being recognised by others as leader.
3. Coaching: encouraging the people and the team to develop.
4. Intrapreneurship: guaranteeing results and taking advantage of opportunities.
5. Vision: seeing beyond and planning moves.

AVERAGE TRAINING INDEX
(Days per employee)

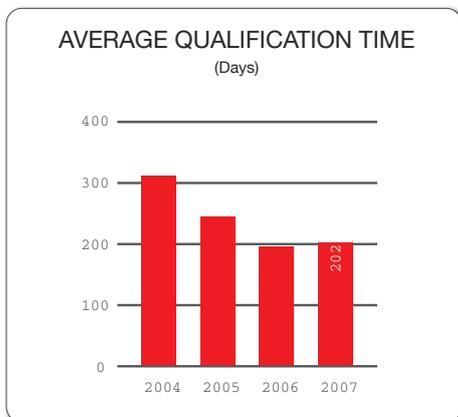


Management of suppliers

As an industrial organisation, ERG relies on a substantial number of persons outside the Group who work primarily on the plants performing maintenance activities and various services.

With regard to these “non-oil” suppliers, ERG carries out a policy which aims to rec-

oncile the company's economic interests with the implementation of ethical supply chain management processes, designed to create transparency and dynamicity in the reference markets.



The Group Purchasing function periodically reviews its "List of Suppliers" with a view to rationalising same and enhancing both the economicity and efficiency of supplies and the coherence and compliance of the supplier base with respect to the same principles and criteria of ethical-social and environmental responsibility which inspire its own business.

Qualification, effected on the basis of directions contained in the Group Guidelines, provides for tasks entrusted to the Corporate structure and a specialist support from the operating companies in the analysis and presentation of candidatures.

There is a single active list of qualified suppliers which must be adhered to by all Group companies and which is accessible to any potential supplier of goods and services in possession of the appropriate requisites.

ERG, together with other major Italian companies and at the initiative of the Procurement Executive Circle (PEC), in 2006 set up a strategic direction and study group which

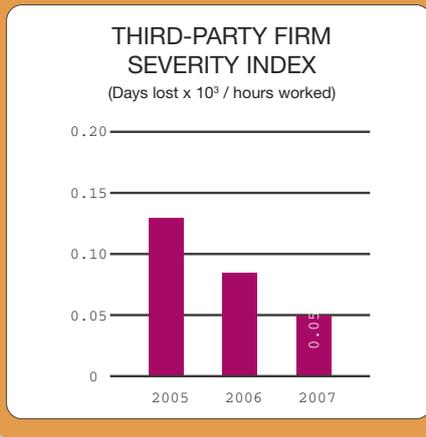
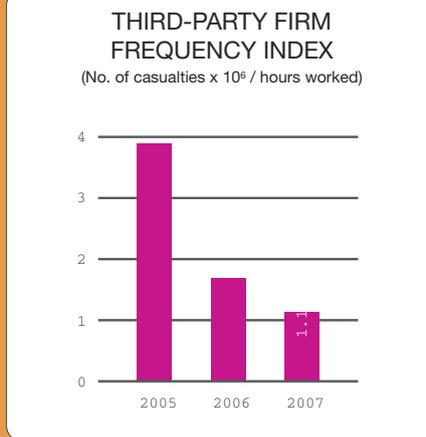
has led to the definition of Guidelines for Sustainability and Integrity in Relationships with Suppliers (Italian acronym SIRF), aligned with relevant best practices and international social responsibility criteria.

During the course of 2007 an evaluation was performed among the promoting companies as regards the level of application of the guidelines and their integration into company policies. The overall judgement of the survey, conducted by Avanzi SRI Research, placed the ERG Group among the companies most closely adhering to the SIRF.

SUPPLIERS' HSE PERFORMANCE

The qualification guidelines and the performance appraisals for "non-oil" suppliers pay special attention to HSE aspects. In particular, the performance system takes into account both the findings of field tests, based on a specific check list and carried out by operating personnel, and the casualty level of each firm operating at the ERG industrial sites.

During the past few years a general improvement has been noted in the HSE performance of contractors, above all as regards casualty indices. Approximately 75% of the firms assessed were assigned an overall rating of excellent or good.







4.2 ENVIRONMENT

HSE commitments, management and resources

The safeguarding of workers' health, risk prevention and environmental protection are commitments which have always been continuously pursued by ERG through adequate investment in terms of human and economic resources.

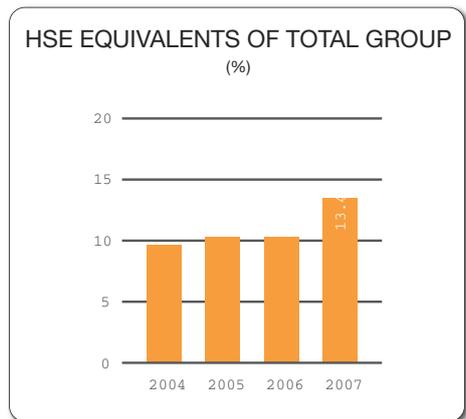
The management of HSE aspects is carried out via a structure, divided into Committees, designed to ensure the maximum involvement and the widest possible participation of all personnel.

The Sustainability Committee, which has replaced and extended the tasks of the previous HSE Committee, comprises ERG top management and represents the highest level of supervision also as regards these issues. The Sustainability Committee is responsible for defining the policies and strategies for the constant enhancement of performances in this area, for setting general and specific objectives and for evaluat-

ing the achievement of such objectives.

The Committee receives technical support from the Pi.G.A.S.S. (Pianificazione e Gestione Ambiente, Salute e Sicurezza) Committee, presided over by the Corporate HSEQ Sustainability and Governance Function, which carries out targeted assessments, surveys and studies regarding the various problems arising from HSE management at the industrial sites, thereby facilitating the liaison and cooperation between all the structures involved.

The operating companies, which have full management autonomy, have set up specific HSE Committees in order to ensure



the standardised and shared application of the Policies and Guidelines defined by the Parent Company.

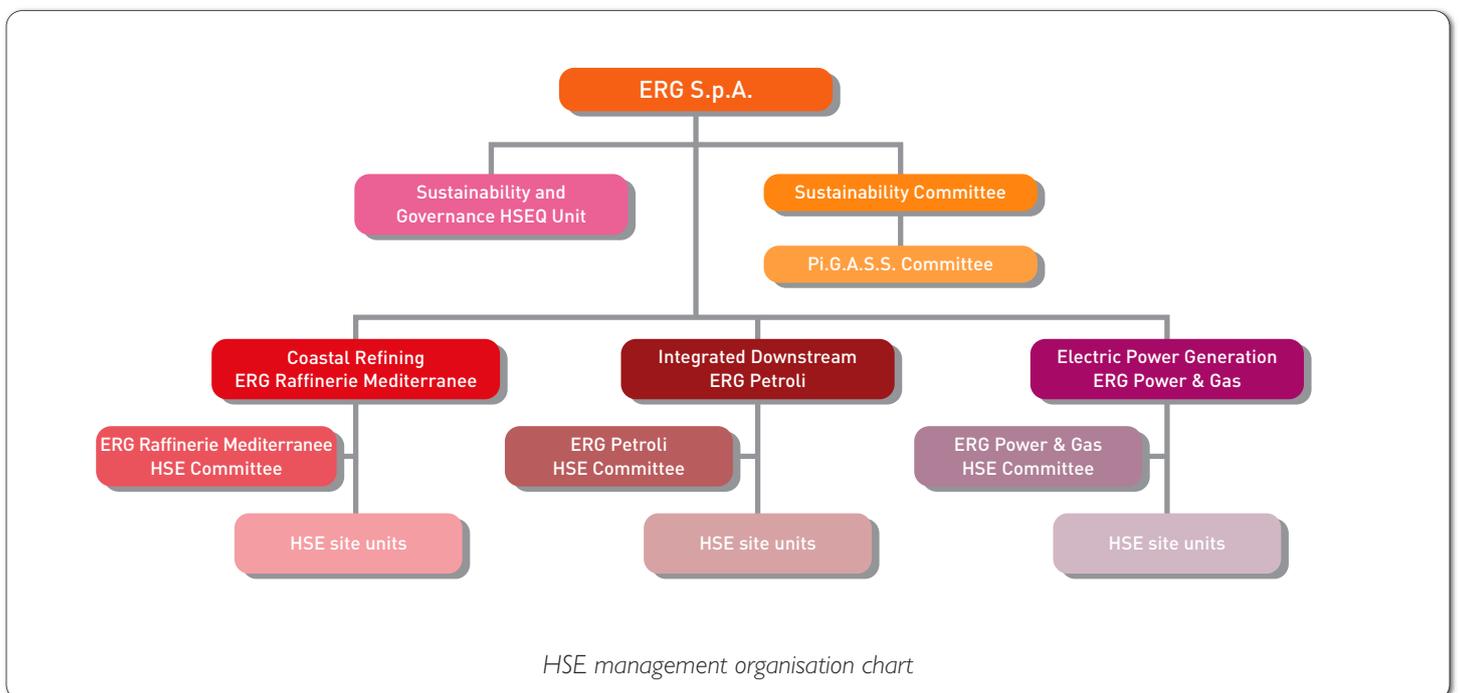
Each operating company then has specific Divisional Committees (second level) and Department Committees (third level).

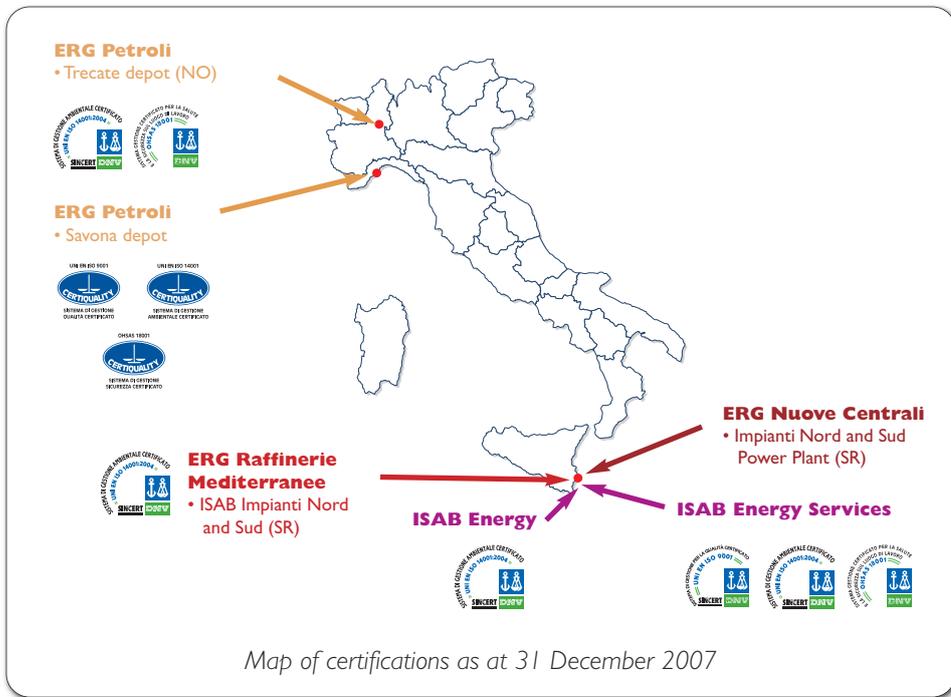
From an operational management standpoint, ERG has decided to widely adopt HSE management systems that are in keeping with internationally recognised standards.

Experience has in fact shown that issues relating to health protection, safety in the workplace and environmental protection can be dealt with in a much more effective manner if managed as an integrated system. The implementation programme as regards the specific management systems, launched in 2003, involved the participation of all the operating sites (refineries, power stations and depots), for both environmental and safety aspects. Many of the operational areas completed the certification process: the ERG Petroli Treocate and Savona depots and ISAB Energy Services, the company responsible for managing the electric power generation plants in Sicily.

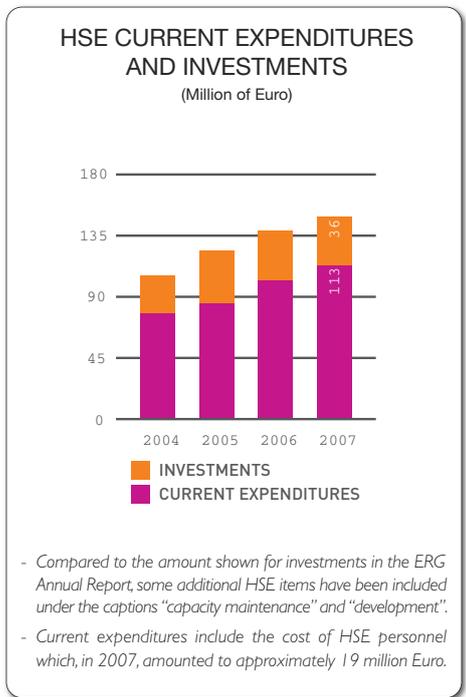
 ERG's goal is to have all the industrial sites certified, in accordance with the ISO 14001 standard for environmental management and the OHSAS 18001 standard for workers' health and safety management, by the year 2010.

In particular, the ISAB Refinery is expected





to achieve OHSAS 18001 certification, thereby completing integration with ISO 14001 certification. From the economic commitment perspective, during the past few years ERG has concentrated its investment of resources above all in the areas connected with the new environmental installations, in the construction and management of facilities for the characterisation and reclamation of industrial sites and in people's health and safety. Overall environmental expenditures in 2007 amounted to 83 million Euro. Investments in soil and groundwater protection structures and current expenditures for their management accounted for



over 16% of total HSE costs. Economic resources dedicated to operational safety and workers' health, which mostly concerned prevention structures, amounted to 41 million Euro, up by 22% over 2006.

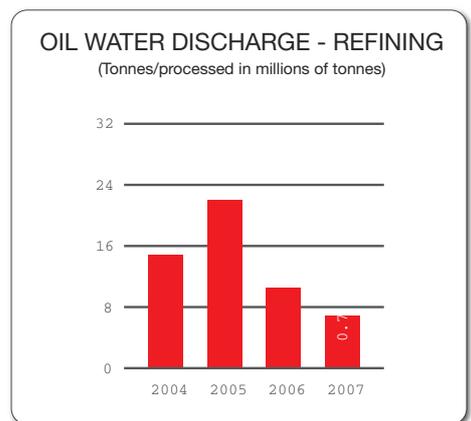
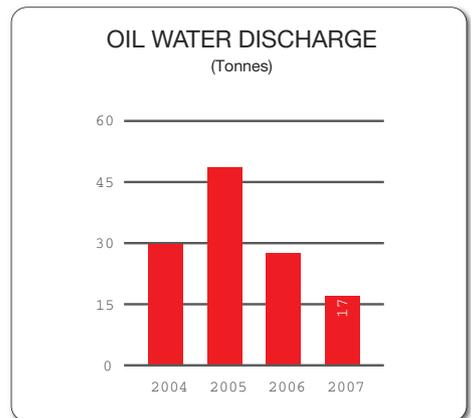
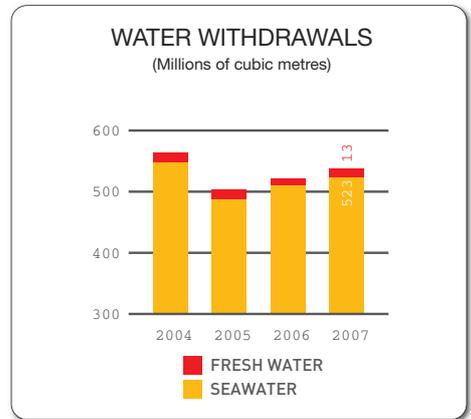
Water resources

ERG pays special attention to the use of water resources and endeavours to minimise withdrawals and maximise the re-utilisation of process water. The drinking water withdrawn from the wells is that required for non-industrial use only. Seawater, which represents 97% of total withdrawals, is largely used for cooling the plants and equipment before being returned to the receiving body, after adequately monitoring its quality.

In order to minimise the withdrawal of groundwater, ISAB Energy has two multiple-effect desalination plants, which guarantee part of the demineralised water requirement for the industrial site's thermoelectric power plants. Part of the water originating from the reclamation activities and safety measures is re-utilised within the Refinery plants. Furthermore, thanks to the presence of filterpresses or equipment for centrifuging the mud produced from cleaning the plant or decarbonating the water, it is possible to recover part of the industrial water which is re-utilised within the production processes.

At the Impianti Sud Refinery there is an internal unit dedicated to the physical, chemical and biological treatment of the discharge water to reduce its pollutant load prior to its release. During recent years a series of activities have been carried out to enhance the efficiency and effectiveness of the equipment. The concentration values of the direct discharge pollutants have remained well below the limits imposed by current legislation.

At the Impianti Nord, the oily process water is channelled, via a dedicated sewerage network, into tanks/sections of the special treatment plant for oil removal and/or elimination of the suspended granules. This water is subsequently sent to the external consortium plant for final purification.



Atmospheric emissions

The objective to improve atmospheric emissions is pursued as an integrated part of the Group's industrial development plans.

The actions put forward concern:

- increasing energy efficiency during the process phases, as regards both the contribution associated with the type of fuel used and the production techniques, in keeping with the Best Available Techniques;
- a greater use of fuels with lower carbon intensity and sulphur content;
- the adoption of plant engineering techniques with reduced NO_x generation

(for example Low NO_x burners and selective catalytic reduction systems);

- the adoption of systems for reducing Particulate emissions (for example electro-filter systems);
- the tightening of sulphur recovery and production processes;
- improvement of monitoring and control techniques for minimising losses, especially of Volatile Organic Compounds;
- optimisation of the recovery and monitoring of torch gaseous effluents.

In 2007 there was a general improvement in atmospheric emissions, above all as regards SO₂ and Particulate, two important

factors that determine the status of air quality.

SO₂ EMISSIONS
(Tonnes)



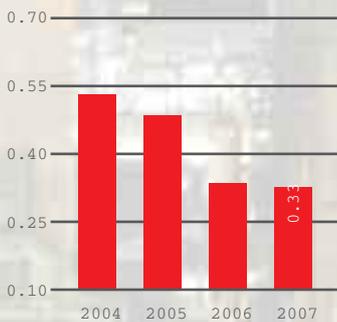
NO_x EMISSIONS
(Tonnes)



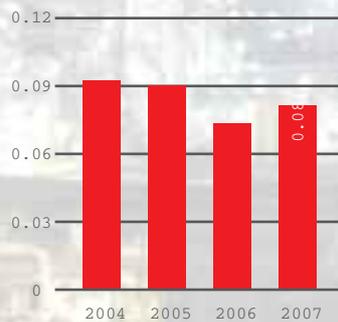
PARTICULATE EMISSIONS
(Tonnes)



SO₂ INDEX - REFINING
(Tonnes/processed in thousands of tonnes)



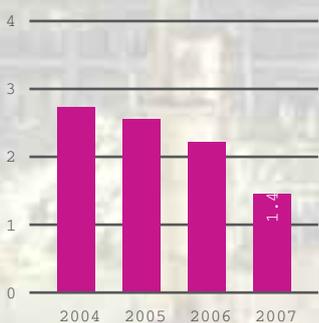
NO_x - INDEX - REFINING
(Tonnes/processed in thousands of tonnes)



PARTICULATE INDEX - REFINING
(Tonnes/processed in thousands of tonnes)



SO₂ INDEX - THERMOELECTRIC
(Tonnes/GWh_{eq})



NO_x INDEX - THERMOELECTRIC
(Tonnes/GWh_{eq})



PARTICULATE INDEX THERMOELECTRIC
(Tonnes/GWh_{eq})



Pollution prevention and reclamation activities

The year 2007 saw an intensification of activities for the environmental characterisation, safety enhancement and reclamation of surface soil and subsoil launched in previous years at all the Group's industrial sites.

The current expenditures for 2007 relating to the management of reclamation equipment and structures, amounting to almost 8 million Euro, were up by 7% over the previous year. The waste transportation and disposal costs, mainly deriving from the said reclamation activities, rose from 17 million to almost 30 million Euro.

The increase in activities particularly concerned the Priolo site, which is included on the list of "National interest sites", in view of the area's heavy industrialisation. This requires all the environmental programmes and interventions associated with it to be evaluated and approved by the Ministry for the Environment and Territorial and Marine Protection with the support of the Local Authorities (Province, Municipalities and the Regional Environmental Protection Agency (ARPA) Department for the Province of Syracuse, within the ambit of the Conference of Services).

At the ISAB Energy plant the characterisation activities for the environmental status analysis of the soil and subsoil, in both the industrialised and non-industrialised areas, were completed. The site consequently submitted an operational safety enhancement project using a risk-based approach, namely a "site-specific risk analysis", drawn up in accordance with reference domestic and international standards.

Pilot tests were carried out for the dimensioning of the system for draining off the groundwater and preparatory to the start-up and upgrade of the relevant emergency safety enhancement system ("hydraulic barrier").

As regards the soil, no interventions were necessary since the concentrations observed for the reference parameters were below the site-specific risk threshold concentrations.

Insofar as concerns the Refinery, the safety enhancement activities for reclamation of the groundwater continued and were expanded.

These interventions consist of:

- withdrawal and treatment of the contaminated groundwater, at facilities inside the plants;
- recovery of the surnatant;
- decontamination interventions, such as air sparging and soil vapour extraction (among the most effective techniques for environmental recovery of the subsoil);
- the development of activities (using a draining-off barrier) to recover the groundwater and the surnatant in the areas of the connecting pipeline between the Wharf and the Impianti Sud plants;
- the completion of interventions envisaged in the Impianti Nord reclamation project (approved by the Competent Authorities) at the various areas of the site particularly including the damming of the sea front (intake barrier combined with pumping system).

By setting up these actions on an ongoing basis and constantly optimising same, it was possible to achieve notable reductions in subsoil pollution and progressive adjustment to the limits set forth by current relevant legislation. The effectiveness of these interventions is periodically monitored in the course of sampling and analysis campaigns relating to the environmental status of the subsoil.

As regards the considerable investments underway, great commitment has been directed towards the characterisation activities concerning the areas destined for new installations. Surveys are carried out in order to assess, in the presence of the Authorities and by way of "in situ" sampling of

land and groundwater, the absence of pollution.

As far as concerns the roadside service stations, 2007 saw the continuation of initiatives designed to effectively prevent soil pollution, including through structural interventions such as:

- the installation of double-walled tanks with continuous monitoring for possible leaks;
- the upgrade of devices for the prevention of accidental product leakages during unloading operations;
- the utilisation of materials capable of protecting underground equipment from corrosion phenomena.

PETROLEUM PRODUCT LEAKS

Each ERG industrial site has a system for evaluating and managing environmental risks, above all those relating to the leakage of hazardous substances, and particularly hydrocarbon leakages (for example, oil spills). The emergency plan takes into account various accidental scenarios also related to the type of substance treated. Generally speaking, the main causes of leakage are ascribable to operational problems and corrosion phenomena and/or burst pipes.

In 2007 there were 11 events involving hydrocarbon leaks (16 in 2006), for a total volume of around 150 cubic metres.

ENVIRONMENTAL RESTORATION PROJECTS

Within the Syracuse industrial complex, ERG has launched a long-term programme of activities, aimed at the recovery and protection of air quality, the minimisation of industrial risks, the protection of soil quality and the marine coastal environment.

Set out below are the main projects and their scheduled completion dates.

- 2009 - New utilisation of the treatment facility at the Impianti Nord Refinery for the recovery of oil from rainwater, seepage and drain maintenance. Moreover, in order to minimise the emissions given off, interventions are envisaged to cover the API tanks.
- 2009 - Installation at the ERG Nuove Centrali North Power Plant of Low NOx burners and an electrostatic precipitator for reducing the Particulate emissions.
- 2010 - Restoration of some reservoirs and pipelines using special technologies to recover the iron.
- 2010 - Increase in the number of double seal reservoirs to minimise the emissions given off.

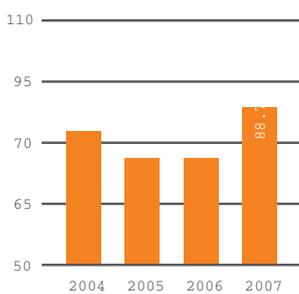
Waste

ERG has set up an internal system that covers all phases of the waste management cycle. Specific procedures exist defining the rules and behaviours to be applied, starting from the qualification of transportation and disposal service providers up to the performance of prevention and control assessments on the final disposal and/or treatment plants. The objective is total compliance with legislation and the maximisation of waste quotas destined for recovery activities.

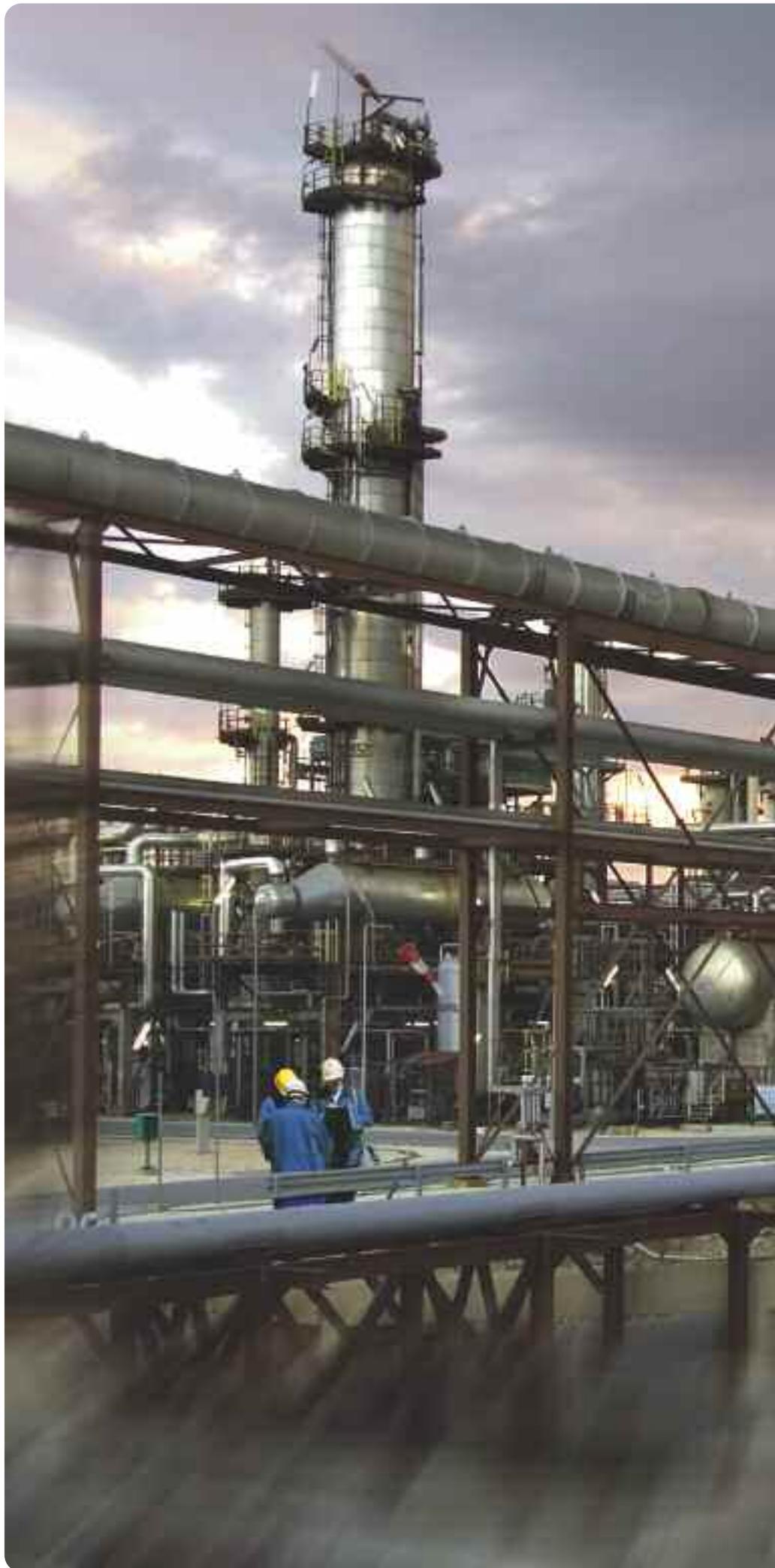
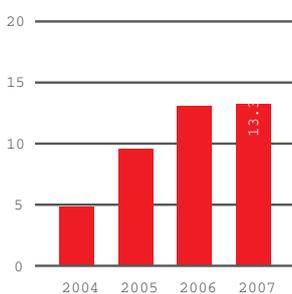
Most of the waste produced (in 2007 almost 90% of the total) originates from the soil and groundwater safety enhancement and reclamation activities and from the new constructions in connection with the development of ERG's industrial plan. In 2007, total waste amounted to 590 thousand tonnes, 18% of which was classified as non-hazardous.

Among the waste reduction activities, it is worth mentioning the centrifuging and volume reduction (filterpress) activities as regards the mud produced from equipment maintenance or decarbonation of the water.

WASTE FROM RECLAMATION AND NEW CONSTRUCTIONS (%)



WASTE DESTINED FOR RECOVERY (%)



REACH REGULATION

As from June 2007 the European Regulation REACH (Registration, Evaluation and Authorisation of Chemicals; Rule 1907/06) came into force, providing for the registration, evaluation and subsequent authorisation, on the part of the competent Authority in charge (the European Chemicals Agency, ECHA), of chemical substances produced or imported from non-EU countries, whether hazardous or non-hazardous.

The Regulation will be applied in successive steps and the requirements envisaged will represent, for the industrial sectors

involved, an actual "licence to operate". ERG has commenced integrating the Regulation into its HSE management systems at industrial site level. Three task forces have been set up, one for each business area, to carry out implementation of the Regulation for all the substances identified. To this effect, a specific database has been created, containing the accurate registration of all the substances and intermediates produced and/or imported. The Corporate Sustainability Function directs, coordinates and supports the work of the task forces.

ERG is also actively collaborating with

CONCAWE for the performance of risk assessments relating to the oil substances which will comprise the fundamental part of the registration dossier to be sent to ECHA.

By 1 December 2008, the Group companies will send all information required for pre-registration of the substances and intermediates produced and/or imported. By 1 December 2010, they will register the substances and intermediates produced and/or imported in quantities of at least 1,000 tonnes per year, in accordance with the procedures set out in the said Regulation.

PREVENTION IN SEA TRANSPORT

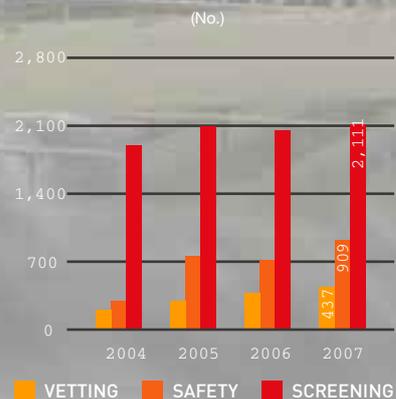
In order to implement the principles of prevention also with regard to sea transport, ERG has further encouraged renewal of the fleets operating at its terminals.

In particular, of the ships used 72% were less than 10 years old (99% less than 20 years). The introduction of stricter parameters as regards hull integrity implied a notable increase in the number of

ships rejected already during the Screening phase, showing a preference more and more oriented towards recently constructed vessels

Prevention activities also concern the structural checks carried out prior to acceptance (Vetting) and the on-site inspections during operations at the terminals (Safety), conducted by outside personnel qualified at international level.

CONTROLS IN SEA TRANSPORT



4.3 THE TERRITORY OF SICILY

If Liguria historically represented ERG's reference geographical area from its foundation up until the 1970's, with the start-up of the ISAB Refinery the company began to move its attention towards the Syracuse industrial complex, where it subsequently concentrated most of its industrial investments.

The Group has therefore grown in parallel to the aspirations and expectations of the province of Syracuse, one of the so-called "complex territories", in other words holding a contradictory mix of expressed potential, unexpressed potential, explicit and hidden criticalities. This land still accommodates large industrial installations which, whilst they no longer carry the employment weight they once had, nevertheless represent a sizeable economic wealth. Moreover, its tourist vocation is increasing, sustained by a considerable artistic and cultural patrimony: Unesco has in fact added the area of Syracuse to its "World Heritage List".

One of the social responsibility commitments undertaken by ERG is to contribute towards the sustainable development of this territory. This commitment is realised first and foremost via the transparent management of local operations and the development of management practices that are increasingly effective for the control of direct impacts.

ERG's industrial presence and economic repercussions

In operation today in the municipalities of Priolo Gargallo and Melilli are ERG Raffinerie Mediterranee's two integrated refineries, the ERG Nuove Centrali thermoelectric power plants and ISAB Energy's combined cycle power plant.

Sicilian Coastal Refining presently accounts for 16% of the national processing capacity. Furthermore, a large proportion of ERG Petroli's network of service stations is located in Sicily. More specifically, its market share in the area is almost 13%, compared to the national market share of approximately 7%.

As regards power generation from renewable sources, ERG has started construction of a wind farm in Vicari, near Palermo, with a capacity of 37.5 MW.

Of the electricity produced by the power plants, around 20% is sold in Sicily. In addition to meeting the needs of ERG's plants, the power generated helps to cover the requirement of the other industrial structures in the Syracuse area.

In 2007 ERG operations employed on average 1,578 people (56% of total employees), 90% of which on a permanent basis. About 1,900 workers belonging to outside firms based in the area are employed at the plants on a daily basis to perform ongoing activities connected with maintenance and the construction of new processing units. Overall the work force employed accounts for over 5% of the Syracuse Labour System (see ISTAT Report on Local Labour Systems - www.istat.it).

In 2007, Euro 295 million were spent on products and services purchased from Sicilian companies, while Euro 26 million were spent on local taxes (IRAP, ICI, TARSU, harbour dues and loading taxes).

ERG's strategic plan for the four years 2008-2011 provides for investments in Sicily amounting 900 million Euro, corresponding to approximately 50% of the total investments planned by the Group.

Involvement of the local communities

ERG has initiated and concluded during the course of the last two years major involvement initiatives in order to bring into focus and enhance its understanding of the sensitivity of local players and institutions with regard to many issues of local interest. A series of specialised outside companies (ISPO, COESIS and URS Italy) conducted local opinion surveys on representative samples of the population and direct interviews with qualified groups of opinion leaders. The surveys were designed both to identify a scale of priorities of expectations in general and as regards ERG's positioning with respect to same, and to evaluate the perceived value of the social responsibility projects carried out.

Overall 45% of the population considered the ERG Group's presence in the town and province of Syracuse "very positively" or "quite positively", 39% took a neutral stance,



only 16% expressed a negative opinion. The ERG Group is acknowledged by most of the interviewees to be a leader in its sector (sum of "very" and "quite in agreement" amounting to 83%), while 73% of those responding considered the initiatives promoted by ERG interesting and 56% said that "ERG is a company which inspires confidence and security".

Thanks to the interviews with the opinion leaders, on the other hand, it was possible to highlight the issues of most interest. Expectations continue to be centred round the question of employment and economic development, but emerging immediately after that is the strong request for a more in-depth knowledge of the local area and for greater transparency and consistency in the relationship with the community and the other local stakeholders, also with a view to promoting more and more effective socio-environmental initiatives.

Precisely in response to this last request, the Group initiated a more organic and structured management of the procedure for local stakeholder dialogue and consulta-



WORK FORCE EMPLOYED "SYRACUSE LABOUR SYSTEM"
5%
(beyond 3,000 people)

PRODUCTS AND SERVICES PURCHASED FROM SICILIAN COMPANIES
295
Million Euro

LOCAL TAXES
26
Million Euro

NATIONAL REFINING CAPACITY
16%

RETAIL MARKET SHARE
13%

THE LNG REGASIFIER

The Liquefied Natural Gas (LNG) regasification terminal is the strategic industrial project that ERG plans to carry out in the Impianti Nord area of the Refinery, within the Municipality of Melilli. Participating in this initiative together with ERG is Shell, one of the world's greatest experts in the sector of LNG handling and distribution. LNG is methane gas in liquid state, commonly used for heating, for domestic use, to generate power with low environmental impact and in the chemical industry. It is a non-toxic, non-harmful, non-irritating, non-cancerous substance.

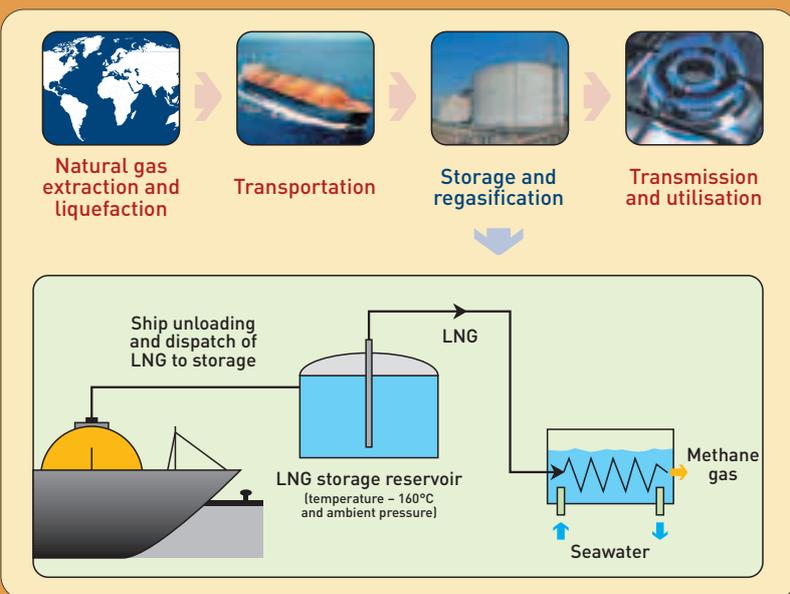
It is safe in the open air and does not represent a risk for the population, for the workers or for the environment: during the past 30 years, in fact, no incidents have occurred at any of the 54 terminals

in operation throughout the world. The technical and safety conditions of the Syracuse complex are ideal for constructing this type of plant. In fact, already

Priolo's entire economic, industrial and social context. The gas will in fact be made available locally for non-industrial and industrial use and for the site's thermoelectric production; whereas the cold generated during the vaporisation of the gas can be used in new industrial activities, in chemistry and in the agro-industrial sector.

For the construction phase 1,500 workers are expected to be employed over three years with the involvement of local businesses for carrying out the works at sea and on land. On the other hand, during the operational phase a total

150 direct and indirect workers will be employed. Recently the Ministerial Commission for the Environmental Impact Assessment has given the acceptance to the project.



at the site there is a port, protected from the wind and the tides, and important infrastructures suitable for developing and operating the terminal (wharf, seawater system, utilities and other accessory ser-



tion. In this connection, an important step concerned the new dedicated organisational Division set up at the beginning of 2007: "Institutional relations, Communication, Environment, Health and Safety Sicily". During its first year the new structure promoted and managed over 40 individual meetings with the regional and local press and another 200 with representatives from various associations. It also carried out specialist workshops on the industrial projects being developed. In particular, as regards the regasifier construction project, ERG intends to hold open and transparent discussions also with the section of the community that does not support the initiative. The communication activities are not just directed outside the company but also include enhancing the awareness of internal staff on ERG's social commitment guidelines regarding the area and in particular on the new rules and procedures for handling solidarity-inspired interventions.

Social development of the area

Based on the trends that emerged from the involvement activities, ERG reorganised its contribution in support of local growth from a social perspective into four main areas of intervention:

- protection and safeguarding of the environment and health;
- young people and sport;
- culture and knowledge;
- improvement of the quality of urban life.

All interventions are approved by a specific internal Committee, which meets on a monthly basis and evaluates the conformity of projects with the intervention guidelines, defining the resources to be invested. During 2007, 110 projects were either backed or carried out directly (of 248 submitted) for a total amount of Euro 700 thousand, divided between grants and expenses for the realisation of urban requalification works and for support given to the cultural, sports and charity initiatives of entities and associations. Added to these are the approximately Euro 400 thousand in expenses for sponsorships in favour of various local sports teams.

Among the most significant social projects, it is worth mentioning the launch in April 2007 of a protocol signed with the Megara Ibleo University Association in Priolo (CUMI), for the development of three re-

search projects, primarily concerned with environmental recovery, in connection with the degree course in Industrial Chemistry and Technology.

RESEARCH PROJECTS

- Atmospheric pollution from thin dust, to ascertain the extent to which industrial activities affect the problem also in view of the new more stringent laws on environmental protection.
- Study into innovative technologies, with low environmental impact, for the reclamation of Augusta Harbour.
- Innovative catalytic processes for the utilisation of CO₂ in industrial activities.

The projects were launched, through the Department of Chemistry at the University of Messina, in collaboration with the Environment Ministry, the CNR (National Research Council) and the Region of Sicily Councillor's Office of Territory and Environment (Assessorato al Territorio e Ambiente della Regione Sicilia), to promote the training of new professional figures capable of meeting the innovation and environmental sustainability requirements of the industrial activities carried out locally. The project involves the direct intervention of the Group's technical experts in research and teaching activities.

In order to spread an ever-greater civic awareness of the principles and criteria of social and environmental responsibility above all to young people, several educational initiatives have been set up for the local schools, including:

- the "La Strada siamo noi" project on road safety;



- the educational project on ecosustainability involving schools in the Municipality of Melilli;
- the "Il Capitale invisibile" project for the scholastic orientation of young people on leaving secondary school.

As part of the "National Electricity Day", organised by the Italian association of electricity enterprises (Assoelettrica), over 1,000 primary and secondary school pupils visited the ISAB Energy plants in Priolo.

ERG has contributed towards supporting the public health department through initiatives aimed at improving the service and developing a state-of-the-art model for the prevention and cure of oncological diseases. An agreement has been signed with ASL 8 (the local public health unit) in Syracuse to set up a network of oncology clinics in the province, particularly supporting the recruitment of additional medical and paramedic personnel to be employed at three local hospitals (Augusta, Lentini and Avola). The service will commence from the first half of 2008. As regards the protection of the ecosystem, ERG has continued to cooperate with the Plemmirio Consortium, the organisation responsible for managing the Syracuse marine protected area, within the ambit of a specific memorandum of understanding for the construction of a “tactile aquarium” for the blind.



ERG AND JUNIOR ACHIEVEMENT ITALIA

Junior Achievement Italia is the first nonprofit association operating in Italy to support the professional and personal future of young students, by promoting economic and entrepreneurial education in schools.

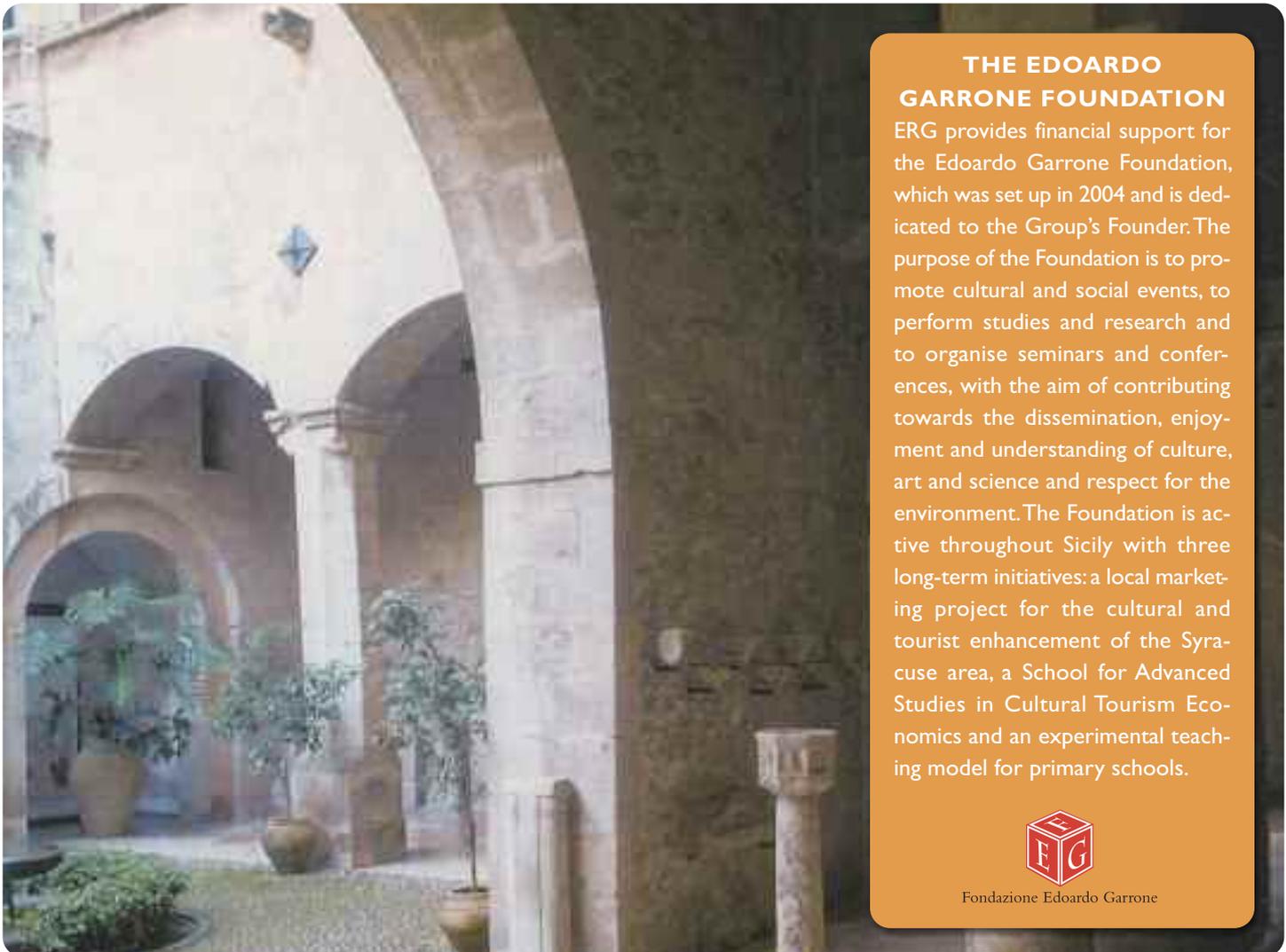


The Association is backed by a group of leader companies, sensitive to the issue of training for young generations and convinced that to invest in the local community – with the participation of its own people – has a high social impact value. It has been operating for over 6 years throughout Italy and, with its 5 Junior Achievement teaching programmes, has involved more than 52 thousand students between the ages of 8 and 19.



Starting with the 2007/2008 school year, ERG has begun taking part in the projects set up by the Association. In this connection, a new training activity has been developed for first-grade secondary school students in the Syracuse area.

The “Io e l'economia. Comunità e ambiente” programme, via an active and tangible teaching methodology and the presence in the classroom of ERG personnel, is designed to stimulate awareness of the connection between economy and local community. The students discover that the organisational world is a structured system of relationships where to analyse the values, interests and expectations at stake allows decisions to be taken whilst respecting all the parties involved.



THE EDOARDO GARRONE FOUNDATION

ERG provides financial support for the Edoardo Garrone Foundation, which was set up in 2004 and is dedicated to the Group's Founder. The purpose of the Foundation is to promote cultural and social events, to perform studies and research and to organise seminars and conferences, with the aim of contributing towards the dissemination, enjoyment and understanding of culture, art and science and respect for the environment. The Foundation is active throughout Sicily with three long-term initiatives: a local marketing project for the cultural and tourist enhancement of the Syracuse area, a School for Advanced Studies in Cultural Tourism Economics and an experimental teaching model for primary schools.



Fondazione Edoardo Garrone

4.4 CUSTOMERS

Principles of correctness, transparency and value enhancement are the cornerstone for the Group's commitment in managing relationships with its Customers.

ERG's commitment is realised by adopting a commercial policy oriented towards "customer-consumer focus" and a communication strategy firmly based on information and consultation.

Customer value proposition

The marketing strategy is centred round the consumer: to study his characteristics, needs and emotions, and to offer him whatever he needs, becomes a way of standing out in a market increasingly characterised by offer range standardisation and generalised mistrust towards the seriousness of operators and oil companies.

This is the main theme of the "Customer Focus" project, launched in July 2006, whereby ERG decided to leave aside the traditional promotion mechanics at national level and develop initiatives that take account of the particular features of customers in each market area. The path hitherto followed, which has involved the company's management, the operators and the area sales co-

ordinators and, of course, the customers, has led to the definition of a "Value Proposition" for which ERG would like to be known on the market. The promise of value, whose fundamental message is transparency and confidence in its relationship with the various players in the purchase process (operators and end consumers), reflects the conscious and responsible commitment undertaken by the Group.

The "Customer Focus" project's most evident activity is the total refurbishment of the service stations, launched in close collaboration with the operators and developed throughout the country with the contribution of 47 local companies.

The specific objective of the project is to achieve "new" strongly eye-catching and distinctive sales outlets with a high technological profile, a clear message with regard to the product and services offered and the introduction of efficient management practices such as, for example, the checking of nozzles with greater frequency than is required by relevant regulations.

normative in materia.

Consumer dialogue

The communication developed transversely by the Group, in order to promote an effi-

cient and complete exchange of information between parties outside and inside the company, is supported by specific initiatives designed to enhance the dialogue with consumers and facilitate the comparison between the service received, the service offered and the company's plans.

Since the outset of the restyling project, ERG has carried out "Customer Satisfaction" surveys with a view to monitoring the project's impact in terms of satisfaction, visibility and effectiveness, and so as to implement corrective actions again based on consumers' expectations.

Through the surveys, conducted on a representative sample in the four Italian regions where the restyling was first launched (Lombardy, Liguria, Lazio and Puglia) it emerged that sales outlet visibility has increased to the point of making the Retail network seem larger. The satisfaction analysis found that 89% of the sample interviewed declared that they were "very satisfied" with the services offered, 10% were "quite satisfied", and only 1% were "not very satisfied".

The most important aspects in the opinion of consumers were the cleanliness of the service stations, their territorial distribution



in terms of convenience/proximity and the price of fuel displayed at the sales outlet. To coincide with the launch of the “Customer Focus” project, ERG implemented its Customer Service extending the hours (8 a.m. to 9 p.m.), also including holidays, and increasing the services offered in order to enhance its relationship with the customer. The toll-free number provides information on ERG’s promotions, on fuel cards, on petrol coupons and on the services offered by ERG Petroli, in addition to serving as a general information channel, useful for updates on traffic, transport, events and for enquiries concerning public and private addresses.

The toll-free number is in addition to the website www.myerg.it, set up for the purpose of managing the relationship with customers and operators.

Relationship with operators

The Customer Focus project has increased the awareness of the importance and the role of operators within the Group’s strategies, leading the company to define an innovative agreement with the Industry Associations, based on close collaboration and consultation.

This agreement also provides for:

- the introduction of a commercial incentive that is much more structured, based on both quantitative and qualitative objectives (e.g. the service to the consumer);
- the introduction of telematic and computer tools (operator’s portal) at every sales outlet in order to manage the company-operator information flow more quickly and efficiently and to offer services to customers such as the payment of fines and bills, and recharging of mobile telephones and digital TV subscriptions.

In order to make the operator, who represents the first interface vis-à-vis the consumers, even more responsible, it was decided to assign him the sales outlet’s leading role by way of an innovative advertising campaign featuring him as the main spokesman for ERG’s value proposition. The change process as regards the role of operator is accompanied by specific training in addition to the traditional training provided at the start of his profession. The training activity is conceived in an original and innovative manner with a specific



travelling project aimed above all at involving participants emotionally. The training will be provided with the use of specially created teaching aids and will be conducted by specialised trainers with the collaboration of the sales force.

In order to ascertain the application and the qualitative progresses achieved by each op-

erator, an “Appraisal Card” has been prepared to be completed by the operator on a monthly basis and periodically validated by the Assistente di Rete (Retail Network Assistant). The appraisal will then be completed by an outside observer who will approve the facility according to Mysterious Client procedures.

PRICE TRANSPARENCY

At the beginning of 2007 the Antitrust Authority announced the launch of an enquiry to establish whether or not a potential agreement existed between the oil companies to jointly fix fuel prices.

ERG stated that it was willing to provide all data, information and evaluation elements in order to clarify its position and total lack of involvement with the aforesaid charges. The oil companies concerned submitted a document setting out their commitments and these were accepted by the Antitrust Authority, which concluded its investigation on 20 December 2007.

Social marketing

No alcohol

From June to July 2007, 120 sales outlets in Lazio were involved in a road safety awareness campaign. The operators were given two days of training on the contents of the campaign, which involved the distribution to ERG customers of 60 thousand kits complete with SOFFIA&SAI informative booklet and single use breathalyzers. Furthermore, in April, at the request of the Lazio Region, another 10 thousand breathalyzers were sent to 46 municipalities.



101... computers

The year 2007 saw the conclusion of the project "La Carica dei 101" (101... Com-

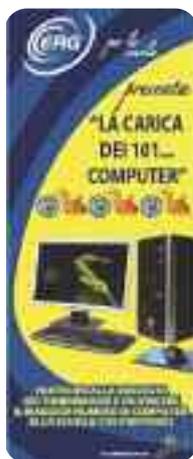
puters), during the course of which 21 sales outlets in the Emilia Romagna Region promoted the donation of Personal Computers to 16 schools in the area, selected via a special loyalty programme. In fact ERG customers, after refuelling 20 times for a value of 10 € each time, were able to choose the school where they wished to assign the funds they had raised.

Based on the final rankings, at the end of the competition, the schools received a number of PCs in proportion to the preferences expressed by customers.

Misericordia association

Forty-one sales outlets in the Province of Trapani organised a fund-raising campaign to donate a mobile intensive care unit to the "Misericordia" National Volunteers Association.

Over a period of 14 months (from April



2006 to May 2007) the participating operators undertook to pay ERG, every 3 months, by crediting a current account specifically opened in the name of the company supplying the unit (ALEA S.a.s.), 2 thousandths of one Euro + VAT for each litre purchased during the reference quarter.

The operators covered 40% of the cost of the unit, while the remainder was borne by ERG.

118

Twenty-one sales outlets in the Province of Reggio Emilia organised a fund-raising campaign to donate an Equipped Vehicle for maxi-emergencies to the local 118 service.

At the end of every quarter, each operator made a bank transfer to the special current account opened by ARICAR, the company appointed to supply the vehicle.

The cost of the vehicle was 40% covered by operators, the remaining 60%, plus the cost of advertising material, being borne by ERG.



Savemorethanfuel

ERG is taking part in a project, promoted by the European Commission and by EUROPIA, the European Oil Industry Association, aimed at enhancing consumer awareness on a more eco-compatible behaviour and in particular on a more efficient use of fuel. At all ERG service stations information folders will be distributed explaining how to drive in a more sustainable manner.

1. Keep your car well serviced and check the oil level regularly

Correctly maintained cars can operate more efficiently and help reduce CO₂ emissions.

2. Check your tyre pressure every month.

Under-inflated tyres can increase fuel consumption by up to 4%*.

3. Remove unnecessary weight from your boot or back seats.

The heavier the car, the harder the engine has to work and the more fuel it consumes.

4. Close your windows, especially at higher speeds, and remove empty roof racks.

This will reduce wind resistance and can lower your fuel consumption and CO₂ emissions by up to 10%**.

5. Use air conditioning only when necessary.

Unnecessary use increases fuel consumption and CO₂ emissions by up to 5%**.

6. Start driving soon after starting the engine and turn off the engine when stationary for more than one minute

Every time you accelerate or brake suddenly, your engine uses more fuel and produces more CO₂.

8. When accelerating, change up gears as early as possible.

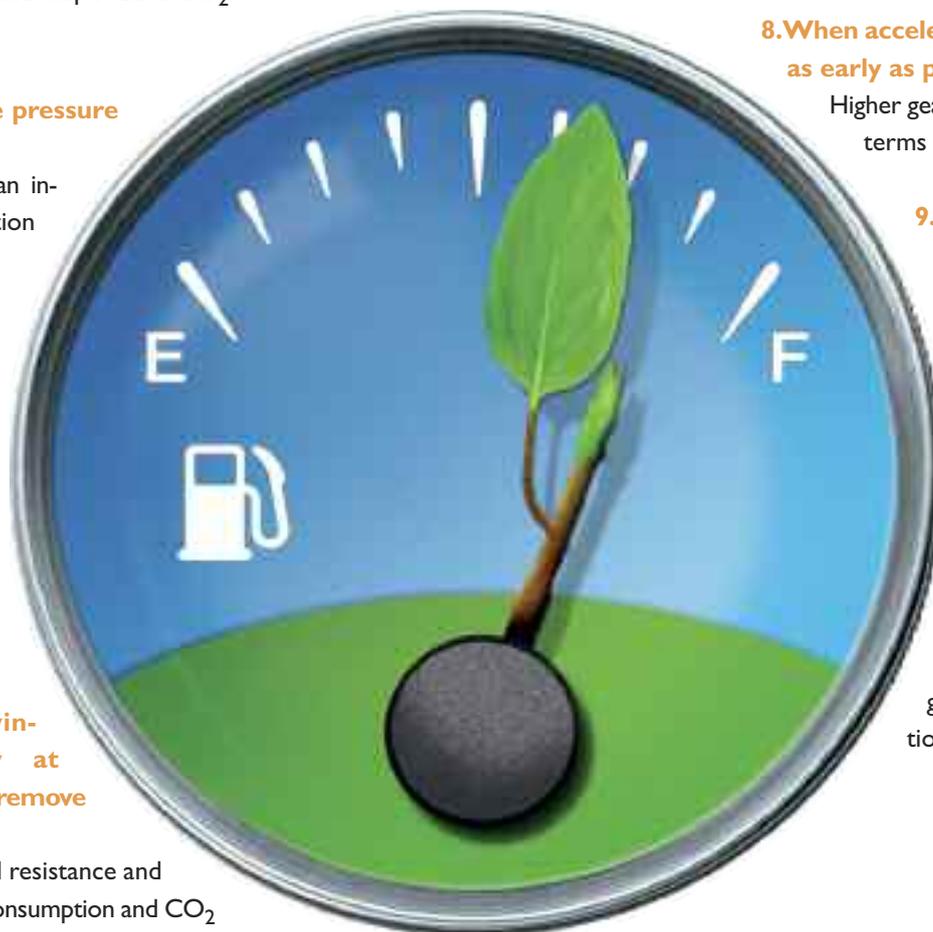
Higher gears are more economical in terms of fuel consumption**.

9. Try to anticipate traffic flow.

Look at the traffic as far ahead as possible in order to avoid unnecessary stopping and starting within the flow of traffic.

10. Consider car sharing for work or leisure.

You will help reduce congestion and fuel consumption.



Modern engines enable you to just get in and go, thus reducing fuel consumption.

* International Energy Agency

** European Commission

7. Drive at reasonable speeds and above all, drive smoothly.

For further information visit the website www.savemorethanfuel.eu

PERFORMANCE DATA AND INDICATORS

ECONOMY AND FINANCE

GROUP ECONOMIC-FINANCIAL RESULTS

		2007	2006	2005
Revenues from ordinary operations	<i>Million Euro</i>	10,166	9,128	8,958
EBITDA	<i>Million Euro</i>	552	442	869
EBITDA at replacement cost	<i>Million Euro</i>	361	463	633
EBIT	<i>Million Euro</i>	366	285	712
EBIT at replacement cost	<i>Million Euro</i>	176	305	477
Net income	<i>Million Euro</i>	192	194	421
of which Net Group Income	<i>Million Euro</i>	171	153	385
Net Group Income at replacement cost	<i>Million Euro</i>	39	103	230
Cash flow from operations	<i>Million Euro</i>	573	47	435
Net invested capital	<i>Million Euro</i>	2,837	2,754	1,977
Investments	<i>Million Euro</i>	380	365	274
ROACE (I)	%	4%	8%	16%
ROE (I)	%	4%	11%	25%
Financial leverage	%	49%	49%	39%

Amounts calculated or reconciled in accordance with the valuation and measurement criteria laid down by International Financial Reporting Standards (IFRS)
(I) net income and NOPAT calculated at replacement cost

OPERATIONAL DATA AND INDICATORS

		2007	2006	2005
Processing at refineries	<i>Thousand tonnes</i>	19,607	18,681	21,163
Inventory of raw materials and products	<i>Thousand tonnes</i>	2,833	2,630	2,736
Total sales of petroleum products	<i>Thousand tonnes</i>	19,389	17,763	19,916
of which exports	<i>Thousand tonnes</i>	9,967	7,812	9,190
Domestic retail sales	<i>Thousand tonnes</i>	1,991	2,019	2,082
Domestic retail outlets (at end of period)	<i>Number of outlets</i>	1,959	1,968	1,967
Average domestic retail throughput (based on outlets at end of period)	<i>m³</i>	1,274	1,295	1,326
Domestic retail market share (gasoline + diesel)	%	6.9	6.9	7.1
Wholesale market share (diesel)	%	8.3	8.8	8.9
Total electric power production	<i>GWh</i>	5,604	5,098	5,266
Total electric power production from renewable sources (I)	<i>GWh</i>	186	66	15
Electricity sales	<i>GWh</i>	4,819	4,561	4,797
Electric power production domestic market share	%	1.3	1.5	1.6

(I) the figures also concern companies not included within the consolidation area of ERG's financial statements

CALCULATION OF NET VALUE ADDED

		2007	2006	2005
Production value	<i>Million Euro</i>	10,403	9,366	9,157
Intermediate production costs	<i>Million Euro</i>	(9,597)	(8,685)	(8,075)
Ordinary gross value added	<i>Million Euro</i>	806	681	1,802
Incidental items	<i>Million Euro</i>	28	22	41
Overall gross value added	<i>Million Euro</i>	834	704	1,122
Amortisation/Depreciation	<i>Million Euro</i>	(185)	(157)	(156)
Overall net value added	<i>Million Euro</i>	649	546	966

ALLOCATION OF NET VALUE ADDED

		2007	2006	2005
To Staff (1)	<i>Million Euro</i>	215	199	188
To the Public Administration (2)	<i>Million Euro</i>	146	85	305
To the Providers of Loan Capital (3)	<i>Million Euro</i>	95	67	50
To Shareholders (4)	<i>Million Euro</i>	96	97	70
To the Company (5)	<i>Million Euro</i>	96	97	351
To the Community (6)	<i>Million Euro</i>	1.3	1.3	1.6

(1) this refers to employees, to the directors and statutory auditors, to the external auditors and to people engaged under coordinated and continuous collaboration contracts. In addition to fees, social security contributions and severance accruals, it also includes incidental costs such as canteens and luncheon vouchers, board and lodgings for transferred employees, professional refresher courses..

(2) this includes income taxes (IRES, IRAP) and other taxes and dues. On the other hand, it does not include excise duty on the sale of petroleum products which is recovered from the operators.

(3) this primarily includes interest expenses on short-term loans, bank commission, interest expenses on the ISAB Energy and Enertad Project Financings and interest accrued on loans received from the credit institutions.

(4) this refers to dividends paid during the reference year to ERG S.p.A. shareholders and to third-party quotaholders of ISAB Energy and ISAB Energy Services following approval of the previous year's financial statements. Regarding the dividends paid to shareholders by ERG S.p.A., we report that the unitary amount paid per share in 2007 was 0.40 Euro (0.40 Euro in 2006 and 0.30 Euro in 2005).

(5) this refers to the positive variation in shareholders' equity reserves calculated as the difference between profit accruing during the financial period and dividends paid during the year.

(6) this is made up of voluntary disbursements and donations and costs relating to sports, social and cultural events. It does not include sponsorships for sports teams taking part in amateur or professional championships.

ERG SHARE PRICE AND VOLUME TRADED

		2007	2006	2005
Year-end reference price	<i>Euro</i>	12.88	17.40	20.29
High	<i>Euro</i>	21.73	25.48	23.74
Low	<i>Euro</i>	12.25	14.74	8.02
Average price	<i>Euro</i>	17.37	18.97	15.61
Average volume	<i>no.</i>	1,576,581	1,172,964	830,315

HUMAN CAPITAL AND COMMUNITY

HEADCOUNT AND WORK ORGANISATION

		2007	2006	2005
Employees as at 31/12	<i>no.</i>	2,825	2,820	2,679
Female employment	%	17.3	16.6	16.1
Turnover (1)	%	13.8	15.5	11.3
Absenteeism index (1)	%	3.1	3.8	4.8
Incidence of part-time (1)	%	1.7	1.8	1.6
Incidence of overtime (1)	%	11.2	10.8	9.8

(1) excluding companies directly managing the service stations

TRAINING

		2007	2006	2005
Total training	<i>hours</i>	64,024	72,087	52,741
of which Managerial:	<i>hours</i>	12,754	–	–
Index of average training per employee	<i>days</i>	2.8	3.2	2.5

INDUSTRIAL RELATIONS

		2007	2006	2005
Unionisation rate (1)	%	49.8	54.3	51.1
Ongoing labour disputes	<i>no.</i>	6	13	5

(1) figures refer only to companies subject to Energy and Petroleum sector contract

CASUALTIES

		2007	2006	2005
Total casualties	<i>no.</i>	19	26	18
Frequency index	<i>no. of casualties per million hours worked</i>	4.0	5.2	4.2
Severity index	<i>no. of net days lost per thousand hours worked</i>	0.07	0.12	0.09
Frequency index manufacturing sector	<i>no. of casualties per million hours worked</i>	2.8	5.2	1.8
Severity index manufacturing sector	<i>no. of net days lost per thousand hours worked</i>	0.05	0.12	0.06
Frequency index marketing sector	<i>no. of casualties per million hours worked</i>	5.7	5.9	7.6
Severity index marketing sector	<i>no. of net days lost per thousand hours worked</i>	0.11	0.12	0.13

MANAGEMENT OF “NON-OIL” SUPPLIERS

		2007	2006	2005
Qualified suppliers	<i>no.</i>	1,749	1,529	1,670
Average qualification time	<i>days</i>	202	195	247
Active suppliers (at least one order)	<i>no.</i>	3,091	2,958	2,752
Percentage of tenders	%	82	55	53
Frequency index	<i>no. of casualties per million hours worked</i>	1.1	1.7	3.9
Severity index	<i>no. of net days lost per thousand hours worked</i>	0.05	0.04	0.13

ENVIRONMENT AND TERRITORY

ENERGY AND ENVIRONMENTAL EFFICIENCY

		2007	2006	2005
Energy consumption (<i>primary sources</i>)	<i>ktoe</i>	2,215	2,141	2,186
of which Natural Gas	<i>ktoe</i>	200	47	30
Energy Intensity Index Refining (baseline 2006 = 100%)	%	98	100	–
Thermoelectric park efficiency	<i>toe/MWh_{eq}</i>	0.261	0.271	0.266
Total CO ₂ emissions	<i>ktonnes</i>	7,031	6,618	7,253
CO ₂ avoided by using renewable energy sources	<i>ktonnes</i>	86.5	31.0	7.1
CO ₂ Index Refining	<i>tonnes/processed in ktonnes</i>	96	96	106
CO ₂ Index Thermoelectric	<i>tonnes/MWh_{eq}</i>	0.84	0.89	0.89
Water Withdrawals	<i>Millions of m³</i>	536	522	503
of which seawater	<i>Millions of m³</i>	523	510	489
of which fresh water	<i>Millions of m³</i>	13	12	13
Water discharge - Oils	<i>tonnes</i>	17	28	49
Oils Index Refining	<i>tonnes/processed in Mtonnes</i>	0.68	1.04	2.19
NO _x Emissions	<i>tonnes</i>	6,234	5,282	6,258
SO ₂ Emissions	<i>tonnes</i>	15,436	18,082	24,358
Particulate Emissions	<i>tonnes</i>	542	459	1,038
NMVOE Emissions	<i>tonnes</i>	6,478	5,598	5,573
NO _x Index Refining	<i>tonnes/processed in ktonnes</i>	0.08	0.07	0.09
SO ₂ Index Refining	<i>tonnes/processed in ktonnes</i>	0.33	0.33	0.48
Particulate Index Refining	<i>tonnes/processed in ktonnes</i>	0.016	0.021	0.018
NMVOE Index Refining	<i>tonnes/processed in ktonnes</i>	0.29	0.29	0.27
NO _x Index Thermoelectric	<i>tonnes/GWh_{eq}</i>	0.76	0.72	0.77
SO ₂ Index Thermoelectric	<i>tonnes/GWh_{eq}</i>	1.4	2.2	2.6
Particulate Index Thermoelectric	<i>tonnes/GWh_{eq}</i>	0.07	0.06	0.11
Waste produced	<i>ktonnes</i>	590	280	326
of which from reclamation and new construction activities	%	89	76	76
of which destined for recovery	%	13	13	9
of which non hazardous	%	18	24	19
Petroleum product leaks	<i>no.</i>	11	16	18
Petroleum product leaks	<i>m³</i>	150	750	366

ECONOMIC RESOURCES

		2007	2006	2005
Total HSE expenditures	<i>Millions Euro</i>	149	139	124
of which investments (1)	<i>Millions Euro</i>	36	37	39
of which current expenditures (2)	<i>Millions Euro</i>	113	102	85

(1) compared to the amount shown for investments in the ERG Annual Report, some additional HSE items have been included under the captions "capacity maintenance" and "development"
(2) current expenditures include the cost of HSE personnel

HUMAN AND OPERATIONAL RESOURCES

		2007	2006	2005
HSE equivalents of total Group	%	13.4	10.2	10.3
Level of ISO 14001 and OHSAS 18001 certification of ERG industrial sites	%	60	53	47
HSE Audits	<i>no.</i>	58	76	53

GRI/G3 PROFILE DISCLOSURE

		2002 in Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared							
	Third Party Checked			Report Externally Assured		Report Externally Assured		
	GRI Checked						Report Externally Assured	

	GRI Application Levels			ERG Disclosure
	C	B	A	
1 Strategy and Analysis				
1.1 Statement from the most senior decisionmaker of the organization about the relevance of sustainability to the organization and its strategy.	●	●	●	pages 21-24
1.2 Description of key impacts, risks, and opportunities. The reporting organization should provide two concise narrative sections on key impacts, risks, and opportunities..		●	●	
2 Organizational Profile				
2.1 Name of the organization.	●	●	●	page 8
2.2 Primary brands, products, and/or services.	●	●	●	pages 10-13
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●	●	●	pages 7-8
2.4 Location of organization's headquarters.	●	●	●	page 7
2.5 Countries where the organization operates.	●	●	●	pages 10-13
2.6 Nature of ownership and legal form.	●	●	●	page 8
2.7 Markets served.	●	●	●	pages 10-13
2.8 Scale of the reporting organization, (employees, net sales, capitalization, quantity of products provided).	●	●	●	pages 8-12
2.9 Significant changes during the reporting period regarding size, structure, or ownership.	●	●	●	pages 4-5
2.10 Awards received in the reporting period.	●	●	●	page 13
3 Report Parameters				
Report profile				
3.1 Reporting period (e.g., fiscal/calendar year) for information provided.	●	●	●	pages 4-5
3.2 Date of most recent previous report (if any).	●	●	●	page 2
3.3 Reporting cycle (annual, biennial, etc.)	●	●	●	page 2
3.4 Contact point for questions regarding the report or its contents.	●	●	●	page 55
Report scope and boundary				
3.5 Process for defining report content.	●	●	●	page 17
3.6 Boundary of the report.	●	●	●	pages 4-5
3.7 State any specific limitations on the scope or boundary of the report.	●	●	●	pages 4-5
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	●	●	●	page 8
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.		●	●	pages 4-5, 46-51
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	●	●	●	pages 4-5
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	●	●	pages 4-5
GRI content index				
3.12 Table identifying the location of the Standard. Disclosures in the report.	●	●	●	pages 50-52
Assurance				
3.13 Policy and current practice with regard to seeking external assurance for the report.		●	●	

	GRI Application Levels			ERG Disclosure
	C	B	A	
4 Governance, commitments, and engagement				
Governance				
4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	●	●	pages 15-17
4.2 Indicate whether the Chair of the highest governance body is also an executive officer.	●	●	●	page 15
4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	●	●	●	page 15
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	●	●	pages 15-16
4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance (including social and environmental performance).		●	●	
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.		●	●	page 16
4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.		●	●	
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.		●	●	pages 14-16
4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		●	●	pages 16-17
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		●	●	
Commitments to external initiatives				
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization.		●	●	pages 16-17
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.		●	●	page 18
4.13 Memberships in associations and/or national/international.		●	●	page 37
Stakeholder engagement				
4.14 List of stakeholder groups engaged by the organization.	●	●	●	page 18
4.15 Basis for identification and selection of stakeholders with whom to engage.	●	●	●	pages 18-19
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.		●	●	pages 18-19, 29, 38-40, 42
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.		●	●	pages 18-19, 29, 38-40, 42

		ERG Disclosure
Economic Performance Indicators		
Economic Performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	*
Market Presence		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	*
Indirect Economic Impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	*
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	*
Environmental Performance Indicators		
Materials		
EN1	Materials used by weight or volume.	*
Energy		
EN3	Direct energy consumption by primary energy source.	*
EN5	Energy saved due to conservation and efficiency improvements.	*
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	*
Water		
EN8	Total water withdrawal by source.	*
EN9	Water sources significantly affected by withdrawal of water.	*
Emissions, Effluents, and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight.	*
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	*
EN20	NO, SO, and other significant air emissions by type and weight.	*
EN21	Total water discharge by quality and destination.	*
EN22	Total weight of waste by type and disposal method.	*
EN23	Total number and volume of significant spills.	*
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	*
Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	*
Overall		
EN30	Total environmental protection expenditures and investments by type.	*

		ERG Disclosure
Social Performance Indicators		
Labour Practices and Decent Work		
Employment		
LA1	Total workforce by employment type, employment contract, and region.	*
LA2	Total number and rate of employee turnover by age group, gender, and region.	*
Labour/Management Relations		
LA4	Percentage of employees covered by collective bargaining agreements.	*
Occupational Health and Safety		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region.	*
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	*
Training and Education		
LA10	Average hours of training per year per employee by employee category.	*
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	*
Diversity and Equal Opportunity		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	*
Society Performance Indicators		
Community		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	*
Anti-Competitive Behavior		
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	*
Product Responsibility Performance Indicators		
Product and Service Labeling		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	*

SUSTAINABILITY ACTIVITIES CARRIED OUT: LETTER FROM URS ITALY



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To the Board of Directors of ERG

Milan, May 2008

Dear Sirs,

ERG asked URS to support the company in developing its path towards Corporate Sustainability, which has led to the publication of this first Group Sustainability Report.

The scope of our engagement has been to establish, together with ERG executives, the commitment and the social and environmental responsibility practices to support the business strategy pursued by the Group. During the project the following activities were undertaken:

- the assessment of current accountability practices and international guidelines for sustainability reporting in oil & gas and energy sector;
- several meetings to promote dialogue and confrontation across the company's Project Committee, in which all ERG executives were included, to set objectives and targets;
- stakeholder engagement initiatives with employees, local communities and clients. The results of the engagement activity have been shared across all ERG Group operating companies, to fine tune the final objectives and policies;
- the design of a management system which including processes, roles and responsibilities within the Group organization, and specific IT tools.

This letter represents our factual statement of the activities which comprised this project and our fair and balanced opinion concerning the high level of commitment and dedication demonstrated by ERG in the execution of project objectives. This statement is not intended to provide any third party assurance on text and data contained in this report.

Paolo Bendotti

(Managing Director)

Marco De Simone

(Senior Manager)

ERG S.p.A.

Sustainability Report 2007

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