

RISK
MANAGEMENT *Energy*
INNOVATION *efficiency*
Health **PEOPLE** Renewable
and Safety energy sources
PREVENTION CORPORATE
TERRITORY GOVERNANCE
RESPONSIBILITY CONTINUITY
CUSTOMERS Management
Environment system
SUPPLIERS MULTI
CLIMATE ENERGY
CHANGE VALUES

**SUSTAINABLE
DEVELOPMENT**

sustainability
REPORT 2008



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**SUSTAINABLE
DEVELOPMENT**



This symbol, designed to facilitate the reading of the document, identifies the sustainability targets associated with the commitments undertaken.

This Report is prepared in accordance with the guidelines of the Global Reporting Initiative (2006 version). The self-declared application level is A, third party checked (URS Italy).

ERG, through its collaboration with **co2 balance Italia**, has neutralised the CO₂ produced as a result of printing the Report, amounting to 5.1 tonnes, by investing in the "Methane Ovens" project in Kenya, which provides for the replacement of wood waste fired ovens with new biogas powered appliances.



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responsibility and VALUE

by **Edoardo Garrone**, ERG Chairman

« **Our goal is to grow sustainably and compete responsibly. This past year, with its various events and initiatives, has convinced us more than ever that this is the path we must take.**

What does acting responsibly mean? Risk is second nature to our type of business; a fundamental part of our business culture concerns the ability, always open to improvement, to prevent and manage risk in the most effective and efficient way possible.

The incidental events in 2008, whilst they did not involve serious injuries, put to the test our aforesaid ability, both during the handling of emergencies and when analysing the causes and identifying remedial actions.

They made us think further about the extent to which risk management can be perfected, especially when the human factor plays a predominant role.

For this very reason, at the end of 2008 we launched the Safety Project (Progetto Sicurezza).

This programme is focused on the individual and his ability to improve and have a constantly safe approach to operational procedures.

The project aims to raise people's awareness and attention to such matters and uphold them as distinctive and valuable elements at Group level.

Risk management is not the only expression of our way of being a responsible company. We dedicate resources and commitment in order to maintain and develop a business that is close to the economic as well as the other needs and expectations of our stakeholders. This is our broader vision of value.

To give even more drive and support to this overall vision, in 2008 we concluded a major agreement with LUKOIL as regards the refining area.

This joint venture highlights even more clearly our intention to become capable and competitive players via a multi-energy strategy, with responsibility as benchmark for the creation of value.

We want to be aware and participating interpreters of the economic scene.

The consolidation of our asset structure offers us the flexibility required for further growth in the long term.

This Sustainability Report reflects our aim to give a transparent account of the path we have chosen and the commitments we have undertaken. We are convinced that its pages distinctively and vigorously

reveal our desire to do business adopting the dual formula of sustainability and responsibility, which to date, if interpreted lightly, appear as just commendable declarations of intent, but which we believe can effectively become an innovative, transversal and shared approach to the creation of value.»



CONTINUITY

KEY of the DATES PAST *seventy years*



PRODUCTION
BEGAN
AT THE
REFINERY IN
SAN QUIRICO
(GENOA)

1947

1938

EDOARDO GARRONE
FOUNDED ERG
IN GENOA

EDOARDO
GARRONE DIED.
RICCARDO
GARRONE
BECAME
CHAIRMAN
OF ERG

1963

1958

BRITISH
PETROLEUM
BECAME A
SHAREHOLDER
OF ERG



ERG JOINED
THE PROJECT
TO BUILD THE
ISAB REFINERY
IN PRIOLO
(SYRACUSE)

1971

1967

ERG COMPLETED
THE FIRST ITALIAN
OIL LOGISTICS
STRUCTURE AT
ARQUATA SCRIVIA

1975

PRODUCTION
COMMENCED AT
THE ISAB REFINERY

ERG
PURCHASED
780
SERVICE
STATIONS
FROM ELF
ITALIANA

1984

1985

ERG ACQUIRED
CHEVRON
ITALIA (1,700
SERVICE
STATIONS).
ITS RETAIL
MARKET SHARE
ROSE TO 5%

ERG TOOK
CONTROL
OF ISAB.
OPERATIONS
CEASED
AT THE GENOA
REFINERY

1988

ERG
FLOTATION
ON THE
STOCK
EXCHANGE

1997

1993

ERG FORMED
ISAB ENERGY,
TOGETHER WITH
EDISON MISSION
ENERGY,
TO BUILD
THE FIRST OIL
RESIDUE
GASIFICATION-
COGENERATION
PLANT IN EUROPE

1999

ERG'S FUEL
MARKET SHARE
ROSE TO 7%.
ERG PETRÓLEOS
WAS CREATED
TO ENTER THE
SPANISH MARKET

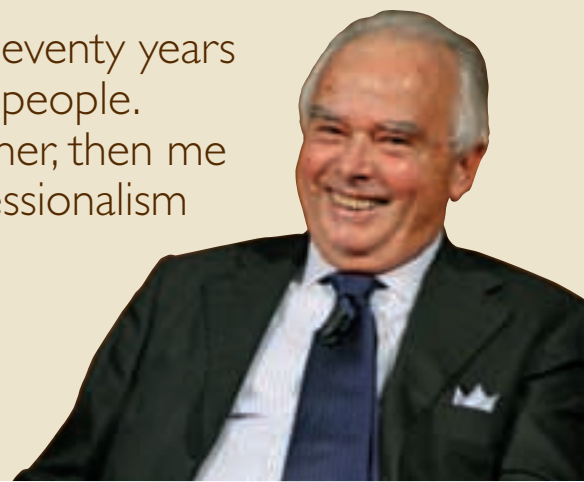
ISAB ENERGY
BEGAN PRODUCING
AND MARKETING
ELECTRICITY

2000



« Looking back over ERG's seventy years, I see seventy years of commitment, of successes but, above all, of people. Men and Women who, alongside firstly my father, then me and then my children, have worked with professionalism and determination to build up our business: I believe this is what our history is about.»

Riccardo Garrone
Honorary Chairman of ERG



2008 ERG's 70th year

6 March

ERG entered the free electricity market, selling 650 million kWh in 2008

24 April

ERG Power & Gas signed an agreement with Independent Resources (IRG) for the development of a natural gas depot at Rivara (Modena). The site, which will have a capacity of 3.2 billion cubic metres, is scheduled to become operational by 2013

12 May

The ERG S.p.A. Board of Directors approved the transaction which, through the partial demerger of ERG Power & Gas, would enable the integration into Enertad of the Group's activities in the renewable energy sector. In exchange for assignment of the demerged compendium, the operation envisaged a capital increase for Enertad with the assignment of 37,789,734 newly issued shares to ERG, sole shareholder of ERG Power & Gas. Following this transaction, ERG increased its control of Enertad's capital to 77.4%, compared to the previous 68.4%

The Board of Directors expressed its intention to exercise its pre-emptive right, in respect of its quota of ownership, in relation to the

2007

THE **RESTYLING** OF ERG'S SERVICE STATIONS COMMENCED. THE GROUP BEGAN PRODUCING ELECTRICITY ABROAD USING WIND POWER

2006

ERG ACQUIRED A 51.33% EQUITY INTEREST IN ENERTAD, A LISTED COMPANY THAT OPERATES IN THE SECTOR OF ELECTRICITY GENERATION FROM RENEWABLE SOURCES. IN 2007 THE STAKE HELD WAS INCREASED TO 68.38%



ERG'S "MULTI-ENERGY" STRATEGY 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. ERG WAS INCLUDED IN THE **MIDEX INDEX** WITHIN BORSA ITALIANA'S BLUE CHIP SEGMENT. THE MOVE FROM THE PREVIOUS STAR SEGMENT TO THE BLUE CHIP SEGMENT TOOK PLACE FOLLOWING THE SIGNIFICANT INCREASE IN STOCK MARKET CAPITALISATION OF ERG'S SHARES

2005

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

2003

2002

ERG **RAFFINERIE MEDITERRANEE** WAS CREATED BY INTEGRATING THE ISAB REFINERY WITH THE FORMER ENI REFINERY IN PRIOLO. THE GROUP REORGANISED ITS STRUCTURE INTO THREE SUB-HOLDING COMPANIES: **ERG PETROLI** (INTEGRATED DOWNSTREAM), **ERG RAFFINERIE MEDITERRANEE** (COASTAL REFINING) AND **ERG POWER & GAS** (PRODUCTION AND MARKETING OF ELECTRICITY AND NATURAL GAS)



capital increase up to a maximum of Euro 200 million inclusive of share premium, if any, to be proposed to the Enertad Shareholders' Meeting. The capital increase is intended to finance the plan for developing activities in the sector of power generation from renewable sources

24 June

ERG signed an agreement with LUKOIL for the creation of a Newco controlled 51% by ERG and 49% by LUKOIL, to which all assets of the ISAB Refinery in Priolo were then contributed. Under the sale transaction LUKOIL was to pay ERG the sum of Euro 1,347.5 million

30 June

The Enertad Extraordinary Shareholders' Meeting approved the project for partial demerger of ERG Power & Gas in favour of Enertad with consequent assignment of 37,789,734 newly issued shares to ERG S.p.A., sole shareholder of the demerged company.

Pursuant to Article 2443 of the Italian Civil Code, the Shareholders' Meeting also resolved to authorise the Board of Directors to increase the share capital up to Euro 200 million, inclusive of share premium, if any, to be offered as a rights issue to shareholders. Lastly, the Shareholders' Meeting changed the company's name to ERG Renew

10 September

ERG Renew and Permasteelisa reached an agreement to enter the next-generation photovoltaic sector via participation in a project for the research and development of a cutting-edge technology to produce non-silicon based solar panels

13 October

An incident involving a boiler at the plant caused a stoppage of production at the ISAB Energy power station. Owing to the immediate activation of the emergency plan, the fire was brought under control and the plant made safe

1 December

Closing of the transaction with LUKOIL

ERG IN A FEW WORDS

Retail market share

6.9%

Service stations

1,973

Employees at year-end

1,580

Maximum market capitalisation

2,357 million euro

Electricity production

5,189 million kWh

Crude oil processing in the refineries

326 thousand barrels/day

Net Group income at replacement cost*

84 million euro

Investments

351 million euro

Group debt at 2008 year-end

274 million euro

EBITDA at adjusted replacement cost*

540 million euro

Consolidated revenues

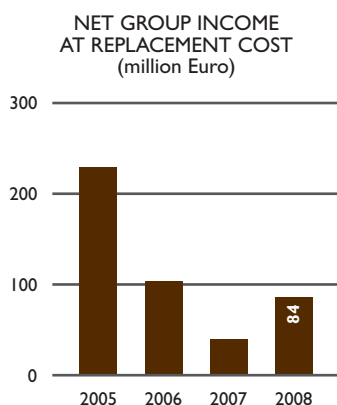
11,563 million euro

Net invested capital

2,299 million euro

* The results at replacement cost exclude inventory gains (losses) and non recurring items. EBITDA at adjusted replacement cost takes into account, for the portion pertaining to ERG (51%), the added contribution from the results of ISAB S.r.l. (company created in joint venture with LUKOIL effective from 1 December 2008).

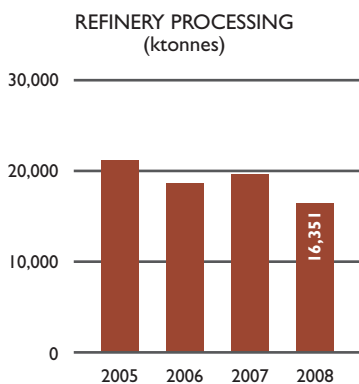
GROUP PROFILE AND RESULTS



The **ERG Group**, which has been listed on the Milan Stock Exchange since 1997, operates in the refining and distribution of petroleum products (Coastal Refining and Integrated Downstream sectors), the production and marketing of electricity and natural gas (Thermoelectric sector) and power generation from renewable sources (Renewables sector).

Its sales of petroleum products on the domestic market cover around 9% of national consumption. Its electricity sales represent approximately 2% of the Italian domestic market.

Following the sale to LUKOIL of 49% of the ISAB Refinery, ERG refining today accounts for around 12% of the actual total national technical balanced capacity and the Group is the third largest refiner in Italy.



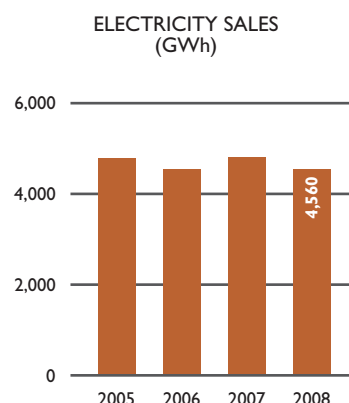
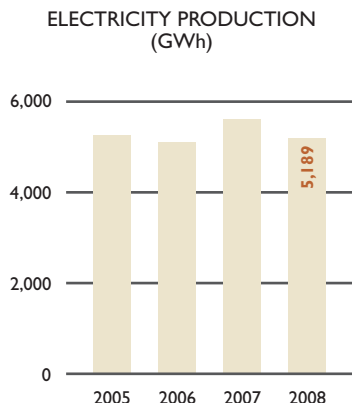
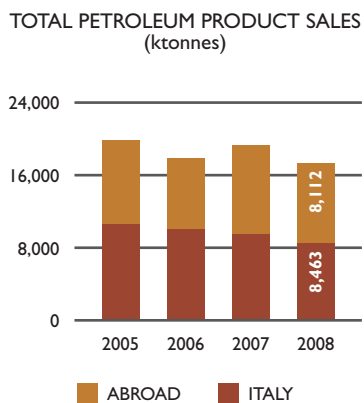
In 2008 **revenues from ordinary operations** amounted to Euro 11,498 million, with an increase of around 13% over the previous year.

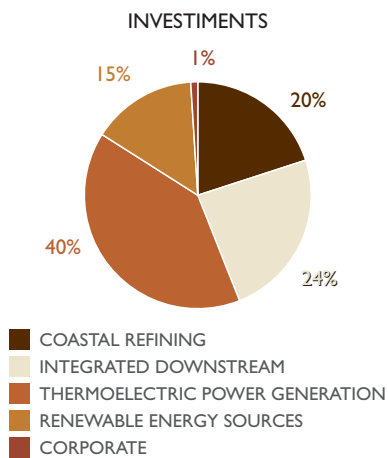
All business sectors contributed to this result. Among the various proceeds recorded during the year, Euro 892 million derived from the sale of 49% of the ISAB equity investment as part of the LUKOIL transaction.

Net Group income at replacement cost totalled Euro 84 million (Euro 39 million in 2007). The reduction in processing volumes in 2008 compared to 2007 was due above all to the new configuration of the ISAB Refinery, which led to a rearrangement of topping processing and simultaneous increase in conversion capacity.

Sales of petroleum products were down as regards both the domestic market and abroad. The effects of this reduction did not negatively influence the period's results.

Electricity output and sales were affected by the incident that occurred at the ISAB Energy plant. During 2008, 44.5 million Sm³ (standard cubic metres) of gas were also sold, as part of marketing activity.





ERG **investments** in 2008 totalled Euro 354 million, including 51% of ISAB investments. Of the overall commitment, more than 54% concerned the Thermo-electric and Renewables sectors.

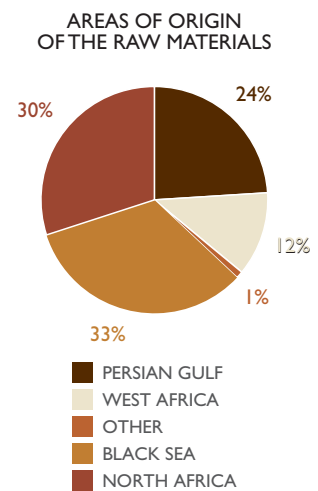
ERG and its subsidiaries belong to the national associations for their specific sectors (Unione Petrolifera - the Italian Petroleum Industry Association, Assoelettrica - the Italian Association of Electricity Enterprises).

Coastal Refining

Through its subsidiary ERG Raffinerie Mediterranee (ERG Med), ERG carries on activities relating to the procurement of crude oils, their processing and the sale of refined products to the cargo market. As from the end of last year, the crude oils are processed at the ISAB Refinery in Priolo (Sicily) owned by the ISAB S.r.l. joint venture (51% ERG Med – 49% LUKOIL).

The refinery constitutes one of the most important sites on the Mediterranean in terms of both processing capacity (320 thousand barrels/day) and complexity (Nelson index 9.3). It is also closely integrated with the power generation and chemical activities of the Syracuse industrial complex.

The main areas of origin of the raw ma-



terials are the Black Sea, North Africa, the Persian Gulf and West Africa.

Integrated Downstream

Through its subsidiary ERG Petroli, ERG is active in the marketing of petroleum products, mainly in Italy through its retail and wholesale network. The company's principal assets are represented by a retail network of some 2,000 service stations (accounting for about 7% of the market in Italy), major investments in two refineries, at Trecate and Rome, with a combined processing capacity of about 60,000 bbl/day, and the logistics system. Its share of the wholesale market amounts to 8.3%. Its sales of petroleum products are directed at companies and wholesalers who, in turn, resell them to end users.

Thermoelectric Power Generation

Through its subsidiary ERG Power & Gas, ERG manages and develops ther-

moelectric power, steam and gas production and marketing activities. The main equity investments of ERG Power & Gas are:

- **ISAB Energy** (51% ERG Power & Gas, 49% IPM): the company generates electricity at a 528 MW capacity power plant fuelled by syngas, which is made from the gasification of asphalt originating from the ISAB Refinery;
- **ISAB Energy Services Services** (51% ERG Power & Gas, 49% IPM): this is the operating and maintenance company of the utilities and electric power and steam plants at the Group's Priolo site;
- **ERG Nuove Centrali** (100% ERG Power & Gas): the company owns the North Power Plant, which currently has an operating capacity of about 150 MW and uses fuel oil and fuel gas as its feedstock. The North Power Plant is currently undergoing natural gas repowering and at the end of the project will

have an estimated installed capacity of 480MW. Up until 30 September 2008, ERG Nuove Centrali owned the South Power Plant which has an operating capacity of around 100 MW and is fuelled mainly by natural gas;

- **Ionio Gas** (50% ERG Power & Gas): is a joint venture with Shell Energy Italia for the development of a liquefied natural gas regasification plant at Priolo, Sicily.

Renewable Energy Sources

ERG generates electricity from renewable sources through its subsidiary **ERG Renew** (77.4% owned by ERG as from 1 October 2008), a company listed on the Milan Stock Exchange, which has an installed capacity of 199 MW in the wind sector (including 144 MW in Italy and 55 MW in France), and more than 2 MW of capacity in the mini-hydropower sector.



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SUSTAINABLE DEVELOPMENT

OUR AGENDA is sustainability is COMMITMENT

by **Alessandro Garrone**, Chief Executive Officer of ERG



Considering the complexity of the present economic scenario, the year 2009 will be particularly significant in terms of challenges and commitments.

The positive results of 2008, also due to the LUKOIL deal, offset the negative effects of October's incident at the ISAB Energy power plant. This once again demonstrates that attention to the non-financial risk component is fundamental for the sustainability of our Group and it is precisely on this aspect that we intend to work in an incisive, rigorous and continuous manner.

From 2009 the Group will be stepping up its commitment with regard to people's health, accident prevention and protection of the environment with a view to constant improvement. The launch of the important "**Safety Project**", together with LUKOIL, was one of the first steps.

The project will span several years and will be particularly demanding and delicate since it aims to change the ERG workers' way of being, their culture and their mentality. It will therefore call for an effort to be made not only on structures and systems but above all at personal level. Each individual must feel a part of safety within the company, working together with colleagues, in the firm conviction that any incident can be avoided.

All the areas of commitment defined in last year's Sustainability Report are confirmed. We shall be developing **renewable energy sources** both in Italy and abroad. We have reviewed our growth target for the Plan period, based on a more selective investment approach, due to the sector's very high regulatory uncertainty and because the effects of the financial crisis are being felt in this field too.

There is no change in our objective as regards increasing the **energy efficiency** of thermoelectric equipment by 20% and consequently reducing **greenhouse** gas

emissions. We shall also endeavour to improve efficiency in the refining area.

Innovation continues to be an interesting frontier; the Organic Photovoltaic project, pursued in collaboration with Permasteelisa, is clear evidence of this.

Attention towards people remains a central issue. We firmly believe in the Managerial Development project, which is one of the conditions for pursuing our sustainability objectives. Each one of us is required to contribute by way of our own commitment and to integrate it with other people's.

The **local community**, and the area of Syracuse in particular, will once again be the focal point of our social responsibility activities which in 2008 involved an overall commitment of almost Euro 3 million. We want the local community to recognise our ability to create value and for this to be seen as an ability on the part of the community itself.

The promise made to **customers**, together with our business partners, based on transparency and our ability to convey value, in 2009 has widened to include ERG Mobile, the first mobile telephony project carried out by a traditional oil company.»



ENERGY *package*

The **investment plan** launched by ERG for 2009-2012 continues to target the creation of sustainable value over time, having as pivot points the safe handling of operations, respect for the environment and the managerial development of human capital, inescapable factors for pursuing management excellence and a rigorous entrepreneurial ability in taking advantage of development opportunities.

The investment plan envisages an overall commitment of **Euro 1,158 million**, 70% of which is expected to be used during the first two years.

Its definition was conditioned by the uncertainty and complexity of the current economic situation and has in fact been completely reorganised with respect to the previous one, also due to the significant corporate actions featured during the 2008 financial period. More specifically, the investment lines were affected by a series of decisive factors such as:

- the change in the Coastal Refining business perimeter following the sale of 49% of ISAB to LUKOIL;
- the incident at ISAB Energy and the reconstruction process and return to operation;
 - the liquidity available following the earlier payment on the part of LUKOIL;
 - the rearrangement of wind sector development under the plan;
 - the coming on stream of ERG NuCe's 480 MW North Power Plant in 2009.

The interventions in the various operational sectors will be basically of similar size and will be directed towards consolidating existing positions. Of the overall investments, 26% will be allocated to the Renewables sector, where the intention continues to be constant, significant and diversified growth, exploiting development opportunities not only in Italy but also overseas.

11% of the investments will be allocated to the reconstruction process and to return to operation in ISAB Energy

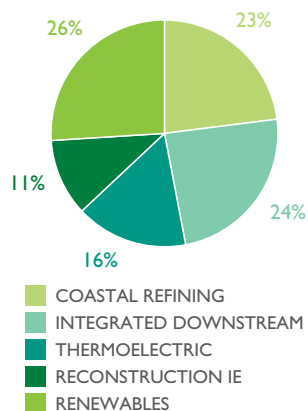
RENEWABLE ENERGY SOURCES

Since halfway through 2008 ERG's entire activity dedicated to the production of energy from renewable sources (**wind** and **mini-hydropower**) is carried out by ERG Renew (77.4% owned by ERG), a company listed on the Milan Stock Exchange. ERG Renew has an installed capacity of 199 MW for electricity generation using wind power (of which 144 MW in Italy and 55 MW in France) and a capacity of more than 2 MW in the mini-hydropower sector. Power generation from renewable sources represents over 5% of total ERG production.

ERG Renew's strategy for the next few years will have two keywords: **rigour** and **concreteness**. To this effect, in view of the regulatory uncertainty in the wind sector, particularly as regards authorisation procedures, and the ongoing critical situation on the financial markets, the investment plan has been revised.

 The **new 2009-2012 business plan** provides for investments totalling over **Euro 300 million**, including Euro 90 million during 2009. The objective is, by 2012, to have an installed capacity of 372 MW, of which 369 MW

INVESTMENT PLAN 2009-2012
BY BUSINESS SECTOR





from wind power. The commitment will be focused on the projects already approved and cantierabili (namely where commencement of works has already been authorised) along two lines of development: the further consolidation of activities in Italy and geographical diversification by entering new countries with at least 100 MW.

Wind sector investments **in Italy** will total around Euro 240 million. At the end of the plan, installed capacity will amount to 284 MW, equal to a **market share of 5%**.

In 2008 the wind production performance was affected by both the unfavourable weather conditions and Terna's upgrade intervention on the national grid in the Puglia region, which led to a falloff in production on the part of the Troia San Vincenzo and Troia San Cireo wind farms.

In 2009, on the other hand, there is expected to be a definite improvement in results owing to the contribution for the entire year of the Vicari wind farm, the full operation of the Faeto wind farm (24 MW) and the expansion of the Troia San Vincenzo wind farm (4 MW).

Due to the moratorium imposed in June by the Region of Calabria, preparations on the civil works for the Fossa del Lupo wind farm are being slowed down.

These activities are expected to be resumed during the first six months of 2009.

As regards the Ginestra (Campania) wind farm, in July 2008 the purchase agreement for the wind turbines was signed and this initiated the tender procedure for the civil and electrical works. During the month of April the hearing took place before the Basilicata Regional Administrative Tribunal (TAR) in connection with the petition filed against the Basilicata Region following the suspension of works at the Tursi Colobraro wind farm. The Board's ruling will be issued once the question of the constitutional legitimacy of the regional law concerned, as raised during the proceedings, has been resolved.

In France, ERG Renew is engaged in consolidating its position in a market considered to be of notable strategic importance. In 2008 output amounted to 115 GWh, corresponding to 42% of ERG's total output.

For the coming years overall investments of Euro 45 million are planned, with an end-of-period installed capacity of around 84 MW.

During 2008, ERG Renew has made considerable progress in the French wind market:

in October, through its subsidiary ERG

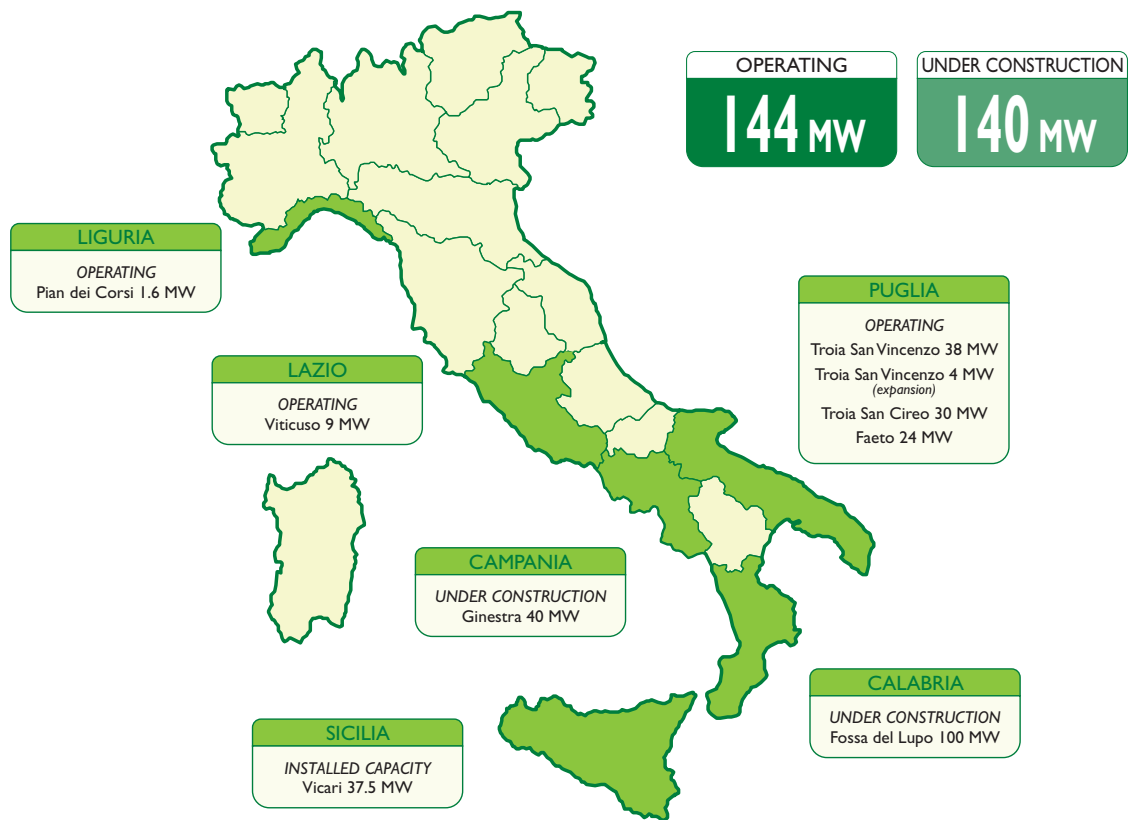
EU ENERGY-ENVIRONMENT-CLIMATIC CHANGE PACKAGE

On 12 December 2008, the 27 member states attending the European Council summit reached an agreement concerning the climate-energy package, as subsequently approved by the European Parliament at its plenary session meeting held in Strasbourg.

The new European strategy with regard to energy policy defines a series of objectives to be achieved by 2020:

- to reduce CO₂ emissions by 20% with respect to 1990 levels;
- to reduce energy consumption by 20% by increasing energy efficiency;
- to cover 20% of energy requirements using renewable sources and promote the use of biofuels which, again by 2020, must reach 10% of total consumption of transport fossil products. As regards Italy, this translates to a binding objective, in terms of renewable sources, equal to 17% of national consumption by 2020, compared to 5.2% recorded in 2005.

Wind farms in Italy



Eolienne France sas (formerly Ener-France Sas), it signed an agreement with the French Group GSEF to acquire a 50% stake in Cita Wind and in five project companies. Cita Wind, a company active in the development of wind farms in northern France, currently has projects in portfolio for 288 MW, of which 168 at an advanced stage of development and 120 in a preliminary stage of development;

in November ERG Renew, through its subsidiary ERG Eolienne France S.a.s. (formerly EnerFrance S.a.s.), signed an agreement with VSB Energies Nouvelles to acquire 100% of Eoliennes du Vent Solaire, the company holding all rights and approvals for the construction of the 9.2 MW Plogastel wind farm, located in Brittany.

As regard **mini-hydropower production**, there is currently an installed capacity of around 2.5 MW generated by Ecopower and ISEA by virtue of small

power plants located in Liguria and Lombardy. The plan envisages a growth of 0.9 MW in installed capacity following the reconstruction of 5 Ecopower plants which for the moment have stopped production.

The diversification strategy will also concern the type of renewable sources. In fact, ERG Renew has investments planned in the sectors of both traditional photovoltaic and innovative organic photovoltaic (see chapter on Innovation).

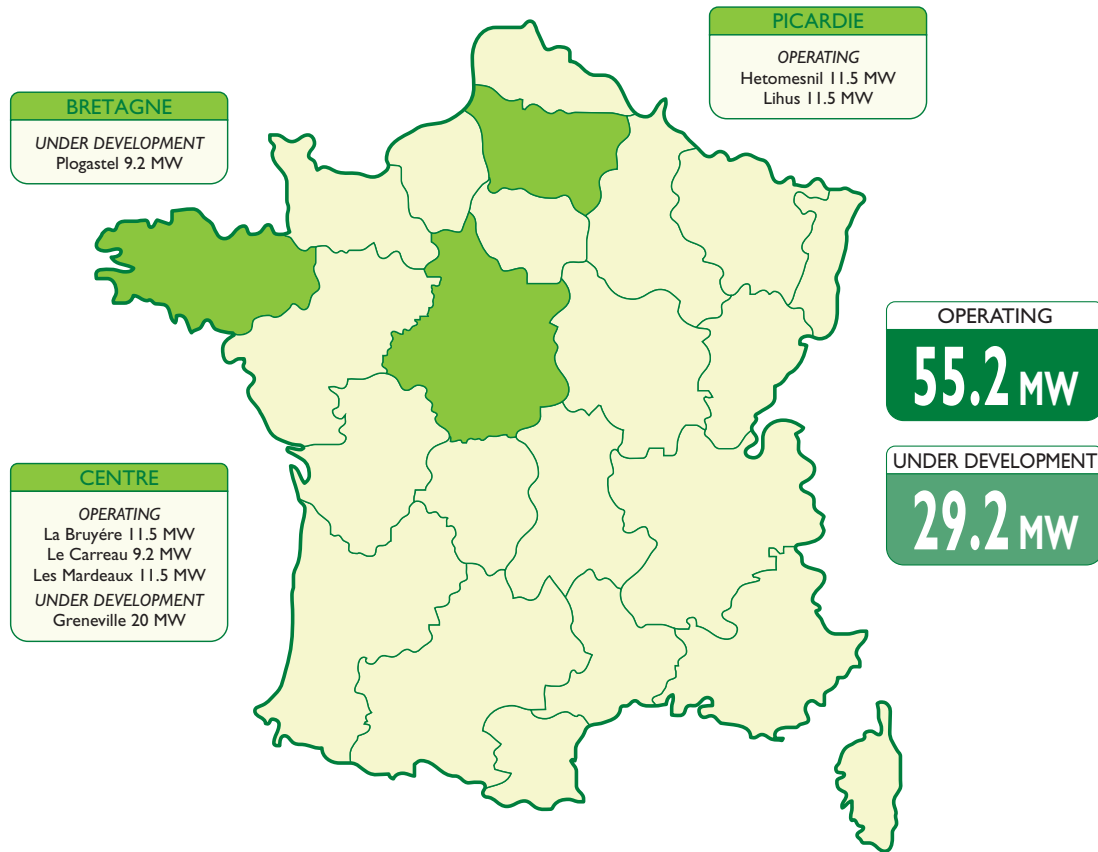
By the end of July 2010 a **photovoltaic plant** will be installed at ISAB Energy's Sicilian industrial site with a capacity of 1.3 MW (of which 0.7 MW pertaining to ERG). The investment will amount to Euro 2.5 million.

The next-generation **organic photovoltaic** research and development project provides for a further overall financial commitment of another Euro 2.5 million.

In the sector of **biofuels**, ERG is committed to promoting their use in accordance with the provisions laid down by Italian legislation and European guidelines. In 2008, 2% in energy of fossil products released for consumption in 2007 for transport purposes was made up of biofuels, particularly biodiesel. For 2009 this limit is equal to 3%.

In terms of investments, the strategy founded on rigour requires classification of any development initiative within the scope of the measures envisaged by the European climate-energy package. In particular, a careful analysis is required of the cost/benefit ratio from an economic, social and environmental standpoint as regards all available options. To such effect, a clear definition of criteria able to guarantee the **sustainability of the entire value chain** appears fundamental in order to avoid negative impacts on the agricultural and food sectors as well as the overall actual environmental advantage.

Wind farms in France



The report by Nomisma Energia on biofuels

“*Biofuels in Italy. Opportunities and costs*” is the title of the report prepared by Nomisma Energia, as commissioned by the Italian Petroleum Industry Association (Unione Petrolifera), and presented in September 2008.

The objective of the report was to clarify a controversial matter which is subject to differing opinions and viewpoints not only at domestic but also at international level, especially in the light of the new European strategy with regard to energy policy.

The report pointed out that the present criticalities associated with the sustainable development of biofuels require a careful analysis of the real potential offered by same from an energy, socio-environmental and economic standpoint. The report’s main conclusions can be summarised as follows.

- **The environmental advantage** (reduction in CO₂ emissions) of the use of biofuels, considering their entire life cycle, is negative in the case of imported raw materials, as hitherto occurred in Italy; a true reduction in emissions is obtained only in the event of limited transportation from the place of biomass production.
- As regards **Italy**, to achieve the indicative European objective of 5.75% in energy by 2010 would require 2.1

million hectares of farm land, of which 1.8 from oilseeds and 0.4 from maize, compared to a theoretical potential of 0.6 million. Biodiesel alone would require an area 8.5 times larger than that currently used to grow rape and sunflower. This should involve a massive recourse to imports. This also applies at European level where, at best, 50-55% of requirements would be covered in 2010 (9 million hectares of the 17 necessary).

- **In terms of economic costs** associated with the higher consumption of biofuels, in Italy today biodiesel appears to be more advantageous than bioethanol, which involves higher costs in terms of infrastructures. Bioethanol will in any case be necessary to achieve higher blending objectives, as required by 2020.
- Biofuels have **hitherto** been produced from food crops. The need to avoid impacting the prices of these raw materials, especially in non European countries, requires the development of second and third generation sustainable biofuels, by directly using the cellulose of the plants or the algae oil. This will call for recourse to new technologies, available only starting from the next few years

ENERGY EFFICIENCY

Our renewable resource development strategy includes the efficient utilisation of energy resources. Development of less carbon-intensive fuel consumption (for example, natural gas), combined with the use of more efficient production techniques, in keeping with the Best Available Techniques (such as cogeneration), represent ERG's main lines of action in this area.

Overall, the 2008 results substantiate the commitments undertaken with regard to the planned improvement path.

In the **refining sector**, the project to integrate the two Priolo refineries, which in recent years has involved an investment of more than Euro 300 million, had three main objectives: to improve conversion capacity, to reduce atmospheric emissions and to enhance the quality of processing products with a view to efficiency.



« We endeavour to generate and utilise energy in a responsible manner! How do we do this? On the one hand we work hard to enhance the energy efficiency of our production

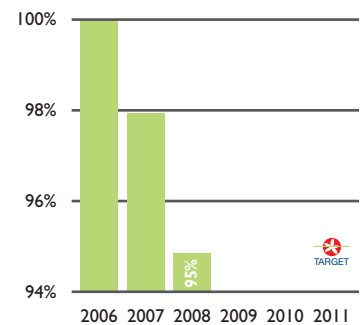


The elimination of some marginal processes led to a reconfiguration of overall processing capacity from 380,000 to 320,000 barrels/day.

As a result of the new configuration, the Nelson Complexity Index rose from 7.6 to 9.3.

Alongside this increase in complexity, the intense energy saving activities accompanying it led to an **improvement in the Energy Intensity Index in line with the target of 5% by 2011**.

ENERGY INTENSITY INDEX
(baseline 2006=100%)



The **Nelson index**, developed by Wilbur Nelson in 1960, assigns to each refinery unit a specific factor calculated according to the complexity of the plant and its cost, as compared to those of a corresponding simple distillation facility (which is conventionally assigned a factor of 1).

This factor is then "mediated" according to the plant's processing capacity with respect to the overall capacity of the refinery. The product obtained represents the complexity index of the specific processing unit.

The sum of all the indices obtained constitutes the complexity index of the whole refinery.

In practice, a refinery that has a Nelson Complexity Index (NCI) equal to 10.0 is considered 10 times more complex compared to the simple distillation of an equivalent quantity of product.

processes by using the most state-of-the-art techniques available, on the other; each day we operate, taking advantage of every improvement opportunity in order to use energy rationally. In our daily action we are

constantly focused on achieving these objectives, sharing knowledge and maintaining a positive team spirit.»

Giuseppe Pitarresi,
Energy Conservation, ISAB Technology Division

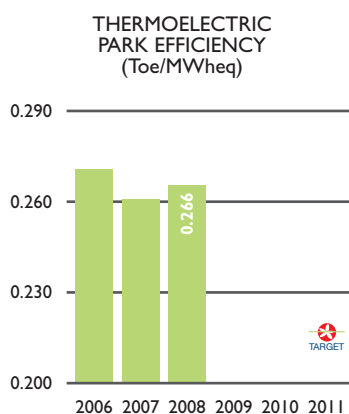
Luigi Iannitti,
Asset Management, ERG Power & Gas
Planning Control and Investments
Division



In the **area of thermoelectric power generation**, following the commissioning in 2007 of the refinery Turbogas plant, in 2009 the approximately 480 MW combined cycle cogeneration plant at the Priolo Nord site will come on stream.



The anticipated effects on the improvement in efficiency of the thermoelectric equipment, appreciable right from the said year, **confirm the target of 20% by 2011.**



The Group is also engaged in two projects which, by 2015, aim to increase the natural gas supply and thereby to indirectly facilitate a change in the domestic energy mix in favour of a reduced use of fossil fuels and greater efficiency in the production of electricity:

the project for the **Ionio Gas regasification terminal**, designed to have a capacity of 8 billion cubic metres, has been declared environmentally compatible by the Ministry for the Environment;

the **storage facility at Rivara**, in the province of Modena, with a capacity of 3.2 billion cubic metres.

Regasifiers are installations that return **LNG (Liquefied Natural Gas)** to gaseous state by way of a simple heat exchange, without any combustion process.

The natural gas, which in nature is found in gaseous state, is liquefied by cooling to -160°C .

In this way the volume of the gas is reduced about 600-fold, directly in the place of production, allowing transportation by means of tankers fitted with cryogenic tanks, which maintain the gas in liquid state. When the tanker reaches the regasification site, the LNG is unloaded using special unloading arms attached to the boat, and deposited in the storage tanks. At this point the LNG is ready to be sent to the vaporisers and commence the regasification which will return it to its gaseous state. This process is based on the principle of heat exchange, without combustion, and is carried out thanks to the so-called intermediate fluid vaporisers which use seawater. Inside the vaporisers the water and the LNG flow through bundles of separate pipelines immersed in a fluid that favours the transfer of heat from the water to the LNG. In this way, the liquid returns to its gaseous state as a result of being heated by the water, and is ready to be transferred to the national grid.

The conviction that a reduction in environmental impacts and energy efficiency also imply a change in daily practices, such as the use of printers and photocopiers, has led to an agreement for cooperation between **ERG** and **Xerox Italia** for the improvement of document handling processes.

When fully operational, it will be possible to decrease the total production of print-outs by 18% and to substantially reduce energy consumption.

ERG has implemented a line of consumer-oriented products designed to improve energy efficiency.

DieselOne diesel fuel, owing to the presence of a polyfunctional mix of additives, prevents the formation of deposits inside the injection system and ensures a reduction in the delay between the fuel injection and its subsequent lighting in the cylinder. This favours the complete combustion of the product and therefore its efficient use.

The test programme carried out according to internationally recognised standards showed that



compared to a traditional diesel, utilisation of DieselOne gives rise to an over 2% improvement in efficiency and a reduction in the emissions of carbon oxides and unburnt hydrocarbons of

respectively 14% and 11%. At the end of 2008, DieselOne was available at approximately 1,100 ERG service stations.

The DieselOne line also covers the lubricants sector with an entirely synthetic oil which, if combined with the fuel, is fully reliable in terms of both engine performance and care.



During 2008 ERG took part in the "Save more than fuel" project promoted by the European Commission and by EUROPIA (European Petroleum Industry Association).

The objective of the campaign, which has involved the participation of more than 40 leading European oil companies, is to enhance consumer awareness to the fact that energy efficiency and respect for the environment are shared goals and it just takes a few simple gestures when driving a vehicle to make an effective contribution.

The project, launched throughout Europe, is carried out in keeping with the European Union's commitment as regards reducing greenhouse gas emissions. This is the first case in Europe where companies in the oil sector have joined forces in order to directly involve consumers.

So as to give maximum effect to the message, the initiative has been subject to widespread distribution.

Motorist's handbook

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. Modern engines enable you to just get in and go, thus reducing fuel consumption.
7. Drive at reasonable speeds and above all, drive smoothly. 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.

* International Energy Agency

** European Commission

Over 30 million leaflets have been printed, setting out a kind of "motorist's handbook": 10 simple tips on how to drive more responsibly.

The campaign has involved more than 45,000 service stations in 29 European countries.

In addition to the informative docu-

ments distributed at service stations, a website has been created

<http://www.savemorethanfuel.eu>

and is available for consultation in 24 different languages.

GREENHOUSE GASES

ERG's contribution to the containment and reduction of greenhouse gas emissions, in line with national objectives, is seen from its plans for continuous growth within the renewable energy source sector; albeit with a more selective and rigorous investment policy compared to earlier plan objectives, and in the utilisation of techniques that are more and more oriented towards energy efficiency and increasing the use of natural gas.



In accordance with the revised plan for medium-term development of renewables, we expect to **avoid 1.2 million tonnes of CO₂ emissions by 2012.**

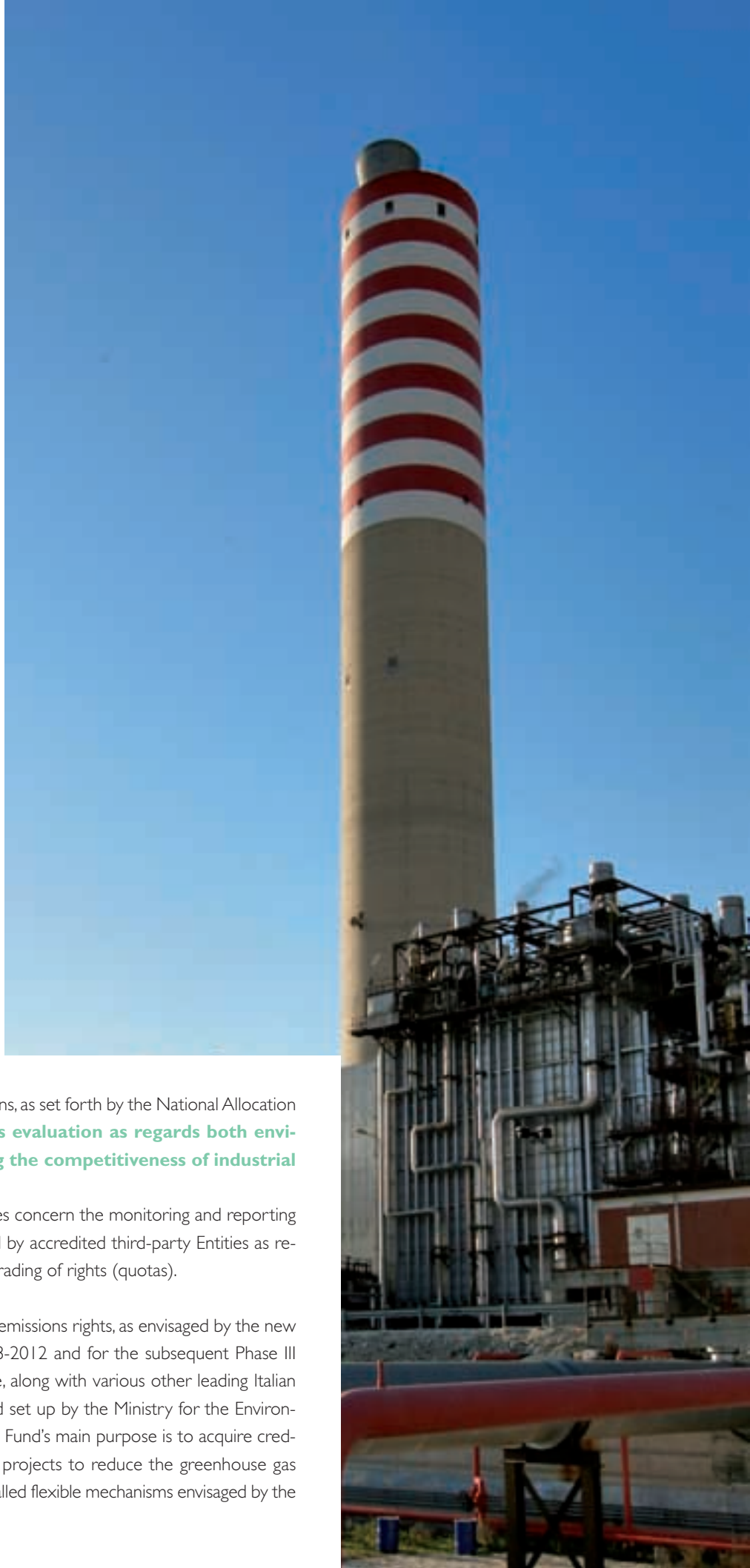
The avoided quantity to date amounts to 250 ktonnes.

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 in 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 and for the subsequent Phase III (2013-2020), 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 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, via the so-called flexible mechanisms envisaged by the



EMISSIONS TRADING DIRECTIVE

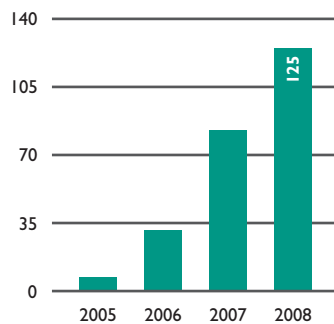
On 13 October 2003 the European Commission published Directive 2003/87/EC concerning the emissions market, better known as the **Emission Trading System** (EU ETS), which defines a system for trading greenhouse gas emissions quotas for the countries of the European Union. This system allows each country to gradually reduce its emissions within 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 Italian operators of plants coming within its sphere of application must:

- **be authorised** by the Ministry for the Environment and Territorial and Marine Protection to emit CO₂;

- **monitor** their annual CO₂ emissions;
- **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 the need to purchase additional quotas required. In case of failure to surrender the quotas, severe pecuniary penalties are envisaged (equal to Euro 100 per tonne of CO₂ equivalent).

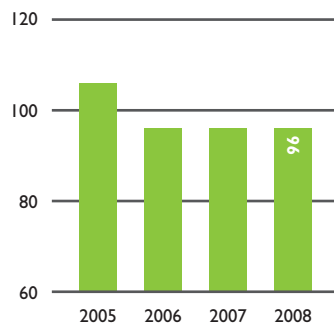
AVOIDED CO₂ EMISSIONS 2005-2008
(ktonnes)



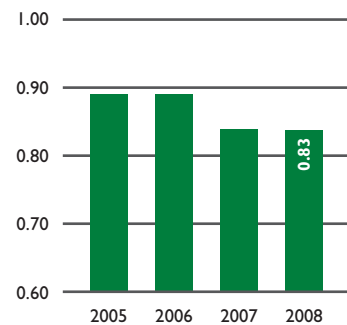
DIRECT CO₂ EMISSIONS
(ktonnes)



CO₂ INDEX-REFINING
(tonnes/processed in ktonnes)



CO₂ INDEX-THERMOELECTRIC
(tonnes/MWheq)



Kyoto Protocol: the Clean Development Mechanism (CDM) and Joint Implementation (JI). The Italian Carbon Fund project portfolio is diversified insofar as concerns both the type of technologies and the geographical regions, with projects mainly in China, India and North Africa.

The second annual general meeting, in 2008, appointed the Participants' Committee, the body which oversees the Fund's activities, made up of 5 members, including one designated by ERG.

For the year 2008, 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 the **Emissions Trading Directive**. 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.

health and SAFETY

The guaranteed safety of operations, workers' health and protection of the environment are the foremost factors of ERG's sustainability from an economic-financial, social and environmental standpoint. Risk management and prevention are a focal point in the implementation of this policy.

Some incidents took place during 2008; of these, the most important, in terms of both economic impact and above all in view of the high risks to which workers were exposed, was the one that occurred at ISAB Energy in October.

The incident involved a boiler at the plant which caused a fire to break out on one of

the two electricity production lines. The emergency plan ensured that the fire was promptly brought under control and the plant made safe: there were no reports of injuries or damage to the environment.

The event was caused by an incorrect operational manoeuvre during the particularly delicate phase of shutting down one of the gasifiers.

An accurate analysis of the incident at ISAB Energy and of all the other incidental events that occurred in 2008 and in recent years, even if they did not involve serious injuries (the injury indices show a general improvement), indicated the need to rigorously intervene by way of targeted actions to encourage and im-

plement responsible behaviours, from the prevention phase to the phase of management of emergencies, analysis of accident causes and identification of remedial actions.

Behavioural aspects and the punctual observance of procedures, above all during the transitional phases, are the areas where an incisive intervention is planned in the short-to-medium term, in keeping with an approach designed to achieve



constant enhancement. To this effect, in 2009 ERG launched the Safety Project (Progetto Sicurezza) which, alongside the scheduled investments aimed at improving the safety standards of equipment and installations, focuses its attention on a series of initiatives dedicated to the "human factor", such factor constituting the decisive element specifically in the management and minimisation of risks.

In ISAB the project is in partnership with LUKOIL.

The project, strongly pursued by ERG top management, aims to promote a far-reaching and gradual process leading to the review and potential improvement of existing procedures and, above all, to

a greater knowledge and rigid application of same. By so doing, ERG intends to achieve recognition at national and international level as one of the firms applying best practices in this area.



The necessary condition is the firm belief that **any incident is avoidable and each person has an interdependent role to play in safety.**

The project, which involves all ERG and ISAB staff, is based on three main guiding principles:

- **Knowledge**, in order to verify the degree of

completeness of procedures and above all to identify their level of application and the possible training gaps to be filled;

- **behaviour**, in order to review the staff management tools (organisation, incentives, controls, etc.) and the procedures for intervention as regards the operations most at risk (e.g. maintenance) so as to support the required behavioural changes;

- **communication**, in order to introduce new awareness tools (e.g. new procedures for managing safety competitions), improve reporting and characterise business skills with elements of safety and prevention.

In addition to directly involving the companies' top management, the project

« The safety culture? To interdependently live and breathe safety on a daily basis. My own safety cannot ignore that of others, and vice versa. We exchange a value first as



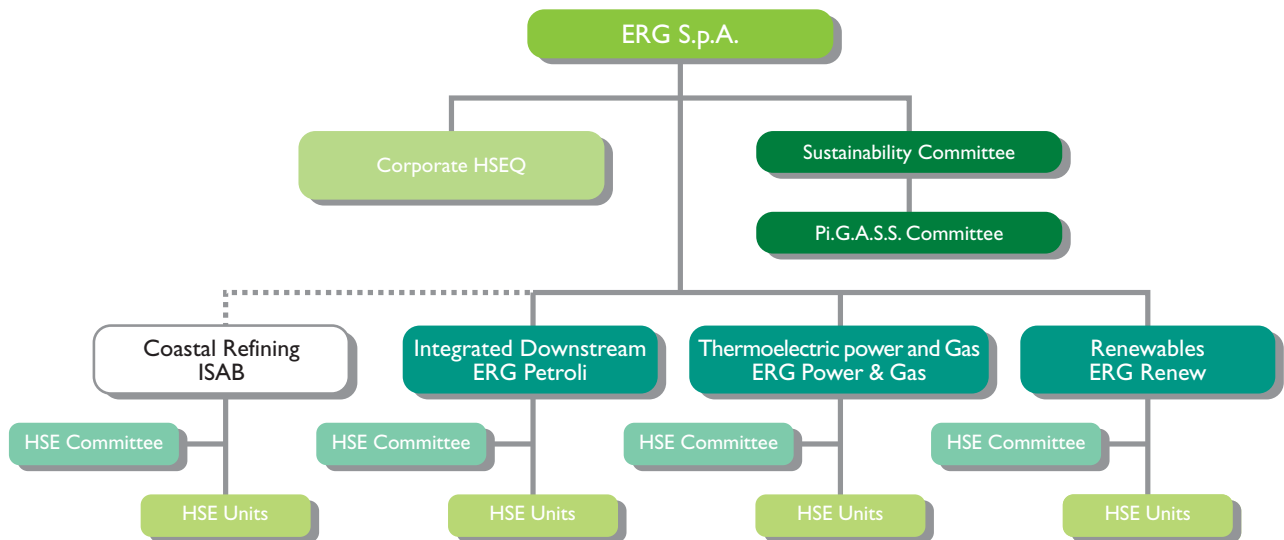
people and then as workers.»

Giuseppe Consentino,
ISAB Energy Services
Safety Environment and Quality

assigns the execution of individual activities, for each guiding principle, to specific internal task forces.

By the end of July the plan of actions for filling any gaps found is expected to be defined. In the meantime a series of improvement actions have been identified and launched that are able, in the

short term, to produce tangible results, such as for example: the change of contents as regards ERG's *pentalogo* (set of five rules - see section dedicated to *People*), the installation of information bulletin boards at ERG/ISAB premises to enhance people's awareness to operational safety, new reporting formats, etc.



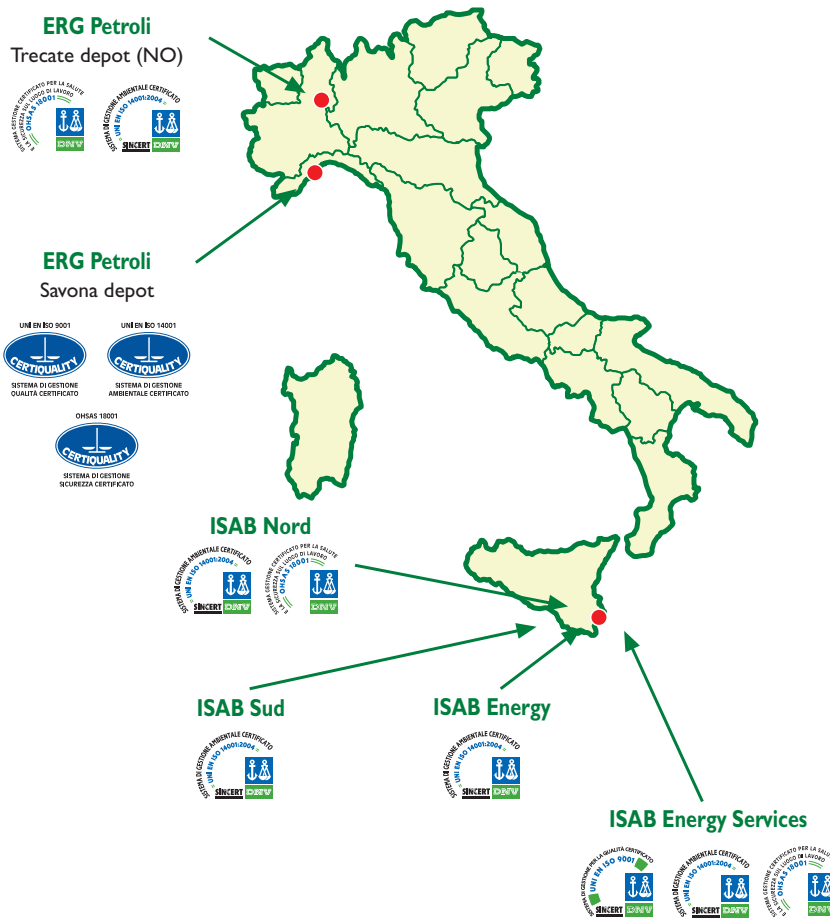
The Safety Project, as part of its course, will take into account the initiatives carried out in recent years within the ambit of the "Prevention Project". The latter project, which in fact led to an improved definition of HSE governance, particularly featured its structuring into committees.

The Sustainability Committee, which comprises ERG top management, represents the highest level of supervision as regards socio-environmental issues. Its main task includes defining policies and guidelines and verifying the achievement of relevant objectives (see the section on "Sustainability management system").

With regard to HSE aspects, the Committee receives technical support from the Pi.G.A.S.S. (*Pianificazione e Gestione Ambiente, Salute e Sicurezza*) Committee. This is presided over by the Corporate HSEQ unit and involves the participation of all site HSE managers, the heads of the prevention and protection department and some staff functions (legal, purchasing). The Committee carries out targeted assessments, surveys and studies concerning the various matters of interest, thereby facilitating the technical liaison and cooperation between all the structures involved.



Map of certifications



In keeping with the Group guidelines, each company then organised its own structure into Committees at various levels: company, divisions, departments. Via a specifically developed computer system, it is possible to keep a trace of all activities (minutes, documentation, etc.), the actions taken and their progress status.

All of the HSE Committees, for each company and at each level, constitute **risk management controls** and centres for the dissemination and sharing in a standardised manner of the prevention culture.

The organisation into Committees forms part of the Safety Management System adopted by each operational site and meets the requirements laid down by the OHSAS 18001 standard, implementation of which at operational level is

acknowledged to be effective and efficient in risk management. These Systems, combined with the environmental component, satisfy, in terms of minimum requisites, the Group guidelines for integrated HSE management.

Most of the industrial areas have completed the certification procedure. The last of these was the OHSAS 18001 certification of the ISAB Impianti Nord Refinery.

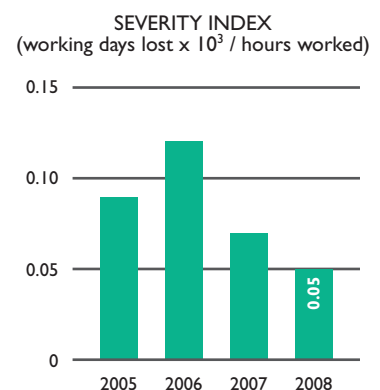
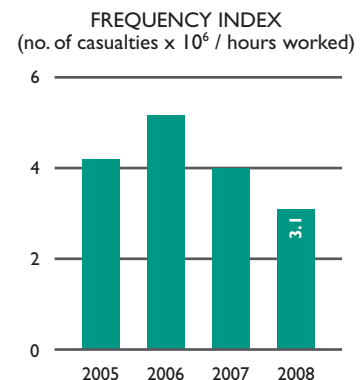
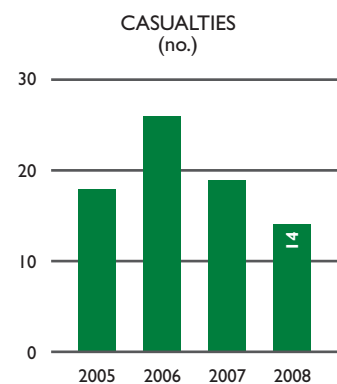


To date, the level of certification, as regards both health and safety management, and environmental management (ISO 14001), has reached 79% (60% in 2007), in line with the objective to **certify all plants by the end of 2010**.

In 2008, there was an overall number of 14 casualties involving ERG employees (19 in 2007).

Most of the events, ascribable to the Distribution Network's commercial and supervisory activities, were the result of inept movements. Each event was analysed and the appropriate remedial actions were put in place.

The frequency and severity indices showed a further improvement compared to last year, thus remaining 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).



OUTSIDE FIRM CASUALTIES

ERG's policy with regard to HSE matters also requires the suppliers of products and services to adopt behaviours in keeping with the Group guidelines.

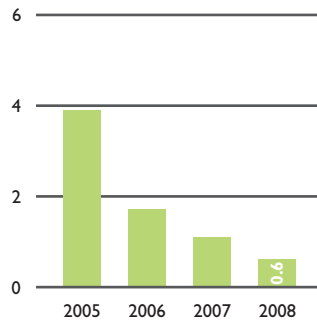
For this reason specific performance assessments are carried out.

These take into consideration the results of field tests, the accident level of each firm and safety suggestions, if any, for improving behaviours.

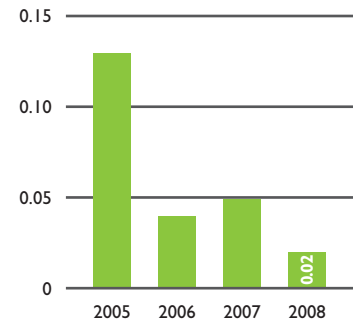
During the past few years a general improvement has been noted in the HSE performance of contractors, above all as regards casualty indices.

In 2008, more than 70% of the firms were assigned a more than positive rating.

OUTSIDE FIRM FREQUENCY INDEX
(no. of casualties $\times 10^6$ / hours worked)



OUTSIDE FIRM SEVERITY INDEX
(working days lost $\times 10^3$ / hours worked)



REACH REGULATION

In 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".

All companies of the ERG Group, as manufacturers or importers, have commenced integrating the Regulation into their HSE management systems at industrial site level. The task forces set up, one for each business area, carry out implementation of the Regulation for all the substances identified.

The activity of coordination is performed by the specific Corporate Function.

A specific database has been created, containing the accurate registration of all the substances and intermediates manufactured and/or imported.

As regards petroleum substances, a major part of those manufactured and/or imported, the Group is also actively collaborating with CONCAWE for the performance of related risk assessments.

These studies will form a fundamental part of the registration dossier to be subsequently sent to ECHA.

By November 2008, **all the Group companies had arranged pre-registration of the substances and intermediates manufactured and/or imported.**

By 1 December 2010, they will register the substances and intermediates manufactured and/or imported in quantities of at least 1,000 tonnes per year, in accordance with the procedures set out in the said Regulation.



SAFETY IN SEA TRANSPORT

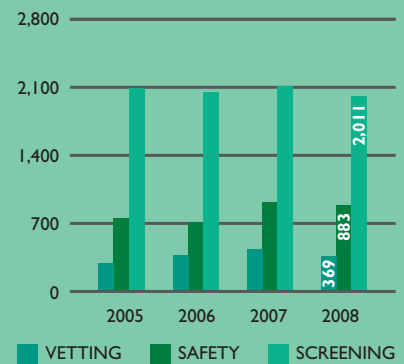
ERG's commitment with regard to operational safety is rigidly applied also in the case of sea transport. Each ship proposed for operation at ERG's terminals can be subjected to three different types of control:

- Screening controls, carried out when the ships are still in pre-selection phase. In case of failure to comply with the required parameters, the ship is rejected;
- Vetting controls, carried out prior to acceptance of the ship, which particularly concern structural checks;
- Safety inspections, carried out during operations at the terminals.

In 2008 there was a decrease in the number of ships rejected during the screening phase (9.9%). One of the factors leading to this result concerned the rejuvenation of the fleet. All the ships operating at ERG's

terminals in 2008 were less than 20 years old, and a large majority were less than 10 years old (77%). In this connection, ERG is constantly in contact with the Shipowners with a view to improving the performance and quality of the fleet. Thanks to this ongoing collaboration and the continuous controls carried out, it was possible to record zero accidents during the course of 2008.

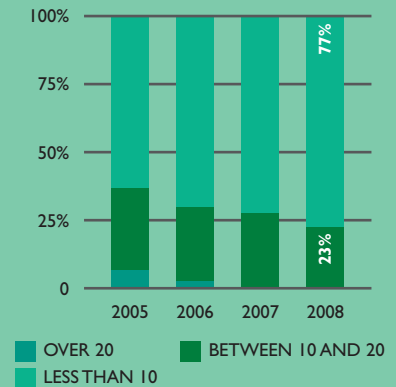
SEA TRANSPORT CONTROLS (no.)



SHIPS REJECTED BY SCREENING PROCESS (%)



AGE OF SHIPS (years)



Alongside the enhancement of people's awareness to safety, ERG has, for some time, aimed to develop targeted initiatives for the dissemination of a "health-conscious culture". The Health Prevention Project, destined for all the Group's workers, is a plan which has for years formed part of the voluntary prevention activities, as referred to in the recent Consolidated Law on Occupational Health and Safety (Legislative Decree 81/2008). The project in question provides for an oncological screening, developed for the first time between 2004 and 2006 for the Sicilian industrial area. Subsequently, between 2007 and 2008, it was extended to include all other employees. The activity in Sicily involved the participation of around 1,400 people, each of whom underwent a medical examination and clinical analyses. As re-

« We are learning to be healthy; prevention is the first step towards health protection. Constant awareness and the development of a solid culture in this respect are the bases for its implementation. »

Giuseppe Sole,
Health, ISAB



gards the other ERG organisations, approximately 500 workers took part. Overall, more than 5,000 clinical and instrumental analyses were carried out. 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.

Work-related sleep disturbances and problems

ERG contribution to the National SIMLII Congress

At the 71st National SIMLII (Italian Society of Occupational Medicine and Industrial Hygiene) Congress held in Palermo on 18 November 2008, ERG presented its scientific contribution under the name of "Identification of persons affected by or at risk of work-related obstructive sleep apnea syndrome". The study was conducted as part of a medical scientific collaboration between ERG and CNR (the Italian National Research Council), within the scope of the project "Validation and clinical application of a new methodology for evaluating upper-airway collapsibility for the identification of persons at risk of obstructive sleep apnea syndrome". Obstructive sleep apnea syndrome (OSAS) is characterised by episodes of upper-airway obstruction during sleep. ERG and CNR proposed a new method

for diagnosis of the said syndrome, using the aid of a dual questionnaire, one easily accessible and informational regarding the main symptoms and signs of a sleep related respiratory disorder (SRRD) and one more specific to OSAS: the Epworth Sleepiness Scale.

The contribution highlighted the importance of close collaboration between various specialists in order to deal with this syndrome which, until a few years ago, was underestimated and has often serious consequences.

The study performed by a CNR team, ERG Doctors and local public health units (A.S.L. 8) made it possible to highlight as many as 34 cases of proclaimed OSAS.

The parties in question then followed the specific medical instructions as advised by the sleep Specialist Doctors.

Evaluation of the pharyngeal collapsibility

is correlated to the presence of SRRD offering a useful tool for the screening of such disturbances thanks to its speed of execution.

The OSAS diagnosis in any case requires a nocturnal polygraphic recording to be performed. The study presented played a further role in demonstrating how important it is for Competent Doctors to set a protocol for identifying persons affected by OSAS, an important pathology, both from a social perspective, and with regard to the prevention of accidents in the workplace.

The Competent Doctors, faced with the new and complex situation of companies and also in view of the rightful commitment not to underestimate emerging pathologies, must arrange suitable health training and promotion programmes for the workers.

the environment

Protection of the environment, pursued via the improved environmental efficiency of processes and appropriate pollution prevention, is intended and developed consistently and systemically with respect to the safety of operations. The Group policy is precisely to implement the ISO 14001 and OHSAS 18001 management standards in an integrated manner.

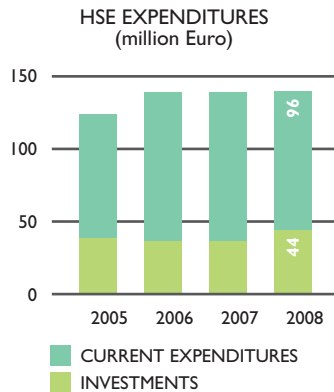
The industrial site certification plan is tangible proof of this.

Environmental expenses and investments in 2008 amounted to Euro 81 million (almost 60% of the total HSE expenditure), of which Euro 19 million was specifically dedicated to subsoil pollution prevention activities.

Systems for the minimisation of atmospheric emissions and the monitoring of

same accounted for 23% of environmental expenditure.

Costs for waste management activity, which was particularly intense in view of its connection with operations concerning the new plants under construction, amounted to around Euro 31 million.



« A person in the office, the office inside a plant, the plant within and “alongside” the territory: our concept of sustainable industry! Our responsibility is based on the awareness of how much the protection of environmental aspects is fundamental for sustainable development. We are convinced of it!»

Luisa Iacono,
Environmental Technologies,
Safety Environment and Quality,
ISAB Energy Services



WATER RESOURCES MANAGEMENT

The minimisation of withdrawals and re-utilisation of process water represent two of the Group’s main commitments with regard to responsible management of water resources.

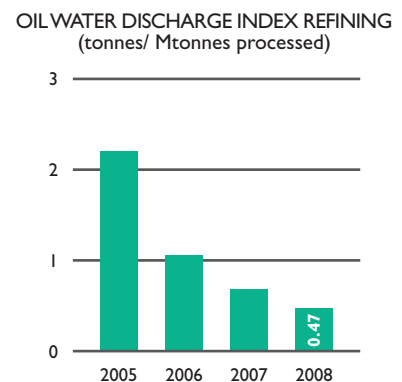
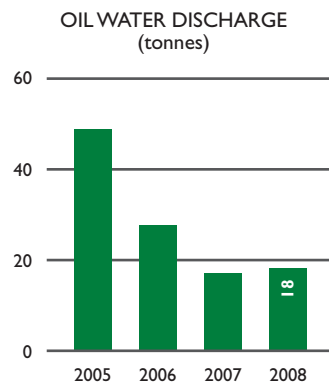
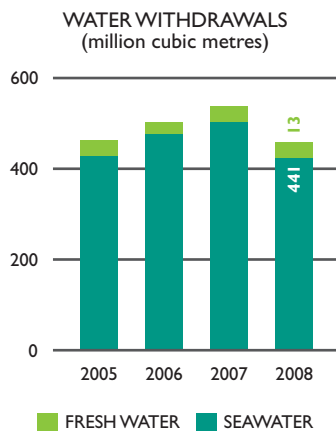
Withdrawals mostly comprise seawater, which is used for cooling the plants and equipment before being returned to the receiving body, after adequate monitor-

ing of its quality.

As regards the Sicilian industrial sites, part of the water originating from characterisation activities, safety measures and reclamation is re-utilised within the Refinery plants.

At the Nord site, the oily process water is treated beforehand for oil removal and/or elimination of the suspended

granules. This water is subsequently sent to the external consortium plant for final purification. At the Sud site there is a unit dedicated to the physical, chemical and biological treatment of the discharge water. This unit is owned by the Priolo Servizi Consortium, which came into operation in 2008 and in which ERG holds an equity interest.

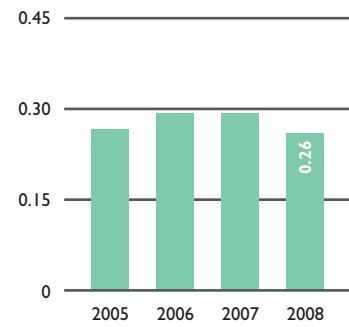


MINIMISATION OF ATMOSPHERIC EMISSIONS

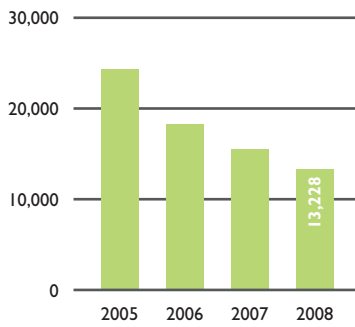
The actions focused on increasing the use of **fuels with lower carbon intensity and sulphur content** continued. The trend in the specific indices, in the various operational sectors, shows a constant improvement owing to the greater use of natural gas and refinery fuel gas. The coming on stream of the new natural-gas-fuelled combined cycle power plant at Priolo's Nord site, scheduled for 2009, will constitute a further step towards improvement.

The sharp decline in the NO_x and Particulate indices, especially as regards the thermo-electric sector, stems from the investments in low NO_x burners and the recent installation of an electrofilter at the Nord power plant: the overall commitment, between 2007 and 2008, amounted to around Euro 22 million.

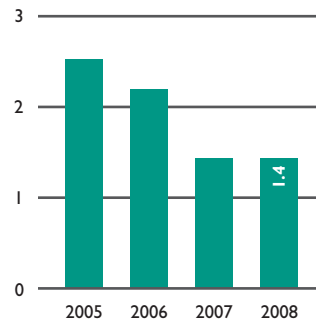
NMVOC INDEX - REFINING
(tonnes / ktonnes processed)



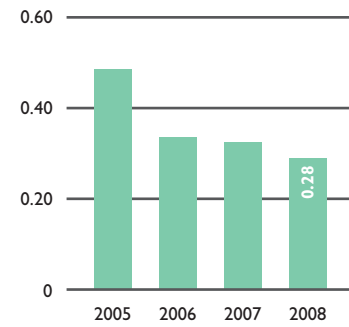
SO₂ EMISSIONS
(tonnes)



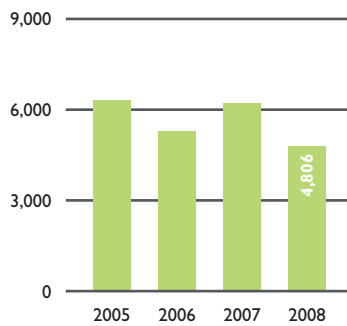
SO₂ INDEX - THERMOELECTRIC
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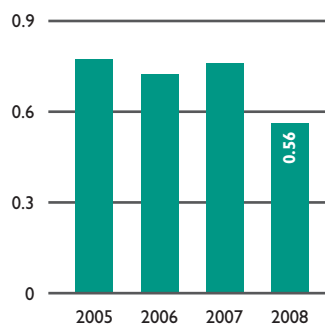
SO₂ INDEX - REFINING
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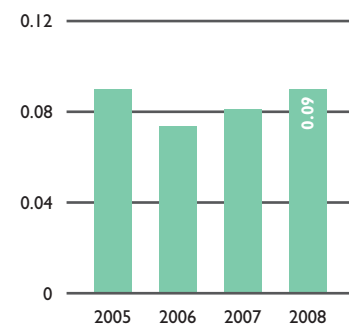
NO_x EMISSIONS
(tonnes)



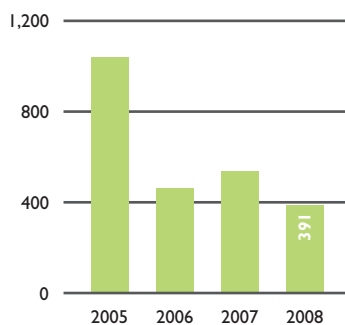
NO_x INDEX - THERMOELECTRIC
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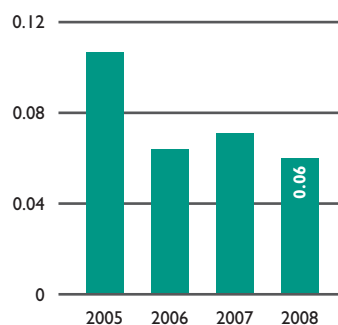
NO_x INDEX - REFINING
(tonnes / ktonnes processed)



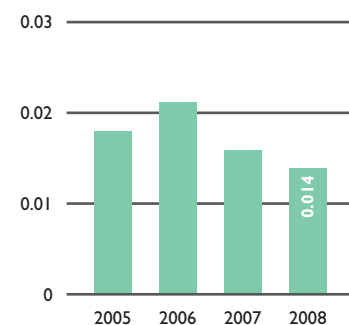
PARTICULATE EMISSIONS
(tonnes)



PARTICULATE INDEX
THERMOELECTRIC
(tonnes / GWheq)



PARTICULATE INDEX - REFINING
(tonnes / ktonnes processed)



POLLUTION PREVENTION AND RECLAMATION ACTIVITIES

During the course of 2008, continuing on from previous years and in keeping with prevailing regulatory provisions, the Group's industrial sites undertook and completed various activities for the purpose of analysis and evaluation of recovery interventions, environmental characterisation, safety enhancement and reclamation of surface soil and subsoil.

Most of these activities concerned the Priolo sites (ISAB Energy, ISAB Refinery), forming part of the so-called "Priolo national interest Site", in view of the area's heavy industrialisation. For this reason the programmes and interventions are assessed and approved by the Ministry for the Environment, with the support of the Local Authorities (Province, Municipalities and Regional Environmental Protection Agency (ARPA) Department for the Province of Syracuse), within the ambit of specific and periodic Conferences of Services.

In response to specific requirements laid down by the Ministry for the Environment, the possible alternatives were examined and evaluated, with the support of specialised outside companies and during the various technical meetings with the competent Authorities, as regards the barrier projects for both the refinery and the ISAB Energy IGCC plant. Specific proposals were detailed based on hydraulic barriers and the upgrade of measures already implemented or envisaged by the reclamation projects already submitted.

In particular, following characterisation of the soil, subsoil (it being ascertained that for these matrices no clean-up interventions are necessary since the concentrations observed for the parameters were below the risk threshold concentrations) and groundwater, the presentation of an operational safety enhancement project based on a "site-specific risk analysis" and the execution of additional wells to be used for draining off the groundwater; the next step pending at the ISAB Energy IGCC plant is final project approval and start-up and upgrade of the emergency safety enhancement system ("hydraulic barrier").

Insofar as concerns the ISAB Refinery (Impianti Nord and Impianti Sud), the safety enhancement activities for reclamation of the groundwater continued and were expanded. These interventions provided for:

- withdrawal and treatment of the contaminated groundwater, at facilities inside the plants;
- recovery of the surmatant;
- decontamination interventions, such as air sparging and soil vapour extraction (techniques for environmental recovery of the subsoil);
- the development of activities (using a draining-off barrier) to recover the contami-



Some important regulatory changes in 2008 connected with Legislative Decree 152/2006:

- *a revision of the Consolidated Environmental Law, which introduced the new Article 252 bis, providing for identification of "sites of paramount interest" for the purpose of implementing programmes and measures for industrial reconversion and productive economic development. For these sites, through the Programme Agreement mechanism, projects for clean-up of contaminated land and water and targeted actions for productive economic development are envisaged, which will entail new approval procedures for the reclamation and deindustrialisation projects;*
- *subsequently, the Quality of Life Department at the Ministry for the Environment launched the definition of a Programme Agreement for clean-ups at the Priolo Site, in accordance with similar Agreements already signed at other Sites, in order to define opportunities and procedures for settlement of the pending administrative dispute, approval of clean-up projects and obtaining restoration of the areas' lawful uses. Details of the terms, conditions and costs of the settlements to the owners of the areas included in the Site are still being defined;*
- *potential access to financing, in observance of the EU rules concerning Government subsidies, is defined by recent resolutions of the CIPE (Interministerial Committee for Economic Planning) which allocate funds (Euro 3 billion) to the extraordinary programme, establishing the terms for implementation and admissibility criteria for the programme and the loans.*

nated water and the surnatant in the areas of the pipeline connecting the Wharf and the refinery's Impianti Sud;

- the completion of interventions envisaged by the Impianti Nord reclamation project (approved by the Ministry for the Environment) in 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 has been possible, in recent years, to achieve notable reductions in subsoil pollution and progressive adjustment to the limits set forth by current legislation with regard to clean-ups; the effectiveness and results of these interventions are periodically monitored in the course of sampling and analysis campaigns concerning the environmental status of the subsoil and reported to the competent Authorities.

With regard to investments, additional characterisation activities were carried

out above all for the areas involved in the construction of the Ionio Gas re-gasification terminal and the repowering of the NuCe Nord electric power plant. Surveys were carried out to assess the absence of pollution, by way of "in situ" sampling of land and groundwater; in the presence of the Regional Environmental Protection Agency (ARPA), and consequently, following validation on the part of the said Authority, enable the "release" of the areas and the restoration of their lawful uses, approved by the Ministry for the Environment.

Similar activities for the characterisation, safety enhancement and reclamation of the different environmental matrices, carried out in accordance with current legislation, were also completed for ERG Petroli's Retail Fuel network and Savona and Trecate depots, with the support and approval of the various reference local Authorities.

We particularly report the major objective achieved at the Trecate Depot where, after completion of the aquifer

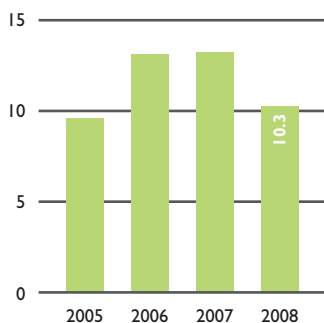
emergency safety enhancement activities, a request was submitted to the competent Authorities jointly with ARPA for land sampling and consequent final testing of interventions. The results of the laboratory analyses were positive, all samples taken proved to be well within regulatory limits and a favourable response was therefore received from ARPA for the deactivation/closure of the safety enhancement systems.

In 2008, Retail network initiatives designed to prevent subsoil pollution envisaged 170 interventions, which continued to concern:

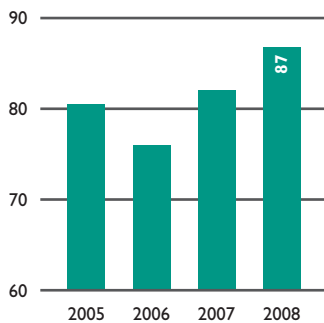
- the installation of double-walled tanks with continuous monitoring for possible leaks;
- the upgrade of devices for the prevention of accidental leakages during operations at sales outlets;
- the utilisation of materials capable of protecting underground equipment from corrosion phenomena, one of the main causes.



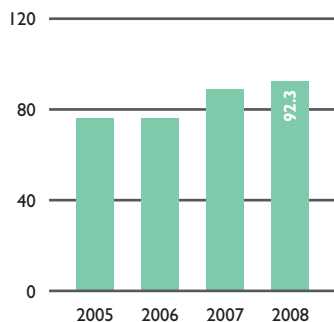
WASTE DESTINED FOR RECOVERY (%)



HAZARDOUS WASTE (%)



WASTE FROM SAFETY ENHANCEMENT, CLEAN-UPS AND NEW CONSTRUCTIONS (%)



WASTE MANAGEMENT

The system for the management of waste at all the Group's industrial sites comprises a series of procedures which, meticulously, take into account all phases of the process, 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.

Most of the waste produced originates from the intensive safety enhancement and reclamation activities at the industrial sites, which have increased in recent years. The water recovered containing hydrocarbons is, where possible, treated beforehand at internal facilities. Overall, the waste relating to safety enhancement, reclamation and activities connected with new constructions accounted for 92% of the total produced. More than 10% was destined for recovery activities.

A large part of the waste produced by electricity generation activities refers to the sludge originating from the water decarbonation process: the sludge is pressed by the demineralised water production plant, so as to drain the mud and at the same time reintegrate the water recovered from dehydration into the demineralisation process.

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.

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 2008 there were 10 events involving hydrocarbon leaks (11 in 2007), for a total volume of around 510 cubic metres.



people



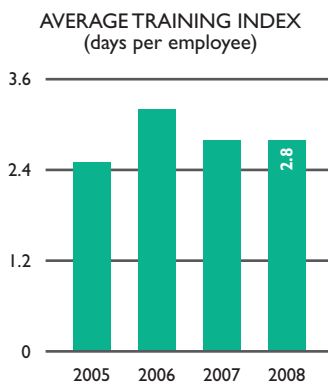
ERG considers people to be a fundamental asset, indispensable for the creation of long-term far-reaching and sustainable value. In recent years, the Group has defined a new and more incisive strategy for the management and devel-

opment of its human capital. A **growth path** has in fact been elaborated which, via 3 macro-phases, offers the opportunity to enhance individual work experience with management contents and skills. In brief:

- **INDUCTION:** covering of positions, referred to as “entry doors”, characterised by increasing technical-specialist contents;
- **COORDINATION:** induction and covering of positions that envisage the coordination of particularly significant persons and/or processes;
- **MANAGERIAL ABILITY:** induction and covering of positions that have a high impact on the business and envisage the handling of complex systems.



This growth path supports an extremely important and delicate objective, to **provide internal training for future managers**, identifying the ideal characteristics and the paths functional to the development of these characteristics.



Training is the pivot around which the growth path turns, it accompanies the individual right from entry into the company and is structured as follows:

- **institutional training** which concerns all the Group’s resources, lasts approximately 4 years and is based on intra-company seminars aimed at introducing the company and the various business sectors, creating a common identity and language, disseminating economic competencies and promoting behaviours considered fundamental for professional growth via the development of transverse skills;
- **HSE training** which focuses on the technical and management aspects regarding health, safety and environment in order to effectively mitigate

specific risks with a view to prevention;

- **technical-specialist individual training** and is provided at the request of the individual resource in agreement with his supervisor;
- **first level managerial training** the object of which is to provide coordination tools and support individual growth in reference to ERG competencies and is dedicated to people who coordinate persons and/or processes;
- **second level managerial training** addressed to supervisors/junior managers (quadri) and senior managers/executives (dirigenti) who hold positions with high managerial content focused on managing change and innovation.

« You sense that your personal growth coincides with that of the company and vice versa... you feel part of a work team, there is a growing sense of cohesion and incentive to do better.»

Nataschia Principe,

Administrative Finance and Control Applications, Information Systems Division, ERG

Personal development then passes through institutional moments of verification which count towards the definition of career paths: performance appraisal and potential evaluation.

At the time of publishing the first Group Sustainability Report, supervisors and managers attended a **training/awareness meeting** on the subject of sustainability organised by the Corporate Health Safety Environment and Quality Sustainability and Governance function. This type of training stems from the firm belief that the creation of long-term sustainable value also passes through a cultural change which must develop and take root within the company in order for the latter to be able to achieve the constant integration of business objectives with socio-environmental objectives.

From 2006, ERG has drawn up its own System of Competencies, referred to in company jargon as the “pentálogo (set of five rules)”, which aims to explain and disseminate the behaviours considered decisive in order to achieve the challenging objectives of the business plan.

The System has been structured using a map of the managerial features considered to be essential and defined by the managers and supervisors with highest impact on the business. The pentálogo effectively represents a **“corporate pact” on how to grow**, a model to be implemented on a daily basis.

The pentálogo was recently updated with a view to enhancing the incisiveness and visibility of the (transverse) issue of accident prevention and safe behaviour; above all in the course of operational procedures.

The System identifies 5 managerial competencies, each of which it associates with 4 observable behaviours:

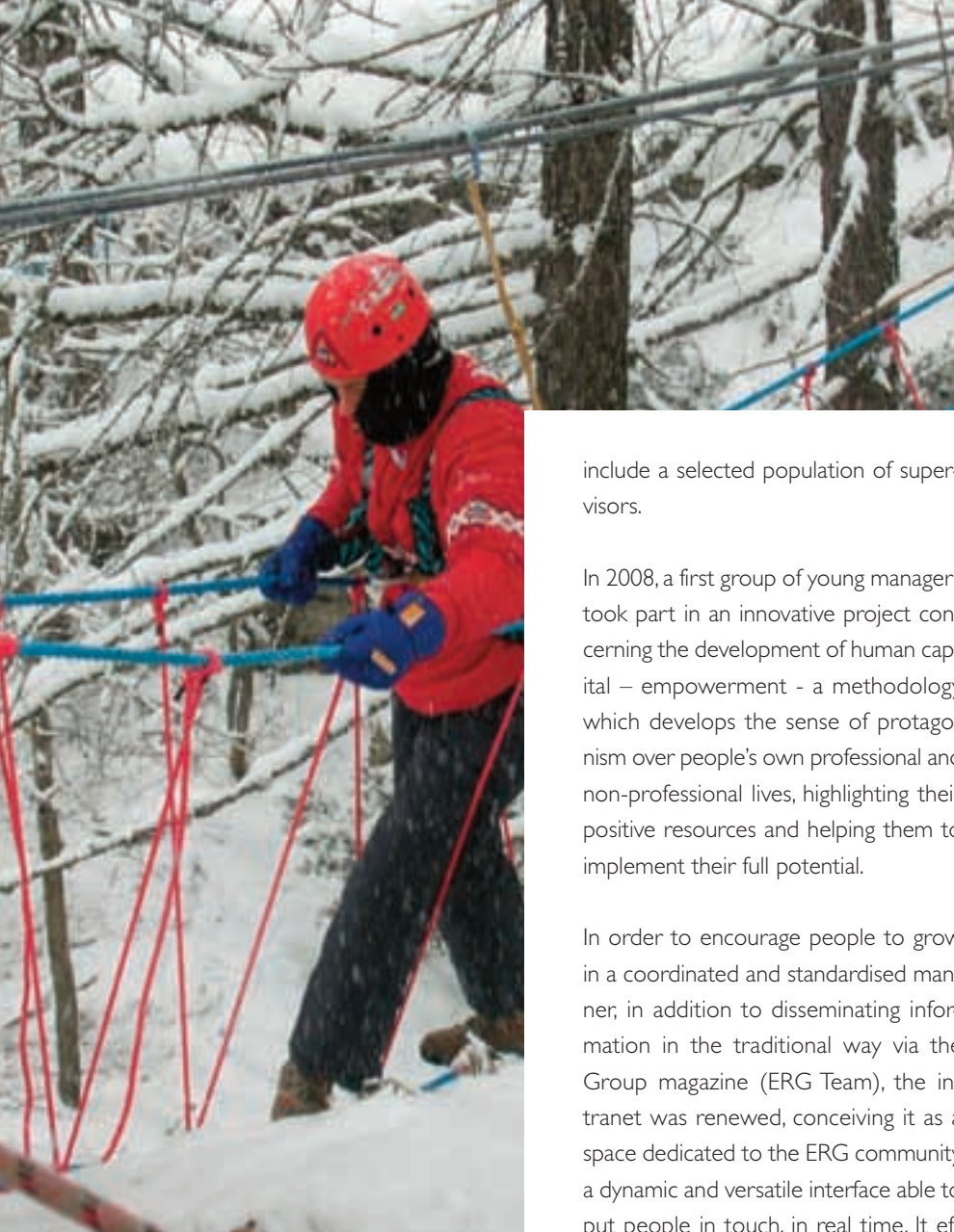
- **teamworking**: working together on shared objectives;
- **authoritativeness**: being recognised by others as leader;
- **coaching**: encouraging the people

and the team to develop;

- **intrapreneurship**: guaranteeing results and taking advantage of opportunities;
- **vision**: seeing beyond and planning moves.

In order to be more and more effectively applied, ERG's Managerial Development Model requires the structured involvement of all participants. In this respect, the climate survey, carried out in 2007 among managers and supervisors, underlined certain elements for improvement in the areas of coaching, teamworking and the propagation of meritocracy.





The results that emerged helped to define targeted and heavily involving action plans. The outdoor initiatives concerned actual “**training gyms**” offering the possibility to live a real coaching experience and have a return as regards the effectiveness of the action taken. To consolidate the teamworking competency, it was decided to concentrate on the refinement of project management and the creation of team building events able to help enhance trust between colleagues, the sense of belonging, the spirit of innovation and the will to deal with challenges that are increasingly absorbing. With regard to meritocracy it was decided, for the first time, to extend the reward system used for managers to

include a selected population of supervisors.

In 2008, a first group of young managers took part in an innovative project concerning the development of human capital – empowerment - a methodology which develops the sense of protagonism over people’s own professional and non-professional lives, highlighting their positive resources and helping them to implement their full potential.

In order to encourage people to grow in a coordinated and standardised manner, in addition to disseminating information in the traditional way via the Group magazine (ERG Team), the intranet was renewed, conceiving it as a space dedicated to the ERG community, a dynamic and versatile interface able to put people in touch, in real time. It effectively constitutes a virtual platform developed with a view to enhancing communication, facilitating forms of collaboration and integrating different applications.

The main figures concerning headcount and organisation in 2008 are clearly affected by the LUKOIL transaction, as a result of which 1,070 people left the consolidation area. At the end of 2008 ERG had a total of **1,580 employees** (-1,245 from 31/12/2007), closing a year that saw 371 new hires, 457 people leaving and 1,159 transferred to companies outside the reporting perimeter.

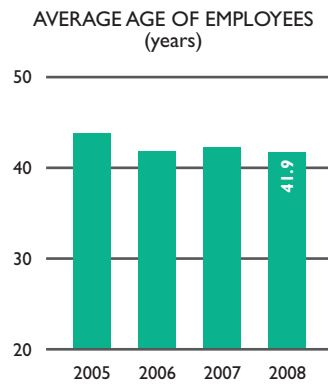
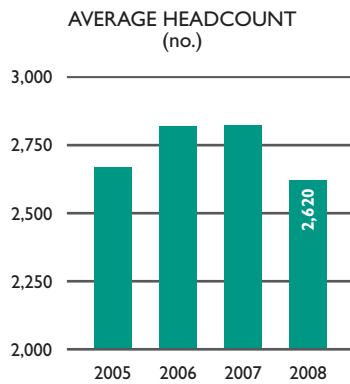
The regulatory and salary aspects, for the majority of the company’s employees, refer to the National Collective

Labour Agreement (CCNL) for the Oil and Energy Sector. This regulates in detail salary elements, the classification system, working hours, the protection of health, safety and the environment, employment relationships, the transposition of rules and regulations and union rights. Rewards, indemnities and handling of travelling allowances are negotiated at individual company level.

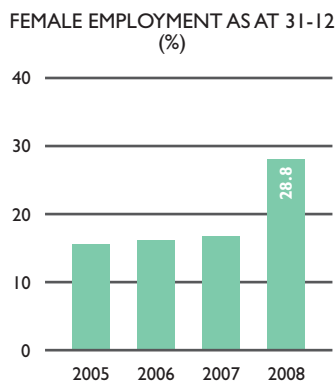
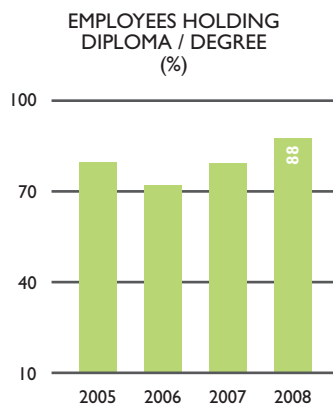
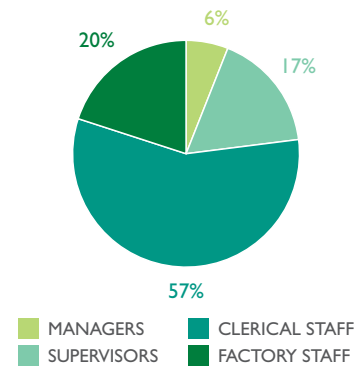
Staff transfers and the normal turnover process led to a slight reduction in aver-

*The **Group’s Christmas event** proved to be particularly intense and emotional thanks to the show put on by the children of the **Parada** association, created in 1992 with the aim of helping the street children of **Bucharest**. It all started with the dream of Miloud Oukili: to win the confidence of young outcasts through the language of art and remove them from the streets, giving them a profession. Since then the Parada volunteers live side by side with the children of Bucharest offering them real and imaginative solutions to their daily problems. Parada and its founder are a strong example of **intrapreneurship**, in view of their tenacity in pursuing the realisation of a dream, and of **coaching**, because they managed to find the access key to the hearts of difficult children and succeeded in turning them into autonomous adults, capable of living independently and with full responsibility for their own lives.*





BREAKDOWN OF STAFF AS AT 31-12

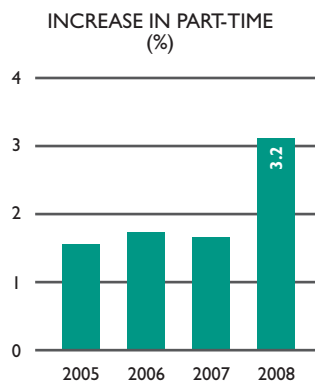


tities and institutions, in connection with environmental regulatory and authorisation problems;

- the Planning area, through improved integration of activities pertaining to planning, performance evaluation and identification/start-up of new business opportunities;
- the Internal Control System, by reassessing roles and responsibilities for

finery planning (to the extent of its quota of ownership), and planning and control of overall activities, while delegating the management of support activities to the other companies within the ERG Group (Administration and Tax, Human Resources Management, etc.).

Marketing activities were further consolidated at ERG Petroli, through the creation of territorial offices at the level of individual "business units", in order to support the strategic objective of "customer focus"; in the Procurement Division, reorganisation of the Savona and Trecate depots continued, through the streamlining of certain processes and consolidation of certain staff services shared by the two entities.



ERG Power & Gas's organisation was also further expanded to support the development of the sales activity on the electricity and gas market.

As regards subsidiary ISAB Energy Services, steps were taken to optimise its structure with a view to achieving improved organisational efficiency, also by investing in automation.

age age, which is now less than 42 years, and a further improvement in the level of education, with holders of senior school diplomas and university graduates accounting for around 88% of total employees (net of personnel operating at the service stations).

The main organisational interventions at the Parent Company concerned:

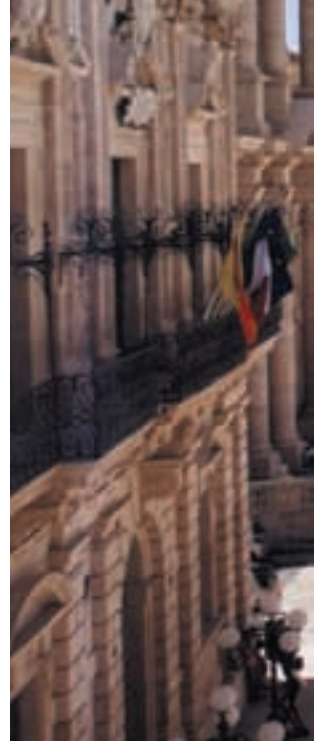
- the Institutional Relations area, aimed at a more effective management of relations with central governmental en-

a more effective control of business risks

Moreover, once ISAB had become operational, the activities specifically concerned with the purchasing of products and services, development and management of information services, institutional relations and administration were transferred to the new company. ERG Raffinerie Mediterranee refocused on management of the raw materials and finished products supply processes, re-

A revision of ERG Renew's organisational configuration was carried out, on the one hand by setting up a General Management office with responsibility for the development of wind farms in Italy and for operations and maintenance, and on the other, by setting up a department responsible for development of wind farms outside Italy, in line with major development projects.

the territory and the COMMUNITY



The Region of **Liguria** has historically represented ERG's reference geographical area ever since its foundation. Starting from the 1970's, following the commencement of operations at the ISAB Refinery, the territory of Sicily and the Syracuse area in particular became a focal point for the Group's interest and activity in terms of both investment and social planning with the aim of meeting the expectations of the community.

In Sicily, and especially in the province of **Syracuse**, large industrial complexes are located which, whilst they no longer represent the occupational reference and source of income they once did, nevertheless continue to maintain a high economic and social value. Alongside the development of the industrial sector; the area's tourist vocation, supported by a

significant artistic and cultural heritage, has seen a sharp growth in recent years and for this reason UNESCO (the United Nations Educational, Scientific and Cultural Organisation) has declared the Syracuse area "Heritage of Humanity".



To contribute towards the territory's sustainable growth is one of the social responsibility commitments undertaken by ERG.

This commitment is realised first and foremost via the transparent management of operations and the development of increasingly effective practices for the control of their impacts.

Support for this community, of which ERG feels a part, is ensured by way of targeted initiatives of a social nature, which reflect the Group's entrepreneurial values.

ERG industrial presence in Sicily in 2008

- 12%** of total national balanced refining capacity
- 13%** Retail market share, approximately 7% at national level
- 20%** of electricity produced in Sicily sold locally
- 38** MW of installed capacity for power generation from renewable sources (Vicari wind farm)
- 215** million Euro in investments



We are a Group with a Sicilian soul. We have a commitment which we put into practice each day with our work: to effectively operate as a sustainable company. And we do this in harmony with the people of this land, of which we are proud to be an active and vital part, growing alongside them.»

Angelo Fallico,
External Relations Sicily, ERG



ERG's direct and indirect impact in Sicily in 2008

- 53%** of employees (including ISAB)
- 92%** of Sicilian employees with permanent contracts
- 117** new hires
- 15%** approximately of persons employed within Syracuse Labour System (employees, outside companies and allied industries)
- 150** million Euro spent on purchasing products and services
- 32** million Euro paid in local taxes
- 2** million Euro approximately spent on social responsibility initiatives (current expenditures and investments)

Stakeholder engagement

- 20** one to one regional press meetings
- 60** one to one local press meetings
- 250** appointments with representatives from various territory associations

CSR projects

- 265** evaluated initiatives
- 178** supported initiatives

The social responsibility activities contributed by ERG, especially during the last three years, have been directed towards communication initiatives aimed at **involving** and **understanding** the requests made by the territory's players and institutions with regard to numerous issues of local interest.

A series of studies conducted during the period 2005-2008 by specialised outside companies (e.g. ISPO, COESIS, URS Italy) on significant samples of the population and qualified groups of opinion leaders were designed to finalise a scale of **priorities as regards expectations** and ERG's relative positioning with respect to same.

The perceived value of social responsibility initiatives implemented in the area was also monitored.

The main results are summarised below:

- 45% of the population viewed the Group's presence in the town and province of Syracuse "very positively" or "quite positively", 16% expressed a negative opinion;
- the initiatives promoted by ERG are viewed more favourably by the residents of Augusta, Melilli, Priolo and Syracuse, above all those in favour of young people and schools (sum of very and quite positively equal to 90%) and those concerning cultural and sports events;
- the Group is seen by most interviewees as leader in its sector (sum of "very" and "quite in agreement" equal to 83%), 73% of interviewees considers the initiatives proposed by ERG to be interesting and 56% states that "ERG is a company which inspires confidence and security".

Thanks to the interviews with opinion leaders it was possible to highlight the matters of most interest. Expectations continued to be centred round employment and economic growth; these were followed by the request for a more in-depth knowledge of the local area and greater consistency in the relationship with the community and the other local stakeholders, also with a view to promoting increasingly more effective socio-environmental initiatives.

In order to satisfy the need for a closer relationship with the local community, about two years ago ERG launched a more **organic and structured** management of the procedures for stakeholder dialogue and engagement by setting up a dedicated organisational Division. During 2008, continuing the action undertaken in 2007, this

Division organised over 50 individual press meetings and 250 appointments with representatives from various associations. In addition to ERG's industrial projects, the meetings concerned the company's commitment in favour of the territory's sustainable development. ERG also took part in meetings, debates and conferences dedicated to the issue of corporate social responsibility with a view to disseminating the culture of stakeholder engagement and describing the initiatives contributed.

As part of the 2007 Sustainability Report communication plan, the Group organ-

ised a dedicated workshop for Sicilian journalists and stakeholders, who expressed their opinion regarding the contents and methodologies used to draw up the report, providing further important elements for the enhancement of ERG's social responsibility commitments in favour of the reference community. In keeping with the trends that emerged from all the related stakeholder engagement activities, ERG has classified its social responsibility initiatives into four main areas of intervention:

- **young people and sport;**
- **protection and safeguarding of the environment and health;**

- **culture and knowledge;**
- **improvement of urban life quality.**

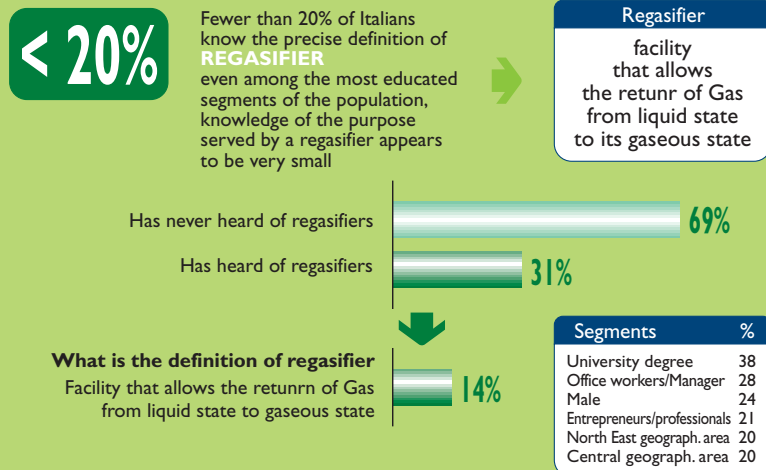
All interventions are approved by a specific internal committee, which meets on a periodic basis and evaluates the conformity of projects with the intervention guidelines, defining the resources to be invested.

During 2008 about one hundred projects were supported or carried out directly (around 50% of those proposed). Many of these were considered particularly significant for their social or cultural importance. ERG allocated around Euro 2 million to all these initiatives.

In support of the communication plan launched by Ionio Gas regarding the construction of the Melilli LNG terminal, the Group organised numerous meetings with the local community. ERG also set up a specific info point in Melilli to provide the townspeople with information regarding the project, using a form of contact with the local community that is unprecedented in the area. In effect, as also pointed out in the 2008 MOPAmbiente (Monitoring of Environmental Guidelines and Policies) Report, not just at local but also at national level, there continues to be a lack of knowledge concerning this type of plant.

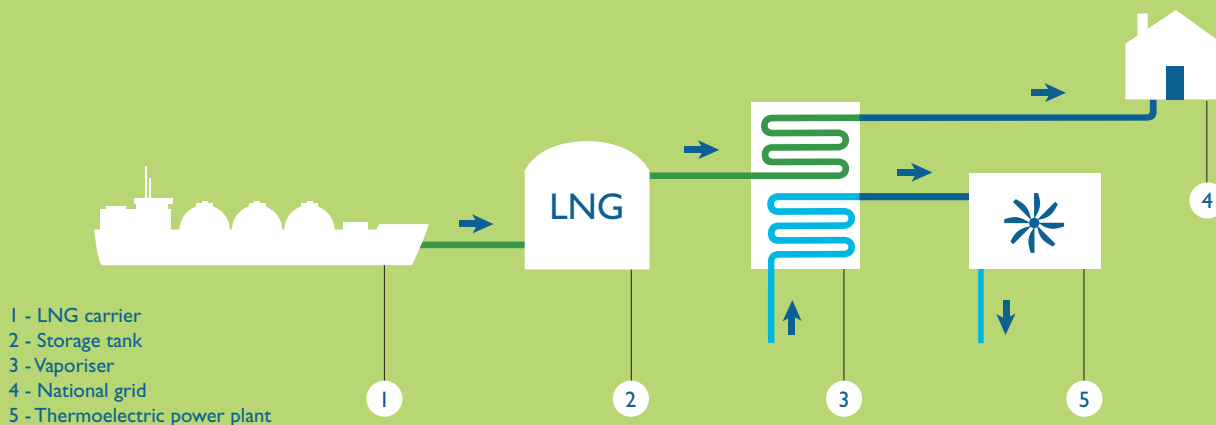
KNOWLEDGE OF REGASIFIERS

Extremely **limited awareness/knowledge** of regasifiers



GfK EURISKO

From MOPAmbiente Report (November 2008 edition)



During the 2008 ERG is sponsoring the 17th edition of the Football Trophy “Archimede ed Elettra”, dedicated to students of schools throughout of the province of Syracuse.

The initiative, which was held in the ERG Sports Center, has now become a traditional event in youth sports and has involved more than a thousand children.

« We created and nurtured the “Archimede ed Elettra” trophy, watching it year after year become a reference venue for schools throughout the province of Syracuse, giving tangible form to the concept of how important sport is for the harmonious growth of our children.»

Maurizio Pepoli,
External Relations Sicily, ERG

Euro 400 thousand was allocated to sports sponsorships in favour of local clubs that are active above all in the youth sector. Approximately Euro 1 million was dedicated to upgrading the ERG Sports Centre at Via Piazza Armerina in Syracuse. During the course of 2008, this facility was used for numerous projects involving schools, voluntary associations, ordinary townspeople and of course the Syracuse and Priolo sports clubs which used it for their own competitive activities. In view of its considerable social importance, the Sports Centre has become a place where people gather and a local reference point.

The Group also sponsored, through the ERG Amateur Sports Association (ASD ERG), all the youth division activities of Siracusa Calcio, a club for which, during the 2008-2009 season, ERG became official sponsor. During the 2007-2008 season, for the second year running, the Siracusa Calcio junior team won the Italian Championship. ERG is also official sponsor for Trogylos Basket, the Priolo team that plays in the female serie A1, as well as the Augusta Calcio five-a-side Amateur Sports Association, which plays in the serie A championship and, during the 2007-2008 season, won the under 20's shield.

Lastly, ERG sponsors several smaller football and volleyball teams in Priolo and Melilli.

Other sustaining and support activities dedicated to young people concerned:

- the **“Education for sustainable development week”**, an activity promoted by UNESCO and organised in Melilli in cooperation with the Municipality's Agenda 21 Office;
- the **National Electricity Day** Day organised by the Italian association of electricity enterprises (Assoelettrica), during the course of which over 1,000 senior school pupils visited the ISAB Energy IGCC plant in Priolo;
- the EXPO.BIT 2008 in Catania, during the course of which, at the ERG stand, in-company teachers gave a **series of lessons on power generation and the environment** especially intended for the pupils of some senior school classes;
- the **Mus-E Siracusa** project, as regards the part dedicated to the children of the Second Comprehensive Institute in Priolo, which stems from the desire to help children develop their artistic potential and their observation and relational skills;
- **“Volalibro”**, the first exhibition of children's books organised in Noto.





« The Cancer Support Network created with ERG's contribution is a totally innovative initiative in view of the treatment extended to public service users. It is the tangible realisation of a new support model, which focuses on the patient and accompanies him through therapies and controls without ever losing sight of his identity as a person.»

Paolo Tralongo,
Oncology Operational Unit Director,
Avola Hospital

ERG continues to lend its support, in cooperation with the Syracuse A.S.L. 8 local public health unit, to the RAO project (*Rete Assistenza Oncologica - Cancer Support Network*), which comprises 3 hospitals: Avola-Noto district hospital, Augusta hospital and Lentini hospital. The RAO implements the cancer support programme at the 2 Augusta and Lentini branch offices under the coordination of the *Unità Operativa Centrale* (Central Operational Unit).

In 2009 the programme is expected to be further enhanced with the opening of a new support centre at the "Di Maria" hospital in Avola.

The project was set up to meet the need felt and considered a priority by the local community.

The local area was experiencing a shortage of public health structures operating in the field of prevention, diagnosis and treatment of cancer pathologies. The project thus helps to make up for the lack of local support services.

The RAO project experiments with a new support model, a new form of cancer programme that combines health and social services and accompanies the patient throughout all phases of the illness, diagnosis, treatment

and follow-up, considering him/her above all as a person. This organisational model increases the focus on the oncology patient around whom the health structures deputised to treat his/her pathology rotate in an organised and harmonious manner.

The objective of this functional department is to support the coordination between the various local hospital structures in order to integrate the services available in the area and provide the patient with welfare continuity. More specifically, the RAO operates in 4 areas: Epidemiology and Prevention, Clinical Activity, Research and Training.

The project is applied by way of 3 key roles: the oncologist, the psychologist specialised in psycho-oncology and the coordinating nurse, in order to assist, guide and support the patient in a truly complete manner.

In 2008 assistance was provided in situ for approximately 300 patients, thereby limiting the traditional "oncological migration" towards other local public health units and so avoiding notable travel problems for the patients and their families.

Other activities in the area of healthcare promotion and environmental prevention and education concerned:

- the **cooperation agreement between ERG and the local public health unit ASL 8** regarding the expansion of the Melilli Outpatients Clinic. More specifically, with a view to contributing towards streamlining health expenditures and providing the area with specialist healthcare structures, ERG donated a new computer campimeter to be used by the eye clinic for the diagnosis of numerous pathologies;
- expansion of the **Centro di Senologia in Priolo** (Senology Clinic) via the purchase of new probes that served to improve prevention and diagnostic activities. During the course of 2008, the Priolo



- Senology Clinic served approximately 1,000 people coming from all over the province of Syracuse;
- the donation of an emergency vehicle to the **Protezione Civile** (Civil Pro-

tection Unit) in Priolo. During 2008, in accordance with the plan for cooperation between the Group's structures concerned with safety and the Municipality, a first aid course was held for Priolo volunteers;

- the financing of the environmental communication and education campaign launched throughout the province by the **Syracuse I ATO** (Optimal Territorial Ambient) for waste management;
- support for the **Priolo Salt Marshes Nature Reserve** project, managed by LIPU and located in the heart of the industrial zone, by financing the construction of a bird-watching path and the main initiatives for promoting public awareness (for example, the brochure dedicated to the Priolo Salt Marshes Reserve and the Vendicari Reserve).



ERG continues its collaboration with Junior Achievement Italia, as part of which a training programme was developed for first-level secondary school pupils, extended during the 2008-2009 school year to also include the areas of Priolo, Augusta and Syracuse. The course "Io e l'economia. Comunità ed ambiente", via an active and realistic teaching methodology and involving the classroom presence of ERG teachers, is intended to enhance awareness of the connection between economy and local community.

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« Our youngsters have grasped the meaning of sustainable economics. Understanding the difficulty of taking decisions in observance of one's own values and those of the local community is surely an important moment of growth.»

Nella Tranchina,
Teacher of Technology,
First Comprehensive Institute -
Melilli





In the area of Culture and knowledge, ERG has confirmed its collaboration with the *INDA (Istituto Nazionale Dramma Antico) Foundation*, which it sponsored for the XLIV Cycle of classical performances at the Greek Theatre in Syracuse, the Island's most exciting cultural event of the year. Within this ambit, ERG supported the event "*Leggere al Teatro*", by financing the publication of the book prepared to celebrate the birth of Elio Vittorini.

Other activities in this area concerned:

- supporting the **Società Siracusana di Storia Patria** (Syracuse Native History Society) in connection with the three-year programme drawn up by the "A.S.T.R.A." Department at the University of Catania for the creation of an archive of images pertaining to the Province of Syracuse, providing for the registration, cataloguing, protection and valorisation of the store of photographic images concerning the Syracuse territory, currently part of private and public collections and archives.

The object is to preserve an important cultural heritage and a major documentary source for the area's social, economic, political, urban and cultural history;

- sponsorship of the "**Musei Nasconditi**" (Hidden Museums)" exhibition, organised by the Syracuse Superintendence of Cultural and Environmental Assets, at the Maniace Castle. During this exhibition, valuable archaeological findings originating from important private collections were shown for the first time;

- supporting the local community for the implementation of initiatives connected with the celebration of local traditions in Priolo, Melilli, Augusta and Syracuse.

In the artistic field, restoration work was carried out at the Sacred Heart Church in Augusta (the artistic mosaic of the temple apse) and, in Melilli, the structures of the Mother Church rectory were reinforced;

- participation in the realisation of projects organised by the **Priolo Day Centre for the elderly**.





Fondazione Edoardo Garrone

The **Edoardo Garrone Foundation**, set up at the end of 2004 by San Quirico (holding company for the Garrone and Mondini families) and ERG in memory of Edoardo Garrone, who started the Group's business in 1938, it operates as a non-profit organisation, with the aim of contributing ideas and resources to social and cultural initiatives, in keeping with the will of its founders, who were ever sensitive to such issues.

The year 2008 was very important for the consolidation of the Foundation's projects, in terms of both quantity and quality, particularly as regards the promotion of socio-economic studies and research, as well as education and art with specific reference to **young people**, to whom the Foundation has always devoted special attention. Activity in the field of research was es-



pecially enhanced thanks to an important anniversary, marking seventy years of ERG, which for the Foundation represented an opportunity to promote a demanding research project: a group of ex-

perts and business researchers was in fact given the task of reconstructing, via an analysis of archive sources but, above all, by hearing it from the voices of the key players, the Group's history.

The result was the publication of a book "**Dal petrolio all'energia. ERG 1938-2008. Storia e cultura d'impresa** (From petroleum to energy. ERG 1938-2008. History and business culture)" (prepared by P. Rugafori and F. Fasce): one of the first examples of a specialist monograph dedicated to an independent multi-energy company, it tells the story of ERG's evolution, also bringing to light some interesting facts concerning the Group's uniqueness and primogeniture with respect to the Italian and sectoral industrial scene. Published by Laterza, the book was presented to the public in collaboration with ERG at three meetings, in Genoa, Rome and Syracuse, which, owing to the presence of some illustrious names from the academic and economic world (from Antonio Calabrò and Giuseppe Berta to Ivanhoe Lo Bello and Pasquale De Vita) alongside the authors and the Chairmen of ERG and the Garrone Foundation, offered an opportunity to become acquainted with the Group's history but also for a wider contemplation of the Italian entrepreneurial tradition.

Again in 2008, besides research, the Foundation also consolidated its activity in the field of education, especially in Sicily, which has always been a privileged area of intervention. In fact, already in 2006 the Foundation inaugurated the "**Edoardo Garrone Chair**", in Syracuse, at the **School of Advanced Studies in Cultural Tourism Economics**.

Equipped with a teaching staff of experts and professors from the best Italian and foreign universities (from Milan's Bocconi to the Ca' Foscari in Venice, to the Université Paris I and the Universitat de Barcelona), each year the School offers a selected number of participants an intensive course in Management of Cultural Tourism, including frontal lessons, case history, lectio magistralis, study excursions and business creation laboratory. In three years of activity, the School has trained over 60 resources. From 2008, it also has new premises, located on the suggestive Island of Ortigia, able to offer additional space and services, including guest quarters free-of-charge for course attendees from out of town.

Remaining in the School area, the Garrone Foundation also set up the **Premio Cattedra Edoardo Garrone** (Edoardo Garrone Chair Award): an economic grant awarded to the community's best tourism-cultural valorisation project submitted by its students. This initiative, like the business creation laboratory included as part of the course, is conceived with a view to offering competitors a tangible opportunity to play an operational role





in the community and proactively approach the working world.

In the sector of education, both in the province of Syracuse and in the rest of the Italy, during 2008 the Foundation again organised the "Scuola Leggendolo": the project for primary schools, which aims to promote the consolidation of reading and writing skills in the early classes using **innovative teaching tools**, created by the Foundation with the collaboration of psychologists and educationalists and provided free-of-charge to pupils and teachers. The project, launched on an experimental basis in 18 classes during the 2006-2007 school year; in 2008 included a total of 40 classes, which in 2009 will increase to 55, involving **more than 2,000 children** overall.

*It is necessary to "invest in the future", even during periods of crisis.
In fact, the need is greater, if we want the Italian economic system to be ready
to take advantage of future opportunities for recovery.*

This belief on the part of the project promoters was behind the creation in Turin, in March 2009, of the **Scuola di Alta Formazione al Management** (High-level Management Training School) together with the Collège des Ingénieurs - Paris. The School is the first initiative of the **Associazione per la Formazione d'Eccellenza** (Association for Excellence Training), conceived and promoted by the **Giovanni Agnelli Foundation**, the **Edoardo Garrone Foundation** and the **Pirelli Foundation**, together with the **Association du Collège des Ingénieurs - Paris**, one of the most authoritative European Institutions in the field of management training. The purpose is to give expression and effect to the civil and social commitment of some of the most important Italian industrial groups in the North-West and, in particular, to respond with tangible initiatives to the need for a better training of human capital, targeting quality and approach to



Fondazione Edoardo Garrone

innovation. The Association is non-profit and its mission is to "promote and encourage excellence training initiatives in relation to the needs and prospects of the working world, research and business". The High-level Management Training School, which will collaborate with the Collège des Ingénieurs based on its consolidated operational model, is intended for young engineering and business and economics graduates (15 the first year, 40 when fully

operational), offering them a full-time Master in Business Administration based on 4 months of classroom training and 6 months of in-company action learning: these young people will be employed as junior consultants with customer firms and assigned projects of strategic interest. For course participants, selected based on requisites of merit and preparation rather than income-related, the Master will be completely free-of-charge. And that is not all: participants will be hired under temporary contract for the entire duration of the training period. Courses are scheduled to start in September 2009; the classroom training (in English) will be carried out partly together with the teachers and pupils of the Collège des Ingénieurs at its Paris, Stuttgart and San Gallo premises, and partly at the Turin premises with teachers originating from Italian polytechnics and universities and from the business world.



Festival della Scienza



The Genoa Science Festival is deep-rooted in the territory where it was conceived, communicating with it and responding to the needs it conveys: to create consensus and acceptance vis-à-vis science and technology, to encourage the orientation of young people towards careers that serve evolution and innovation; to bring the universe of researchers closer to the general public and remove the cultural barriers between ordinary people and the science world; to contribute within a long-term perspective to the renewal of Genoa's image and vocation, launched by way of the 2004 Capital of Culture project. The Festival has decided to play a strategic role in the valorisation, promotion and enhancement of the Ligurian territory via the creation of a virtuous "system" of development able to involve a number of resources. Ever since its conception the Festival has in fact featured as a widespread event involving the entire territory of Genoa and Liguria. Each year the piazze, the museums, the historical buildings, the theatres of the town and the region host hundreds of events, as part of a reciprocal valorisation, thereby offering the public a chance to enjoy, in an unusual setting, the cultural heritage of the local territory. The Festival will continue to be "staged" using the town, assuming the dual role of opportunity for the construction of a scientific citizenship – through listening, participating, experimenting – but also for the consolidation of a territorial citizenship: the Festival in fact represents an occasion for the rediscovery and reallocation of places and spaces that are unknown or forgotten even by the Genoese themselves.»

Vittorio Bo.

Director of the Science Festival

ERG, historical partner of the Science Festival, in 2008 chose to celebrate as part of the Festival its 70 years of business. "Una Storia di Energia (A Story about Energy)" is the title given the group of activities which sees ERG in the leading role: the presentation of the book "Dal petrolio all'energia. ERG 1938-2008. (From petroleum to energy. ERG 1938-2008)"; the world preview of the concert "Something connected with energy" written by Michael Nyman, one of the most famous contemporary composers, especially for the occasion; the "Luminescenza (Luminescence)" display focused on the subject of energy evolution; a multi-media installation dedicated to energy resources, scheduled throughout the entire duration of the Festival, was realised with the iconographic contribution of the ERG archive.

The central theme of the exhibition was Diversity, intended, based on its various and multiform meanings, as the space where the multifarious ambits of knowledge meet, as resource to be exploited for new interdisciplinary contaminations and as detonator of the passion for science.

ERG's decision to celebrate its 70 years of business as part of the Festival underscores the **close bond between the event and the company**. The Science Festival, important rendezvous for exchange, contemplation, promotion and dissemination of the most current issues in the field of science and research appeared to be the ideal setting for telling the story of a group which, also thanks to science, was able to shape its development, at all times demonstrating its strong commitment to cultural and social issues.



customers



ERG's commercial strategy is centred around the consumer, in accordance with principles of correctness and consistency. The ability to offer the customer advantages, particularly in terms of savings, is one of its main features.

The customer value proposition defined in 2006, based on transparency and confidence in relationships, has now progressed to become a structured plan of action.

Between 2007 and 2008

restyling was completed at all service stations, involving first and foremost the operators as change players, also by way of a communication campaign that placed them in the leading role: **"Noi di ERG ci mettiamo la faccia"**

(We are the face of ERG) has become the project's slogan.

The objective of this phase was to improve the communication regarding the sales outlet, enhancing its clarity and distinctiveness, and at the same time offer a high quality of service.

All activities at the service stations comply with the applicable standards of transparency and correctness of information on products and their classification and labelling.

The promise of value is also substantiated by the provision of integrated customer services, leading to a wider range of advantages offered. The launch of the

ERG Più card, in 2008, follows precisely this vision.

ERG Più is a simple and fast tool offering access to a wide range of savings, services and prizes. The advantages are tangible and immediate because they enable the consumer to effectively save money (for example on the cost of fuel). Alongside this saving there are some

website has been rearranged to enable a simple and intuitive navigation. The classification of sections has been conceived according to the information that customers may want to know regarding the world of ERG: commercial range, discounts, promotions, conventions and collection of points, also using partners.

In particular, the specific section dedicated to ERG Più informs and

supports customers in their fidelity programme subscription applications.

Starting from the end of 2009, customers who have subscribed to the programme will have access to a series of additional services, such as for example the management of

points credited or the reservation of prizes and information regarding the status of their shipment.

In the section dedicated to customer relationships a distinction has been made between the various categories of user in order to provide on-line responses to the **different requirements** (for example, haulage contractors, Public Administration).

ERG Customer Service operates on a daily basis from 8 a.m. to 9 p.m.. Outside these hours there is an answering service available to customers. In order to make this activity more efficient and in keep-



services, such as the **Targasys ACI** service (breakdown service, repair service, etc.) and other public utility services, such as information on events, address search and train, air and ferry timetables, available by calling **ERG Customer Services on the toll-free number 800-987887**.

In support of ERG Più, the www.myerg.it website has been renewed so as to provide easy access to knowledge regarding the products and services available.

Apart from the graphical layout, the



ing with expectations, the maximum time for solving requests is 24 hours from receiving same. According to the procedure, when the solution has been completed, the customer is called back or contacted by e-mail. In order to further improve the efficiency of the service, starting from the beginning of 2009 an IVR (Interactive Voice Responder) is in operation, which helps to monitor the

issues and suggestions received. Moreover, surveys and questionnaires regarding the level of preparation of operators are used to enable prompt intervention with respect to service criticalities, if any. In 2009, ERG Petroli launched a new, demanding and innovative project: to become a mobile virtual telephony operator, under an agreement signed with

Vodafone Italia. The operation constitutes a further opportunity to build up confidence with trade partners and consumers and fits into the strategy of commercial valorisation and development of its retail network. Thanks to this initiative ERG Petroli confirms its intention to continue investing in its Retail distribution network with a view to constantly offering innovative and quality services.



ERG Petroli is the **first oil company** to enter this market with a dedicated and personalised SIM and with a new brand: **ERG mobile**. The product will be marketed exclusively through its Retail fuel distribution network.

Customers will benefit from immediate advantages each time they refuel and recharge their SIM, based on an extremely competitive offer. They will also have access to a series of services and promotions reserved for drivers, thanks to integration of the new telephony product with the existing ERG Più fidelity

« I like this way of involving us, I “show my face” because I believe in this new sales strategy. The customer sees not only gasoline and diesel but also transparency, trust and advantages. »

Valter Pasqualini,
Operator, ERG Service Station in Via di Casal Boccone



programme. ERG Petroli will have full autonomy in managing its relationship with customers and all commercial and customer care activities, choosing the services and rates to be offered, by way of completely independent decisions and processes.

Half-way through 2008 the **Operator's Portal**, a website specially created to enhance the cooperation between company and operators from a partnership perspective, constant sustainability objective of the ERG Retail network, came into operation.



This website, which can be consulted on a 24-hour basis and is accessible only via authentication, is a real virtual meeting place. A series of clearly separated sections make navigation simple and efficient. The portal allows access to a series of fundamental operational management areas, such as:

1. "Accounting documents", a sort of constantly available administrative interface;
2. "Mail", a constantly open two-way communications channel with the area commercial coordinator.
3. "News", a space dedicated to news and information from the company.
4. "Forms", all the forms required to expedite the transmission of matters and requests.
5. "Promotions", for information on the latest promotional campaigns and a summary of those subscribed to.
6. "Recommended price", with constantly up-to-date information on recommended prices.

With a view to constantly improving the services offered to customers, ERG Petroli has continued to carry out cycles of **Customer Satisfaction** surveys. More particularly, in 2008 all ERG's Motorway Service Areas were involved. The survey arose from the need to ascertain the level of consumer satisfaction regarding the quality of services offered.

The survey sample concerned 2,300 customers. The rating, as regards each area considered, was based on a scale of 5 values: poor(1), insufficient(2), sufficient(3), good(4) and excellent(5).

The level of satisfaction was measured using the **Perceived Satisfaction Index** (PSI), which takes into account the weight of partial evaluations received for each individual question, subsequently added together according to macro-sector. The main determinants concerned the quality of service, the perception of the ERG trademark, the Service Area structure (for example, general cleanliness and maintenance).

The overall result was more than good: the PSI, at 4.1, showed an improvement of 6.2% over 2007.



innovation

The multi-energy strategy implemented by the Group, heavily oriented towards renewable energy sources, also involves an intense research and innovation activity. In 2008 an ambitious and state-of-the-art project was launched: via a major industrial partnership, to explore a new research frontier in the area of renewable energy sources: **organic photovoltaics** also known as third-generation solar technology.

This innovative technology is based on photochemical reactions able to generate electric voltage. In preference to the established silicon of traditional photovoltaic cells, organic (or metalloorganic) pigments, capable of transforming luminous energy into low-cost electric current, are used. The photosensitive substance, absorbed on nanostructured supports, is applied between two layers of glass or flexible plastic made into conductors by the presence of an electrolyte.

This version of photovoltaics has the advantage of using panels realised by way of production processes that are simpler, less expensive, less energy consuming and, consequently, have a **lower environmental impact**. The raw materials also cost less.

Versatility of utilisation is one of the project's strengths:

- the panels are less sensitive to the angle of solar radiation, with consequent generation capacity even in situations of indirect light;
- installation is possible even on vertical surfaces (glass skyscrapers, towers, etc.);
- the panels favour architectural harmonisation as a result of their transparency, which means that they are able to use different colours and can therefore be "camouflaged".

The principal elements to be researched concern **improving performance**, which is currently lower than that of the silicon panels, and **increasing the life of the appliances**.

State-of-the-art technology and a challenging, as well as promising, objective have merged within the entrepreneurial and speculative intention of a consor-



« Technological innovation stemming from culture, vision and entrepreneurial ability is one of the fundamental routes for the company's development. Our partnership, in observance of environmental protection, aims to generate value for both the business and the community.»

Gianluigi Storto, Technological Innovation, Planning and Performance Division, ERG

Michele Della Rossa, Project Manager, Permasteelisa

tium formed by different organisations, of which ERG, through ERG Renew, is an active party. The other partners are **Permasteelisa**, one of the world's foremost operators in the field of design, implementation and installation of architectural shells with high technological content, **Dyesol-Italia**, leading supplier of materials and technologies and the **Universities of Rome Tor Vergata, Ferrara and Turin**, which will carry out the research.

The target, over a period of four years, is to start up an **industrial production line** for 0.5 kW DSSC (Dye Sensitised Solar Cell) panels, convertible to 5 MW. ERG Renew and Permasteelisa will have exclusive ownership of the DSSC panel production and marketing business, while Dyesol-Italia will enjoy the condition of privileged supplier of materials. The total investment amounts to over Euro 10 million, with ERG Renew and Permasteelisa each contributing Euro 2.5 million towards the project.

The strategic value attributed by ERG to innovation and research explains the strong interest also as regards the academic world, which has for several years given rise to initiatives in cooperation with various Italian universities. ERG has concluded conventions with the Universities of Genoa, Catania and Messina and by virtue of same supports specific research projects of interest

within the ambit of the areas of commitment for sustainability.



Ongoing projects with the University of Genoa:

Optimisation and development of risk analysis methods along the plant-process-human factor chain.

This line of research combines with the activities envisaged by the Progetto Sicurezza (Safety Project – see section on Health and Safety) and, in addition to an analysis of management events and procedures, provides for the anonymous involvement of plant operators and outside companies in order to evaluate the level of sensitivity to prevention.

Systems for mitigation and fine-tuning of bidimensional sensors for process control and safety.

The objective is to build software capable of managing video sequences with a view to further minimising risks via control tools.



Ongoing projects with the University of Catania:

Numeric analysis – simulation with a view to optimisation of energy conversion processes in refinery and power generation plants.



This research aims to optimise the plant production processes via an accurate analysis of same in terms of Energy Conservation. The expected results of the research refer to an improved management of energy resources and a reduction in the associated costs assessable up to 20%.

*In 2008, a Research Doctorate scholarship was set up in cooperation with the Chemical and Process Engineering Department of the Faculty of Engineering, University of Genoa, dedicated to the memory of **Domenico D'Arpizio**, former ERG Deputy Chairman, who died in November 2007. His visionary ability and drive towards innovative processes represent, above all for the people of ERG, an unforgettable and inspirational example.*

*The scholarship, for a period of three years, was assigned starting from January 2009 and concerns the development of “**Carbon Sequestration and Recovery**”, a topic of special importance as regards the innovative processes designed to reduce the greenhouse effect.*





As part of the ongoing international research Doctorate in Energetics at the Catania High School, ERG Power & Gas has financed a grant for research into energy accumulation systems for generation using renewable sources. The research project is in fact oriented towards the analysis of such systems, the development of general sizing criteria according to the specific energy source and the testing of pilot systems and/or technological demonstrators. The study stems from the need to fine-tune innovative systems able to overcome the limitations regarding the availability of renewable energy sources, characterised by seasonal, daytime or instantaneous trends. The project, structured in various phases, plans to exploit the availability of the photovoltaic field, currently being constructed at ERG's Priolo site, to design a technological demonstrator and then field test the performances of various types of accumulation systems.

Safety and operability competence, coscence and consciousness.

The project concerns the coding and implementation of dynamic HazOp analysis for the management of plant operations and safety and staff training. The results of this line of research will again be used to develop the Safety Project. Significant improvements are expected with regard to plant operation arising from the improved management of operations. Moreover, an evaluation of the internal level of engagement is anticipated in order to define a model that ties the corporate climate to expected performances above all in the area of maintenance management. The model also provides for a more particular definition of training paths with a view to valorising people.

Material and maintenance management.

This concerns the coding and implementation of an information system for the integrated planning of process plant maintenance. The main result expected lies in the implementation of an information system to support the phase of elaborating the best medium-term maintenance plan.

Robot system applications for the control of plant equipment.

The research concerns the study and development of robot systems for applications relating to the non-destructive inspection and cleaning of plants and equipment. The results expected from the research are focused on the improvement of company productivity, by reducing plant maintenance intervention times and at the same time enhancing the level of safety.



Ongoing research projects with the University of Messina:

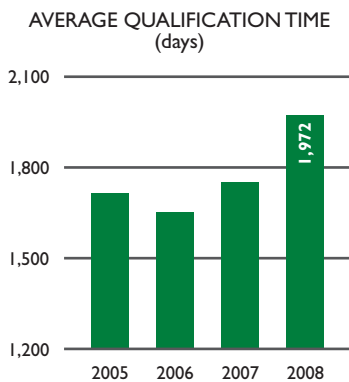
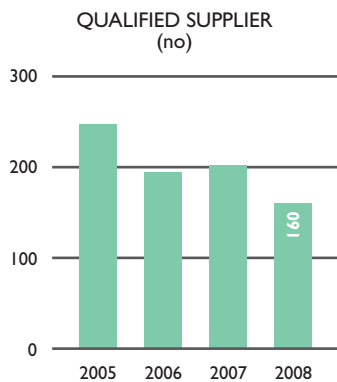
Innovative technologies with low environmental impact for reclamation of the Augusta harbour contaminated deposits.

The project takes into consideration the contaminant-ground interactions, the assessment of deposit dispersion and dredging technologies and the evaluation of reclamation procedures with low environmental impact (research into capping procedures)..

Innovative procedures for the utilisation of CO₂ recovered from the IGCC plant.

After the phase of definition of the relevant current status, the project looks into the issues concerning the potential utilisation of CO₂ as carbon and oxidative feedstock. A scouting will be performed of CO₂ conversion reactions of interest for potential applications.

suppliers



ERG's relationship with its suppliers is imbued with **operational transparency** and is designed to create dynamicity with a view to forming a true commercial partnership.

The qualification process and assessment of suppliers' performance are fundamental elements for ensuring an ethical management of the procurement process, based on the belief that responsible behaviour does not only occur inside the corporate circle.

It is this approach that induced ERG, together with other major Groups, to set up i-Faber (23% ERG). The portal managed by i-Faber, a "virtual marketplace" where transactions can be carried out in a transparent manner, within a short space of time has become the meeting point between medium and large-sized companies and the suppliers' market. Inside the portal over 500 product cate-

gories are represented and, within a space of six years, the system has to its credit approximately 15,000 on-line auctions for a total value of around Euro 6 billion.

Several of the companies that actively use i-Faber then created PEC (Procurement Executive Circle - www.pecircle.com), a work group comprising the purchasing managers of companies posting an annual turnover of more than Euro 400 million. This initiated a cooperation between companies that pays special attention to matters concerning sustainability and corporate social responsibility.

Within the PEC, a project was set up for the definition of **Guidelines for Sustainability and Integrity in Relationships with Suppliers** (Italian acronym **SIRF**) which is aligned with

« Ethics in Purchasing? To build and maintain relationships based on correctness and transparency and to pursue quality and stability in dealing with suppliers, adopting principles of legality, consistency and loyalty throughout the procurement process. »

Anna Campi,

Purchasing, Administration, Finance and Control Division, ISAB



best market practices and international criteria relating to corporate social responsibility.

The document contains a series of principles considered fundamental to correctly manage the supply chain: data confidentiality, monitoring and control of conflicts of interest, regulation of competition.

These principles must be observed during all procurement phases, from the selection of suppliers, to the drawing up of contracts, up to the correct handling of payments.

Apart from external relationships, the guidelines also provide for a series of behaviours to be adopted inside the company such as, for example, the rotation of purchasing staff and a clear separation of roles between the user of the service and the party handling its procurement.

The level of adoption of SIRF on the part of ERG is among the highest within the ambit of the promoter firms.

In 2008 the number of qualified suppliers rose to 1,972.

Special attention was paid to **improving the efficiency** of the rigorous selection and evaluation process, which now requires around 160 days to complete.



**RISK
MANAGEMENT** *Energy
efficiency*
INNOVATION
Health and Safety **PEOPLE** Renewable
energy sources
PREVENTION **CORPORATE
GOVERNANCE**
TERRITORY **CONTINUITY**
RESPONSIBILITY **Management
system**
CUSTOMERS *Environment*
SUPPLIERS
CLIMATE
CHANGE
**SUSTAINABLE
DEVELOPMENT** **MULTI
ENERGY
VALUES**

HOW WE WORK *our values*

A sound company capable of achieving results over time must be supported by a code of values from which to draw. The company's equilibrium rotates around a framework of principles that continuously influence its conduct and its decisions.

A consolidated set of values and benchmark principles becomes even more important if the company chooses to undertake sustainability procedures and combine the necessary creation of economic-financial value with social and environmental responsibility.

ERG has decided **to grow sustainably and compete responsibly**, in other words it has chosen to integrate economic growth and business objectives with the creation of value for the environment and the company, in order to enhance the value generated and transform it into also a competitive advantage. It has chosen to manage its activities in a transparent and responsible manner, taking into consideration, when developing its industrial projects, also the requests emerging from its dialogue with all stakeholders.

Such a declaration of intent, leading to a responsible and sustainability-oriented business approach, calls for a generative matrix that forms an integral and sincere part of the company's identity: the Code of Ethics.

The **Code of Ethics**, the latest version of which was approved by the Board of Directors' meeting on 10 March 2008,

constitutes the Charter of values and principles that inspire and guide the company's decisions and actions and is the primary source of corporate behaviours. This latest version, whilst remaining in the wake of tradition, opens up to current expectations, underscoring the commitment lavished by the company in implementing decisions consistent with corporate social responsibility and environmental sustainability.

The Code of Ethics applies to all employees and all parties operating on behalf of the company, which also undertakes to promote ad hoc awareness and training actions.

The aim is to encourage and enhance the identification of the "player employee" in a series of propositions that are intended to be not just sweeping statements but elements that are constant and traceable in all the company's activities.

Briefly and concisely, yet effectively, the Code encompasses all the cornerstone issues for correct corporate Management:

- **Respect for and valorisation of human resources;**
- **Business management;**
- **Use and disclosure of information;**
- **Transparency in accounting;**
- **Protection of health, safety and the environment;**
- **External relations;**
- **Enforcement system;**

The Supervisory Committee, whose role is to act on the basis of anonymous reports to ensure the correctness of company management, among the other activities it performs, in fact monitors the effective application of the said Code. In this connection, also in 2008 no reports were received by the Committee.

The system of company values is found not only in the Code of Ethics but also in a series of sources, which we might define as secondary, able to potentially influence corporate conduct and practice. One of the most significant of these is the **Corporate Governance Code for Listed Companies**, which focuses its attention above all on practices for the prevention of risks associated with conflicts of interest and on control systems.



corporate GOVERNANCE

The management of a complex entity such as a company requires a sound and organised governance structure that is able, on the one hand, to regulate and, on the other, to supervise the correct functioning of the multifarious sections it comprises.

Corporate Governance is based on criteria of transparency and correctness which permeate the system of company rules and the organisational structure. In addition to this, there is a strong focus on issues concerning correctness of the relationship between management and shareholders and business management oriented towards the objective of value creation.

This latter objective can only be pursued through a coordinated delegation of powers within the Board of Directors in order to ensure, on the one hand, the clarity and completeness of management powers and responsibilities and, on the other, monitoring of the activity performed and evaluation of the results achieved.

In particular, ERG S.p.A. exercises an activity of management and coordination with regard to its directly or indirectly controlled subsidiaries. This activity consists of:

- definition of business strategies;
- indication of strategic guidelines for

organisational aspects and personnel policies at a macro level;

- strategic finance and Group treasury management;
- management of tax-related issues, especially as regards planning;
- management of communication policies and institutional relations;
- management of environmental, health and safety policies;
- centralised management of information systems;
- definition of risk management policies;
- centralised management of corporate obligations;
- legal support for the most significant transactions (Special Projects);
- definition of common policies for internal audit and corporate security;
- definition of guidelines for the preparation of financial statements;
- management of non-oil purchases.

The directly and indirectly controlled companies that are subject to management and coordination within the aforesaid ambit are:

- ERG Petroli S.p.A.;
- ERG Raffinerie Mediterranee S.p.A.;

- ERG Power & Gas S.p.A.;
- ERG Nuove Centrali S.p.A.;
- ISAB Energy S.r.l.;
- ISAB Energy Services S.r.l.;
- Gestioni Europa S.p.A.;
- SIGEA S.p.A.

ERG S.p.A. also exercises an activity of management and coordination as regards its subsidiary ERG Renew S.p.A. within a scope currently represented by the definition of business strategies, the indication of strategic guidelines for organisational aspects and personnel policies at a macro level; strategic finance management; management of communication policies and institutional relations; centralised management of corporate obligations; legal support for the most significant transactions; definition of common policies for internal audit and corporate security.



In practice, **Corporate Governance** is put into practice via the statutory bodies and board committees.

STATUTORY BODIES

1. Board of Directors
2. Board of Statutory Auditors
3. Shareholders' Meeting

The **Board of Directors** is a complex body, the cornerstone of Corporate Governance, and is made up of 12 members*: the Honorary Chairman, Chairman, 2 Deputy Chairmen, the Chief Executive Officer and 7 directors, including 4 independent directors. The BofD imparts directives and instructions and is empowered to delegate authority. The Board has assigned:

- to Chairman Edoardo Garrone, the authority to manage, via responsibilities of supervision, direction and control, the staff function activities performed by the Institutional and International Relations Division and, within the ambit of the General Secretariat, the Corporate Affairs Division;
- to Deputy Chairman Pietro Giordano, the authority to manage, via responsibilities of supervision, direction and control, the M&A activities carried out within the Group;
- to Giuseppe Gatti, the authority to manage, via responsibilities of supervision, direction and control, the scientific research activities in the Oil and Power sectors;
- to Graziella Merello, the authority to manage, via responsibilities of supervision, direction and control, the work performed by the Internal Audit and Risk Office Divisions;
- to Graziella Merello, the task of overseeing the functionality of the internal control system.

The Chief Executive Officer, Alessandro Garrone, is the company's legal representative and holds all related powers of ordinary and extraordinary management.

The Chairman, who heads the Sustainability Committee (see chapter on "The Sustainability Management System"), encourages and promotes interventions with regard to specific social responsibility issues.

The BofD meets on at least a quarterly basis and reports to the **Board of Statutory Auditors**, the body appointed to oversee and control the company's management, on the activity performed and the most important transactions from an economic, financial and equity perspective carried out by the company or by its subsidiaries, as well as in particular those where a potential conflict of interest situation is identified. The meetings of the BofD are also attended by the Chief Financial Officer and according to the matters discussed from time to time, representatives of the Group's management.

During the 2008 financial year the Board of Directors met 13 times while as regards 2009 at least 9 meetings are expected to be held.

Completing the triad of corporate bodies is the **Shareholders' Meeting**, whose activities comply with its own rules adopted to govern the proceedings of the Ordinary and Extraordinary Shareholders' Meeting.

* As per latest variation dated 23 April 2009.

« The knowledge and application of governance rules ensures the orderly and rational performance of management activity and the necessary equilibrium between respect of rules and operations. »

Massimo Pezzolo,
General Secretariat Division, ERG

BOARD COMMITTEES:

1. Internal Control Committee
2. Nominations and Remuneration Committee
3. Strategic Committee

The Corporate Governance structure is also supported by three committees set up by the Board of Directors, with consultative and propositive functions: the Internal Control Committee, the Nominations and Remuneration Committee and the Strategic Committee.

The **Internal Control Committee** performs the role and tasks set forth by the Corporate Governance Code for Listed Companies and, more specifically, in 2008 dealt with macro issues such as Corporate Governance, the Control Sys-

tems, the models referred to in Law 231/01, Risk Management and the Administration Area.

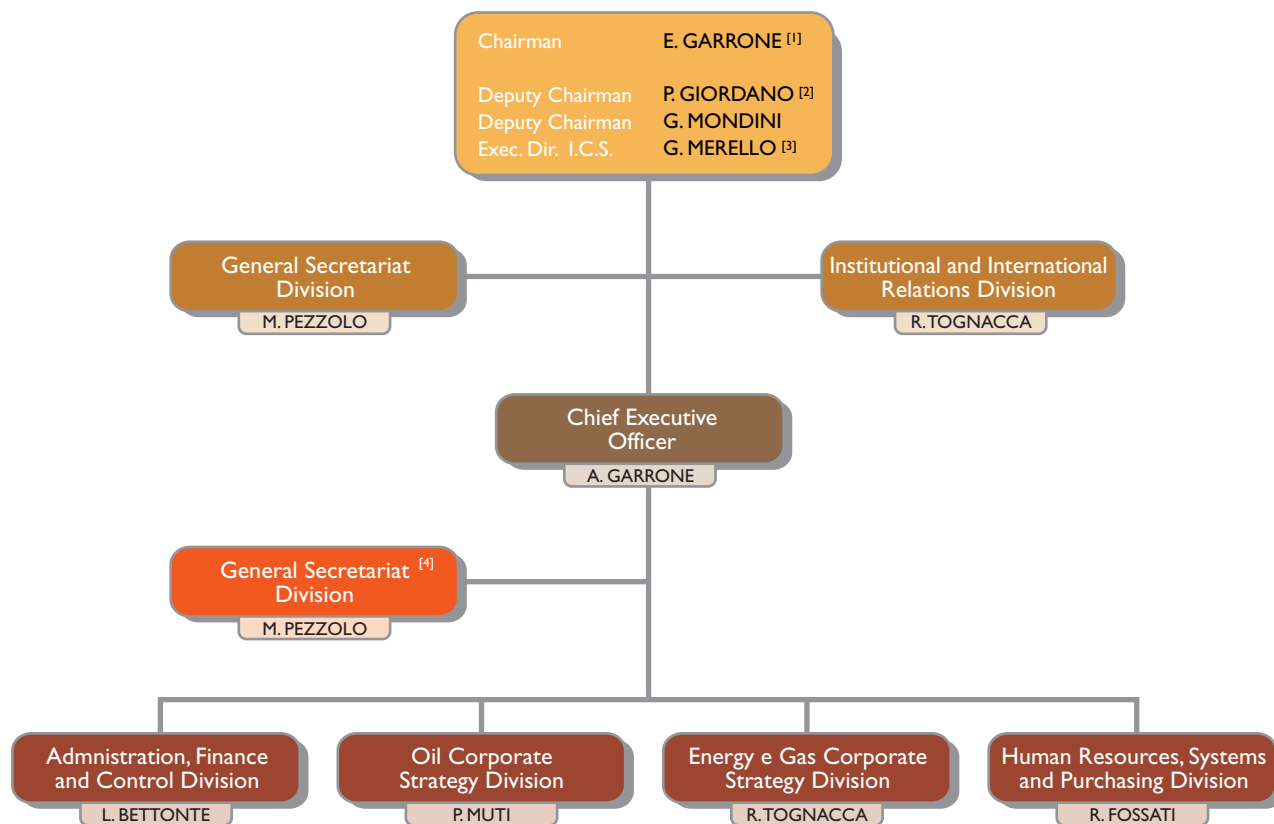
The **Nominations and Remuneration Committee** makes recommendations regarding the remuneration of the Chief Executive Officer and the other Directors and helps to determine the remuneration criteria for the company's senior management and to define the incentive schemes for the Group's management.

During 2008, the Committee, in its previous configuration as Remuneration Committee, held 6 meetings in the course of which proposals were drawn up regarding the fixing of emoluments for the Chief Executive Officer and the other Directors holding specific offices within the Board, the definition of objectives for the 2008 financial period with regard to the short-term incentive system, the creation of value realised in 2007.

The Committee also prepared a supporting document for the Board of Directors concerning the Board Performance Review carried out by same and reviewed a preliminary document setting out the basic elements and working criteria for a new incentive scheme (Long Term Incentive Plan) for the Group's management.

The **Strategic Committee** helps to define strategic business and portfolio guidelines, and guidelines and policies on strategic finance and for individual extraordinary finance operations, monitoring the progress of their implementation over time.

The Committee also carries out a preliminary review of the long-term strategic plans and the investment budgets of the Group and the operating companies as well as the significant investments at Group level, evaluating their strategic congruence.



(1) The Chairman E. GARRONE is responsible for the activities performed by the Institutional and International Relations Division and by the Corporate Affairs Division, within the ambit of the General Secretariat
 (2) Deputy Chairman P. GIORDANO is responsible for the Merger & Acquisition activities carried out within the Group
 (3) The Executive Director responsible for overseeing the functionality of the I.C.S., Graziella Merello, is in charge of Internal Audit and Risk Office operations
 (4) As regards activities pertaining to "Legal Affairs and Special Projects" and "Corporate Security"

Management Incentive Plans

The **short-term incentive system** provides for the payment, subject to differentiated terms between managers/executives and top management, of annual “bonuses” determined on the basis of both corporate performance and the achievement of individual goals.

Approved by the Board of Directors in 2004, it is based on certain fundamental objectives that can be summarised as follows:

- to introduce a single incentive system that encompasses both company and individual performance;
- to define a market-related benchmark bonus for each system participant;
- to measure individual performance according to a consistent system of goals and indicators;
- to evaluate company performance in terms of value created/destroyed;
- to define bonus fluctuation cap and floor limits.

For each system participant a benchmark individual bonus is defined.

This is the gross amount that the person will receive in the event that both the company and individual objectives are fully achieved.

For each business area a separate bonus pool is created.

This pool is the sum of the individual bonuses of the managers/executives belonging to each area, so as to enable the use of performance indicators specific to the different areas.

As regards company objectives, reference is made to each individual business area's performance based on the following parameters:

- Corporate area: 100% Group Economic Profit (Value Creation);
- Coastal Refining division: 70% divisional EBITDA and 30% Group Economic Profit;
- Integrated Downstream division: 70%

divisional EBITDA and 30% Group Economic Profit;

- Power Generation division: 70% divisional EBITDA and 30% Group Economic Profit;
- Renewable Energy division: 70% divisional EBITDA and 30% Group Economic Profit.

In addition, a distinction is made between top management and managers/executives, so as to assign different risk profiles and enhance the level of sensitivity to the results achieved by system participants on the part of top management.

The other characteristic features of the scheme are:

- setting of a floor for the bonus actually paid, corresponding to 25% of the benchmark individual bonus;
- allocation of managers/executives to five merit ranges.

The Nominations and Remuneration Committee takes part in the process of implementing the scheme by defining the annual Group Economic Profit target, checking the EBITDA targets of individual operating companies and determining the Economic Profit actually achieved.

The **long-term incentive system** refers to a series of objectives, some of which are linked to corporate social responsibility:

- to encourage decisions that ensure sustainable and enduring value creation;
- to avoid risks of “underinvestment”;
- to increase the retention of key people.

In consideration of the fact that the long-term incentive system illustrated above, which came into effect in 2005, has completed its three-year duration (although the options granted under it still remain exercisable), the Nominations and Remuneration Committee, with the assistance of an outside consultant, has begun to look into a new plan which will be defined in 2009.

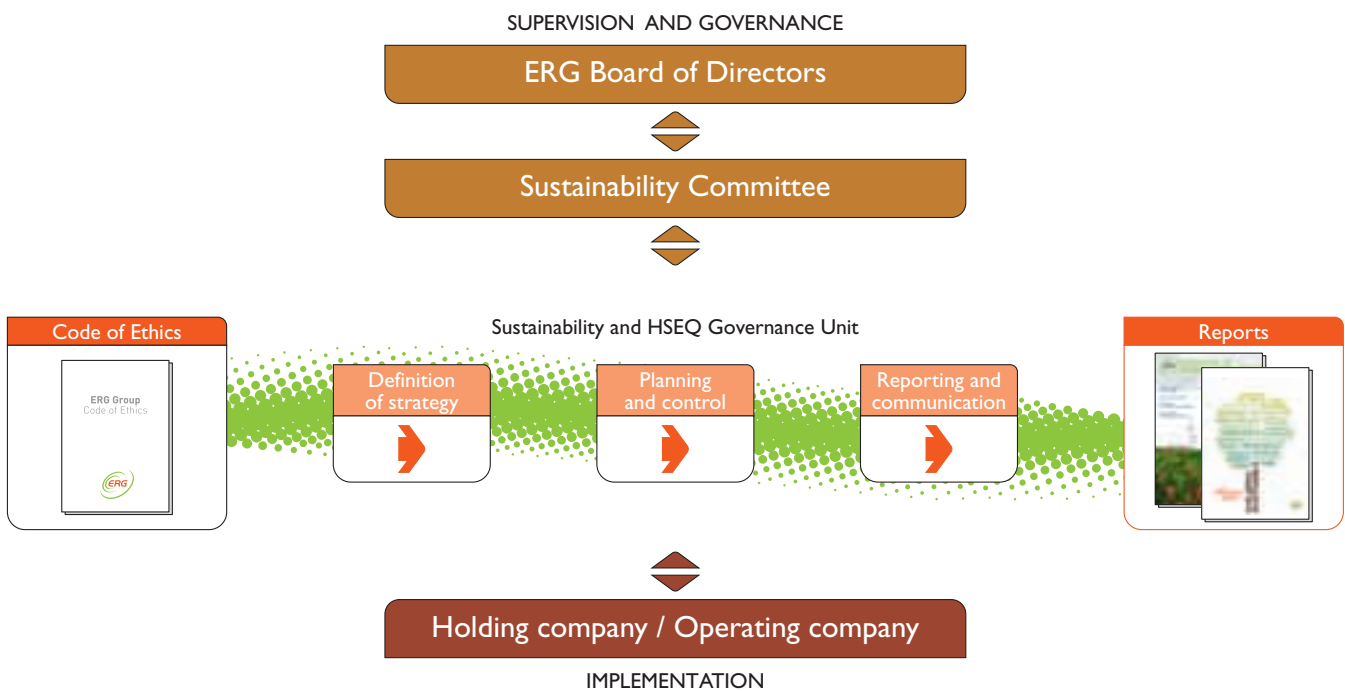
the SUSTAINABILITY MANAGEMENT system

In 2006 ERG launched the “**Sustainability Project**”, which carried on from the Group’s historical commitment to matters of health, safety and environment. The project evolved via a series of preparatory activities (revision of the Code of Ethics, definition of socio-environmental responsibility undertakings, design of a dedicated management system and publication of the first Group Sustainability Report for 2007). This

2008 Report introduces a more mature, structured and advanced phase of the project. Whilst in theory sustainability was conceived in ERG with a view to combining its business strategies with the expectations arising from a situation featuring major changes and a growing demand for transparency, responsibility, effective management of the risks and opportunities associated with social and environmental variables, in practice it

takes the form of a **management system** with defined roles and assigned responsibilities, integrated into the planning cycle.

ERG’s sustainability process is therefore implemented via a top down and bottom up integration of the issues. The Group Sustainability Function, specifically created as part of the system, is required to perform the task of liaising and promoting.



The sustainability management bodies are as follows:

- the **Board of Directors**;
- the **Sustainability Committee**;
- the **Group Sustainability Function**;
- the **holding company Functions and the operating companies**.

ERG's BofD has the role of business sustainability sponsor; its principal responsibility being to furnish the commitment in defining the main supervisory and governance tools. It formally approves the sustainability undertakings, the additions, if any, to the Code of Ethics and the Sustainability Report.

The **Sustainability Committee**, comprising the top managements of the Group and the operating companies (most members of ERG's BofD), the Corporate staff heads and the CSR Manager, oversees the issues of importance for business sustainability purposes and promotes the Group's action with a view to constant enhancement. The Committee combines the business perspective with that of socio-environmental responsibility, which is indispensable to ensure sustainable growth over time. During 2008 the Committee met twice, according to schedule.

More specifically, the Sustainability Committee is responsible for:

- defining the areas of socio-environmental commitment;
- encouraging the definition of objectives that must be integrated into the company's operational plans;
- assessing the overall efficacy of the initiatives and projects undertaken.

The **Group Sustainability Function** represents the system's driving force and ensures the liaison between supervision and implementation at operational level, assisting the Committee members in carrying out their role.

The operating companies are directly involved in the implementation of business sustainability and are responsible for:

- identifying the objectives associated with the commitments and the related KPIs (Key Performance Indicators);
- planning and implementing the initiatives supporting the objectives;
- retrieving all data and information required for reporting purposes.

The requirement to govern sustainability in a structured manner, representing an actual corporate process, suggested the need to have tools available that would facilitate the management and control of such process.

In reality, the system uses a set of tools that influence key reporting aspects, for example:

- the Sustainability Function portal;
- the Master Plan of CSR initiatives;
- Data and indicators;
- the Health Safety and Environment Committees.

The **sustainability portal** constitutes the computer access point for assembling these tools. The portal comprises a series of links for access to specific applications (e.g. CO₂ emissions reporting, outside company HSE performance, waste disposal firm inspections) and a set of new applications, as above, the purpose of which is to facilitate the collection and monitoring of information.

The **Master Plan** constitutes a Project Management tool setting out the main Group projects with regard to the sustainability commitments undertaken.

For each project, the significant milestones and effectiveness indicators are defined.

Via an automatic system of notices and reminders it is possible to keep track of

the status of the projects and the gradual achievement of the established objectives.

The evolution of each project contributes, according to importance, towards the progress status of the entire Master Plan.

Data and indicators simplifies the widespread gathering of all information required to prepare the Group sustainability report. It therefore refers to the information concerning business governance, social aspects, environmental aspects and the economic-financial results.

It is made up of two main sections: vertical reporting and horizontal reporting. Via the former, the data are monitored at individual site/company level. The data entered, once validated, are automatically gathered into homogeneous sections inside the horizontal report.

For a more standardised, coordinated and efficient management of HSE issues, an application was launched for the management of specific **Health Safety and Environment Committees**, intended as centres for the management and mitigation of related risks. The Committees, organised at various levels, are divided by company and, for each of them, a dedicated work area is made available. Via the system, it is possible to ascertain the ongoing activities and follow their development so that the related performance can be shown.

All members forming part of each individual Committee have access to the documentation of all the meetings and to the calendar of the Committee in question.

« We have worked to ensure that each page of our Report reveals traces of a process linking 3 categories: responsibility, sustainability, communication. The first of these inspired our behaviour, the second gives substance and continuity to our actions and the third makes them clear and accessible. »

Chiara Gargiulo,
ERG Sustainability Management
System



Like last year's Report, the 2008 Report follows the guidelines set out in the 2006 revision of the Global Reporting Initiative (GRI).

Reporting is based on a set of principles that ensure a balanced and reasonable presentation of business performance, such principles being used to guarantee the content and quality of the Report.

The principles regulating the definition of contents are:

- **materiality**
- **stakeholder inclusiveness**
- **sustainability context**
- **completeness**

The principles contributing quality to the Report are:

- **balance**
- **comparability**
- **accuracy**
- **timeliness**

Communication in ERG is considered an actual transverse corporate process involving each individual function. Communication, intended as both an exchange of information and access to same, is essential to the smooth running of the company and to the daily handling of work. The company bases its communications system on two important pillars, its institutional website and the intranet.

The preferred channel of external communication is the **institutional website**. It offers a doorway into ERG's world, through which all essential information concerning the company can be found.

ERG's institutional website appears in the Webranking drawn up on an annual basis by Hallvarsson&Hallvarsson (H&H), leader in financial communication and corporate consulting.

Via its Webranking, H&H provides a survey, at European level, of the institutional websites of listed companies: based on an evaluation protocol containing over 130 criteria it is possible to evaluate the websites' communication quality, especially with regard to finance, corporate governance and social responsibility.

The evaluation parameters are reviewed and increased each year by the H&H experts in order to effectively reflect the actual information requirement conveyed by stakeholders.

In the "H&H Webranking 2008" edition for European energy companies, ERG's institutional website ranks twenty-fourth of the sixty-three cases considered.

- **clarity**
- **reliability**

The GRI requires each company drawing up its report in reference to its guidelines to indicate the level of application of same, on the basis of an increasing scale from C to A. The self-declared level can be checked by an outside party or by the GRI itself, in which case the report is defined as "checked", or it can be subjected to external verification by an independent third party, in which case the report is said to be "assured" and is identified by a "+" alongside the letter declared.

Over the next two years, ERG plans to improve its self-declaration and achieve the "assured" level. The self-declared level of application of this report is equal to A, third party checked (URS Italia S.p.A.).

From June 2009 the new ERG website will come on-line, completely redesigned based on an in-depth analysis of target users, to offer a form of communication that is more and more complete, accurate and effective; our goal is to enhance our reputation by further qualifying the dialogue with stakeholders and guaranteeing transparency and immediacy of information.

Internal communication is entrusted to the new **intranet**, an effective platform for exchange and work, created with a view to facilitating all possible forms of interaction and collaboration within the Group.

This extremely structured portal arranges the contents into macro-areas corresponding to the operating companies; the home pages of the various business areas, which contain information originated externally (ERG Press Review and Ansa news) and internally (TamTam and News), offer the possibility to put special projects "on view" and provide immediate information on business indicators.

The portal also makes available to users a series of tools, both traditional (ad-



resses, access to e-mail and software programmes) as well as innovative for a corporate intranet (instant messaging, store area for personal documents, a space for virtual collaboration and an internal search engine).

The intranet is also conceived with a view to offering guidance services for the surfer/employee, which is the reason for including sections such as those dedicated to corporate Procedures, transfers and new hires.



Alongside the intranet there is an established and traditional internal communication tool, the **TeamERG**. The company's house organ has, for years, delved into matters that are particularly close to the heart of the ERG community, which is directly involved in the preparation of the periodical, proposing topics and issues for discussion and directly venturing to write articles. There is a strong continuity between the *TeamERG* and the new intranet, the latter containing a section dedicated to the periodical, where it is possible to view the current issue and look through the archive of previous editions.



risk MANAGEMENT



The management of risks and the actions taken to minimise same are factors that are deeply rooted into our way of doing business.

To this effect, the presence of a system dedicated to this task, which on the one hand activates on a preventive basis the countermeasures required to contain the risks and on the other develops the best solutions in the event that the risk condition occurs, is essential.

ERG identifies and evaluates all types of risk associated with the Group's activities, adopting appropriate **Risk Management** methods, in order to optimise their management (elimination, reduction, transfer) and safeguard shareholder value.

The main risk areas concern the following categories.

Risks connected with general economic conditions

The Group's operations, equity, and financial position are influenced by the various factors that comprise the macro-economic scenario, including increases or decreases in Gross Domestic Product, the unemployment rate, interest rate and foreign exchange rate trends, principally the Euro-dollar exchange rate, and the cost of raw materials, above all petroleum products.

In 2008, the financial markets were subjected to intense volatility, with severe repercussions on various financial institutions and, more in general, on the trend in the economy as a whole.

The severe, widespread deterioration in market conditions was accentuated by severe, widespread difficulty in obtaining consumer and business credit, causing shortages in liquidity that will also impact the Group's recourse to financing and an increase in financial expenses.

There is no certainty that the measures

implemented by governments and monetary authorities in response to this situation can establish the conditions for overcoming the crisis in the foreseeable future. If this situation of marked weakness and uncertainty should continue indefinitely, the Group's activity, strategies and prospects might be negatively affected, with a consequently negative impact on the Group's operations, equity and financial position.

Risks connected with conditions on the reference market

The ERG Group operates principally in sectors that are historically subject to high levels of criticality and are notably cyclical. The business results are significantly impacted by the prices of crude oil and petroleum products, which are determined by international supply and demand and are subject to many other exogenous factors. The fluctuations in the prices of crude oil and petroleum products have caused major fluctuations in Group results and, therefore, it cannot be ruled out that possible fluctuations might in future have a negative impact on op-

erating and financial results.

As an operator in the energy sector, the Group needs a continuous supply of crude oil for its activities. Crude oil is largely supplied by countries that are normally subject to greater political, social and economic uncertainties than those found in countries with consolidated economic and political stability.

Risks connected with fluctuations in foreign exchange rates, interest rates and prices

The Group operates on the domestic and international markets in the Energy sector:

This exposes it to market risks connected with fluctuations in exchange rates, especially against the U.S. dollar; interest rates and prices, and particularly the volatility of petroleum commodities.

The ERG Group uses different forms of financing to hedge the requirements of its industrial activities.

Any changes in interest rates can cause an increase or a reduction in the cost of financing.

Consistently with its market risk hedging



policies, the ERG Group uses financial hedging instruments to manage this volatility.

In spite of these financial hedge transactions, sudden changes in exchange and interest rates and prices might have a negative impact on the Group's operating and financial results.

Risk of industrial accidents

Due to the typical characteristics of the industrial production plants and the logistic structure, damage can be caused by fire, explosion, emissions and other unexpected and hazardous factors.

Incidental events of a certain magnitude might have a negative impact on the Group's equity, economic and financial position.

ERG mitigates these risks with adequate plant operating policies aimed at pursuing levels of safety in line with best in-

dustrial practices. Furthermore, the Group relies on the insurance market to transfer its own industrial risk to third parties, thereby guaranteeing a high level of protection for its own facilities, even in the event of a stoppage.

Despite the cover currently in place, the Group might sustain costs that exceed the maximum coverage limits of insurance policies, according to the difficulty faced by the international insurance market in raising adequate capital.

Regulatory and environmental policy risks

The Group's activities are subject to numerous laws and regulations (at local, national, and supranational levels) that can negatively impact the various businesses, particularly those where the regulatory component may drive the choice of investments made.

Furthermore, the Group is subject to environmental laws and regulations that in recent years have formed the object of greater attention and restriction by institutional bodies in the European Union. The Group has adopted an environmental policy that complies with, encourages and anticipates any tightening of the environmental standards imposed by applicable laws and regulations.

Operational risks

Operational risks, among which it is important to mention those arising from the company's liability for torts deriving from a criminal offence (pursuant to Legislative Decree 231/01), are identified, monitored and measured as part of the operational risk management process. The pursuance of objectives thus identified makes it possible to:

- ensure operational continuity and functioning of the production chain by adopting international best practices for industrial risk assessment and management through the performance of Risk Assessments, Business Impact Analyses and implementation of a Business Continuity Plan;
- protect tangible and intangible assets, valuables, professional and intellectual know-how in order to maximise the creation of shareholder value through operational growth.

Contingent liabilities

ERG is a party in civil and administrative proceedings and legal actions connected with the normal course of its operations. However, on the basis of the information presently available and considering the liability provisions raised, ERG considers that these proceedings and actions will not determine significant negative effects on its consolidated financial statements.

In particular, we report that in 2007 ERG Raffinerie Mediterranee was served with some demands for payment by the Syracuse Customs Agency, which alleged that the company was not entitled to exemption, as applied by the company, from payment of harbour dues for loading and unloading of freight at the Santa Panagia bay jetty in Syracuse for the years 2001-2007.

On the basis of reviews carried out with the assistance of independent counsel, ERG considers these charges to be illegitimate and/or unconstitutional. It has accordingly set aside no provisions for the years up to 2006 included.

As regards 2007 and 2008, taking into account the interpretative regulation contained in the 2007 Finance Law, it has prudently made provision for the relevant harbour dues, being confident, however, that it can demonstrate the legitimacy of its positions to the Revenue Authorities.

We also report that ERG, through its subsidiary ISAB Energy, is engaged in lawsuits intended to defend its prerogatives and rights arising from the CIP 6192 system, with particular reference to the cogeneration status of its plant and to the obligation, confirmed by the 5 February 2008 ruling by the Lombardy Regional Administrative Tribunal (TAR), to cover some years of production through the purchase of green certificates. ISAB Energy has already filed an appeal against this ruling before the Council of State.

ERG, supported by its independent legal counsel, considers the claims of the Italian Electricity & Gas Authority to be illegitimate and believes that it can reasonably pursue actions to defend itself.

the INTERNAL control SYSTEM

ERG considers it fundamental, within the ambit of its sustainability model designed to permit the running of a business that is sound, correct and consistent with its predetermined professional objectives, to identify and manage all forms of risk connected with its activities as well as all the operational mechanisms, rules, procedures and organisational structures set up to control the risks identified, that constitute the **Internal Control System** (ICS).

In order to ensure the organic and effective functionality of the ICS, starting from 2007, as recommended by the Internal Control Committee, a multifunctional project was launched which has led to the mapping and classification of the system's "players" (based on corporate governance: Board committees, other Committees/Roles required by law, Internal Committees, Internal Functions) and to the identification and analysis of activities and responsibilities within the risk management process, for the different categories typical of ERG.

At the end of 2007, the Board of Directors approved the ERG ICS guidelines which identify its component factors (transverse, coordinated and consistent throughout the Group). The benchmark for these factors (control environment, risk management, activities pertaining to control, monitoring and improvement, information and communication) is COSO Report which constitutes the Group framework in keeping with international best practices.

The organisational structure that manages the ongoing corporate ICS process, according to the control levels indicated in the guidelines, comprises in particular:

- the **Executive Director** in charge of overseeing the ICS with responsibility for putting into effect the guidelines defined by the Board of Directors, arranging the design, implementation and management of the Internal Control System and constantly checking its overall adequacy, effectiveness and efficiency;
- the **Internal Control Committee**, with propositive and consultative functions as regards ICS matters, in order for the most important corporate risks to be correctly identified, measured, managed and monitored;
- the **Risk Officer** responsible for ensuring that suitable procedures, processes and controls for identifying and assessing the significant risks connected with the operations of the Group's Companies are set up and implemented and for defining policies for the management of business risks (ac-

« Only an integrated and enterprise-wide approach creates added value for the company and permits an effective management of business risks via the proper functioning of a system of internal control set up for supervisory purposes. »

Carlo Alfredo De Vita,
Internal Audit Division, ERG



ording to the recommendations of Top Management, the Internal Control Committee and in observance of the provisions set forth by the laws and regulations in force) in strict coordination with the risk "owner" areas;

- the **Head of Internal Control** (HIC) with responsibility for supporting Top Management and the Committee in their assessment of the overall adequacy of the ICS and checking that the current risk management policies are sufficiently applied also via ERG's Internal Audit Division. To such effect, on a yearly basis, the Division elaborates an audit plan using a top-down, risk-based approach, focused

above all on the business processes/areas at high/medium potential risk sharing the contents with the Committee and the companies' Managing Directors. The plan relating to the checks on the application of the 231 Models (pursuant to Legislative Decree 231/01) is subjected to approval by the Supervisory Committees and communicated to the Committee and to the BoFDs.

The verification interventions are designed to help evaluate the adequacy and effectiveness of the ICS, with particular reference to the observance of internal and external rules and regulations (compliance, with specific controls as regards matters pertaining to the 231 Model) and operational effectiveness and efficiency. In particular, during 2008 there were 12 verification reports issued transversely covering the following risk areas: industrial, environment, health, safety, effectiveness/efficiency of processes and resources, asset protection from unlawful acts and malicious events, reliability of economic, accounting and/or financial information, compliance, credit, treasury/liquidity. 7 reports were issued concerning the monitoring of 231 Models adopted by the Group's companies.

The outcome of the activities carried out are periodically reported to the Supervisory Bodies and to the company's top management, together with the findings of the monitoring of corrective actions defined following such interventions.

With reference to the issuing of ERG ICS guidelines, a project for methodological integration into the intervention implementation approach is currently being finalised by the Internal Audit Division, with a view to standardising activities and providing a sufficiently weighted assurance as regards the ERM system component factors.

The Supervisory Committee is now a separate board committee, made up of five members: an independent director in the role of Chairman and the heads of the company's Audit, Corporate Security, Human Resources and General Secretariat functions.

The Supervisory Committee, which has

a direct and ongoing relationship with the Internal Control Committee, carries out its activity within the ambit of the Parent Company. As far as the sub-holding companies are concerned, each of them has appointed its own Supervisory Committee made up of the Chairman of the Group Body, the Head of the holding company's Internal Audit, the Head of the holding company's Corporate Security and their own Head of Human Resources. During the year the Supervisory Committees monitored the crime risk areas referred to in the 2008 plan.

The monitoring activities, together with their review of the reports received, represent the tool used by the Supervisory Committees to verify the effective application of the behavioural principles contained in the Organisation and Control Model (and the Code of Ethics) on the part of the monitored Corporate Functions, as well as the adequacy of controls over the areas at risk pursuant to Legislative Decree 231/01 (specifically: crimes against the Public Administration, corporate offences, market abuse offences, offences with regard to occupational health and safety). During the course of the monitoring activities carried out, no significant risk areas were found that are not adequately supervised. For 2009, in addition to the new monitorings scheduled, follow-up interventions will be carried out with a view to verifying the implementation of recommendations made to the corporate Functions monitored.

In the course of 2008, periodical reports were received, as required by operating protocols, designed to ensure the information flow from the Functions/Divisions to the Supervisory Committees.

Like the periodical reports, the "spot" reports serve to enhance the flow of information from the Divisions/Functions to the Supervisory Committees and allow the Committees to stay abreast of "sensitive" activities pursuant to Legislative Decree 231/01 and therefore to monitor the related risks.

This particularly concerns:

- the activities performed that involve contacts with representatives of the

Public Administration (requests for authorisations, licences, clearance, management of inspections, participation in conferences of services, subsidised loan applications, management of disputes, etc.);

- cash flow management (drawing up of settlement agreements, acquisitions of goods and services and, in particular, professional consultancies and services, sponsorships, etc.).

With a view to enhancing the knowledge of both the rules and regulations concerned and the Organisation and Management Models adopted by individual Group companies, "online" training, available via the company's intranet network, is provided for all employees. The training process includes specific tests designed to ascertain learning quality.

Course contents are constantly updated, as for example in 2008, following the amendments to Legislative Decree 81/2008 (Consolidated Law on Occupational Health and Safety), bearing in mind the risk profiles for all the Group's companies. The system used makes it possible to track the entire training path, thus allowing the Supervisory Committee to verify a posteriori the effective completion of the training activity on the part of individual users. At Group level, during 2008, training was provided for 109 new hires.

During 2008 the Supervisory Committees of the Group Companies received no reports concerning potential violations of the Code of Ethics and/or the Models.

As with the monitoring of the risk areas, the verification interventions also allowed the Supervisory Committees to formulate a series of suggestions and recommendations on the correct implementation of requirements contained in the operating protocols.

Supervisory Committees Meeting in 2008

ERG	5
ERG Med	4
ERG Petroli	5
ERG Power & Gas and Subsidiary Companies	6
ERG Renew	5

REPORTING

perimeter

and METHODOLOGY

ADOPTED

Except where otherwise specified, the data shown refer to all companies consolidated within the reporting perimeter of the Group Consolidated Financial Statements with reference to the 2008 accounting period.

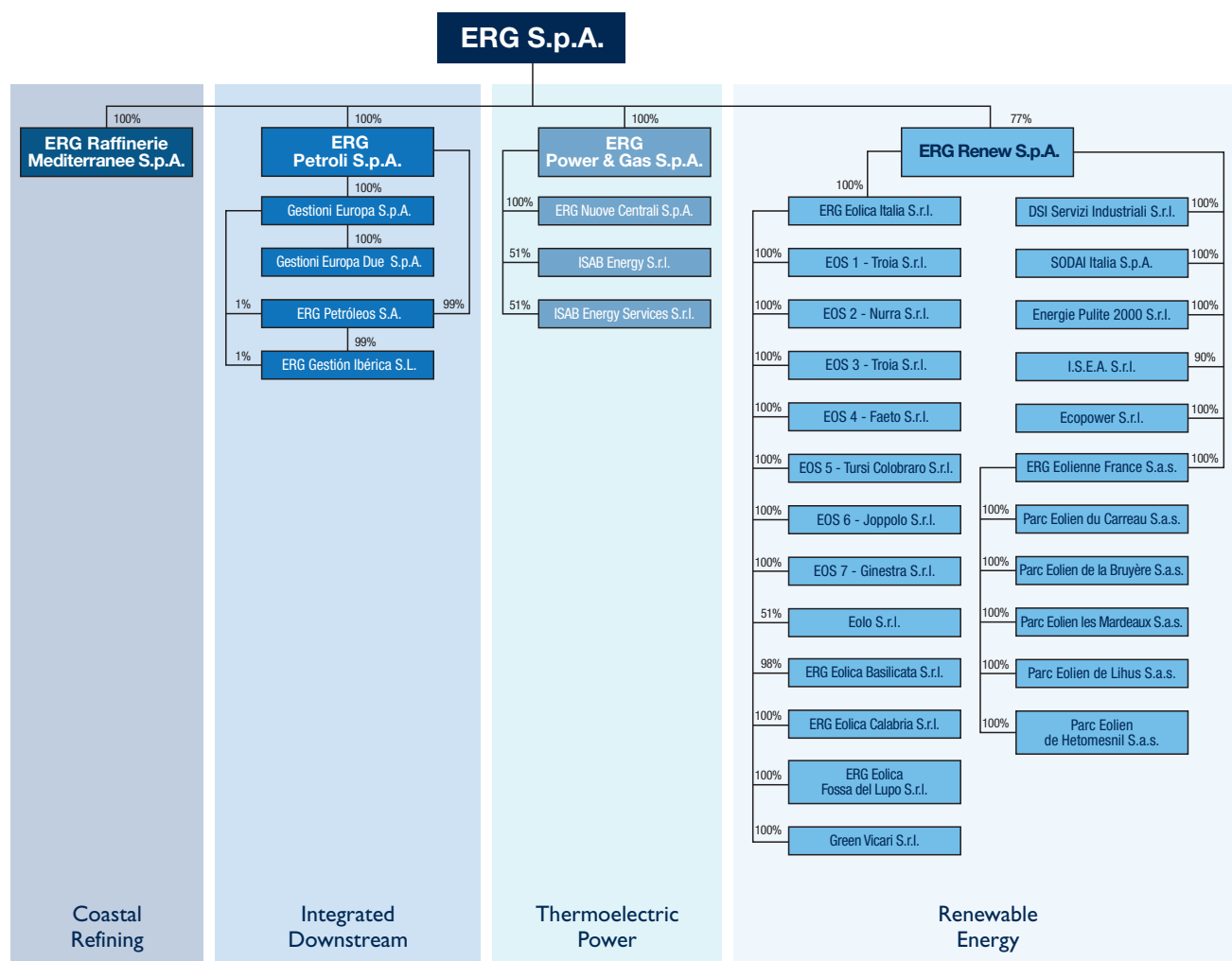
The said Financial Statements were pre-

pared in accordance with the International Accounting Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

Such standards also include all the international standards subject to interpreta-

tion (International Accounting Standards – IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the earlier Standing Interpretations Committee (SIC).

Scope of Consolidation - ERG 2008 Financial Statements



Considering the effects of the LUKOIL transaction, in order to assist understanding of management performance, the business results are also shown at adjusted replacement cost, which takes into account, for ERG's equity interest (51%), the results as from December 2008 of ISAB S.r.l., whose contribution to income at non-adjusted values is represented in the equity-based measurement of the investment.

To facilitate and standardise measurement of the trend in Group socio-environmental performances, the data and indicators are shown with a time series of at least three years. In particular, for 2008, the contribution of the ISAB Refinery has been considered for the full year.

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 Federa-

tion 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 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 MWh_{eq}; 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.

performance DATA and INDICATORS

Group economic-financial results

		2008	2007	2006
Total revenues ⁽¹⁾	Million Euro	11,563	10,206	9,303
EBITDA	"	117	552	442
EBITDA at replacement cost ⁽²⁾	"	536	361	463
EBITDA at adjusted replacement cost ⁽³⁾	"	540	361	463
EBIT at replacement cost ⁽²⁾	"	335	176	305
EBIT at adjusted replacement cost ⁽³⁾	"	336	176	305
Net Income	"	649	192	194
Net Group Income	"	646	171	153
Net Group Income at replacement cost ⁽⁴⁾	"	84	39	103
Cash flow from operations	"	216	573	47
Net invested capital	"	2,299	2,837	2,754
Investments ⁽⁵⁾	"	351	380	365
Financial leverage	%	12%	49%	49%

(1) net of excise taxes

(2) EBITDA and EBIT at replacement cost do not include inventory gains (losses) and non-recurring items

(3) adjusted EBITDA and EBIT at adjusted replacement cost also include, for the portion pertaining to ERG (51%), the contribution of results from ISAB S.r.l. (a joint venture with LUKOIL effective 1 December 2008), whose contribution to income at non-adjusted replacement cost is represented by measurement of the investment at equity

(4) net Group income at replacement cost does not include inventory gains (losses), non-recurring items and applicable theoretical taxes. The figures also correspond to the adjusted values

(5) investments in tangible and intangible fixed assets

Net invested capital in 2008 includes Euro 2.8 million stemming from equipment grants awarded by the Government to ERG Renew.

The ERG Group's activities do not provide for loans to political parties.

Operational data and indicators

		2008	2007	2006
Processing at refineries	Thousand barrels/day	326	393	376
Processing at refineries	Thousand tonnes	16,351	19,607	18,681
Inventory of raw materials and products	"	1,537	2,833	2,630
Total sales of petroleum products	"	16,575	19,389	17,763
of which exports	"	8,112	9,967	7,812
Domestic retail sales	"	1,950	1,991	2,019
Domestic retail outlets (at end of period)	"	1,973	1,959	1,968
Average domestic retail throughput (based on outlets at end of period) ⁽¹⁾	mc	1,235	1,274	1,295
Domestic retail market share (gasoline + diesel) ⁽²⁾	%	6.9	6.9	6.9
Wholesale market share (diesel)	"	8.3	8.3	8.8
Total electric power production	GWh	5,189	5,604	5,098
Total electric power production from renewable sources ⁽³⁾	"	272	186	66
Electricity sales	"	4,560	4,819	4,561
Electric power production domestic market share	"	1.4	1.3	1.5

(1) calculated based on retail outlets at end of period

(2) estimated data

(3) 2006 and 2007 data concern companies not include within the perimeter of the Group Consolidated Financial Statement

Calculation of Net Value Added at replacement cost

		2008	2007	2006
Production value	Million Euro	11,243	10,403	9,352
Intermediate production costs	"	(10,445)	(9,787)	(8,650)
Ordinary gross value added	"	798	616	702
Incidental items	"	39	28	22
Overall gross value added	"	837	644	724
Amortisation/depreciation	"	(204)	(185)	(157)
Overall net value added	"	633	458	567
Coastal Refining	"	273	169	200
Integrated Downstream	"	151	101	148
Power Generation – Thermoelectric and Renewables	"	196	182	217
Corporate	"	13	6	2

Allocation of Net Value Added at replacement cost

		2008	2007	2006
to Staff	Million Euro	216	215	199
to the Public Administration	"	164	87	157
to the Providers of Loan Capital	"	141	95	67
to Shareholders	"	62	96	97
to the Company	"	48	(35)	46
to the Community ⁽¹⁾	"	1.7	1.3	1.3

(1) not include the investment on social responsibility

ERG shares

		2008	2007	2006
Year-end reference price	Euro	8.51	12.88	17.40
High ⁽¹⁾	"	16.90	21.73	25.48
Low ⁽¹⁾	"	8.40	12.25	14.74
Average price	"	12.25	17.37	18.97
Average volume	no.	1,343,497	1,576,581	1,172,964

(1) intended as the lowest and highest prices recorded during the day's trading and therefore not the same as the official reference prices on the date concerned

Headcount, work organisation and industrial relations

		2008	2007	2006
Employees as at 31/12	no.	1,580	2,825	2,820
Executives/Managers	"	91	115	118
Supervisors	"	274	388	358
Clerical staff	"	901	1,428	1,360
Factory staff	"	314	894	984
University graduates	%	41.2	25.4	22.4
Holders of senior school diplomas	"	47.1	55.0	50.6
Average employee age	years	41.9	42.4	41.9
Female employment	%	28.8	17.3	16.6
Turnover	"	31.6	13.8	15.5
Absenteeism index ⁽¹⁾	"	3.0	3.1	3.8
Incidence of part-time ⁽¹⁾	"	3.2	1.7	1.8
Incidence of overtime ⁽¹⁾	"	10.0	11.2	10.8
Unionisation rate ⁽¹⁾	"	24.7	49.8	54.3
Ongoing labour disputes	no.	13	6	13

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

Training

		2008	2007	2006
Total training	hours	58,974	64,024	72,087
Managerial	"	7,925	12,754	
Index of average training per employee	days	2.8	2.8	3.2

Safety

		2008	2007	2006
Total casualties	no.	14	19	26
Near accidents	"	227	240	375
Frequency index no. of casualties per million hours worked		3.1	4.0	5.2
Severity index no. of working days lost per thousand hours worked		0.05	0.07	0.12
Frequency index industrial area		1.8	2.8	5.2
Severity index industrial area		0.04	0.05	0.12
Frequency index commercial area		6.2	5.7	5.9
Severity index commercial area		0.09	0.11	0.12

Customers and suppliers

		2008	2007	2006
Customer satisfaction (Perceived Satisfaction Index)	min 1 – max 5	4.1	3.9	3.9
Qualified suppliers	no.	1,972	1,749	1,529
Average qualification time	days	160	202	195
Active suppliers (at least one order)	no.	3,257	3,091	2,958
Percentage of tenders	%	68	82	55
Frequency index I no. of casualties per million hours worked		0.6	1.1	1.7
Severity index no. of working days lost per thousand hours worked		0.02	0.05	0.04

HSE economic and operational resources

		2008	2007	2006
Total HSE expenditures	Million Euro	140	149	139
investments ⁽¹⁾	"	44	36	37
current expenditures	"	96	103 ⁽²⁾	102
HSE equivalents of total Group	%	14.6	13.4	10.2
Level of ISO 14001 and OHSAS 18001 certification of ERG industrial sites	"	79	60	53
HSE Audits (internal and external)	no.	64	58	76


(1) with respect to the "environment and safety" investments indicated in the ERG Management Report, some additional HSE components have been included under the items "capacity maintenance" and "development"

(2) correction of error shown in the 2007 Sustainability Report

Environment and territory

		2008	2007	2006
Energy consumption	ktoe	2,054	2,215	2,141
Natural gas	"	246	200	47
Imported electricity	"	22	22	20
Energy Intensity Index Coastal Refining (baseline 2006 = 100%)	%	95	98	100
Thermoelectric park efficiency	toe/MWh _{eq}	0,266	0,261	0,271
Direct CO ₂ emissions	ktonnes	6,434	7,031	6,618
Indirect CO ₂ emissions (imported power)	"	116	120	110
CO ₂ avoided by using renewable energy sources	"	125,1	86,5	31,0
CO ₂ Index Coastal Refining	ton/processed in ktonnes	96	96	96
CO ₂ Index Thermoelectric	toe/MWh _{eq}	0,83	0,84	0,89
Water withdrawals	Million of m ³	454	536	522
sea water	"	441	523	510
fresh water	"	13	13	12
Water discharge - Oils	tonnes	18	17	28
Oil water discharge index Coastal Refining	tonnes/processed in Mtonnes	0,47	0,68	1,04
NO _x Emissions	tonnes	4,806	6,234	5,282
SO ₂ Emissions	"	13,228	15,436	18,082
Particulate Emissions	"	391	542	459
NMVOC Emissions	"	5,304	6,478	5,598
NO _x Index Coastal Refining	tonnes/processed in Mtonnes	0,09	0,08	0,07
SO ₂ Index Coastal Refining	"	0,28	0,33	0,33
Particulate Index Coastal Refining	"	0,014	0,016	0,021
NMVOC Index Coastal Refining	"	0,26	0,29	0,29
NO _x Index Thermoelectric	tonnes/GWh _{eq}	0,56	0,76	0,72
SO ₂ Index Thermoelectric	"	1,4	1,4	2,2
Particulate Index Thermoelectric	"	0,06	0,07	0,06
Waste produced	ktonnes	729	590	280
from safety enhancement, reclamation and new construction activities	%	92	89	76
destined for recovery	"	10	13	13
non hazardous	"	13	18	24
Petroleum product leaks	no. of events	10	11	16
Petroleum product leaks	m ³	517	150	750

GRI (Global Reporting Initiative) *reporting guidelines* APPLICATION LEVEL

	In accordance with 2002 guidelines	C	C+	B	B+	A	A+
Mandatory	Self declared by company		Report Externally Assured		Report Externally Assured	✓	Report Externally Assured
Optional	Third party checked						
	GRI checked						

	ERG Disclosure	Note
1 Strategy and analysis	(PAG.)	
1.1 Statement of the organisation's vision and strategy regarding its contribution to sustainable development	3, 11	
1.2 Description of main impacts, risks and opportunities (two brief sections)	3, 11	
2 Organisational profile		
2.1 Name of the organisation	A, 3, 7	
2.2 Primary brands, products and/or services	A, 7-9, 18, 47	
2.3 Operational structure of the organisation (divisions, operating companies and joint ventures)	7-9, 69	
2.4 Location of organisation's headquarters	4, 36	The full list of ERG locations is available in "Contacts", www.erg.it
2.5 Number of countries where the organisation operates	8, 9, 14, 15	
2.6 Ownership structure and legal forme	69	See also "Shareholders", www.erg.it
2.7 Markets served	7-9, 14, 15, 46	
2.8 Scale of the organisation (no. of employees, net sales, total capitalisation, quantity of products or services supplied)	6	
2.9 Significant changes during the reporting period	5, 6, 35, 69-70	
2.10 Awards received during the reporting period		No prizes / recognitions received during the reporting period
3 Report parameters		
Report profile		
3.1 Reporting period for information provided	69	
3.2 Date of publishing most recent sustainability report	62	
3.3 Reporting cycle	62	
3.4 Useful contacts and addresses	B	See also " Contacts ", www.erg.it

	ERG Disclosure (PAG.)	Note
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3.5 Process for defining report content	B, 3, 11, 62	
3.6 Boundary of the report	69	
3.7 Statement concerning any specific limitations on the scope or boundary of the report	69	
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 organisations	7-9, 69	
3.9 Data measurement techniques and the bases of calculations	69	
3.10 Explanation of the effect of any re-statements of information provided in earlier reports	69	
3.11 Significant changes from previous reporting periods in the scope, boundary or measurement methods	69	
Global Reporting Initiative Content index		
3.12 Table explaining report contents	76-82	
Assurance		
3.13 Policy and current practice with regard to seeking external assurance for the report	62	
4 Governance, commitments and engagement of stakeholders		
Governance		
4.1 Governance structure of the organisation	56-58, 66, 67	
4.2 Indicate whether the Chair of the highest governance body is also an executive officer	57	
4.3 State the number of members that are independent and/or non-executive	57	
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	56-58, 66, 67	See also "Rules of Assembly", www.erg.it
4.5 Linkage between compensation for members of the highest governance body, senior managers and executive and the organization's performance (including social and environmental performance).	59	
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided	66, 67	
4.7 Processes for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, social and environmental topics	57	See also "References" www.erg.it
4.8 Internally developed statements of mission, values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation	55	See also "Code of Ethics" www.erg.it
4.9 Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance	56-58, 60, 61	
4.10 Process for evaluating the performance of the highest governance body members, particularly with respect to economic, environmental and social performance	58, 59	
Commitments to external initiatives		
4.11 Explanation of whether and how the precautionary approach or principle is addressed	64, 65	
4.12 Externally developed codes of conduct, principles and charters subscribed to or adopted by the organisation	52, 55, 56	
4.13 Memberships of national and/or international industry associations	8	
Stakeholder engagement		
4.14 List of stakeholder groups engaged by the organisation	21, 23, 32, 36, 46, 48, 52, 62	
4.15 Basis for identification and selection of principal stakeholders with whom to engage	21, 23, 32, 36, 46, 48, 52, 62	
4.16 Approaches to stakeholder engagement, including frequency of engagement by type of activity developed and by stakeholder group	21, 23, 32, 36, 46, 48, 52, 62	
4.17 Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those concerns, including through its reporting	21, 23, 32, 36, 46, 48, 52, 62	

Indicators

Covered ●

Partially covered ◐

Not covered ○

n.a.: not applicable

		ERG Disclosure		
		Coverage	Reference	Note
Economic performance				
Economic performance				
EC1	Direct economic value generated and distributed	●	71, 72	
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	●	19, 20	
EC3	Coverage of the organisation's defined benefit plan obligations	n. a.		ERG does not support any plan occupational pension, self, but contributes to various pension funds of various categories of staff
EC4	Significant financial assistance received from the Government	●	71	In addition, ERG sells electricity at CIP6 tariff
Market presence				
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	●		Ruled by National Collective Labour Agreement (CCNL)
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	●	37	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	◐	37	The indicator is being defined
Indirect Economic impacts				
EC8	Development and impact of infrastructure investments and services provided primarily for "public benefit",	●	36-45	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	●	36-45	
Environmental performance				
Raw materials				
EN1	Raw materials used by weight or volume	●	7	
EN2	Percentage of materials used that are recycled input materials	◐	9	The indicator is being defined
Energy				
EN3	Direct energy consumption by primary energy source	●	75	
EN4	Indirect energy consumption by primary energy source	●	75	For electricity is known only the mix from purchase contracts with ERG Power & Gas. The other part was purchased on free market (see GSE – TERNA references)
EN5	Energy saved due to conservation and efficiency improvements	●	16, 17, 75	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	●	12, 18	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	◐	17	There are other initiatives underway that will be reported in the next Report
Water				
EN8	Total water withdrawal by source	●	27, 75	
EN9	Water sources significantly affected by withdrawal of water	●	27, 75	
EN10	Percentage and total volume of water recycled and reused	◐	27	This is a qualitative indicator
Biodiversity				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	n. a.		ERG does not manage high biodiversity areas

	ERG Disclosure		Note
	Coverage	Reference	
EN12 Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	n. a.		ERG activities do not generate impacts in sensitive areas under the profile of biodiversity (see page 41)
EN13 Habitats protected or restored	n. a.		
EN14 Strategies, current actions and future plans for managing impacts on biodiversity	n. a.		
EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by the organisation's operations by level of extinction risk	n. a.		
Emissions, effluents and waste			
EN16 Total direct and indirect greenhouse gas emissions by weight	●	75	
EN17 Other relevant indirect greenhouse gas emissions by weight	n. a.		Other indirect emissions are not significant and are included in EN29
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	●	19, 20	
EN19 Emissions of ozone depleting substances by weight	n. a.		ERG does not use harmful substances for ozone in its industrial activities
EN20 NO, SO, and other significant air emissions by type and weight	●	28, 75	
EN21 Total water discharge by quality and destination	●	27, 75	
EN22 Total weight of waste by type and disposal method	●	31, 75	
EN23 Total number and volume of significant spills	●	31, 75	
EN24 Weight of treated waste deemed hazardous under the terms of the Basel Convention	●	31, 75	
EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	○		
Products and services			
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	18	
EN27 Percentage of products sold and their packaging materials that are reclaimed by category	n. a.		The fuels are marketed predominantly as "loose". Lubricants are sold in a box/can that, at the end of life (exhausted oils), are given to Italian Oil Used Consortium (www.coou.it)
Compliance			
EN28 Monetary value of significant fines and total number of non monetary sanctions for non compliance with environmental laws and regulations	●	65	The indicator is considered as partly covered. The procedure is still on going.
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations and transporting members of the workforce	○		An assessment of the carbon "footprint" of our organization is on going with particular reference to Mobility
Overall			
EN30 Total environmental protection expenditures and investments by type	●	27, 74	
Social Performance Indicators			
Labor Practices and Decent Work			
Employment			
LA1 Total workforce by employment type, employment contract and region	●	34, 35, 37	
LA2 Total number and rate of employee turnover by age group, gender and region	●	73	The breakdown by categories of the indicator is on going

		ERG Disclosure		
		Coverage	Reference	Note
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by main production sites	n. a.		
Labour management relations				
LA4	Percentage of employees covered by collective bargaining agreements	●	34	
LA5	Minimum notice period regarding operational (organisational) changes, including whether it is specified in collective agreements	●	34	
Occupational health and safety				
LA6	Percentage of total workforce represented in the joint management-worker health and safety Committee set up to help monitor and advise on occupational health and safety programmes	●	23	
LA7	Rates of work-related casualties, occupational diseases, lost days and absenteeism, and total number of fatalities by region	●	23, 24, 73	
LA8	Education, training, counselling, prevention, and risk control programmes in place to assist workforce members, their families, or community members regarding serious diseases	●	26	
LA9	Health and safety topics covered in formal agreements with trade unions	●	23	See also LA6
Training and education				
LA10	Average hours of training per year per employee by employee category	●	32, 73	The breakdown by categories of the indicator is on going
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	32-34	
LA12	Percentage of employees receiving regular performance and career development reviews	●	32, 33	All employees, supervisors and managers are evaluated annually. It is being developed indicator to quantify the rate of those who receive the career development assessment
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	●	57	The composition of Statutory Bodies is available in the report on Corporate Governance attached to the Financial Statement. The breakdown of staff by relevant categories is on going.
LA14	Ratio of basic salary of men to women by employee category	●	34	Payroll aspects are ruled by the Code of Ethics, which prohibits discrimination in this regard, as well as National Collective Labour Agreement (CCNL) do.
Human Rights Performance Indicators				
Investment and procurement practices				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	n. a.		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	n. a.		
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	n. a.		
Non discrimination				
HR4	Total number of incidents of discrimination and actions taken	●	67	
Freedom of association and collective bargaining				
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risks and actions taken to support these rights	n. a.		ERG carries out its operation in national / European areas where these aspects are protected by law.

		ERG Disclosure		
		Coverage	Reference	Note
Child labour				
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour	n. a.		See HR5
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures taken to contribute to the elimination of forced or compulsory labour	n. a.		See HR5
Security practices				
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	n. a.		
Indigenous rights				
HR9	Total number of incidents of violations involving the rights of indigenous people and actions taken	n. a.		
Society				
Community				
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	●	38	
Corruption				
SO2	Percentage and total number of business units analysed for risks related to corruption	●	66, 67	
SO3	Percentage of employees trained in the organisation's anti-corruption policies and procedures	●	66, 67	
SO4	Actions taken in response to incidents of corruption	●	67	
Public policy				
SO5	Public policy positions and participation in public policy development and lobbying	●	36-45	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	●	71	
Anti-competitive behaviour				
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	●	65	
Compliance				
SO8	Monetary value of significant fines and total number of non monetary sanctions for non compliance with laws and regulations	◐	65	See also EN28
Product responsibility				
Customer health and safety				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures	●	18	
PR2	Total number of incidents of non compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	●		During 2008 no events of non-compliance respect to the indicator area
Product and service labelling				
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	n. a.		See also EN27
PR4	Total number of incidents of non compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	n. a.		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	●	46-48	
Marketing communications				
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	●	55	Ruled within the Code of Ethics (Section 4.2 - Relationship with Customers)

		ERG Disclosure		
		Coverage	Reference	Note
PR7	Total number of incidents of non compliance with regulations and voluntary codes concerning marketing communications including advertising, promotion and sponsorship, by type of outcomes	●		ERG has not received any reporting of non-compliance during 2008
Customer privacy				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●		ERG has not received any claims during 2008
Compliance				
PR9	Monetary value of significant fines for non compliance with laws and regulations concerning the provision and use of products and services	●	65	See also EN28 and SO8



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To the Board of Directors of Erg,

Milan, May 2009

We are honoured to have been invited once again by Erg to work with the corporate function in charge of sustainability management.

This year the scope of our engagement has been to help to fine tune specific aspects of the sustainability management system, with particular reference to the information system developed in order to support the activity of HSE Committees.

We can therefore confirm, above all, that the company has continued to progress on the pattern of sustainability almost independently from the presence and the level of support provided by the advisor.

The Sustainability Report 2008 has tracked and represented both the progress and the results achieved. With reference to this document, we performed the third party check of GRI3 profile disclosure.

In our opinion the overall level of reporting has improved and, although there is still room for improvement as far as the completeness of some performance indicators is concerned, the document has now achieved the highest level "A" of the guidelines.


Paolo Bendotti
Managing Director


Marco De Simone
Senior Manager