





This symbol – in order to make the Report easier to read – highlights sustainability targets associated with the commitments made.

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ERG S.p.A. – May 2010

This publication is available in PDF format on the website: www.erg.it

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“Long-term vision”

Sustainability as a corporate strategy

*An interview with Edoardo and Alessandro Garrone,
the Chairman and Chief Executive Officer of ERG S.p.A.*

Let's start from the key words, "long-term" and "sustainability", and explain ERG's approach to business, via the concepts of vision and mission.

Edoardo Garrone

"Ours is a long-term vision: otherwise 71 years of business would have been hard to achieve. Generally speaking, it is only relatively recently that "Values", "Vision" and "Mission" have been considered fundamental elements for the construction and maintenance of corporate identity. ERG, instead, right from the start has always set these concepts at the centre of any development action, so that the organization could grow in a healthy and consistent manner. ERG's vision is very clear-cut, i.e. creation of value sustainable over time and extended to all our stakeholders.

Assuring the survival, growth and profitability of the business imposes particularly carefully weighed strategic choices. In extreme summary, our choices meet two criteria: action in accordance with social responsibility codes and attention to the various economic and financial phases in order to take changing market opportunities fast. In 7 decades the Group's mission has expanded considerably; we have reacted to market thrusts,

channelling them into what we believed ought to be our industrial design.

We started off with a distinctly oil-based identity and we have now reached a multi-energy configuration, always bearing in mind that every business – traditional or newly entered – had to prove itself sustainable in the long term. Notwithstanding the steady diversification of our activities, we have never abandoned the oil industry because, besides representing our industrial origins, it has given us that economic and financial solidity essential for entry into new market segments and to address the unstable economic scenarios of the most recent period in the best possible way".

The latest corporate deals have on the one hand confirmed the strong commitment to consolidating a multi-energy industrial configuration and, on the other, highlighted the strategy of "alliances" that the Group intends to pursue and continue.

"Considering the Group's history, the joint venture with TOTAL is less surprising than it might seem. In the more recent past BP, Elf and Chevron have been joined by IPM, Shell and Acciona for the power and gas segment and by LUKOIL for the refining area. The present is instead represented by

TOTAL. A minimum common denominator links the various deals: Despite its mostly domestic dimension, ERG is considered by the companies against which it measures itself as a sound, transparent and reliable business partner and therefore the right one for profitable and long-term alliances. The market therefore recognizes us as having all those characteristics that the Group sets at the base of its identity, considering them to be decision-making and operating guidelines".



Let's now touch on the TOTAL deal and enter the near-future scenarios of the Group, which is poised to experience significant change.

Alessandro Garrone

"ERG Petroli and TOTAL Italia, merged in TotalErg, will create one of the main players in the sector of distribution of petroleum products in Italy. A few numbers to give an idea of the entity of the deal: a market share of about 13%, 3,400 services, about 3.4 million tonnes a year of fuel sales in the Retail segment, about 3.2 million tonnes a year of petroleum products in the Wholesale segment, and about EUR 65 million of Enterprise Value difference in ERG's favour. Michel Bénézit, CEO of TOTAL Raffinage Marketing, has highlighted the deal's calibre well by stressing two salient points, i.e. the strong presence that the brand will have in the marketplace and the ability of the new-co – the result of the union of two different types of expertise – to offer increasingly extensive and competitive products and services.

Having said that, it must also be said that the agreement with TOTAL ends a particularly intense two years in terms of negotiations and deals with other business partners and opens up a new chapter in the Group's history. Following the joint ventures with LUKOIL and with TOTAL, our organizational set-up will change. ERG Raffinerie Mediterranee and ERG Power & Gas will become part of ERG S.p.A., which will be structured in three divisions: an Oil business unit, a business unit for the Power & Gas area and a Corporate HQ unit. We will thus set up a more streamlined organization and, by virtue of this, able to accomplish faster decision-making and operating processes. ERG Renew

will instead continue to be a subsidiary active in the renewable energy sector".

Extending the discussion to the Group's other businesses, what is the outlook for the next few years?

"Downstream from such significant structural moves, also providing great improvement in terms of operating and decision-making efficiency, during 2010 the Group will continue to manage its broad business portfolio in the belief that it will be able to benefit – already as from the current financial year – from the gradual global economic recovery and from the effects of corporate restructuring.

More specifically, the 2010–2013 business plan for Renewables envisages investments of EUR 254 million, designed to achieve 429 MW of installed capacity by the end of the plan period. These are the investment lynchpins: for the Wind business consolidation of the position in Italy and geographical diversification outside our national borders; for Water services and Mini-Hydropower gradual disposal of the businesses in favour of other renewable energy sources – in particular conventional and organic photovoltaic energy.

In Thermoelectric Power Generation the Group's performance will be positively affected by the start of operation of the CCGT power station, financed in project financing for EUR 330 million, and by conclusion of reconstruction of the second power generation train of the IGCC plant, destroyed by the accident that occurred on 13 October 2008. The plant is now being re-started ahead of schedule. As regards Ionio Gas, in April this year Regional Services Conference to decide on

construction of the regasification terminal in the province of Syracuse in Sicily took place. We are very pleased that the project's validity has been recognized via granting of the go-ahead, albeit bound by compliance with a series of requirements that we have yet to analyze in depth. We hope this is the decisive step to continue the project profitably.

On the Refining front, the strategy, in concert with our business partner, will continue to focus on strongly converted and efficient refining, i.e. able to process the most profitable crude oils flexibly to obtain high value-added products. We in fact believe that efficiency and flexibility form the keystone of adaptation to the continuous evolution of petroleum markets".





Group profile

The ERG Group, listed on the Milan Stock Exchange since 1997, is active in the following business segments:

COASTAL REFINING

Through the subsidiary ERG Raffinerie Mediterranee S.p.A. (ERG Med), ERG acquires and processes crude oil, and sells refined products on the cargo market. Crude oil is processed at the ISAB Priolo Refinery owned by the ISAB S.r.l. joint venture (51% ERG Med – 49% LUKOIL), one of the most important refineries of the Mediterranean in terms both of capacity (320 thousand bbl/day) and complexity (Nelson index 9.3).

INTEGRATED DOWNSTREAM

Through its subsidiary ERG Petroli S.p.A., ERG sells oil products, mainly in Italy, through its retail and wholesale network. The company's main assets are its retail network of 2,000 service stations (accounting for about 7% of the market in Italy), major investments in two refineries, in Trecate and Rome, with a combined processing capacity of about 60,000 bbl/day, and its logistics system. ERG Petroli's presence in the wholesale market increased during 2009 thanks to the purchase of the 60% equity interest owned by Elvo Italia S.r.l. in the company Restiani S.p.A..

ENERGY – THERMOELECTRIC POWER GENERATION

Via its ERG Power & Gas S.p.A., ERG manages and develops the production and sale of thermoelectric power, steam and gas. ERG Power & Gas's main operating investments are:

ISAB Energy S.r.l. (51% ERG Power & Gas, 49% IPM): this company generates electricity by means of 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 S.r.l. (51% ERG Power & Gas, 49% IPM): this is the operating and maintenance company for electricity, steam and utilities plants at the ERG Group's Priolo site;

ERG Power S.r.l. (100% ERG Power & Gas): the owner since 1 January 2010 of the North Power Plant, a combined-cycle plant fuelled by natural gas with installed capacity of 480 MW, which achieved full commercial operation in April 2010;

Ionio Gas S.r.l. (50% ERG Power & Gas, 50% Shell): a joint venture with Shell Energy Italia for the development of a liquefied natural gas (LNG) regasification plant at the Priolo site;

ERG Rivara Storage S.r.l. The company was set up in 2008 with the UK group Inde-

pendent Resources (IRG) to develop the natural-gas storage site of Rivara, in the province of Modena.

ENERGY – RENEWABLE ENERGY SOURCES

Through its subsidiary ERG Renew S.p.A. (77.4% ERG since 1 October 2008), listed on the Milan Stock Exchange, ERG is active in the generation of renewable-energy-source (RES) electricity. ERG Renew has 199 MW of installed capacity in the wind sector (of which 144 MW in Italy and 55 MW in France) and capacity of approximately 2 MW in the mini-hydropower sector.

Following sale to LUKOIL of 49% of the ISAB Refinery, today ERG¹ refining accounts for approximately 11% of total Italian balanced technical capacity (meaning the capacity of secondary conversion plants capable of producing specification refined products) and is one of the top players in the industry in Italy, while its sales of petroleum products in the home market cover about 6% of national requirements.

ERG's sales of electricity account for about 2% of the Italian home market.

¹ "ERG" means ERG S.p.A. and the companies included in the scope of consolidation.





COASTAL REFINING

ERG RAFFINERIE MEDITERRANEE

- 51% ISAB REFINERY

INTEGRATED DOWNSTREAM

ERG PETROLI

- DISTRIBUTION NETWORK
- EQUITY INVESTMENTS:
TRECATE REFINERY
ROME REFINERY

THERMOELECTRIC POWER GENERATION

ERG POWER & GAS

- ERG POWER
- ISAB ENERGY
- ERG NUOVE CENTRALI
- IONIO GAS

RENEWABLE ENERGY SOURCES

ERG RENEW

- 201 MW INSTALLED
CAPACITY

The Group's present profile is about to change substantially. At the end of January 2010 the start was in fact announced of a process of redesign of the legal-entity and organizational set-up following the planned creation of the joint venture with TOTAL and the joint venture already creat-

ed with LUKOIL. As part of this process the respective Boards of Directors and Shareholder Meetings have approved the merger of the two subholding companies ERG Raffinerie Mediterranee S.p.A. and ERG Power & Gas S.p.A. in ERG S.p.A., which will be operational as of 1 July 2010.

All the equity investments already will therefore be directly taken on by ERG S.p.A. The Group's new organizational set-up envisages just one company, ERG S.p.A., which operationally and financially manages, controls, directs and oversees its core businesses.

ERG S.p.A.

Ionio Gas S.r.l. | ERG Rivara Storage S.r.l.

ISAB S.r.l. | ERG Petroli S.p.A. | ERG Oil Sicilia S.r.l.
|
Others

REFINING & MARKETING
DIVISION

ISAB Energy S.r.l. | ISAB Energy Services S.r.l. | ERG NuCe S.p.A.
|
ERG Power S.r.l.

POWER & GAS
DIVISION

ERG Renew S.p.A.
|
ERG Eolica Italia S.r.l. | ERG Eolienne France S.a.s. | Others

RENEWABLE
ENERGY SOURCES



ERG in a nutshell – Some numbers

retail market share – Italy

7.1%

service stations

1,950

employees at year-end

1,580

maximum market
capitalisation

1,849 million
Euro

electricity
production

3,009 million
kWh

crude oil processing
in the refineries

180 thousand
barrels/day

net group income
at replacement cost

(80) million
Euro

investments

347 million
Euro

group debt
at 2009 year-end

662 million
Euro

EBITDA at adjusted
replacement cost*

92 million
Euro

consolidated revenues

6,237 million
Euro

net invested capital

2,591 million
Euro

* the results at replacement cost do not include gains (losses) on inventory and non characteristic 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 as from 1 December 2008)

Sustainability commitments

Commitment scope/targets		Status
Energy Package	<ul style="list-style-type: none"> Improve energy efficiency by 20% in Thermoelectric Power Generation and by 5% in Refining by the end of 2011 Increase power generation from renewable sources, in particular wind Avoid CO₂ air emissions of 11.2 Mtons by the end of 2013 	<ul style="list-style-type: none"> +12% energy efficiency in Thermoelectric and +3% in Refining RES-electricity production nearly quintupled since 2006 390 ktons of CO₂ avoided since 2006
Safety	Achieve the "zero injury" objective by developing a robust safety culture based on the interdependence of all workers	<ul style="list-style-type: none"> Phase 2 of Safety Project started focusing on the human factor as interdependent element in the prevention process Injury frequency rate of industrial sites below the European oil industry average
HSE Management System	Complete ISO 14001 and OHSAS 18001 integrated certification for all industrial sites by the end of 2010	Certification level = 85%
Human Capital	Pursue managerial excellent through the system of corporate competencies and guidelines of the ERG managerial development model	<ul style="list-style-type: none"> 23,575 hours of managerial training since 2007 Average training indicator = 2.7 days/person
Community	Contribute to sustainable development of the community through structured initiatives in the economic, social and environmental field	Nearly EUR 9 million spent on community projects since 2006, of which about EUR 2 million in 2009
Customers	Make the customer the core of marketing strategy together with integration of benefits in terms of savings	<ul style="list-style-type: none"> ICSI® (Italian Customer Satisfaction Index) = 71.8 out of 100: 10th in overall ranking, 1st on Fuel Distribution Satisfaction of motorway retail outlet customers = 3.8 out of 5 Integration: ERG più, ERG Mobile
Innovation	Support the multi-energy strategy with appropriate initiatives in the research and innovation field	Organic photovoltaic project started and research projects underway with universities of Catania and Genoa
Suppliers	Assure correctness and transparency of dealings, adopting international best practices in the social responsibility area	Application of Sustainability & Integrity Guidelines for Supplier Relations



“Efficient switchover”

The new Priolo CCGT Power Station is operational

Efficiency, environmental and economic sustainability, and safety in the industrial area's energy procurement – these are the key must-haves causing ERG Power & Gas to construct the new power station.

The Priolo Gargallo area in the province of Syracuse in Sicily features heavy industrial concentration. It is a multi-company site, with different operations featuring integrated and interdependent production activities. The ISAB Refinery North Power Plant, the petrochemical plants of Polimeri Europa and the Consorzio Priolo Services (Priolo services consortium), which provides ancillary services to the factories, are just some of the companies present in the area concerned.

The activities of ERG Power's power stations, located within the perimeter of the ISAB Refinery North Power Plant site, are tightly integrated with those of the companies. Steam, electricity and demineralised water are utilities essential for operation of the other plants both in normal operating and in emergency conditions.

The steam generation system, for example, serving such an extensive and varied area, has to be highly flexible and reliable in order to assure user plants' continuity of operation.

Flexibility is ensured by the existence of several production centres and compliance with precautionary conditions (heat reserve) such as to be able to handle demand if one of the other energy producers is unavailable. A high degree of reliability is indispensable to avoid situations of potential risk in terms of safe operation of the sites' plants, which, in the event of power outages, may be forced into emergency stoppages.

It is indeed the meet the next few years' projected electricity demand and meet the requirements of flexibility typical of the site that ERG Power has constructed a new cogeneration combined-cycle plant – CCGT in jargon (Combined Cycle Gas Turbine) – with capacity of 480 MW, fuelled by natural gas, which has replaced the conventional condenser-based thermoelectric (CTE) plants. The CCGT joins the existing

SA1N/3⁽¹⁾ counterpressure unit of the power station, fuelled by fuel oil, refinery fuel gas, and natural gas.

The new CCGT power station, for which ERG Power has entered into a 12 year EUR 330 million project financing agreement, consists of two identical power islands and of ancillary systems necessary for operation of the power station itself and for the supply of utilities to plants. The electricity produced is partly fed into the Italian national grid and in part use to fuel the multi-company site's plants via a 150 kV network.

ERG's investments in the thermoelectric segment, using the best available tech-

⁽¹⁾ The SA1N/3 produces steam exclusively according to site requests, recovering electricity solely in order to optimize production yield. Power generation is thus consequential to steam production. The power station can generate up to 70 MW of electricity, fed into the internal network at 150 kV, and can feed from a minimum of 150 t/h up to a maximum of 280 t/h of steam into the network at three different levels of pressure (35 bar, 18 bar and 5 bar). Major investments have been made in the power station to improve its environmental impact. An electrofilter for dust abatement has been installed, together with new-generation burners of the low-NO_x type.

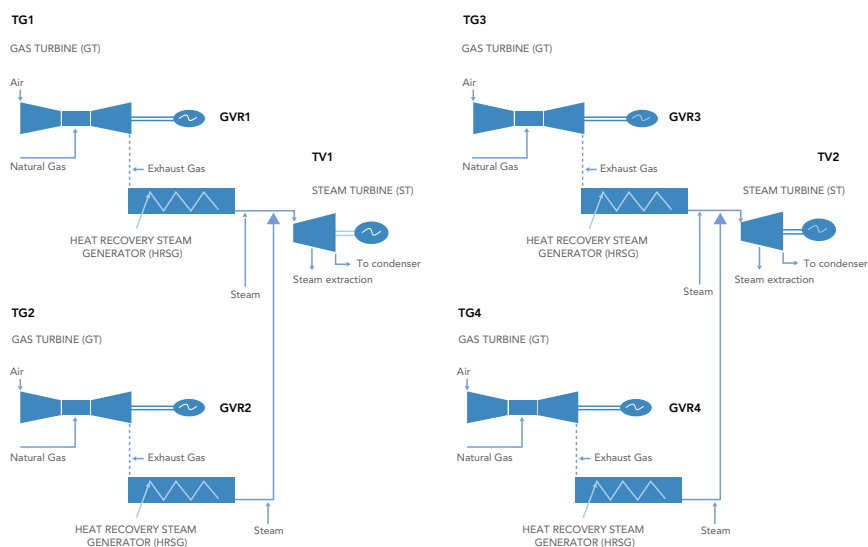
niques (BATs), have a twofold objective, i.e. (1) improve energy efficiency and (2) reduce operations' environmental impact. Operation of the CCGT, together with the SA1N/3 unit, by modifying the site's original thermoelectric set-up is in practice helping to achieve the Group's energy-efficiency objective. It is also yielding an environmental benefit as it has reduced the main pollutants (SO_x, NO_x and dust) by between 60% and 70%.

Cogeneration – What it is

“Cogeneration” means the combined production of heat and power starting from the same source. Use of just one fuel to produce two different types of energy makes it possible to ensure a more efficient process for energy production an more rational consumption of the source, thereby achieving a substantial energy saving.

General description of the CCGT plant

A plant that besides producing electricity also supplies steam for use in technological activities



The CCGT plant consists of two functionally identical power modules, each consisting of the following main units:

- 2 gas turbines of 75 MWe (ISO conditions), fuelled by natural gas, complete with generator and related ancillary systems, with DLN (Dry Low NO_x) burners;
- 2 horizontal, triple-pressure, straight heat recovery steam generators with superheater and integrated degasser, complete with related ancillary systems;
- 1 steam turbine with two bodies (high-pressure and medium/low-pressure), of about 85 MWe at full condensation.

“Energy efficiency goal”

Our progress to date in Refining and Thermoelectric

REFINING

One of ERG's sustainability commitments is to improve the energy efficiency of the refining process – as measured by the Solomon Energy Intensity Index – by 5 percent points. In effect, one of the main objectives of the project for integration of the two Priolo refineries – which in the last few years has featured a total investment of over EUR 300 million – was to improve conversion also from the standpoint of greater efficiency. Following the first macro energy-saving initiatives, during 2009 a series of micro activities, forming part of the **Energy Conservation (ENCO)** project were undertaken.

This product is developing according to two main thrusts:

- identification of over 40 specific opportunities with a direct impact on the technical/operating aspects of energy performance, via work sessions and inter-functional interviews;
- design of a system of organizational/operating levers aiming to assure a process of continuous performance improvement.

The specific opportunities – which were presented at an internal “Energy Fair” that actively and transversally involved 100 ISAB people – focused on specific im-

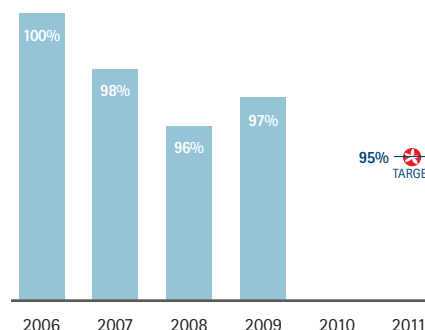
provement areas: thermal integration, steam losses and condensation recovery, heat losses, and energy optimization of plant operation. These opportunities, which are now being implemented, have been classified in two categories, i.e.:

- **quick hits** – mainly centring round process optimization (e.g. plant consumption specifications and operating parameters) or, more simply, around operating personnel's behaviour;
- **investments** – of limited average size (EUR 500 thousand) and very fast pay-back (nearly always less than one year).

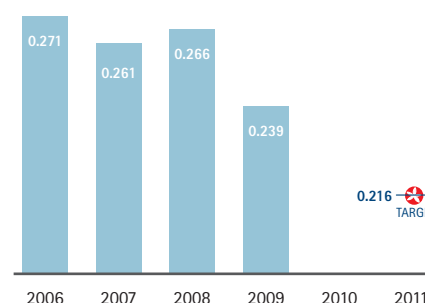
THERMOELECTRIC POWER GENERATION

The increased use in general of fuel with a lower carbon content (natural gas, for example) for all the Group's industrial operations, combined with the application of efficient production processes, is enabling us to hit the target of improving the energy efficiency of our thermoelectric power generation system by 20%. The new 480 MW CCGT plant is consistent with these courses of action. In effect, the energy efficiency index has improved tangibly compared with 2008. To date there has been a 12% reduction vs. the baseline despite the fact that the ISAB Energy plant is operating with just one power generation train.

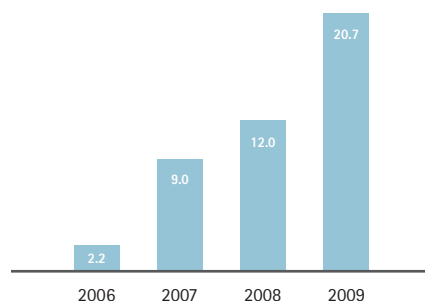
EII (ENERGY INTENSITY INDEX)
(baseline 2006=100%)



EFFICIENCY OF THERMOELECTRIC
INSTALLATIONS
(Toe/MWheq)




NATURAL GAS CONSUMPTION AS PROPORTION
OF TOTAL PRIMARY SOURCES
(%)



Renewables in a multi-energy key

A growing strategy

 In a multi-energy growth perspective, renewable energy sources (RESs) are, for the Group, one of the main courses of development. EUR 254 million will support this ongoing determination to growth in the sector through to 2013, for a total of 429 MW of installed capacity at the end of the period. EUR 121 million will be invested during 2010 alone. For the wind business the strategy underlying the new Business Plan envisages consolidation of the position in Italy and pursuit of a geographical diversification strategy outside Italy. The water services and mini-hydropower businesses are in the process of disposal – as they are no longer considered strategic for the future – in favour of development of the other RESs, in particular, conventional and third-generation organic photovoltaic energy.

In Wind Italy, it is estimated that end-of-period installed capacity of 344 MW will be achieved based on an investment of EUR 214 million. The present 144 MW will be joined by the 40 MW of the Ginestra degli Schiavoni wind farm, the 100 MW of the

Fossa del Lupo wind farm and by 60 MW of projects already at an advanced stage of development. It is trusted that permits and areas ready for site works will be obtained for a further 40 MW. In Wind France, about 84 MW will be achieved by the end of the plan with EUR 35 mn of investments. The present 55 MW will be joined by the start of operation of the 9 MW of the Plogastel wind farm and by a further 20 MW of projects once again at an advanced stage of development. The new Business Plan also envisages finalization of the strategy to enter other European countries featuring high potential and regulatory frameworks at an advanced stage of definition.

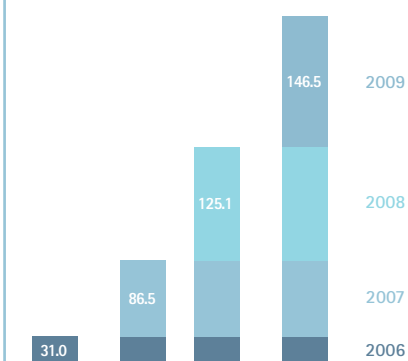
The strategic vocation for RESs and for development of techniques to reduce greenhouse gas emissions shown by the Group for some years now, is confirmed by the birth, at the beginning of 2010, of ISAB Energy Solare – a newco 51% owned by ERG Renew and 49% by International Power Mitsui. By the end of 2010 the company will in fact construct a conventional photovoltaic plant with capacity of about 1 MW for a

total investment of EUR 3.3 million, with expected normalized output of about 1 GWh/year. The roofs and available surfaces within the ISAB Energy factory site will be used for the project, together with a plot of land adjacent to the site.



In 2009, the ERG Group, consistently with its growth objectives, further increased its RES-electricity production capacity. Compared with 2006, the total CO₂ avoided amounts to 390 thousand tonnes. In view of ERG Renew's new 2010-2013 business plan, the objective to avoid 1.2 million tonnes of CO₂ will be achieved in 2013 instead of in 2012 as previously indicated.

CO₂ AVOIDED
(ktonnes)



Wind power generation (GWh)	2009	2008	Variation
Wind Italy	209.6	144.1	+ 45.4%
Wind France	107.6	114.7	- 6.2%
TOTAL WIND	317.2	258.8	+ 22.5%



Safety Project



A question of culture

The incident in October 2008, which seriously damaged a power generation train at the ISAB Energy plant, gave rise to a **moment of reflection and analysis, in even greater depth**, within the Group. In the company the accident became – also as expressly decided by the CEO – a caesura, a break, in the general and agreed way of giving value to safety in the sense of a manifestation of responsibility. It was in this climate that the Safety Project (Progetto Sicurezza) was born, a journey of continuous improvement. Its focus is not only review and improvement of existing safety procedures, in terms of knowledge and strict

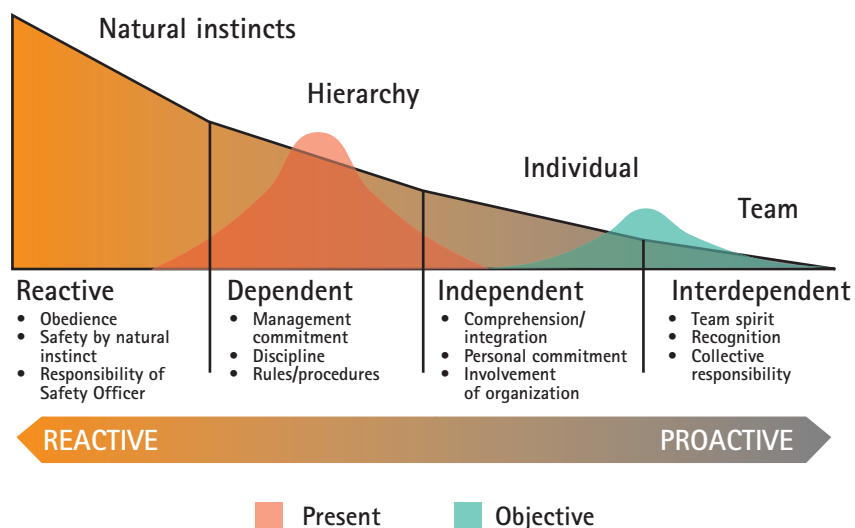
application, but also and above all the creation and spread of a sound safety culture among people providers, sometimes unknowingly, of an essential contribution to risk management and minimization. ERG and ISAB, jointly involved in this multianual project, have set as the objective alignment with the best international practices. In order to achieve this objective we have drawn on the advisory support of DuPont, a company with special expertise in the industry, above all for the Priolo factories.

The Project, developed by a specifically created team, involves all ERG and ISAB

personnel and follows **three main thrusts – knowledge, behaviour and communication** – so as to cover all sensitive areas. Among these, special attention has been dedicated to the relationship with the outside companies that operate at ERG and ISAB sites.

DuPont conducted the assessment of the initial state of the safety management system by means of four months of meetings, talks, exchanges of views and observation, performed at the Sicilian industrial sites, at the depots, at the retail outlets and at the wind farms. No major shortcomings, either structural or procedural were found; what

The journey to excellence

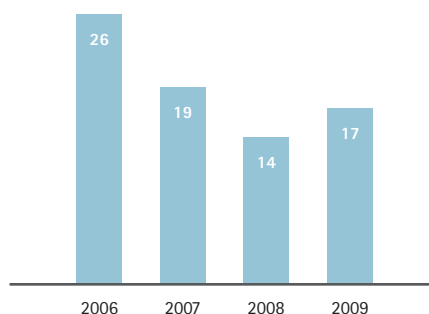
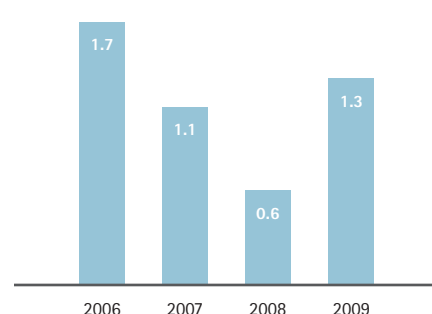
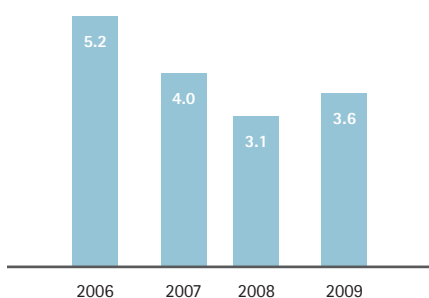
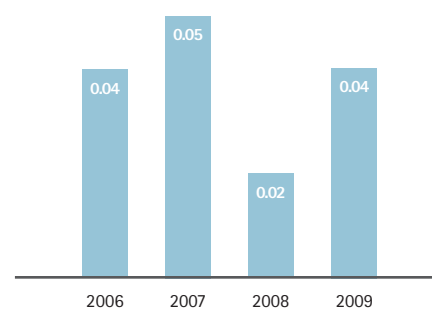
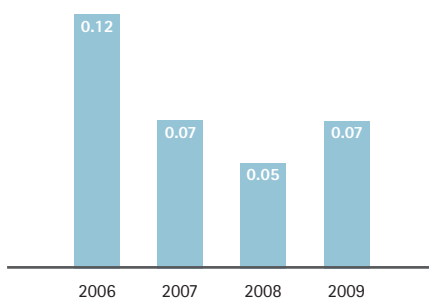


Safety Competition

The Safety Competition, a traditional appointment for the industrial sites, was extended to include all employees. The Competition – a useful tool for internal engagement – was structured in two phases: the first, individual, consisted of an online training course; the second, to be carried out in teams, featured creative team activity, i.e. production of a short video on the topic of safety. A few numbers to give an idea of the extent of participation: **827** people involved – **87%** completed the training course – **67** teams – **57** videos produced – **8,973** views of the video on the Group's intranet portal.

is considered improvable relates to behavioural aspects, indispensable to ensure voluntary commitment to apply the management system. The Bradley curve, used by DuPont to take a qualitative snapshot of the "cultural" positioning with regard to safety, revealed the predominance of "dependent" conduct instead of an "interdependent" attitude – the optimum in terms of safety. The Project's objective is to pass gradually from the former to the latter attitude. This development of cultural maturity is possible if communication tools, motivational programmes and severe rules – obviously going beyond simple regulatory observance – are improved and/or implemented. The aim is to arrive at an attitude of team responsibility that overcomes slavish respect of the hierarchy. This is the content of the road map that is guiding us towards team responsabilization.

The Project's time line envisages that, between 2010 and 2011, the transition is made – following the Bradley curve's model – from the "dependent" to "independent" level, a preparatory step for the achievement of excellence, i.e. "interdependence". The value that ERG sets on Safety and on the Project is also demonstrated by the inclusion of effort in this respect in professional performance appraisals.

INJURIES
(no.)OUTSIDE FIRM FREQUENCY INDEX
(no. of injuries x 10⁶ / hours worked)FREQUENCY INDEX
(no. of injuries x 10⁶ / hours worked)OUTSIDE FIRM SEVERITY INDEX
(working days lost x 10³ / hours worked)SEVERITY INDEX
(working days lost x 10³ / hours worked)

At the end of 2009, in an accident on board a ship moored at the ISAB Refinery's landing pier for liquids, a seaman died due to causes that are currently being investigated. During operations to load the ship on which he was embarked, a loading arm hit him. The man was immediately aided and taken to Syracuse hospital, where he died. ERG is committed to preventing and minimizing risks for those who, whatever their role, work at its industrial sites, regardless of identification of specific responsibilities associated with any accidental event.



“ Screening, acceptance and monitoring ”

Safety in sea transport

Sea transport of petroleum products is one of the areas in which the effort to achieve the maximum level of safety takes the practical form of constant monitoring of ships arriving at ERG piers. Acceptance of ships that are candidates to carry out commercial operations is subject to compliance with a number of parameters established in the Group **Vessel Acceptance Policy**.

Requirements concern various aspects that go from compliance with national international laws and regulations to the presence of appropriate procedures for operating safety (e.g. recording of accidents and anomalies) and for the prevention of pollution. Also required is observance of the guidelines of the most important international maritime organizations [e.g. International Maritime Organization (IMO), Oil Companies International Maritime Forum (OCIMF), etc.].

Non-observance of one of the set parameters causes ERG to reject the vessel. Group procedures envisage three different types of controls, i.e.

- Screening
- Vetting
- Safety

Screening aims to perform a series of preventive checks of the ships that the various shipowners propose for product transport. In this case ERG requests documentation relating to recent controls that certifies the ship's suitability according to the set parameters. In the event of missing or insufficient documentation, ERG personnel or representatives can ascertain parameters through direct inspection. In 2009 9.1% of the vessels examined were rejected. Vetting checks are instead preparatory for acceptance of the ship at piers and focus on a series of structural checks.

The inspection substantially follows the guidelines of the OCIMF Vessel Inspection Questionnaire. The results of all inspections are inserted in the SIRE (Ship Inspection Report), a database available to all operators in the industry.

Today the presence of this database and its constant updating are the biggest deterrent of use, by shipowners, of vessels featuring structural defects or anomalies. Vetting checks therefore focus on ships with a level of risk requiring attention, that are not present in the SIRE database or that do not fully meet Group requirements. During 2009, in the face of 1,085 ships arriving at ERG terminals, 439 Vetting checks were performed (about 40%), with a 19% increase over the number of checks performed in the previous year. Lastly, Safety checks concentrate on loading and offloading operations carried out at the piers. The objective of inspections



OUR AGENDA

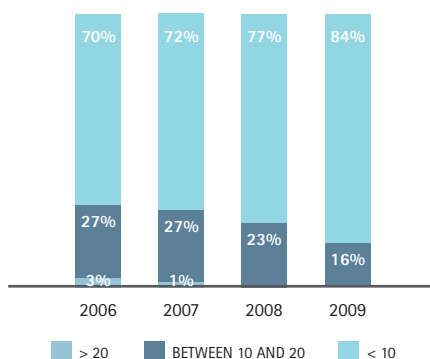
Health and Safety

is to seek constant improvement of the procedures applied by personnel in order to ensure the maximum level of safety of behaviour and procedures.

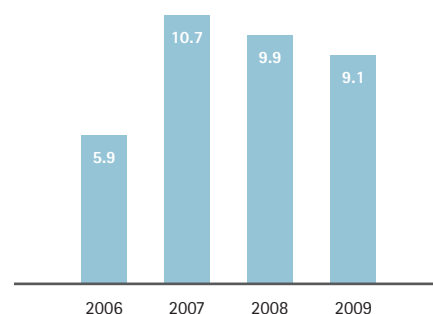
The importance of these controls is testified by the quantitative data, which in 2009 featured a total of 946 ships processed (88% of the ships arriving at the terminals).

Collaboration between industry operators and shipowners has gradually led to rejuvenation of the ships used. Already between 2007 and 2008 ships were no more than 20 years old. In 2009 the percentage of ships less than 10 years old was further improved, increasing from 77% in 2008 to 84% in 2009.

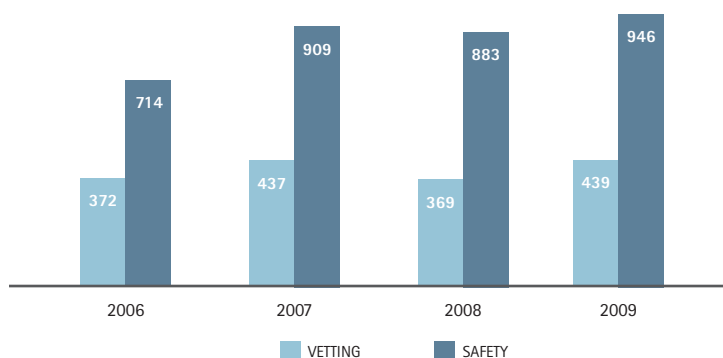
AGE OF SHIPS
(years)



SHIPS REJECTED BY SCREENING
(%)



CONTROLS OF SEA TRANSPORT
(no.)





“Heart Project”

Health and Safety

Prevention of cardiovascular diseases

The task of a socially responsible company is also to develop initiatives aiming to inform people about and make them sensitive to general and specific health topics. The most recent activity in this category is the Heart Project (Progetto Cuore) in which, ERG and ISAB once again talk of **prevention** as an indispensable element in the development of an effective health culture.

In Italy cardiovascular diseases are still the main cause of death today, accounting for 44% of deaths. Proper reading of the figure, however, requires considerable specification, i.e. many of the risk factors of cardiovascular diseases can in fact be changed. This is the reason for the particular value, in social and healthcare terms, of any preventive action that helps to reduce risk factors. Accredited estimates state that atherosclerotic forms – the most common cardiovascular disorders – are largely pre-

ventable, at least 50% of them. Whence the joint decision by ERG and ISAB to offer to the company population of Priolo, during 2010, **optional screening** – particularly easy as diagnostic examinations will be performed in the factory medical unit by cardiologists from the Syracuse local public healthcare department. More specifically, the programme envisages a cardiac physical examination, an electrocardiogram and an ultrasound cardiogram, while any further assessments will instead be performed at the Syracuse hospital Ospedale Umberto I.

If the project's rationale is clear, its objective is equally easy to guess, i.e. to make people conscious of and become familiar with the culture of primary cardiovascular prevention. Just a few but targeted actions concerning life style and the use of medicinal products reduce risk considerably.

Melanoma skin cancer project

Melanoma skin cancer hits people in the 30-60 year age range and in the middle-upper social classes. Considered a rare neoplasia until just a few years ago, today its incidence is growing constantly throughout the world and numerous studies suggest that it has even doubled in the last 10 years. In Italy the estimate of the number of cases of melanoma skin cancer and associated deaths, although approximate, is around 7,000 cases a year. For the second half of 2010, the Group, in a perspective of preventive healthcare, has planned optional screening for the Priolo site's employees, who will be able to undergo the diagnostic examinations at the ISAB plants' medical unit.

“The SA1N/3 power & steam plant”

An integrated project to improve the Priolo industrial site's air emissions

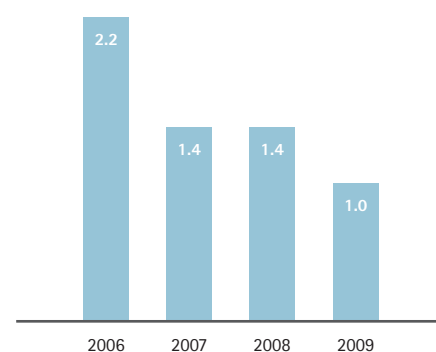
In terms of steam and electricity production the SA1N/3 unit, which is part of the North SA1 Power Station, serves the Priolo multi-company industrial site. In 2009 major structural works were completed that have permitted significant improvement of the Power Station's environmental performance.

The project for the “environmentalization” of the SA1N/3 unit was developed following thorough cost-benefit analysis, in accordance with the requirements of current regulations and application of BATs (best available techniques). The project has been developed in parallel with repowering of the site's power stations, which has involved substitution of the existing CTE (condenser thermoelectric) plant with the new CCGT (combined-cycle gas turbine) plant fuelled with natural gas.

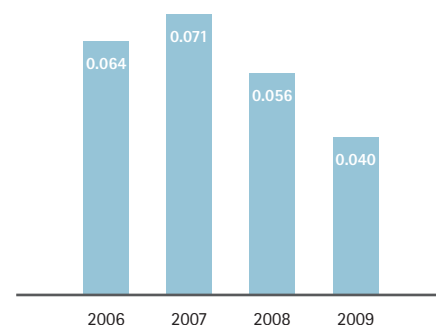
As a result of the investments made during 2008, today the SA1N/3 unit has the possibility of using fuel oil, refinery fuel gas (gaseous fuel produced by the adjacent ISAB Refinery) and natural gas. In summary, the investment project of some EUR 22 million featured:

- installation of an electrostatic precipitator (ESP – a.k.a. electrostatic air cleaner) for particulate abatement, which already during 2009 substantially reduced specific emissions by about 70% compared with pre-investment conditions;
- substitution of the 9 oil/gas burners present in the boiler with low-NOx burners, which has permitted tangible environmental improvement in all operating conditions envisaged;
- use of a new fuel-oil feed system;
- modernization of the instrument & control system.

SO₂ INDEX - THERMOELECTRIC (tonnes / GWheq)



PARTICULATE INDEX - THERMOELECTRIC (tonnes / GWheq)



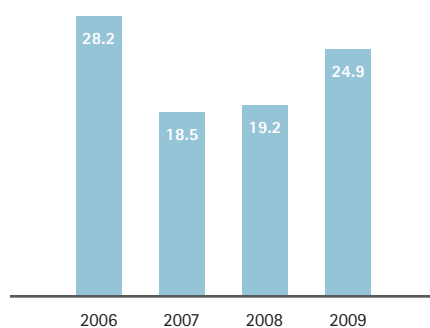
“Environmental responsibility”

Clean-up and reclamation at industrial sites

Italian environmental regulations concerning clean-ups and soil, subsoil, and groundwater contamination has undergone several changes during the last few years, in particular due to transposition of EU directives and to the aim of aiding an increasingly “site-specific” approach to these issues. As has already partly happened at EU level, at national level an approach has been consolidated that is based on **analysis of the health and environmental risks** and recognized as the most advanced decision-making support tool in the management of contaminated sites.

Particularly important measures to be noted in this respect are some that involve ERG's industrial facilities, i.e. designation of “**national-interest sites**” to aid specific development programmes and definition of the procedures for transaction and quantification of costs by the Environment Ministry as part the specific Pro-

EXPENDITURES TO PROTECT SOIL AND WATER (Million Euro)



gramme **Agreement for clean-up and reclamation at the Priolo site** (procedures for settlement of the administrative litigation underway, approval of clean-up projects and restoration of the areas to their lawful uses). ERG is actively dialoguing with the Environment Ministry in order to assess whether the new approach identified in the Programme Agreement is compatible with its investment plans for

the Syracuse industrial area. Projects presented in the past are also being updated and supplemented so that they can be submitted for approval by the Authority (i.e. the Environment Ministry) within the scope of the Agreement.

ISAB REFINERY

- Full activation of the works envisaged in the clean-up project (approved by the Environment Ministry) in different areas of the site but above all on the coastline (a system of intake wells combined with pumping wells to create a hydraulic barrier).
- Decontamination of groundwater with removal of supernatant hydrocarbons and further actions for soil and groundwater remediation, i.e. air sparging (a.k.a. air injection) and soil vapour extraction (internationally recognized techniques).
- A pumping system to recover and treat



contaminated water along the set of oil pipelines connecting the pier and South plants.

Ongoing implementation and optimization of these systems permits reduction of the presence of subsoil pollution and, at the same time, gradual alignment with regulatory limits. The soundness of these initiatives is assessed thanks to frequent sampling campaigns to analyze the environmental state of subsoil and groundwater.

IGCC PLANT

Receipt, from the Syracuse department of the Regional Environmental Protection Agency (Italian acronym = ARPA) of the certification ("validation" in technical jargon) of soil and subsoil characterization activities via performance of in-depth laboratory analyses. For soil it has been ascertained that the analytes are compatible with regulatory limits and with the

environmental risk analysis. For groundwater, the project for operational safety enhancement of the plant in environmental terms has been completed with the installation of the wells needed for the pumping system. Approval by the relevant authority (the Environment Ministry) is now awaited, possibly within the scope of the Programme Agreement, as is approval of up-to-date monitoring checks of water status.

DEPOTS

Savona Depot: gradual decrease of aquifer contamination following continuous safety-enhancement activities.

Trecate Depot: certification of effective clean-up of soil; the project to achieve enhanced safety for the aquifer in the industrial unit is currently underway.

Oil leakages and spills

Assessment and management of environmental risks, above all those relating to the potential leakage of hazardous substances such as hydrocarbons, are an imperative responsibility. Management activities concern both (a) monitoring and preventive checks – particularly complex above all for industrial sites like refineries, featuring high variability, and (b) the procedures to be followed if oil spills occur. A large part of these events is due to cases of corrosion, which cause pipes to crack or even to burst. In these situations, each industrial site has a specific procedure for managing the emergency and for launching all the activities necessary to make the area concerned safe. In 2009 there were 15 leakages for a total volume of approximately 56 cubic metres.



From individual to team



*Self-development as the first step
to make ourselves and the company grow*

WHAT IS IT?

Self-development is a path designed to establish and manage the right balance between different and complementary players, i.e. the Individual and the Organization. Combining, or rather harmonizing, the Individual's expectations and skills with the Organization's values and objectives is a result that is as complex as it is achievable if – and only if – the "harmonization strategy" centres round the **motivational factor**, the "generating soul" and productive heart of the work dimension. Behind each good self-development path, one in fact sees personal motivation. And personal motivation can be conjugated in several ways: the desire to take the risk and get involved, the will to accept and/or create challenging situations, the drive to win them, and the satisfaction – potential or real – of achieving certain professional objectives, above all if they exceed those set or if they are achieved ahead of schedule.

HOW IS IT ACTIVATED?

The starting point of the self-development

path is a set of questions: *What kind of manager/staff member/service station manager/person am I? What are my shortcomings? What are my strengths that should be further enhanced? The areas for improvement that I am unable to see? The qualities and capabilities that I do not use? How much effort am I ready to make to improve? Where do I want to go and which tools must I use to get there?*

The second, obligatory, stage is to develop an answer, as objective as possible, serious and uninfluenced, if anything to be shared with those working alongside us. The answer acts as a self-assessment via which to outline one's own self-development patch. This is the input needed to advance and above all to accomplish a self-development path that is profitable, entertaining and above all able to have a qualitative effect on our competencies and daily organizational behaviour.

SELF-DEVELOPMENT IN ERG

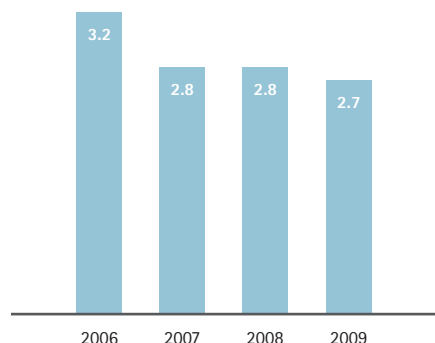
Within the Group – at a time in its history featuring particularly significant organizational scenarios – the question of self-develop-

ment has become even more relevant and delicate. In a transformational phase, it is **strategic for each individual to become the driver of his/her own professional path in the company.**

2010 will be a significant year in this respect, as it will feature the launch of new tools to support this activity. In chronological terms, it has to be said that change management – a process underway for some years now in the Group – has already shown self-development to be a useful tool. During the last few years the topic has in fact been present in the classrooms of institutional and Level 1 and 2 managerial training and development.

Work has been done on it in "behavioural" classroom sessions and in outdoor sessions, using follow-ups as a tool to monitor and, if necessary, re-orient participants' action plans. More recently, the topic has been included as an emotional propellant factor in Empowerment – the process that has involved and is involving Group people at various levels and by means of various tools and methodologies.

AVERAGE TRAINING INDEX
(days per employee)



Empowerment

This is a “multi-level” concept that appeared in organizational language relatively recently. At one and the same time it identifies a quality, a technique and a process: Empowerment is not only the equivalent of “responsibilization” or of the neologisms “potentialization” and “possibilization”. It is the process of expansion of the intrinsic possibilities of an individual or group and it works in such a way as to (1) break the logic of passiveness and dependence and (2) increase the capacity to draw on individual resources while strengthening autonomy and the taking of responsibility. It is therefore a technique that leverages the resources already present in an individual to increase self-determination and to increase one’s ability to act in his or her own environment and make choices. It is a sort of transition from “power” to “action” thanks to outward manifestation of one’s own innovative and creative capabilities.

INSTITUTIONAL TRAINING

COVERAGE OF ENTRY-DOOR POSITIONS

Seminars

1. Induction seminar
2. Effective behaviour and improvement processes
3. Communication and team working
4. The Company and its ability to create value
5. Business orientation

LEVEL 1 MANAGERIAL TRAINING

COVERAGE OF COORDINATION POSITIONS

Seminars

1. Making staff grow
2. Leadership without authority
3. Project management
4. Strategy and value

LEVEL 2 MANAGERIAL TRAINING

COVERAGE OF MANAGEMENT POSITIONS

1. Empowerment
2. Individual and group training “capsules”
3. Seminars/outdoor sessions on managerial competencies

“From general to specific”

A contribution from Stefania Aurigemma, occupational & organizational Psychologist, and Training Advisor to the Group

The course “Effective behaviours to support business processes” – forming part of ERG’s institutional training programme – has undergone major evolution as a project, permitting expansion of its benefits through personalization of the development of competencies. More specifically, at the end of each classroom course, each participant was asked to identify, in the light of the behaviours learnt and of the main behavioural abilities, a self-development path

based on the Corporate Competency System – the ERG “pentologue” (Teamworking, Authoritativeness, Coaching, Intrapreneurship and Vision). Application was attempted in day-by-day working of the concepts expressed in the classroom, in order to change behaviours and make them more effective. The training path was rounded off by mentoring and distance coaching, featuring the periodical sending of contents and operating tools consistent with the

requests expressed by the group and aiming to increase participants’ competencies and aid the creation of a virtual community. In summary, the aim of this path was to give each participant further elements to build and update an **individual action plan** which had the objective of developing behavioural approaches capable of generating positive change vis-à-vis one’s self, one’s colleagues and, more in general, vis-à-vis the company.



THE CORPORATE COMPETENCY SYSTEM

1. Teamworking: work together towards shared objectives.
2. Authoritativeness: be recognized as a leader by others.
3. Coaching: make people and the team grow.
4. Intrapreneurship: assure results and take opportunities.
5. Vision: see beyond and plan moves.

Evolving practice

Employer branding and corporate competitiveness

Until a few years ago it was sufficient to talk of bond/attachment between the individual and the organization. Today that is no longer so; it is preferred to talk of "employer branding" (in effect untranslatable into Italian) – a multifaceted concept that identifies more complex dynamics than the "simple" sense of belonging to one's work environment. If the key word of modern times is competitiveness, a company is obliged to adopt human capital management and communication strategies that are effective in terms of recruiting and retention.

Disregarding the jargon, in practice a company must be "attractive" for the best talents on the market and must be capable, once they have joined the organization, of not making them go away. But how to pass from theory to practice? By working on two levels so that both the first and the second stage – i.e. recruiting and retention – are successful. It is indispensable to **enhance and utilize individuals' value** by means of appropriate, precise, specific, meritocratic and reasonably fast professional growth paths. This is the only formula that can endow the customary bond between the individual and the organization with contemporary relevance. Complementary to

this is a **corporate values-based communication strategy**. The criteria of choice have broadened and the material benefits due to remuneration are a must-have but no longer enough. In effect they have to be supplemented by the enjoyment of intangible assets consisting above all of acceptance by the candidate or new hire of the values associated or associable with the brand. Only in this way is it possible to attract and create loyalty.

This was the theoretical and conceptual backdrop for the employer-branding initiatives brought into play by ERG Petroli. In 2009 the company, which forms part of well-known circuits in the personnel recruitment and management segment such as HR Community and Contatto Lavoro, linked its name to a series of events.

In March it hosted a meeting, organized by HR Academy, dedicated to training and development professionals – over 50 coming from national and multinational companies – on the topics of continuous development, integrated management of talents and coaching. It was a useful moment for an exchange of views between experts to measure themselves against the segment's best practices.

In May ERG Petroli took part in the 13th edition of "I Giovani e il Lavoro" (Young People and Work), a career day organized by Rome's university LUISS Guido Carli with the aim of creating a link between LUISS undergraduates and graduates and over 100 companies. The youngsters were given the opportunity of presenting their curricula vitae and of undergoing initial acquaintance talks. The career day also included a meeting called "Putting optimism to the test: on making good use of the crisis", which ended with a speech by Luca Cordero di Montezemolo, who made a sort of appeal in favour of optimism and meritocracy. On that occasion the company gathered over 800 contacts useful for increasing and updating its databank.

Lastly, in October the company was present at the Roman stage of the Italian edition of Keep Italy Working, organized by Monster, during which it collected more than 1,500 contacts. The initiative aimed to generate real job opportunities between aspiring candidates and companies with real vacancies to fill. The organizers assessed some 15,000 job offers spread among about 100 companies, operating in all sectors both in Italy and abroad.



“ Open Session & Question Time ”

Experiments in stakeholder engagement

An opportunity to get to know each other

The trigger was born almost by change from a function meeting that the masterminds of the initiative like to call "generative". When discussing opportunities and ideas useful for improving working live in ERG Med, a certain gap emerged as regards information about the various functions' activities – but with the strong desire to bridge it. In effect, our institutional training already contemplates illustration to the "new arrivals" of the activities of the different functions in the Group's various companies. Notwithstanding this, it hap-

pens that spheres of responsibility, their position in the business process, and the difficulties, constraints and flexibility typical of the different businesses are not totally clear, above all to the younger people. Whence the idea of organizing a series of open sessions, lasting about an hour, in which the direct managers or senior managers of each function could succinctly present the work of their own areas of responsibility, emphasizing the need to circulate information, the time constraints, and the outputs required. It was decided

to hold the sessions immediately after lunch so as to avoid significant disruption of participants' routine. The meeting calendar was made known in advance to facilitate participation, which is absolutely open. The initiative, which started at the end of 2009, is enjoying success and interest exceeding expectations, managing to involve not only colleagues in ERG Raffinerie Mediterranée but also from other companies. For this purpose, the meetings' documentation is available in the Group's intranet network.

Face to face with the company

This is a clear example of internal stakeholder engagement; it in fact stems from the desire to bring into play initiatives able to involve the people working ERG and make them feel – in terms of "gut feeling" – part of an organization that has shared objectives achievable only via the contribution of everyone, each with their own role and skills. If engagement in this sense means involving and eliminating – or at least reducing – the impression of distance from the company, it is necessary to work on communication systems, without

the proper functioning of which teamwork is mere utopia. This is the aim of Question Time! Opening up new or more effective channels of dialogue between top management and individuals has a positive effect on "feeling part" of a team with shared operatives.

In practical terms, Question Time is a dialogue window within ERG Gate, the corporate intranet. Every Group employee can address to top management (with the CEO being the first top manager to make himself available) questions of general inter-

est, received in non-anonymous form by addressees and that instead receive a public answer without the author being shown. The top managers take turns, 2 at a time, based on 2-3 week rotas. The initial results of this communication experiment have been encouraging, demonstrating the corporate population's interest in an unusual opportunity for dialogue. The main topics of discussion currently relate to initiatives to improve the quality of life in the company, business plans, and future prospects.

“Company socialization”

The ERG Club as an opportunity to reconcile life and work


While the term “workmen’s club” – “dopolavoro” in Italian – sounds somewhat obsolete today, the content underlying it has stood the test of time. The workmen’s club – or, better, the company recreational club – is nothing other than one of the first manifestations of life-work reconciliation. In this respect, the ERG Club in Sicily is an **advanced centre of socialization**, a theatre for the activities of ERG and ISAB people – in brief, a tangible example of social responsibility. Over the years, thanks to precise and effective management by its Board of Di-

rectors, the Club has established itself as an increasingly organized point of reference, developing projects in mutual agreement with its participants. It has its own base, with adjacent play and sports facilities (a pitch for 5-a-side football, a tennis court, a 25-metre swimming pool and a play park), where most of the activities developed take place, designed not only for employees but also for their families. Standing out among them, in terms of the major support that it provides, is “**Smart Kids Summer**” (Estate Ragazzi in Gamba). This is a modern-day version of the tradi-

tional summer holiday camp that, between June and September, involves about 150 children of Group company employees in a programme of play and educational activities. With a different impact but equally significant are the scholarships that the Club awards to employees’ children who have just received their school diplomas or university degrees. More usual, but of undisputed relational value are the courses and conferences held at the Club’s base and the activities of the Club’s amateur dramatic group, which is also known outside the company sphere.

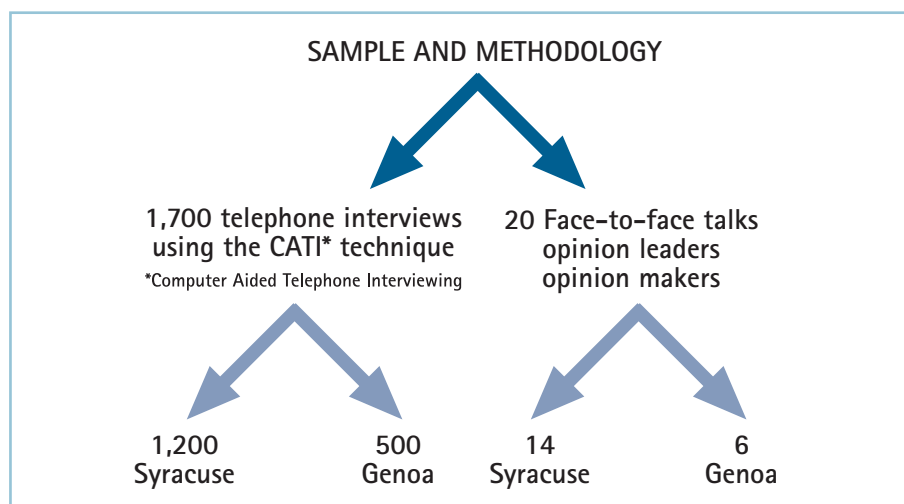
“Part of and from the part of the community”

Structured involvement: the COESIS Research survey

 The importance that ERG attributes to the bringing into play of Social Responsibility actions truly responding to the needs, preferences and expectations of the community within which it operates was the driver of studies carried out, between 2005 and 2006, by specialized companies like ISPO, COESIS Research and URS Italia in Syracuse, Priolo, Mellili, Augusta and Genoa.

Significant population samples were interviewed, together with groups of opinion leaders and opinion makers, to sound out the community's perception of ERG and to draw up a ranking of priority expectations. The results of the study effort significantly influenced the choices of ERG and of the newborn ISAB as regards Social Responsibility action. In 2009, as planned, ERG repeated the survey in order to have an **up-to-date and realistic contact with its community of reference**, assess the appreciation of initiatives in the previous 3-year period and to draw new action guidelines.

The new study, carried out in collaboration with COESIS Research, shows that about 1 out of 8 interviewees, 11% of the sample, was aware that the sponsor of the social responsibility initiatives covered by interviews and proposed in stakeholder engagement was the ERG Group.. 82% of the sample (with a peak of 88% in the Genoa area)



rated very or quite positively the fact that ERG had sponsored these initiatives. This percentage was substantially in line with the percentage emerging during the 2006 survey. Interviewees, both in the province of Genoa and in the province of Syracuse, showed appreciation, in descending order (average score calculated on a 1-to-5 scale), of initiatives promoted for:

1. the weaker social categories (4.20);
2. young people/school (4.19);
3. scientific research (4.18);
4. cultural events (4.15).

In general, all the activities sponsored and advanced by the Group achieved scores constantly higher than 4.00. For a good part of interviewees (37%), ERG should support even more initiatives concerning young peo-

ple and the world of school, while 333 % thought it should further promote scientific research and 30% activities concerning the weaker segments of the population.

Analysis of replies reveals a different scale of preferences depending on the interviewee's province. In Priolo there was a preference for initiatives benefiting young people; in Syracuse maximum importance should be given to scientific research; in Mellili and Augusta the focus was on the environment and the fight against pollution; and in Genoa actions benefiting the weaker social categories were the priority.

Based on analysis of the clusters it was possible to segment the target population in five groups. Those who judged any activity sponsored by Group negatively accounted for

less than 10% of the total sample. In ultimate analysis, ERG's presence in the communities where interviewees live was rated positively by 2 out of 3 people (67%), a number showing growth for the Sicilian area compared with the previous survey.

ERG's social activities, developed on the basis of the previous study's results, received general consensus from the stakeholders involved. More specifically, in Genoa the most successful initiatives, i.e. the ones most remembered and, at the same time, most appreciated, were the Science Festival, the exhibition about the late singer-songwriter Fabrizio De Andr  and the "Ravano" football and ball sports tournament for primary schoolchildren.

In Augusta it was the initiative "A helmet for life" (Un Casco per la Vita), organized in collaboration with the Carabinieri (the paramilitary police force).

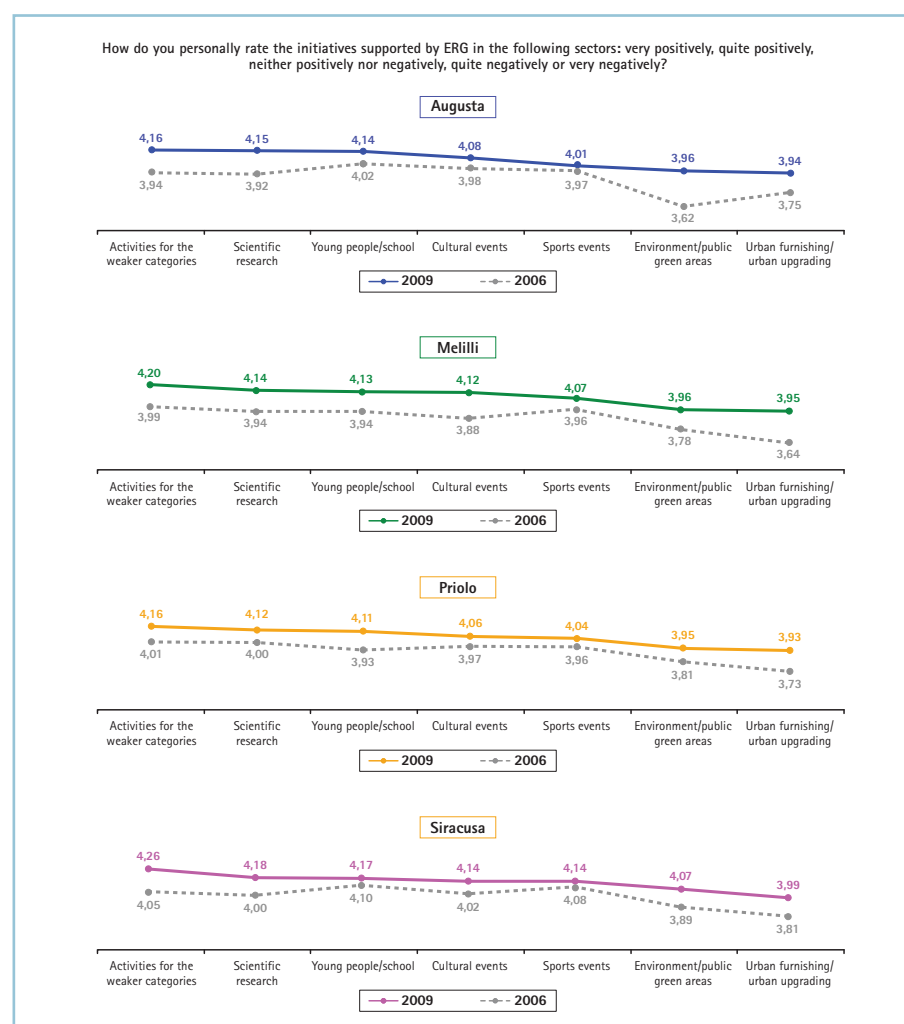
In Melilli the "Recycling" project and the support given to the Cancer Support Network (Italian acronym = RAO) were the projects with the highest potential. RAO also received strong consensus and appreciation in Syracuse.

As regards Priolo Gargallo, support of the activity of the Breast Disease Clinic (Centro Senologico), of the RAO and of the activities of the Senior Citizens' Day Centre, plus sponsorship of the female basketball

team Trogylos were the initiatives most appreciated.

The study confirmed the importance and rightness of ERG's Social Responsibility initiatives and at the same time highlighted the

needs and expectations of the population, which tend to be skewed (in the Syracuse and Genoa areas) towards intensification of activities forming part of the social/relational and safety/environment areas.





“ Shared thought starters and starting points ”

Mazara del Vallo, 13-15 November 2009

ERG and ISAB organized and led a workshop dedicated to sustainable development of the Sicilian area.

The objective of the two days was to achieve a shared reflection in a multi-stakeholder perspective on the issue as such and its value in the company. The event featured two core moments: presentation of the Group's 2008 Sustainability Report and a forum called "From here to the future; sustainable scenarios between energy and the economy in Sicily". At both appointments participants reasoned about some key concepts, imperative axioms for the near future of the business and of the community. While the present economic and financial situation has, on the one hand, forced us to reflect on the sustainability of the current economic model, on other hand it has turned out to be the event capable of accelerating increasing structured inclusion of Social Responsibility inside the company – in terms both of governance and of planning and control. The reason for this lies in the substantial firmness in the face of the crisis of those companies that ask themselves questions about, and apply codes of, Social Responsibility, which should therefore be considered a **basket of development opportunities** and not a cost item. In addition, the current according to which there is room for

CSR only at times of positive performance seems to be declining. **CSR-related activities must be considered and treated as real investments**, with returns to be calculated also based on the benefits and opportunities that a company is able to generate for the communities of reference, which in turn help to generate the returns expected. With the idea having prevailed that CSR is not adjacent to the market but an integral part of it and having ascertained its strategic and competitive value, its strengths are identified in the attention directed towards relevant stakeholders, in the ability to engage a constant, structured and precise dialogue with them and in the construction of shared projects. In particular, **Social Responsibility is essential for an industrial enterprise operating in a field – such as energy – featuring medium-/long-term scenarios**. These were the conclusions reached by the variegated gathering, which was animated by different stakeholders, exponents of the world of industry, institutional representatives, and the mass media. All there to talk about the sustainable future, all grappling with a major test – imagine the Sicily that we want to deliver to the future

generations – and all willing to define a road map containing commitments, timing and methods of implementation.

Participants in the forum, moderated by the journalist Salvatore Maiorca of "La Sicilia" newspaper, were Edoardo Garrone, Chairman of ERG; Nazim Suleymanov, Chairman of LUKOIL Italia and of ISAB; Alessandro Garrone, CEO of ERG; Ivan Lo Bello, President of Confindustria Sicilia (the Sicilian branch of the Confederation of Italian Industry); Marco Venturi, Regional Councillor for Industry; Nicola Verduccio, General Manager of the Industry Department of the Sicilian Region, with responsibility for Energy; and Massimo De Meo, director of Iter Legis (a bimonthly magazine of legislative information and critique). The varied origins of workshop participants confirmed the determination to make the event not the nth occasion of intellectual variations on the Sustainability theme but a starting point to outline near-future scenarios. And it is indeed in this medium-/long-term perspective that the Ionio Gas project – featuring the ERG Group together with Shell committed to construction of a natural-gas regasifier in the Syracuse industrial area – must be set.

Present future

Genoa, 2009 Science Festival

"The future belongs to those who believe in the beauty of their dreams".

This celebrated phrase of Eleanor Roosevelt was the "manifesto" of the 2009 edition of Festival della Scienza, the customary Genoan appointment, international in scope, dedicated to science interpreted as a usable asset.

The 2009 edition, of which ERG was once again the main sponsor, centred round the theme of the Future – interpreted as the *raison d'être* of research, able to shift its limits continuously thanks to the interplay of complementary opposites animating it, i.e. fantasy and application, rigour and imagination, and calculation and prediction.

The virtual journey "towards the future" left visitors/explorers free to choose between five different routes: (i) enter the future of technology, dealing with the great potential of communication; (ii) advance towards the future of life, suspended between natural and artificial; (iii) project one's self towards the future of the universe, opened up by increasingly challenging explorations; (iv) immerse one's self in

the future of nature, which has to address the challenge of sustainability; and (v) measure one's self against the future of ideas, on which the idea of the planet that we deliver to future generations depends.

Within this variegated programme ERG supported, in particular, two closely linked initiatives: the photographic exhibition "Beyond – Visions of Planetary Landscapes", created by the American photographer and journalist Michael Benson, and the concert of the Italian jazz pianist Stefano Bollani called "Piano Siderale" (Sideral Piano).

Sponsorship of the Festival was once again particularly congenial for ERG, thanks to full agreement, also in terms of corporate sustainability, with the conceptual framework that can be distinguished behind the theme – the knowledge of what has been and the hopes, fears, successes and defeats of the human race in addressing new challenges and new transformations.

200,000 visits to exhibitions, workshops, conferences, shows and various events

700 animators

Over 90 locations

More than 200 accredited Italian and international journalists

Over 750 articles published before and during the Festival in 130 press publications

16 different TV container programmes talked about the event

2,000,000 visits recorded on the official web site

Community initiatives



Young people
and sport

Expobit 2009

"Archimede ed Elettra" Football Trophy

5-a-side football pitch for the Parish of St. Methodius

Talents full of Energy

A helmet for life

Junior Achievement

Mus-e

Drivemotion: safe-driving project for young people

Stars in Sport

Ravano ERG Tournament

ERG took part in the 2009 edition of Expobit (the Euro-Mediterranean ICT trade show) that took place in Catania. During the event, technologists of Group companies held lessons for lower secondary school students. It also sponsored the World Energy Council conference on energy in Sicily held during Expobit.

The 18th edition of the "Archimede ed Elettra" Football Trophy featured the participation of some 600 pupils of primary and lower secondary schools in the province of Syracuse. The event, organized by the ERG Amateur Sports Association (ERG ASD), has become a classical appointment of the youth sports sector and associated with it is a competition dedicated to the educational value of sport. The tournament matches took place at the ground of the ERG Sports Centre, managed by ASD ERG, in Via Piazza Armerina in Syracuse, which following its refurbishment has become an important gathering place in the town.

ERG financed construction of a 5-a-side football pitch in the parish of St. Methodius, in the Bosco Minniti neighbourhood of Syracuse.

For the lower secondary schools of Melilli Ionio Gas organized the competition "Talents full of Energy", followed by a cycle of classroom lessons called "Let's learn with Energy". Pupils tried their hand at developing advertising campaigns focusing on energy saving and efficiency.

ERG sponsored the A helmet for life competition organized by the Carabinieri (the paramilitary police force) centring round the topic of safety, in which 211 classes of the third year of the upper secondary schools of the province of Syracuse took part. As part of the initiative, company technologists held lessons in the schools of Priolo, Melilli, Augusta and Syracuse on safety culture and on the observance of legality.

ERG continues to collaborate with Junior Achievement Italia on the project The economy and I. Community and environment dedicated to the pupils of some lower secondary schools in Priolo, Melilli, Augusta and Syracuse. The project immerses the pupils in role-playing able to stimulate understanding of the link between the economy and local community.

ERG continued to support the Mus-e project in the Syracuse area. In the 2009-2010 school year 4 primary schools with a total of 4 classes are taking part in the project, with the involvement of approximately 80 children and 5 artists.

ERG supported the project Safe Driving for Young People, created by the Centro di Guida Sicura Drivermotion (Safe-Driving Center) and targeting newly licensed drivers among Genoan upper secondary school students. In harmony with the actions envisaged by the Italian National Road Safety Plan and by the European Commission, the course was a full-scale awareness-building campaign focusing on proper use of cars. The safe-driving course was structured in two sections: the first, theoretical, enabling the newly licensed drivers to learn important driving fundamentals such as, for example, the correct position of the driver, braking in emergencies, safe following distance, and use of safety belts; the other, practical, during which the youngsters drove the cars of the "Scuola di Guida Sicura" flanked by expert instructors. The project, which was highly successful, achieved the objective of creating more capable, mature and responsible young motorists, above all aware of their own limits in controlling a four-wheeled vehicle in critical situations.

ERG took part as a Gold Sponsor in the 10th edition of Stars in Sport a project created to enhance the value of sport in the Liguria region. Stars in Sport, under the guidance of the Ligurian and Genoan branches of the Italian Olympic Committee, involved all Ligurian sports federations and clubs, supporters and enthusiasts in an occasion of socialization and recreation, but also of enhancement of the value of the local sporting world. The project promoted sporting values through the exhibitions of champions and the very young without ever losing sight of the major charity objective set for the event, i.e. to raise funds for the Associazione Gigi Ghirotti of Genoa, which provides free home and hospice care to terminally ill patients.

The Ravano ERG Tournament is the most important school tournament in Europe, dedicated to children of the last two grades of primary schools in Liguria and Southern Piedmont. It is an opportunity to meet and play for an enormous number of children who, united by a strong team spirit, compete in football, volleyball, basketball and rugby matches.

2009 was a record edition making it possible to celebrate the event's 25th birthday in the best of ways: nearly 4,000 children took part with 350 primary schools registered. For this edition a particularly important feature was once again the Fair Play Cup, awarded to the team that most distinguished itself for fair play and sportsmanship, in line with the fundamental principles of sport and of the Tournament.

Community initiatives



RAO, Rete di Assistenza Oncologica – The Cancer Support Network

Melilli Outpatient Clinic

“Umberto I” hospital of Syracuse

Safety Project

G8 Environment

INDA Foundation

Palazzo Bellomo

Thapsos archaeological site in Priolo

Syracuse Press Association and Messina University

2009 ERG Almanac

Catania University

Refurbishment was completed of the Oncology department of the "Di Maria" hospital of Avola, one of the nodes, together with Augusta and Lentini, of the support network. In addition, a clean room was created for the production of oncological drugs. In three years ERG has contributed over EUR 450 thousand to the project.

The programme for upgrading the Outpatient Clinic of the Melilli provincial public healthcare department has been fully implemented, with donation of a campimeter (an instrument for measuring the visual field) and an ultrasound scanner.

The Transfusion Department of the "Umberto I" hospital of Syracuse has been endowed with a computerized safety system for blood transfusions.

In collaboration with the National Fire Fighting Service (Corpo Nazionale dei Vigili del Fuoco) a workshop was organized to illustrate the terms of the ERG Safety Project and to help build awareness in the community concerning prevention and safety. The workshop was also attended by representatives of the Civil Protection & Rescue Service and of local authorities.

ERG's efforts to support the activities of the G8 Environment Ministers' summit meeting in Syracuse in April were right in the forefront. ERG was the main sponsor of "RestArt", a collateral event of the summit meeting, which gathered together a series of important works of art made from recycled materials, among which the prominent work was Seward Johnson's "The Awakening", placed in the cathedral square of Syracuse. ERG was also the main sponsor of "Punto G", an initiative comprising the artistic performances of young local artists.

ERG is the first private organization to become a supporting member of the Foundation, which since 1910 has been organizing the cycles of classical drama at the Greek Theatre of Syracuse. The company is involved above all in initiatives to promote the INDIA's activities in Italy and internationally.

ERG sponsored the activities to reopen the Regional Gallery of Palazzo Bellomo, in Syracuse, to the public.

ERG supported the restoration of the ancient pre-Greek necropolis of Thapsos, in Priolo, so that the archaeological site could be returned to townspeople.

In collaboration with the Syracuse Provincial Press Association (Assostampa Siracusa) ERG took part in organization of the conference "Responsible communication and responsibility of information" with the scientific patronage of Messina University.

ERG supported publication of the new edition of the Almanac that, as a compendium of facts, figures and news about the province of Syracuse, is a useful tool for understanding local reality.

ERG organized, in the assembly hall of Catania University's main building, a conference on the topic "Corporate responsibility in environmental matters and occupational safety" in collaboration with the chairs of criminal law of the Catania faculty. Conference participants featured representatives of the academic and business world.

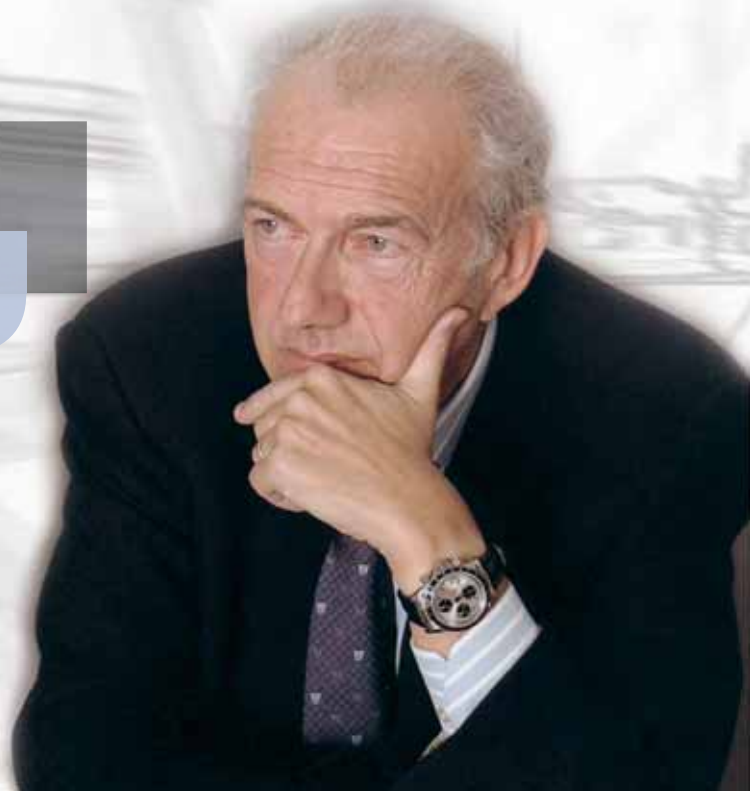
The majority of initiatives in the Sicilian community featured the joint endeavours of ERG S.p.A. and ISAB S.r.l.



EGF: new direction, same intentions



Paolo Corradi,
*General Secretary
of the Edoardo Garrone Foundation*



2010, top management succession at a relatively young, but ambitious, Foundation. We have read of a tandem with strong potential: industrial/entrepreneurial credibility on the one hand and, on the other, the ability to develop alliances and relationships. Do you agree with this opinion and, above all, will this be the distinctive feature of the year's activity?

"The Foundation continues to want the community at the core of its actions. The City of Genoa has always had a preferential relationship with the Garrone family and, consequently, with everything that can be considered to come from it. This relationship, however, is not free of criticalities. In the forthcoming months we would like to work on these, exploiting everything at our disposal. In this respect, the fact of being able to count on industrial/entrepreneurial credibility and capability in developing alliances and relationships will be particularly useful. On the one hand we want

to attenuate the anti-industrial tones that the city has often expressed and, on the other, to free this community and area from provincialism, projecting it into an increasingly national dimension. We continue to believe that the Foundation, thanks also to its corporate origin, can play an ancillary role, in relation to institutions, to stimulate long-lasting growth and development".

EGF promotes activities in which culture has a capital C. What does this imply? Pure patronage of the arts?

"Patronage of the arts is in the way we are: our statute states that we are a Foundation that sponsors and undertakes cultural activities. We therefore prefer to keep strictly to the characteristics that we have given ourselves. We are convinced that the city and its citizens want, and perhaps need, to be able to choose between different cultural events of quality. In this sense, we only

meet a need – a good example of which is the new set of history lessons at Palazzo Ducale, particularly skewed towards Genoan industrial history. Through the lessons we make one of our strongest beliefs tangible – i.e. rediscovery of the city's roots is indispensable for truly aware present and future development".

Can the SAFM – Scuola di Alta Formazione al Management – the Advanced Management Training School – offering the first totally free Italian MBA and sponsored in collaboration with other major Italian foundations, be considered an activity emblematic of the EFG's will to project itself nationally, in a manner not incompatible with its strong Genoan traits?

"Undoubtedly. We seek initiatives able to make the Genoan community become mature, without jeopardizing its identity- and the structured interplay with other organizations, like the Agnelli Foundation, the Pirelli Foundation and



Fondazione Edoardo Garrone

the Association du Collège des Ingénieurs of Paris, is certainly useful in this respect. At the same time we continue to believe in the development potential of the Syracuse area, confirming also for this year the "Edoardo Garrone Chair", a school of Advanced Studies in the Economics of Cultural Tourism. Convinced as we are that cultural tourism is a real flywheel for

local growth, we would like to see with Genoa University whether it would be possible to set up a specialist master's course in this subject".

Culture is also social integration. How do you conjugate this within your present and future initiatives?

has rated it one of the best cultural projects aiming for integration. A new numbers give an idea of the initiative's value: in the current school year Mus-e is operating in 175 schools, 573 classes, for a total of 12,424 children in 24 different towns and cities, and the artists working on the project are 277 in total".

"This is a priority area for action, as expressly desired by our Chairman who does not spare himself from personal involvement in activities of this type. For years we have supported the non-profit organization Mus-e Italia, of which Riccardo Garrone is President. Mus-e is a European multicultural project for nursery and primary schoolchildren, which it involves in courses of cultural integration – a form of language without works able to trigger powerful socialization mechanisms. Every year the number of towns and cities where the non-profit organization is present increases and the European Commission





Meritocracy and excellence



Gustavo Bracco,
Director & Managing Director of SAFM



The Giovanni Agnelli Foundation, the Edoardo Garrone Foundation and the Pirelli Foundation. What are the genesis and motivations of this encounter, defined by some as a new Turin-Genoa-Milan triangle?

"Their common "industrial pride" and practice of the values of innovation, excellence and merit meant that the three Foundations – the expression of three major industrial groups of Northwest Italy – almost "naturally" met in 2008 around the idea of creating an initiative making these values concrete, making it a base for investing in the future of businesses and young people. In 2009 the project became reality with the setting up of the Excellence Training Association (Associazione per la Formazione d'Eccellenza) and of its "operational air", the Advanced Management Training School (SAFM – Scuola di Alta Formazione al Management)".

A trio of corporate foundations that states,

with few words and many facts, that it is necessary to invest also – and above all – in times of crisis. A message in contrast with the prevailing entrepreneurial reaction in similar economic and financial situations. What are the reasons underlying the initiative?

"Every entrepreneur, every company, reacts to crises according to their own strategies and priorities. The initiative of the three Foundations is a concrete demonstration that "continuing to believe in it", to model the future by investing in talent is, among the many possible reactions to financial and market contingencies, the one that gives the best results in the short and in the long term".

A "new excellence training product" in an academic panorama that, although not saturated, undoubtedly features a high density of similar propositions. What makes the SAFM distinctive – the fact that it is free, participants' right to remuneration, the

sponsors, the formula, which at one and the same time is international, itinerant, and theory plus practice, or the able combination of all these features?

"The key features of the SAFM training programme are the balance between classroom education and learning in the field via work at the companies that are the School's partners, and the strict relationship between classroom teaching and the companies' needs. These characteristics make the programme a perhaps unique opportunity for the young participants to have a "bridge" between study and work, giving them greater opportunities for future professional growth. The fact that the programme is free plus participant remuneration makes participation in the programme possible also for deserving young people coming from families that would have been unable to bear the cost of post-graduate training".

The statement of intent of the Excellence

Scuola di Alta Formazione al Management

Training Association that presides over the School encapsulates a series of key words – civil and social commitment of major industrial groups, meritocratic access to training, management fundamentals based on ethics, innovation and creation of value – which are the founding constituents of Corporate Social Responsibility. Can we therefore consider the strategic value of CSR to have been fully clarified? If so, how does the SAFM address the topic in its teaching plan?

"I'm firmly convinced that CSR characterizes and will increasingly characterize in future the companies that want to excel in the market. In effect, the attention for all stakeholders is not in contradiction with an enterprise's ultimate aim, which is, and remains, profit. On the contrary, it forms the best base for a long-lasting "virtuous circle" for shareholders. The SAFM teaching plan envisages a whole week expressly dedicated to corporate social responsibility, corporate

governance and company. In addition, all subjects taught are treated consistently with the "business ethics" rationale".

When fully on-stream, the School will have 40 participants who are motivated, ambitious and, in a word, excellent. How will the SAFM, in a market perspective, manage not to fall short of their expectations?

"Motivated, ambitious, excellent in terms of study – but also featuring commitment, generosity and "personal qualities". The experience of screening for the first edition of the training programme demonstrated that, besides the results achieved at university, what really "made the difference" in identifying the best people was their participation in extracurricular academic experiences, work in the social service field, and effective practice of teamwork via organized sport or, for example, membership of musical groups.

For the future, in order not to fall short of the young people's expectations, we must continue with the excellence of the classroom educational programme and with the excellence of the work experience at the partner companies, which, together with the Foundations, are the real "foundation" of the School, demonstrating that they too believe that investing in the future pays. And of course we must not fall of our partner companies' expectations – and we can only achieve this objective via the quality and rigour of the screening process. Based on how the first edition of the training programme is shaping up, I cannot but view the future optimistically".



Aldo Milanese,
*President and Teacher,
Accounting & Financial
Reporting Analysis*

Franco Vernassa,
*Co-ordinator and Teacher, Accounting
& Financial Reporting Analysis*

In developing the various teachings, is room found for the topics of Sustainability and Social Responsibility and to what extent? Are they represented by case studies?

"In the 3-day section dedicated to accounting and financial reporting analysis, the main aspects of individual and consolidated financial statements and reports were addressed: the main variables, revenues and costs, assets and liabilities, capital and financial indicators, the cash flow statement, calculation of taxation, accounting control, legal auditing and certification of financial statements, and corporate governance. Participants examined, as a case study, the financial statements of a medium-sized, multinational industrial company with major R&D activity and listed on the stock exchange. The debate naturally also shifted to the front concerning sustainability and social responsibility, both of the company and of management. More specifically, it was consequential to discuss the complementary nature of

the two types of reports which, if integrated, are able to provide a complete and exhaustive picture of a company. In addition, it has to be said that the master course's study plan envisages dedicated treatment of Corporate Social Responsibility together with Company Law and Corporate Governance".

How important is the non-financial component of risk in the analysis and assessment of financial reports? Is the Sustainability Report a suitable tool for such an assessment.

"It's certainly important, so much so that the Italian Civil Code requires indication in financial reporting documents – and in particular in the report on operations prepared by directors – "non-financial indicators" relating to the company's specific business activity, including "information concerning the environment and personnel". In adopting a triple bottom-line approach the Sustainability Report shows that it is a particularly suitable tool for this type of as-

sess and can also become an excellent tool for companies' institutional communication. It therefore goes without saying that incentive/recommendation mechanisms should be activated to increase its use or, alternatively, its integration could be encouraged in the financial reporting documents already required by civil legislation, also in order not to burden companies with further costs".

Andrea Natta,
student, first edition of SAFM MBA course



How visible – in terms of achieving proper corporate management – are the concepts of social responsibility and, in particular, of involvement of relevant stakeholders in the various course teachings?

"Social responsibility and stakeholder involve are concepts that unfortunately have strongly entered companies' value chains only recently. The conceptual, and consequently strategic/operating, transition is by no means minor: it's a question of shifting from a short- to a long-term perspective. This is the idea most highlighted in the various teachings.

The new perspective to be adopted, this time shared by the entire social fabric, forces companies to create value not only for themselves but for the stakeholders gravitating around them. This is the formula – not easy to apply – to create sustainable value over time. These elements, which identify a new mindset, must emerge strongly in a managerial training programme".

How important for a future manager is it to

take a triple bottom-line approach into account in managing a business?

"Dear youngsters, unfortunately you are graduating at the wrong time": those were the first, paternal words of the head of the faculty when the degrees were announced. The crisis rages and you're forced to scale down your ambitions, objectives, and dreams after a lifetime of scholastic sacrifices.

Then the honour of being one of the 13 lucky (and good!) ones chosen by the Advanced Management School in associa-

tion with the Collège des Ingénieurs for a master course, and free of charge to boot. There are thus, even in hard times, companies that have the courage and desire to invest in human assets – in my opinion the most important component of the people-profit-planet axis. The bet is to ensure that the investment in people leads to profit for the company, but the latter has assure training paths increasingly directed towards respect of all market players and not only those. Only in this way will the approach undoubtedly become a winner and be fully accepted".





“ A new entry with a tradition ”

ERG Power & Gas in the electricity market

The novelty in energy. For 70 years.
A solid reality that, for more than 70 years...
has energy to spare!
The offer that lights up your work.
Born from over 70 years of experience.

These are the claims animating the advertising campaign of ERG Power & Gas, a new entry with a tradition in the electricity and natural gas market. ERG Power & Gas has emerged from a 2-year period – 2008-2009 – of particularly hard work. In March 2008 it entered the free market for electricity and natural gas putting on sale 650 million kWh and in 2009 it worked to consolidate its presence in the new business segment. Short-term objective: become familiar to the new user base and work to ensure that a known brand is easily associated with a different business.

Start-up and tradition merge in ERG Power & Gas, which makes this combination its

strength. In **November 2009** it launched the **first advertising campaign** that – rejecting the follow-the-crowd brand approach – is typically and unmistakably ERG. The explicit reference to the Group's historical background acts as a passport for a market that tends to be somewhat sceptical about new brands but more welcoming as regards illustrious and historical brands in the Italian energy panorama.

The centre of the campaign, communicated with the most segmentable media – i.e. press, radio and the Web – and via very tightly focused direct marketing initiatives, is the electricity and gas proposition, with

a **business-to-business (B2B)** core target. The intrinsic characteristics of the “energy product” (it has no colour or different degrees of efficiency) makes it essential to focus on **structuring the proposition**, which must be broad, competitive, diversified and flexible so as to respond to different characteristics and needs in a sustainability perspective. If, therefore, the product cannot represent the difference, the winning strategy must lie entirely in the type of contractual proposition made: **specific offers for industrial customers**, based on and tailored according to specific consumption characteristics; **customized offers**, periodically updated, for **SMEs and for the self-employed**; “**green energy**” offerings, i.e. qualified as coming from renewable energy sources.

In the field, to convey the proposition, there are (a) key account managers, representatives of the so-called “**direct channel**”, who directly contact large industrial customers with annual consumption of over 1 GWh, and (b) about 200 agents – the

"indirect" channel, consisting of outside partners – who assure nationwide coverage and address the SME and self-employed target.

The numerical size of the two targets, classified according to their energy consumption, is totally different. Today, industrial customers number just over 200 thousand, while SMEs and the self-employed number some 7 million potential customers, with 2009 annual consumption of over 250 TWh, approximately adding up to over 78% of the Italian national energy requirement (319 TWh – source: Terna (electricity transmission system operator).

Diversification of the proposition is accompanied by an approach to the actual and prospective customer that is of the advisory type. ERG Power & Gas's objective, through the action of the two existing sales channels is to contact and reach customers as efficiently, effectively and rapidly as possible, offering them opportunities to save and presenting offers in line with their expectations.

The first two years of ERG Power & Gas's activity in the segment of electricity and natural gas marketing have been encouraging. The company started sale to the end-user market in 2008 and in little more than a year has achieved the notable milestone of 20,000 points of delivery (PODs) already under contract. This figure corresponds to annual electricity consumption of over 1 TWh – i.e. roughly the annual re-

quirement of electricity for domestic use of a large city like Genoa. When fully on-stream, ERG Power & Gas will be able to count on over 100,000 PODs for annual consumption of 3.45 TWh (about 1.4% of the business electricity market in Italy). This is a niche share that will permit diversification of the "uses" of electricity produced by our plants. For ever 100 kWh

supplied to end-user consumers in Italy, 1 kWh will be produced and directly sold by ERG. In the not distant future the B2B business may be flanked by the retail market, notwithstanding the complexity and delicacy of this segment; in effect, small consumers, although constituting a major business base, demand particularly competitive offers.

L'offerta per piccole e medie imprese e partite IVA



LA SOLUZIONE A PREZZO INDICIZZATO
La soluzione che prevede un prezzo di fornitura indicizzato, in grado di coprire i variazioni legati ad una diversa degli indici energetici.



LA SICUREZZA DEL PREZZO FISSO
La soluzione che permette di bloccare il prezzo di fornitura, mettendosi al riparo da eventuali oscillazioni del mercato.



LA FORNITURA A PREZZO BILANCIATO
La soluzione che prevede un prezzo di fornitura fisso per sei mesi e indicizzato per la restante durata contrattuale.



UN TETTO MASSIMO DI SPESA
La soluzione che fissa il prezzo per i primi tre mesi di fornitura, indicizzandolo per la restante parte dell'anno, con garanzia di un tetto massimo di spesa.


Le proposte contrattuali possono essere integrate con l'opzione ERG Everg

L'offerta Energia verde ERG, una soluzione contrattuale che qualifica la provenienza da fonti rinnovabili dell'energia, permettendo a tutti i clienti di dare adeguata visibilità al proprio impegno ambientale.



A view from the forecourt

How customers of our retail outlets rate us

 A network of nearly 2,000 retail outlets selling petroleum products and various utility goods and services obviously exposes us to many risks in terms of judgement, be it a question merely of form or of more substantial content. One also may not be liked – or rather, to put it in proper marketing language – one may not come up to the customer's expectations for many reasons: product quality, poor service, and unduly high prices. Reversing the angle, however, every retail outlet is a showcase in which to display ourselves and, above all, make a good impression.

The 2009 data for the "notorious" customer satisfaction survey confirm the rightness of the choices made and allow us to heave a "sigh of relief".

For the fourth consecutive year ERG Petroli commissioned a **Customer Satisfaction** survey relating to the motorway service areas (MSAs) to measure and monitor the appreciation of customers, which this year were represented by a sample of approximately 2,000 people. The rating, as regards each area considered, was based on a 1-to-5 scale: poor (1), insufficient (2), sufficient (3), Good (4) and excellent (5). The level of satisfaction was measured using

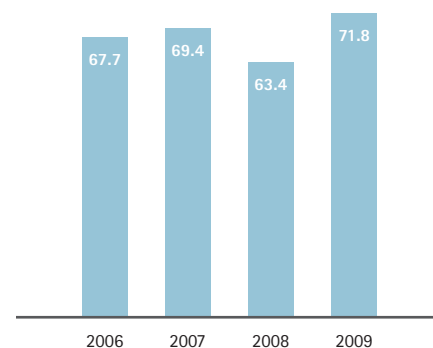
the **Perceived Satisfaction Index (PSI)**, which takes into account the weight of partial evaluations received for each individual question, subsequently added together by macro-sector. The items considered were the quality of service, perception of the ERG brand, and the service area facility (for example, general cleanliness and maintenance). The overall result was more than satisfactory with a PSI rating of 3.8, albeit slightly lower than in 2008.

Broadening the scope of analysis from the motorway segment to the entire retail network and using the data of the **Observatory for Customer Satisfaction in Services or ICSI®** (Italian Customer Satisfaction Index), further confirmation emerged of the rightness of ERG's initiatives. The Observatory, operated by Busacca & Associati in collaboration with Doxa, must be given the merit of having set up standard and transversal customer-satisfaction metrics. In this respect, ERG was in 10th place in the overall ranking with a score of 71.8 out of 100. The increase of 8.4% over 2008 positions it in the No. 1 slot in the ranking of Fuel Retailers.

ICSI data come from approximately 12,000 telephone interviews. The sample, representative of the population and divided ac-

cording to the various service segments, involves 5 key perception indicators: Overall satisfaction, Match with expectations, Closeness to ideal, Value for money, and Repeat-purchase propensity, in other words Loyalty. It is indeed on this latter concept that the Referral Index insists and, using the question "On a 1-to-10 scale to what extent would you recommend company X to an acquaintance?", it divides customers into Promoters, Indifferent, and Detractors. The bigger the difference is between the percentages of Promoters and Detractors is, the higher the Referral Index is. As regards the latter, ERG was positioned in 15th place in the overall ranking with a difference of +7.4%. For this index too, ERG was ranked first in the Fuel Retailing segment.

ITALIAN CUSTOMER SATISFACTION INDEX



“ Mobile advantage ”

Concrete and expanded value

OUR AGENDA

Customers

✿ The challenge of ERG's entry into mobile virtual telephony – centring round innovative and competitively-priced services – has received a positive series of responses.

Translating the market reception into numbers, we can say that:

- about 130,000 ERG Mobile SIM cards have been sold in our retail fuel network and, of these, half are regularly used by our customers, who have largely opted for number portability;
- over 1,400 service station managers have become “telephony dealers” and some of them have managed to activate nearly 2,000 cards.

The launch of ERG Mobile has led to an increase in the number of holders of the ERG più fidelity card. Both initiatives were intentionally created as being integrated and with maximum potential – in terms of benefit and savings – only if used jointly. Every promotion is based on this simple, concrete and advantageous rationale. If associated, the customary operations of reloading telephone cards and buying fuel become key elements in enlarging value. In practice, a multiplier effect is created.

The product's innovative features were also well highlighted by TV, radio, Web, and retail-outlet advertising, which helped to

arouse curiosity around the brand and its proposition. The TV commercial, in particular, won consensus and also won two recognitions in the advertising world: one as the best original advertising campaign of the sector and one as the best commercial seen on the Web. In addition, market research commissioned to GfK Eurisko at the end of 2009 provided a more than positive rating of the product: over 70% of ERG Mobile customers would recommend it to a friend. ERG Mobile's commercial proposition has been considerably enhanced during the last few months, coming increasingly into the line with the services of other telephone companies.





“Research with colour & Natural heat”

Progress to date in organic photovoltaic energy

The research project concerning organic photovoltaic energy, in partnership with Permasteelisa, Dyesol Italia and the Universities of Rome Tor Vergata, Ferrara and Turin, is moving ahead on schedule. In 2009 the research consortium worked on different aspects. It in fact worked to (a) achieve the degree of electrical efficiency necessary for successful continuation of the project, (b) solve some technical/scientific difficulties emerging en route, as not infrequently happens in projects of a certain magnitude, and (c) define the main guidelines on which to base the product's specifications. In brief, the project will lead to construction of a **prototype** of

semi-transparent panels, of various shades but with a uniform and extremely pleasing appearance, and also sufficiently light in terms of weight. This type of panel lends itself to use for cladding the façades of important buildings, permitting the combination of aesthetic aspects – thanks to the “camouflage” colouring of the materials – with sustainability features, i.e. the transformation of light energy into electric current by the metallorganic pigments forming part of them. Third-generation photovoltaic technology manages to overcome the problem of harmonization with the surrounding environment and thus to win that “visual acceptance” indispensable

for its widespread use and application.

Going into greater detail, during the year study started of definition and design of the pilot line that will permit production of 10,000 sqm/year of organic photovoltaic façades featuring outstanding environmental friendliness. The plusses now being developed in terms of the technology's sustainability are (i) a **less energy-intensive production** system thanks to the use of processes more similar to those of the printing industry than of the conventional photovoltaic industry, which uses huge quantities of energy to refine silicon, and (ii) less use of substances potentially harmful for health.

ERG supports the CFDDP – Campi Flegrei Caldera Deep Drilling Project

ERG forms part, as a sponsor, of a group of Italian and international public and private organizations that are participating in an ambitious and unprecedented research project: experimental deep drilling of a caldera (a volcanic collapse crater). Putting it simply, the experiment will take place in a particularly important volcanic area, one of Earth's so-called “supervolcanoes”. Sponsorship of the project will enable the Vesuvius Campi Flegrei (Phlegraean Fields caldera) section of the Istituto Nazionale di Geofisica e Vulcanologia to have the

resources necessary to coordinate the research work of the international study team.

The project, monitoring the area's geological structure at extraordinary depths (about 5 km), has the purpose of:

- fully understand the mechanisms of magma's re-ascent and of hot waters' circulation;
- mitigate the area's volcanic risk;
- explore the availability of a geothermal resource;

- develop new technologies both for scientific investigation and for energy exploitation of the resource.

While on the one hand the project will help to deepen knowledge of the geological structure of one of the world's most complex areas in geophysical terms, on the other it will lay the foundations for the development of a series of innovations with **important spin-off effects in the field of renewable energy exploitation.**



Strategic mutual exchange



OUR AGENDA

Innovation

ERG and Catania University for applied research

Research and community, fundamental Social Responsibility categories, join each other in the convention that ISAB and ISAB Energy Services have agreed with Catania University. The subject of the agreement is financing of **four research-worker positions with open-end employment contracts** in the Industrial & Mechanical Engineering Department.

The 6-year convention establishes that the University will hold official competitions for the position of research-worker in four specific scientific segments, i.e. Mechanics applied to machines, Mechanical engineering design & construction of machines, Industrial physics applied to technology, and Mechanical industrial plants, in exchange for a total multiannual grant by the two financing parties, of EUR 1.2 million.

The agreement is the latest stage of a well established partnership between the Group and Catania University that aims to support applied research and innovation, viewed as conditions indispensable for continuous improvement of performance, in terms not only of output but also and above all of reliability and safety. From the Social Responsibility standpoint, the agreement introduces a **new approach to collaboration between business and the community**, increasingly intensive, that aligns Sicily with forms of partnership that are already quite widespread in Northern Italy. The academic world has rated the agreement very positively as it makes it possible to (a) stimulate research and (b) enhance it thanks to the exchange with premier players in the regional economic fabric strong oriented towards innovation.



Carbon Capture and Storage

Domenico D'Arpizio research doctorate scholarship

2009 marked the start of research activities thanks to the research doctorate scholarship dedicated to the memory of Domenico D'Arpizio, set up in 2008 in collaboration with the Chemical & Process Engineering Department of the Engineering Faculty of Genoa University and focusing on the subject of Carbon Capture and Storage (CSS). This is a particularly important topic in the panorama of innovative processes seeking to reduce greenhouse gases. In relation to possible applications involving CO₂, a project is currently being reconsidered concerning the ISAB Energy plant, which could be modified and enabled to recover a considerable part of the carbon dioxide (about 400,000 tonnes a year) contained in the syngas used to produce electricity. The process of capture from syngas is more energy-efficient than post-combustion capture.



Screening of entrepreneurial worth



The qualification process



If Social Responsibility means attention to stakeholders, then the relationship that an organization maintains with its suppliers – who are able to affect products, services and, consequently, relations with final customers positively or negatively – becomes extremely important.

The vendor list is the "basket" of suppliers of goods and services on which the Group draws to make purchases; in other words it is a **window of access to the market**. But it is a closed market, the result of a screening, or better, of a qualification process on which inclusion in the list of accredited suppliers depends.

The qual-quantitative criteria are severe and are based both on the Code of Business Ethics and on the Sustainability & Integrity Guidelines for Supplier Relations. In addition, each supplier must fulfil a necessary condition, i.e. accept and observe

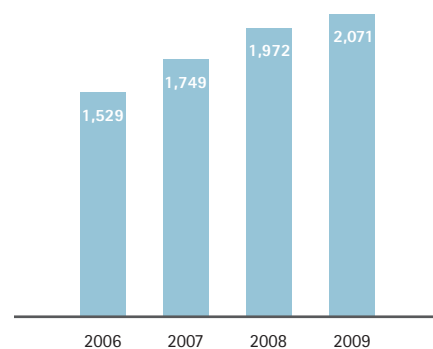
Group Health, Safety & Environment (HSE) policies.

For each type of product and service, the vendor list contains a minimum but adequate list of suppliers, such as to make it "representative of the market" and create competition.

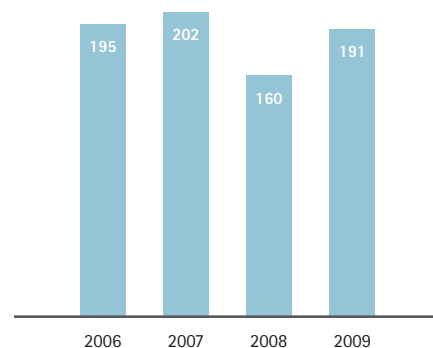
Only in sporadic and exceptional cases is a sole supplier in fact allowed. Conversely, the list envisages a maximum number of suppliers, proportionate to the volume of Group requirements and such as to avoid useless expectancy among the suppliers qualified. It is essential that the list **be dynamic** to assure a close match with the market.

Entry into the vendor list and remaining in it therefore depend, on the one hand, on the successful outcome of the qualification process and, on the other, the outcome of performance appraisals. In both cases, the HSE component's weight is all-important.

QUALIFIED SUPPLIERS
(no.)



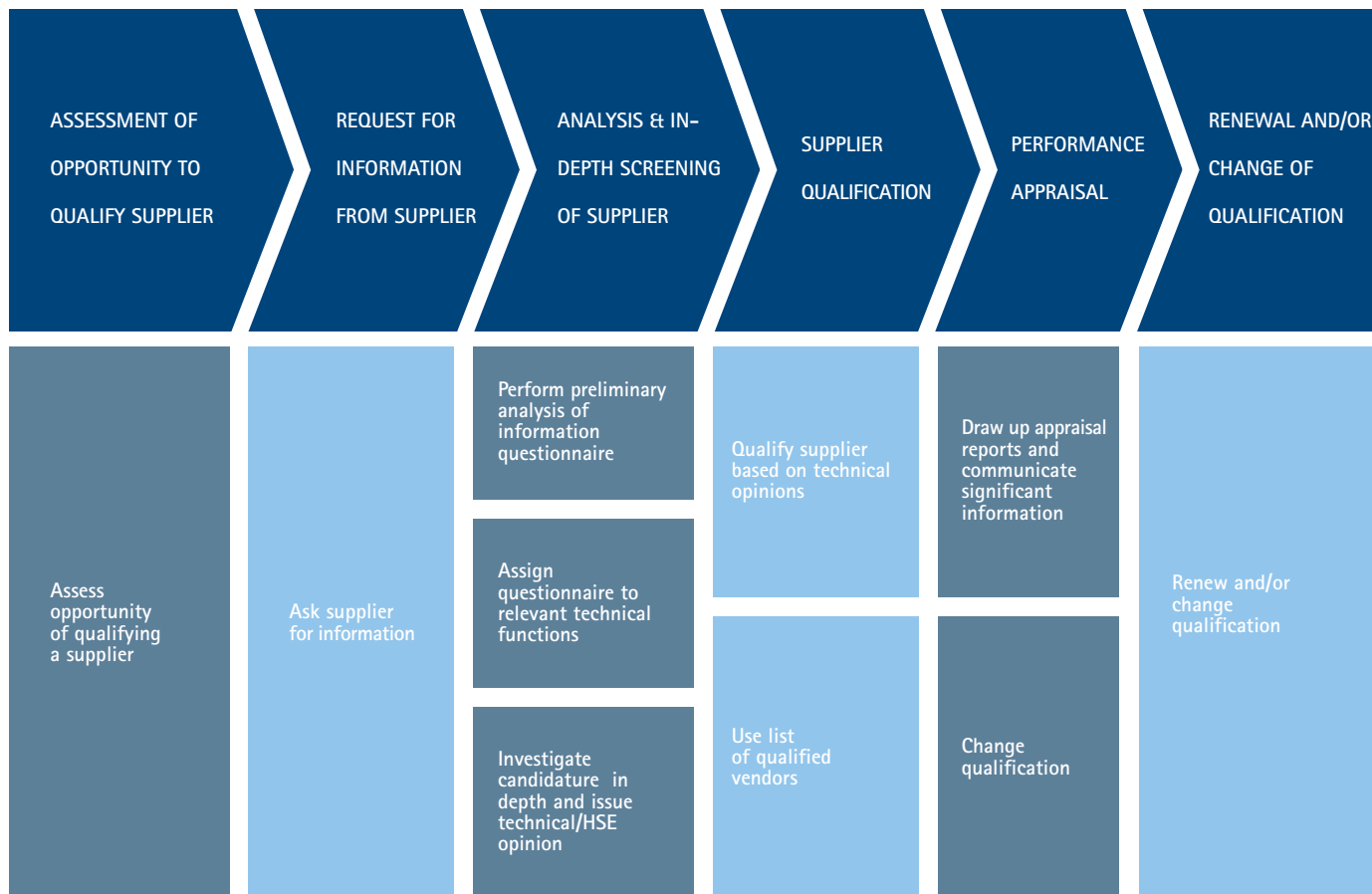
AVERAGE QUALIFICATION TIME
(days)





OUR AGENDA

Suppliers



“Regulate and govern”

Management of change

Good government of such a complex organization as a company must obey two fundamental criteria for long-term sustainability: solidity and flexibility. The former – solidity – is assured by fixing clear rules and procedures, by distributing powers and delegating responsibilities, and by implementing mechanisms to govern proper functioning of its numerous component parts. The latter – flexibility – enables an organization to evolve, responding promptly and efficiently to the needs for

change typical of modern economies. In ERG solidity and flexibility are assured by Corporate Governance competencies and activities – consisting of corporate bodies, board committees and documents regulating their operation. The corporate bodies are the:

Board of Directors: 12 members, of which 1 Chairman, 2 Deputy Chairman, 1 CEO, and 8 directors, which 4 independent and 1 non-executive. These are joined by the Honorary Chairman;

Board of Statutory Auditors: 1 Chairman, 2 standing auditors and 3 alternate auditors;

Shareholders' Meeting.

The Board committees are the:

Internal Control Committee: 1 Chairman and 2 members;

Nominations & Remuneration Committee: 1 Chairman and 2 members;

Strategic Committee: 1 Chairman and 5 members.

Board of Directors

Office	Members	Executive	Non Executive	Independent	% participation ⁽¹⁾	Number of other positions ⁽²⁾	Internal Control Committee		Nominations and Remuneration Committee	
							(3)	(1)	(3)	(1)
Honorary Chairman ^{A)}	Riccardo Garrone		yes		90%	3				
Chairman	Edoardo Garrone	yes			90%	1				
Deputy Chairman	Pietro Giordano	yes			100%	–				
Deputy Chairman	Giovanni Mondini	yes			100%	1				
CEO	Alessandro Garrone	yes			100%	2				
Director	Massimo Belcredi			yes	100%	1	yes	100%	yes	100%
Director ^{B)}	Luca Bettonte	yes				1				
Director	Lino Cardarelli			yes	100%	2				100%
Director	Aldo Garozzo		yes		90%	–				
Director	Giuseppe Gatti	yes			100%	2				
Director	Antonio Guastoni			yes	90%	5	yes	100%		
Director	Paolo Francesco Lanzoni			yes	100%	1	yes	92%	yes	100%
Director ^{C)}	Graziella Merello	yes			100%	–				
Director ^{D)}	Gian Piero Mondini		yes		100%	–				
Director ^{E)}	Guido Sebastiano Zerbino		yes		100%	–			yes	100%
NUMBER OF MEETINGS HELD DURING THE FINANCIAL YEAR UNDER REVIEW							INTERNAL CONTROL COMMITTEE 13		NOMINATIONS AND REMUNERATION COMMITTEE 5	

* An asterisk indicates that the director was appointed via minority shareholder lists

1) This column shows the respective percentage participation rates of directors in meetings of the bod and the committees

2) This column shows the number of director or auditor positions held by the interested party in other companies listed on other regulated

markets, including markets abroad, in finance, banking or insurance companies or companies of significant size. The positions are described at more length in the corporate governance report

3) This column shows whether the member of the bod is on the committee

A) Director in post until 15/12/2009

B) Appointed on 12/15/2009

C) In post since 04/23/2009

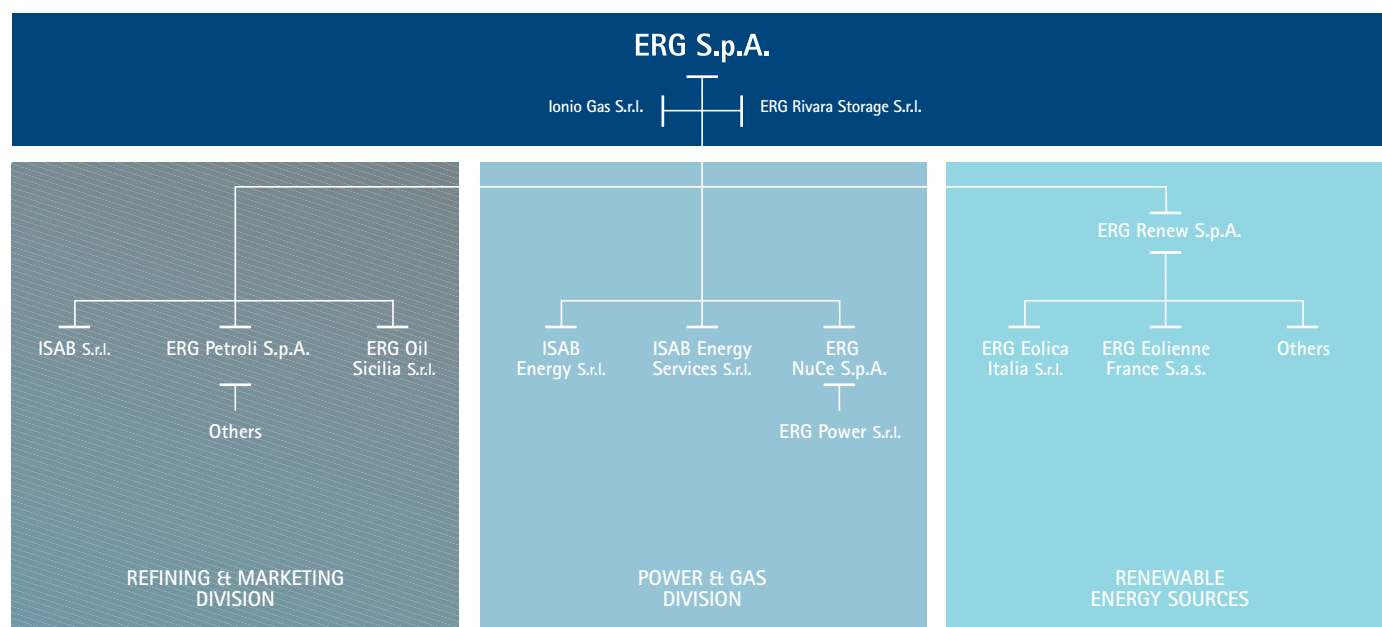
D) In post until 04/23/2009

E) In post until 04/23/2009

The important and major changes involving the Group in the last few years – the result of deals decided with a view to the business's long-term sustainability – feature a further and not conclusive move consisting of approval by the Shareholders'

Meeting, on 15 April 2010, of the plan for merger by incorporation of the subsidiaries ERG Raffinerie Mediterranee S.p.A. and ERG Power & Gas S.p.A. in ERG S.p.A.. This plan should be set in the context of macro reorganization influenced first by the part-

nership with LUKOIL in the refining segment and most recently by the agreement with TOTAL for the creation of TotalERG in the Integrated Downstream segment.



MANAGEMENT INCENTIVE PLANS

These plans were drawn up when ERG stock was listed on the Milan Stock Exchange, with the aim of aligning management in-

terests with those of the Company and its shareholders and of strengthening the relationship between them in a long-term perspective.

The plans' present structure was drawn up in 2004 by the Nominations & Remuneration Committee, which created short- and long-term incentive schemes.

Emoluments paid by ERG S.p.A. and subsidiaries in 2009 to Directors, Statutory Auditors, General Managers and key management

NAME AND SURNAME	POSITION	DETAILS OF POSITION		DETAILS OF REMUNERATION			
		PERIOD IN POST	DATE RESPONSIBILITIES END	REMUNERATION	NON-MONETARY BENEFITS	BONUSES AND OTHER INCENTIVES	OTHER
RICCARDO GARRONE	HONORARY CHAIRMAN	1/1/09 - 15/12/2009	30 April 2012	45,600.07	4,399.93	–	–
EDOARDO GARRONE	CHAIRMAN	1/1/09 - 31/12/2009	30 April 2012	844,857.07	5,142.93	125,000.00 ⁽¹⁾	–
PIETRO GIORDANO	DEPUTY CHAIRMAN	1/1/09 - 31/12/2009	30 April 2012	419,781.17	12,552.16	168,750.00 ⁽¹⁾	330,333.34 ⁽²⁾
GIOVANNI MONDINI	DEPUTY CHAIRMAN	1/1/09 - 31/12/2009	30 April 2012	112,366.07	6,510.26	35,000.00 ⁽¹⁾	232,367.00 ⁽³⁾
ALESSANDRO GARRONE	CEO	1/1/09 - 31/12/2009	30 April 2012	997,045.93	8,169.78	200,000.00 ⁽¹⁾	65,050.00 ⁽⁴⁾
MASSIMO BELCREDI	DIRECTOR	1/1/09 - 31/12/2009	30 April 2012	47,491.00	2,509.00	–	63,333.33 ⁽⁵⁾
LUCA BETTONTE	DIRECTOR	15/12/09 - 31/12/2009	30 April 2012	2,328.77	12,001.20	50,000.00 ⁽¹⁾	362,175.00 ⁽⁴⁾
LINO CARDARELLI	DIRECTOR	1/1/09 - 31/12/2009	30 April 2012	50,000.00	–	–	16,666.67 ⁽⁶⁾
ALDO GAROZZO	DIRECTOR	1/1/09 - 31/12/2009	30 April 2012	47,285.00	6,759.60	–	445,833.00 ⁽⁷⁾
GIUSEPPE GATTI	DIRECTOR	1/1/09 - 31/12/2009	30 April 2012	83,333.33	3,377.28	–	144,186.67 ⁽⁸⁾
ANTONIO GUASTONI	DIRECTOR	1/1/09 - 31/12/2009	30 April 2012	50,000.00	–	–	38,333.33 ⁽⁹⁾
PAOLO FRANCESCO LANZONI	DIRECTOR	1/1/09 - 31/12/2009	30 April 2012	44,857.07	5,142.93	–	109,333.33 ⁽¹⁰⁾
GRAZIELLA MERELLO	DIRECTOR	23/4/09 - 31/12/2009	30 April 2012	198,973.88	1,026.12	–	–
GIAN PIERO MONDINI	DIRECTOR	1/1/09 - 23/4/2009	–	16,666.67	–	–	–
GUIDO SEBASTIANO ZERBINO	DIRECTOR	1/1/09 - 23/4/2009	–	16,666.67	–	–	8,333.33 ⁽¹¹⁾
MARIO PACCIANI	CHAIRMAN	1/1/09 - 31/12/2009	15 April 2010	60,000.00	–	–	45,205.16 ⁽¹²⁾
PAOLO FASCE	AUDITOR	1/1/09 - 31/12/2009	15 April 2010	40,000.00	–	–	22,546.23 ⁽¹³⁾
ANDREA MANZITTI	AUDITOR	23/4/09 - 31/12/2009	15 April 2010	27,600.00	–	–	41,767.12 ⁽¹⁴⁾
FABRIZIO CAVALLI	AUDITOR	1/1/09 - 23/4/2009	–	12,400.00	–	–	12,298.74 ⁽¹⁵⁾
DIRIGENTI STRATEGICI ⁽¹⁷⁾	CEOS	–	–	–	17,136.82	170,000.00 ⁽¹⁾	2,770,954.33 ⁽¹⁶⁾

(1) Bonus relating to 2009, to be paid in May 2010 by ERG S.p.A.;

(2) Remuneration for the post of Chairman of ERG Petroli S.p.A., and Director of ERG Renew S.p.A., ERG Raffinerie Mediterranee and ERG Power & Gas S.p.A.;

(3) Salary paid by ERG Raffinerie Mediterranee S.p.A.;

(4) Salary paid by ERG S.p.A. and remuneration for the post of Director of I-Faber S.p.A.;

(5) Remuneration for the post of Chairman of the Internal Control Committee and member of the Appointments and Remuneration Committee;

(6) Remuneration for the post of member of the Appointments and Remuneration Committee;

(7) Remuneration for the post of Chairman of ERG Raffinerie Mediterranee S.p.A.;

(8) Remuneration for the post of Chairman of ERG Power & Gas S.p.A. and ERG Renew S.p.A. and Director of ERG Nuove Centrali S.p.A. and Isab Energy Services S.r.l.;

(9) Remuneration for the post of member of the Internal Control Committee;

(10) Remuneration for the post of Chairman of the Appointments and Remuneration Committee and mem-

ber of the Internal Control Committee, and Chairman of the Supervisory Committee of ERG S.p.A., ERG Petroli S.p.A., ERG Raffinerie Mediterranee S.p.A., ERG Power & Gas S.p.A. and ERG Renew S.p.A.;

(11) Remuneration for the post of member of the Appointments and Remuneration Committee

(12) Remuneration for the post of Chairman of the Board of Statutory Auditors of ERG Petroli S.p.A. and ERG Power & Gas S.p.A., and Auditor of ISAB Energy S.r.l. and Raffineria di Roma S.p.A.;

(13) Remuneration for the post of Chairman of the Board of Statutory Auditors of I-Faber S.p.A. and Auditor of ERG Power & Gas S.p.A. and Ionio Gas S.r.l.;

(14) Remuneration for the post of Auditor of ERG Renew S.p.A. and ISAB S.r.l.;

(15) Remuneration for the post of Auditor of ERG Power & Gas S.p.A., ERG Petroli S.p.A., Ionio Gas S.r.l. and ISAB S.r.l.;

(16) Salary paid by ERG S.p.A. and remuneration for the post of CEO of subsidiaries, net of fees received directly by the relevant company;

(17) Includes 5 senior managers.

SHORT-TERM INCENTIVE SCHEME

The short-term incentive system – which applies to the CEOs of ERG and subsidiaries, managers and a select number of supervisors, is based on some fundamental objectives, which are summarized as follows:

- introduce a single incentive system that encompasses both corporate and individual performance;
- define a market-related benchmark bonus for each system participant;
- measure individual performance according to a consistent system of not only economic/financial goals and indicators;
- evaluate corporate performance in terms of value created/destroyed;
- define bonus-fluctuation caps and floors.

For each scheme participant an individual benchmark bonus is defined. This is the gross amount the person will receive if both the corporate 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 belonging to each area, so as to permit use of performance indicators specific to the different areas.

As regards corporate 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;
- Renewal Energy division: 70% divisional EBITDA and 30% Group Economic Profit;

In addition, a distinction is made between top management and managers (Italian contractual grade = dirigenti) so as to assign different risk profiles and increase the level of system participants' sensitivity to the results vis-à-vis top management.

The other characteristic features of the scheme are:

- setting of a cap for the bonus actually paid equal to 200% of the individual benchmark bonus;
- setting of a floor for the bonus actual paid equal to 25% of the individual benchmark bonus;

- allocation of managers to five merit ranges.


The Nominations & 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 calculating the Economic Profit actually achieved.

LONG-TERM INCENTIVE SYSTEM

The long-term incentive scheme – valid for the same people as those involved in the short-term incentive plans – centres round three must-dos, i.e.:

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

The Nominations & Remuneration Committee, drawing on the assistance of an outside consultant, has begun to study a possible future incentive plan (Long-Term Incentive Plan) for Group management.



“ Internal Control System ”

Responsibility at the core

A company that considers responsibility as the primary value on which to base all choices, be they managerial or operational, equips itself with a systematic set of rules, procedures, organizational facilities and behavioural codes able to assure that the business is conducted healthily, correctly and consistently with objectives. The Internal Control System operating in a unitary and transversal manner within the Group originates and draws its force from this premise for the practical purpose of identifying, measuring and monitoring the main business risks.

More specifically, the Internal Control System covers a series of activities necessary to assure the healthy survival of the Group, namely activities to:

- support achievement of strategic and operating objectives (i.e. of business effectiveness and efficiency and safeguarding of corporate assets);
- prevent or limit the consequences of unexpected events by means of appropriate strategies to identify and manage risks/opportunities;
- check that levels of risk set during

planning and policy-making have not been exceeded;

- assure compliance with applicable legislation and regulations;
- ensure control of proper and transparent internal disclosure and vis-à-vis third parties.

The actual operation of the Internal Control System is not assigned to an autonomous and specific corporate function, but takes the form of coordination of various functions responsible for control activities. These are, in particular, the Internal Audit Department and the Risk Office. They are joined by other functions responsible for monitoring the compliance of corporate actions with current laws and regulations.

As resolved by the Board of Directors on 23 April 2009, the main players of the Internal Control System are the Executive Director appointed to oversee the functioning of the Internal Control System and the Internal Control Officer, via whom he operates. The latter is also head of the Internal Audit function.

The Executive Director responsible for overseeing the functionality of the Internal Control System constantly checks its overall appropriateness, effectiveness and efficiency and periodically reports on this to the Internal Control Committee and to the Board of Directors.

The Board of Directors assesses the functioning of the Internal Control System annually based on the input provided to it by the Executive Director.

With the resolution passed on 21 December 2004, the Board of Directors adopted the Organization & Management Model pursuant to Italian Legislative Decree 231/2001 (concerning the administrative liability of legal entities for criminal offences). Since then the Model has been updated periodically to adjust it to regulatory changes occurring in the meantime.

The Supervisory Committee, consisting of a Chairman, the head of the Risk Office, the head of Internal Audit and the head of Human Resources & Systems, maintains a direct and continuous relationship with

the Internal Control Committee and performs its activity within the Group parent company. As regards the subholding companies, each of them, including ERG Renew, has appointed its own Supervisory Committee, consisting of an independent director of ERG S.p.A. with the role of Chairman, the head of the holding company's Internal Audit, the head of the holding company's Risk Office and the people that act as the head of Human Resources in the various companies.

During 2009 the Supervisory Committees met:

- 4 times in the case of ERG S.p.A., ERG Renew, ERG Power & Gas and its subsidiaries, and ERG Raffinerie Mediterranee;
- 5 times in the case of ERG Petroli and Gestioni Europa.

Group companies' Supervisory Committees received 2 reports during 2009 of possible breaches of the Code of Business Ethics. In neither of the two cases, after performing appropriate investigations, was any breach found.

During FY2009 the Internal Control System Guidelines, originally approved by the Board of Directors on 12 December 2007, were amended in order to update them to reflect the changes that occurred in the Group's organization.

In August 2009 a detailed Enterprise Risk Management (ERM) model was adopted, with the aim of identifying, as exhaustively as possible, the risks inherent in the Group's overall business activity.

Lastly, as regards the risk management and Internal Control Systems relating to the financial reporting and disclosure process, the Group has adopted an Accounting Administration Organization Model, consistent with the requirements of the "Savings Law" (Italian Law 262/2005) and with best practices for its implementation.

More specifically, the Model – which is regularly updated and undergoes screening by the Internal Control Committee – aims for significant mitigation of risks in the following sensitive areas: dependability, reliability, accuracy and timeliness of financial reporting and disclosure. All per-

sonnel are under obligation to follow the Model's indications and particularly the administrative functions, involved in preparing corporate accounting documentation. The Financial Reporting Manager is responsible for implementing accounting administrative procedures, for monitoring them and for certifying, jointly with the CEO, the reliability of financial reports published.

Since current regulations do not specify the operating approaches and tools to be used to assure effective mitigation of financial risks and, normally, reference is made to international best practices, the Group has adopted a *modus operandi* structured as follows:

- a) Identification and assessment of the risks applicable to financial reporting;
- b) Identification of controls for risks identified both at Group level and at process level;
- c) Evaluation of controls and management of the monitoring process in terms both of design and of operations and effectiveness, with the aim of reducing risks to a level considered "acceptable" (in-



formation flows, management of “gap”, remedial action plans, and reporting system, etc.).

Risk assessment is performed annually and is intended to identify:


1. the companies within Group consolidation scope to include in the analysis;
2. the risks at Group/Operating Company level relating to the general corporate context of the Internal Control System, with reference to the five components of the CoSO model developed by the Committee of Sponsoring Organizations of the Treadway Commission, a leading international best practice and also recognised in Italy as a benchmark model by the Corporate Governance Code of Borsa Italiana S.p.A. (the company managing the Italian Stock Exchange);

3. general risks for the company information systems supporting relevant processes;
4. the processes that feed the accounts of the consolidated financial statements, relevant in terms of inherent risk, for each operating company selected;
5. specific financial reporting risks, for each relevant process, with special reference to so-called financial-statement assertions.

The risk assessment process carried out at the level of consolidated Group financial statements in order to determine the appropriate scope of analysis, is based on the combined application of two analytical parameters. One of these is quantitative (consisting of calculation of threshold numerical values to compare with the data relating to consolidated financial statements

and those of the companies forming them) while the other is qualitative (consisting of management’s evaluation, based on its own knowledge of the business reality, of non-numerical potential risk factors such as to make one deem it necessary or not necessary to include a certain company, account or process in the scope of analysis).

The risk assessment process goes into a document, which is reviewed with the various functions involved, validated by the Financial Reporting Officer and presented to the Internal Control Committee. Following identification of the main process risks, the next step is mapping of the controls that the various operating companies have implemented. Every year a plan is prepared for process and control monitoring, which is issued by the Internal Control Committee. Specifically, in order to assure constant



monitoring, tests are performed regularly throughout the year, with sampling divided in such a way as to ensure full coverage of processes by the time consolidated financial statements are closed. The work plan also envisages any mapping required of new processes and monitoring implementation of actions to remedy any gaps found. After tests have been completed, reporting is performed, based on which the Financial Reporting Officer issues the legally required certifications.

CONTINGENT LIABILITIES

ERG is a party in civil and administrative proceedings and legal actions connected with the normal course of its business. Based, however, on the information presently available and considering the risk provisions made, ERG believes that

these proceedings and actions will not cause significant negative effects on its consolidated financial statements.

Regarding the ongoing dispute between ERG Raffinerie Mediterranee and the Italian tax authorities over the application of harbour dues for embarkation and disembarkation at the Santa Panagia wharf, we report that, as at 31 December 2009, the Constitutional Court had not yet handed down a decision on the related exception of unconstitutionality. As regards this, we recall the fact that, based on appropriate legal assessments, no provision was made for the years 2001-2006 inclusive, and that, from 2007 onwards, the taxes in question have been paid reserving the right to petition for their return.

Regarding legal action taken by ISAB Energy, already mentioned in previous an-

nual reports, to date the company is still waiting for Council of State hearings to be fixed to settle the dispute over some problems arising as a result of the CIP 6/92 system, including in particular the matter of full reimbursement of green certificates. We instead report that the Council of State recently ruled against ISAB Energy's application for recognition of cogeneration status, for which it is believed to be eligible, as a "selected initiative", thus definitively establishing the applicability of the principles of cogeneration as set out in the contested Resolution 42/2002 of the AEEG (the Italian Electricity & Gas Authority). We also point out that the whole matter of the CIP 6/92 agreements is now inevitably affected by the new measures, which should lead to voluntary termination of these agreements.

“HSE certifications & Management in the renewables area”

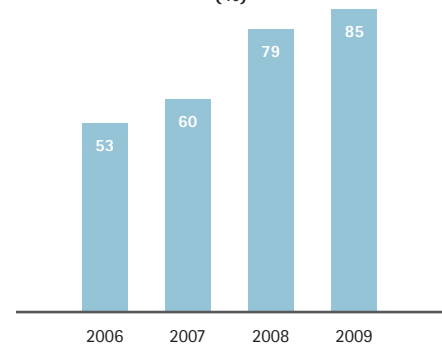
Close to the goal



The Group's sustainability commitments include the programme for certification according to the international standards ISO 14001 (Environment) and OHSAS 18001 (Health and Safety) of all industrial sites' management systems by the end of 2010. The objective of the programme, which started in 2003, is to **minimize risks and encourage continuous**

improvement in these matters during operations. In 2009 the programme continued with obtainment of OHSAS 1800 certification for the ISAB Refinery's South plant. The last step in achievement of the Group objective will be development of an integrated management system also for the new CCGT plant, which is scheduled to be done before the end of the year.

LEVEL OF ISO 14001 AND OHSAS 18001
CERTIFICATION OF ERG INDUSTRIAL SITES
(%)



ERG Renew's HSE certification process

Implementation and development of **effective and efficient HSE management systems** to minimize specific risks is one of the Group's sustainability commitments. ERG Renew's integrated environmental and quality certification is only the latest step in a management approach initiated in 2007, when the company was still called EnerTAD. At that time it was operating in the energy sector via its subsidiary EOS

Windenergy, which comprised companies active in the production of electricity from renewable energy sources (RESs) and whose objective was the design, construction and operation of RES power generation plants. ERG Renew has inherited and enhanced this voluntary approach to management systems, with its efforts driven by two main motivations.

The first of these relates to the company's

production profile: if its mission and vision consist of the will to contribute to creation of a future that is simultaneously "full of energy and environmental", then implementation of all measures useful for achieving that objective goes without question.

The second motivation relates to a medium-/long-term business approach: it the aim to work for growth that, by en-

suring energy efficiency, is truly sustainable, getting certification means triggering a complex virtuous mechanism that, as well as contributing added value to a production operation "genetically" close to environmental issues, implements and innovates business management strategies, optimizes resources and reduces waste.

In June 2007 implementation of the integrated quality and environment system led to receipt of certification. The process then continued with the subsidiaries now called ERG Eolica San Vincenzo and ERG Eolica San Ciro (both operating in the province of Foggia), which were certified at the end of 2007.

With the birth of ERG Renew, the transfer of the EOS Windenergy subsidiary's management system was a natural effect. The new company in fact incorporated in its organization the entire set-up responsible for managing the process, which goes from development of the new projects for RES power generation plants, via construction of the plants, up to their operation, sale of electricity, and green-certificate management.

Updating of the management system involved integration of the various procedures with those already existing in the company and with ERG's HSE policies. This process ended in June 2009, with the official transfer to ERG Renew of ISO 9001 and 14001 certification.

At the same time, the company that owns the wind farm in Faeto (province of Foggia) also obtained certification of its integrated management system.

In brief, **four of the Group companies active in RES power generation have now certified their quality and environment management systems** according to the ISO 9001 and 14001 standards, i.e. ERG Renew, ERG Eolica San Vincenzo, ERG Eolica San Ciro and ERG Eolica Faeto.

As regards occupational health and safety, in 2008 ERG Renew started to implement a specific management system that – based on the Group Integrated HSE Policy – envisages procedures and operating procedures to cover and monitor effectively all work activities, both for company personnel and for the personnel of contractors

involved in construction and maintenance processes. This management system, although not formally integrated with the quality and environment system, has been developed so that in practice it is.

Together with the **objective of certifying the remaining companies** in the RES area according to the ISO 9001 and 14001 standards, ERG Renew intends to develop its health and safety management system according to the OHSAS 18001 standard and subsequently obtain certification.

As instead regards the water treatment segment, in November 2009 the DSI company, owned by ERG Renew, obtained integrated ISO 9001, ISO 14001 and OHSAS 18001 certification. The certification entity consequently issued a certificate of excellence certifying the effectiveness of application of the systems. DSI has also initiated the process for EMAS registration: following the visit of the commission of ISPRA (the environmental protection & research entity responsible for EMAS registration in Italy), it is now awaiting formal ratification of registration.



Communication as involvement



*Hallvarsson & Halvarsson Webranking 2009,
Italy Top 100*

ENERGIA
ELETTRICA

RAFFIN

In November 2009 the Corriere della Sera newspaper published the results of the eighth edition of the "Hallvarsson & Halvarsson Webranking 2009 – Italy Top 100". Compared with 2008 the ERG site improved its ranking by 6 positions, rising from 24th to 18th position, with a score of 56.25 out of 100. In the last few years Hallvarsson & Halvarsson (H&H), a Swedish company that is a global leader in business consulting, has dedicated special attention to the forms of online communication. This gave it the idea of comparing the websites of the main listed companies to assess – based on criteria constructed with financial analysts, investors and business journalists – **the adequacy and effectiveness of the online institutional and financial communication** offered by the companies concerned.

The Webranking is very useful indeed for a company. By means of the ranking it is possible to deepen the analysis of stakeholder expectations and have an overview of the latest trends in web communication, which evolves continuously. Every year the Webranking offers up-to-

date and shared thought starters via which an organization can adapt its communication to the wishes of users increasingly attentive, competent and sensitive as regards sustainability issues. Of these, transparency is one of the most important.

Webranking

HALLVARSSON & HALVARSSON

The ranking considers the 100 Italian companies with the highest market capitalization and forms part of a wider-ranging European study, which covers the 500 largest companies, then conjugating it at national level.

The results of the Italian research showed that the majority of companies included in the ranking did not reach the score of 50, the threshold beyond which a site can be considered to be of a good level. This performance is due to the fact that, contrary to what happens in other European countries, Italian companies have not yet fully understood the website's potential within

their communication strategies.

On average, companies use their sites to make official documents available and communicate financial information. There still seems to be little awareness of the Web's potential as a means of conveying a company's values and brands in an involving and complete manner, above all to the financial community, customers and employees. The jump in quality is possible if one forgets the angle of mere "fulfilment of obligations" and instead embraces an approach based on **openness and dialogue**.

The languid attitude of companies that have difficulty in understanding the importance of online communication in the construction and consolidation of image and reputation is instead set against an assessment protocol featuring increasingly subtle, severe and complex parameters. It is constantly designed to meet the information needs expressed by the market and users also as regards corporate social responsibility. In 2009, for example, particular weight was attributed to the assess-

ment of **Employer branding**, i.e. of an organization's ability to attract and retain qualified, motivated people. Generally speaking, what is felt to be a need by stakeholders is that an organization conceive its site as a "**glass building**", making it transparent and accessible. The result of such choices can be measured by the increase in the level of trust in the company and in its management.

It is easy to link the improvement of our position in the Webranking to the going live, in June 2009, of our **new institutional site**.

The Group is now present on the Web with a more functional, flexible and faster platform, suited to multimedia activity and interactive use and equipped with tools in line with users' navigation requirements. From the editorial point of view, the site is managed entirely in-house. The aim is to create, modify and implement contents fast in order to offer users information that is always up to date and complete. Based on the lines traced by the assessment criteria – which in turn are based on the

needs of the most expert users – the site's theme areas have been reorganized to achieve exhaustive, transparent and easy-to-find contents. On the one hand we have sought to fulfil the communication obligations relating to our listed status and, on the other, to go beyond this and communicate what is fundamental for stakeholders who want to enter the "glass building" **to know and understand our values and modus operandi**.

The little multimedia revolution being ex-

perienced by the Group will continue in 2010. We will seek to meet the H&H assessment criteria with increasing exactitude and effectiveness, fully exploiting all the potential of the new site.

We will also start a new innovative and sustainable project, i.e. publication in interactive html format of the Annual Financial Report and Sustainability Report, which will make data more accessible and usable, thanks to the presence of interactive charts and specific navigation tools.

ERG finalist in Italian corporate reporting award "Oscar di Bilancio 2009" – Special Prize for Corporate Governance



Premio Speciale
per la Governance
Societaria

**FINALISTA
2009**

"... they have presented annual reports that describe with particular clarity the mechanisms adopted and the procedures followed to govern their respective realities". This was the motivation accompanying the choice of the three **Finalists for the Special Prize for Corporate Governance**, part of the Oscar di Bilancio 2009, a corporate reporting award organized and promoted by the FERPI (the Italian Public Relations Federation) with the patronage of the President of the Italian Republic. The trio of finalists consisted of ERG, Finmeccanica and Intesa Sanpaolo (winner of the prize).



“Dal Dire al Fare – From Saying to Doing”

*Rossella Sobrero,
founder and President of Koinètica*

The Corporate Social Responsibility Show – called “Dal Dire al Fare” (From Saying to Doing) – is not only an event that showcases the policies and positive experiences of public and private organizations that believe in and act in accordance with CSR. It is above all a **meeting place and an opportunity to exchange notes to go deeper into a delicate issue in which general interest is growing.**

An event of this kind offers the organizations taking part the opportunity, which is also risky, to stand up and be challenged. The fact of being present in fact means exposing one's self to the judgement of visitors, mostly a competent public that takes part in the event to listen to and interact with the various companies.

ERG participated in the Show, moreover in the capacity of main sponsor, well aware of the rules of the game, and showed a clear propensity to dialogue, exchange views and discuss.

In the 2-day event in Milan, ERG stood out for its drive, spirit of initiative and un-

doubted originality as regards the topics chosen and the way in which it organized its events. A highlight was the meeting that enabled students to talk face to face, in a sort of round table, with Alessandro Garrone, the Group's CEO. The Show's Promoter Group necessarily had to recognize the great willingness of the company, which – even in the person of its CEO – truly threw itself into play by agreeing to answer the questions of those present in the hall, in an open exchange of views, unstructured and therefore unpredictable in terms of outcome.

A courageous choice that, thanks to the ability and appeal of the person concerned, made it possible to create an occasion of real discussion in an undoubtedly positive atmosphere. But also a choice of transparency, consistent with the policies of the company, which has a propensity for concrete forms of stakeholder engagement. In the present panorama of CSR-oriented companies, we believe that ERG is a consistent example of a company that chooses to “Say” but that, above all, demonstrates that it wants to “Do”.

PERCHÉ C'È INNOVAZIONE: dal "Dire al Fare", unico Salone della Responsabilità Sociale d'Impresa, sarà tutto nuovo "a mettersi in mostra" diventa "venite a confrontarvi e imparare". Il Salone articolerà gli spazi non più attraverso stand ma con pannelli che daranno vita alla prima grande mostra sulla Responsabilità Sociale. **PERCHÉ OFFRE CULTURA:** l'Università Bocconi assicura al Salone una sede importante, ma soprattutto l'evoluzione del programma culturale. Il Salone offrirà un approfondito aggiornamento sui temi della CSR. **PERCHÉ PORTA COINVOLGIMENTO:** al Salone si viene soprattutto per partecipare a percorsi condivisi: un convegno internazionale, numerosi laboratori incontri con gli espositori e con il pubblico. **PERCHÉ GARANTISCE EFFICACIA:** lo sostengono le organizzazioni e le persone che

HOW WE WORK

Communication

The key words of the 5th edition

Innovation

Culture

Involvement

Effectiveness

Future



The numbers of the CSR show

over

2,500

visitors

over

70

parties involved
– main sponsors,
sponsors,
partners and
exhibitors

2

conferences

22

workshops

10

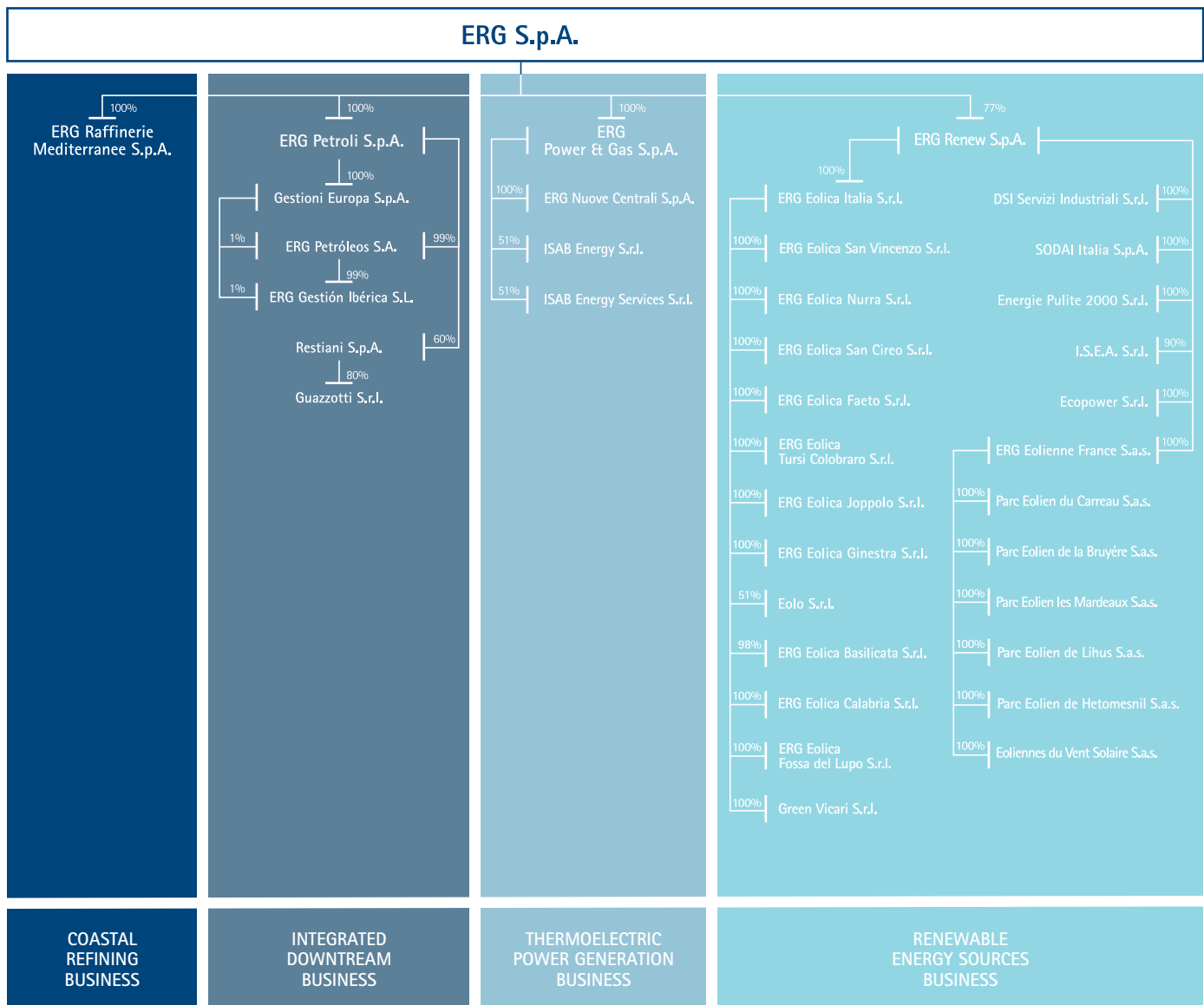
special events

Reporting boundary and methodology

Except where otherwise specified, the data shown refer to all companies consolidated within the financial reporting scope of the Group's consolidated annual financial statements for FY2009. Those financial statements were prepared

applying 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 interpretation (International Account-

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



Given the effects of the LUKOIL deal, in order to facilitate understanding of operating performance, 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 by equity-based measurement of the investment.

To facilitate and standardise measurement of the trend in the Group's social and environmental performance, data and indicators are shown with a historical time series of at least three years.

As regards HSE data, the methodology adopted combines appraisal methods and identification and quantification criteria developed by various organisations recognised at domestic and international level including Eurostat, the European Federation of Accountants (FEE), the oil companies' European association for HSE in refining and distribution (CONCAWE), the US Environmental Protection Agency (EPA), and the Italian Petroleum Industry Association (Unione Petrolifera).

As regards HSE data concerning injuries and environmental data (physical and economic), those relating to ISAB S.r.l. have been totally included in the reporting boundary.

The principal atmospheric emissions are calculated through continuous measuring at the emission points and, where necessary, by means of estimates based on emission coefficients that take into account both the combustion systems and the quality of the fuels used.

In particular, for the reporting of CO₂ emissions, reference has been made to the Italian and European guidelines which establish specific procedures for calculating the quantity and quality of fuels. HSE economic information is broken down capital expenditure and operating expenditures (current expenditure). It has to be pointed out that, for the purposes of their recognition in the Sustainability Report, expenditures need to be reclassified to permit their recognition "by use" and not "by origin", as is instead required for general company accounting purposes. The main

HSE performance indicators have been constructed bearing in mind the specifics of the various business segments. 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 financial year concerned;
- 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 into account the fact that not all 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), conventionally equivalent to 10 million kcal.

Performance data and indicators

Group economic-financial results

		2009	2008	2007	2006
Total revenues ⁽¹⁾	Millions Euro	6,237	11,563	10,206	9,303
EBITDA	"	229	117	552	442
EBITDA at replacement cost ⁽²⁾	"	22	536	361	463
EBITDA at adjusted replacement cost ⁽³⁾	"	92	540	361	463
EBIT at replacement cost ⁽²⁾	"	(115)	335	176	305
EBIT at adjusted replacement cost ⁽³⁾	"	(92)	336	176	305
Net Income	"	45	649	192	194
Net Group Income	"	7	646	171	153
Net Group Income at replacement cost ⁽⁴⁾	"	(80)	84	39	103
Cash flow from operations	"	93	216	573	47
Net invested capital	"	2,591	2,299	2,837	2,754
Investments ⁽⁵⁾	"	347	351	380	365
Financial leverage	%	26	12	49	49

For the definition and reconciliation of results to adjusted replacement cost, please refer to the section "alternative performance indicators"

(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 replacement cost also include contribution of ISAB S.r.l. (a joint venture with LUKOIL since 1 December 2008) results for the portion owned by ERG

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

(5) Investments in tangible and intangible assets

Net invested capital in 2009 includes Euro 3.9 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

		2009	2008	2007	2006
Processing at refineries	Thousand barrels/day	180	326	393	376
Processing at refineries	Thousand tonnes	8,977	16,351	19,607	18,681
Inventory of raw materials and products	"	904	1,537	2,833	2,630
Total sales of petroleum products	"	10,964	16,575	19,389	17,763
of which exports	"	3,907	8,112	9,967	7,812
Domestic retail sales	"	2,000	1,950	1,991	2,019
Domestic retail outlets (at end of period)	no.	1,950	1,973	1,959	1,968
Average domestic retail throughput (based on outlets at end of period) ⁽¹⁾	m ³	1,276	1,235	1,274	1,295
Domestic retail market share (gasoline + diesel) ⁽²⁾	%	7.1	6.9	6.9	6.9
Wholesale market share (diesel)	"	8.5	8.3	8.3	8.8
Total electric power production	GWh	3,009	5,189	5,604	5,098
Total electric power production from renewable sources	"	322	272	186	66
Electricity sales	"	3,775	4,560	4,819	4,561
Electric power production domestic market share	%	1.2	1.4	1.3	1.5

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

(2) Estimated data

Calculation of Net Value Added at replacement cost

		2009	2008	2007	2006
Production value	Million Euro	6,216	11,243	10,403	9,352
Intermediate production costs	"	(5,913)	(10,445)	(9,787)	(8,680)
Ordinary gross value added	"	302	798	616	702
Incidental items	"	63	39	28	22
Overall gross value added	"	366	833	644	724
Amortisation/depreciation	"	(183)	(204)	(185)	(157)
Overall net value added	"	182	629	458	567
Coastal Refining	"	(4)	273	169	200
Integrated Downstream	"	113	151	101	148
Power Generation – Thermoelectric and Renewables	"	69	196	182	217
Corporate	"	4	9	6	2

Allocation of Net Value Added at replacement cost

		2009	2008	2007	2006
to Staff ⁽¹⁾	Million Euro	178	212	215	199
to the Public Administration	"	10	164	87	157
to the Providers of Loan Capital	"	68	141	95	67
to Shareholders	"	133	62	96	97
to the Company	"	(208)	48	(35)	46
to the Community ⁽²⁾	"	1.5	1.7	1.3	1.3

(1) Compared with data reported for 2008 was made a reclassification between "intermediate costs of production" and "remuneration of staff" of 4 million. The impact on lower value is created on Corporate

(2) Not include the investment on social responsibility

ERG shares

		2009	2008	2007	2006
Year-end reference price	Euro	9.68	8.51	12.88	17.40
High (11/05/2009) ⁽¹⁾	"	12.30	16.90	21.73	25.48
Low (18/03/2009) ⁽¹⁾	"	8.43	8.40	12.25	14.74
Average price	"	10.01	12.25	17.37	18.97
Average volume	no.	513,808	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

Customers and suppliers

		2009	2008	2007	2006
Italian Customer Satisfaction Index	min 1 – max 100	71.8	63.4	69.4	67.7
Customer Satisfaction Index (Highway outlets)	min 1 – max 5	3.8	4.1	3.9	3.9
Qualified suppliers	no.	2,071	1,972	1,749	1,529
Average qualification time	days	191	160	202	195
Active suppliers (at least one order)	no.	2,722	3,257	3,091	2,958
Percentage of tenders	%	78	68	82	55

Headcount work organisation and industrial relations

		2009	2008	2007	2006
Employees at 31/12	no.	1,579	1,580	2,825	2,820
Executives/Managers	"	98	91	115	118
Supervisors	"	290	274	388	358
Clerical staff	"	953	901	1,428	1,360
Factory staff	"	238	314	894	984
University graduates	%	43.2	41.2	25.4	22.4
Holders of senior school diplomas	"	47.4	47.1	55.0	50.6
Average employee age	years	42.1	41.9	42.4	41.9
Female employment	%	28.1	28.8	17.3	16.6
Turnover	"	47.5	31.6	13.8	15.5
Absenteeism index ⁽¹⁾	"	2.2	3.0	3.1	3.8
Incidence of part-time ⁽¹⁾	"	2.2	3.2	1.7	1.8
Incidence of overtime ⁽¹⁾	"	7.6	10.0	11.2	10.8
Unionisation rate ⁽¹⁾	"	15.3	24.7	49.8	54.3
Ongoing labour disputes	no.	8	13	6	13

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

Training

		2009	2008	2007	2006
Total training	hours	33,971	58,974	64,024	72,087
Managerial	"	2,906	7,925	12,754	
Index of average training per employee	days	2.7	2.8	2.8	3.2

Safety

		2009	2008	2007	2006
Total injuries	no.	17	14	19	26
Near accidents	"	422	227	240	375
Frequency index					
no. of injuries per million hours worked		3.6	3.1	4.0	5.2
Severity index					
no. of working days lost per thousand hours worked		0.07	0.05	0.07	0.12
Frequency index industrial area					
no. of injuries per million hours worked		1.1	1.8	2.8	5.2
Severity index industrial area					
no. of working days lost per thousand hours worked		0.05	0.04	0.05	0.12
Frequency index commercial area					
no. of injuries per million hours worked		8.6	6.2	5.7	5.9
Severity index commercial area					
no. of working days lost per thousand hours worked		0.10	0.09	0.11	0.12
Outside firm frequency index					
no. of injuries per million hours worked		1.3	0.6	1.1	1.7
Outside firm severity index					
no. of working days lost per thousand hours worked		0.04	0.02	0.05	0.04
Age of ships	%				
> 20 years		0	0	1	3
Between 10 and 20 years		16	23	27	27
< 10 years		84	77	72	70
Ships rejected by screening	"	9.1	9.9	10.7	5.9

HSE economic and operational resources

		2009	2008	2007	2006
Total HSE expenditures	Million Euro	128	140	149	139
investments	"	44	44	36	37
current expenditures	"	84	96	113	102
HSE equivalents of total Group	%	12.9	14.6	13.4	10.2
Level of ISO 14001 and OHSAS 18001 certification of ERG industrial sites	"	85	79	60	53
HSE Audits (internal and external)	no.	81	64	58	76

Environment and territory

		2009	2008	2007	2006
Energy consumption	ktoe	1,665	2,054	2,215	2,141
Natural gas	"	345	246	200	47
Energy Intensity Index Coastal Refining (baseline 2006 = 100%)	%	97	96 ⁽¹⁾	98	100
Efficiency of thermoelectric installations	toe/MWheq	0.239	0.266	0.261	0.271
Direct CO ₂ emissions	ktonnes	5,667	6,434	7,031	6,618
Indirect CO ₂ emissions (imported power)	"	156	116	120	110
CO ₂ avoided by using renewable energy sources	"	146.5	125.1	86.5	31.0
CO ₂ Index Coastal Refining	tonnes/processed in ktonnes	95.8	96.4	96.1	96.1
CO ₂ Index Thermoelectric	toe/MWheq	0.73	0.83	0.84	0.89
Water withdrawals	Million of m ³	509	454	536	522
sea water	"	496	441	523	510
fresh water	"	13	13	13	12
Water discharge - Oils	tonnes	16	18	17	28
Oil water discharge index Coastal Refining	tonnes/processed in Mtonnes	0.53	0.47	0.68	1.04
NO _x emissions	tonnes	4,053	4,806	6,234	5,282
SO ₂ emissions	"	10,544	13,228	15,436	18,082
Particulate Emissions	"	318	391	542	459
NMVOE Emissions	"	4,790	5,304	6,478	5,598
NO _x Index Coastal Refining	tonnes/processed in Mtonnes	0.07	0.09	0.08	0.07
SO ₂ Index Coastal Refining	"	0.23	0.28	0.33	0.33
Particulate Index Coastal Refining ⁽²⁾	"	0.002	0.004	0.006	0.006
NMVOE Index Coastal Refining	"	0.26	0.26	0.29	0.29
NO _x Index Thermoelectric	tonnes/GWheq	0.42	0.56	0.76	0.72
SO ₂ Index Thermoelectric	"	1.0	1.4	1.4	2.2
Particulate Index Thermoelectric	"	0.04	0.06	0.07	0.06
Waste produced	ktonnes	615	729	590	280
from safety enhancement: reclamation and new construction activities	%	89	92	89	76
destined for recovery	"	9	10	13	13
non hazardous	"	6	13	18	24
Petroleum product leaks	no. of events	16	10	11	16
Petroleum product leaks	m ³	56	517	150	750

(1) Recalculated because of the new configuration of the refinery

(2) Corrigenda compared to values in the Report of 2008

GRI 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	Notes
1 Strategy and analysis		
1.1 Statement of the organisation's vision and strategy regarding its contribution to sustainable development	4-5, 9	
1.2 Description of main impacts, risks and opportunities (two brief sections)	4-5, 9	
2 Organisational profile		
2.1 Name of the organisation	A, 6-7	
2.2 Primary brands, products and/or services	A, 6-7	
2.3 Operational structure of the organisation (divisions, operating companies and joint ventures)	6-7	
2.4 Location of organisation's headquarters		The full list of ERG locations is available in "Contacts", www.erg.it
2.5 Number of countries where the organisation operates	6-7, 13	
2.6 Ownership structure and legal form	6-7, 64-65	See also "Shareholders", www.erg.it
2.7 Markets served	6-7, 42-45	
2.8 Scale of the organisation:		
• no. of employees;		
• net sales;	8, 66	
• total capitalisation;		
• quantity of products or services supplied.		
2.9 Significant changes during the reporting period	6-7, 19, 42, 65	
2.10 Awards received during the reporting period	60 - 61	
3 Report parameters		
Report profile		
3.1 Reporting period for information provided	64-65	
3.2 Date of publishing most recent sustainability report		Since 2007, ERG Sustainability Report is published annually by the end of June
3.3 Reporting cycle		
3.4 Useful contacts and addresses	B	The full list of ERG locations is available in "Contacts", www.erg.it
Report scope and boundary		
3.5 Process for defining report content	B, 4-5, 6-7	
3.6 Boundary of the report	64-65	

	ERG Disclosure	Notes
3.7 Statement concerning any specific limitations on the scope or boundary of the report	64-65	
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	6-7, 64-65	
3.9 Data measurement techniques and the bases of calculations	64-65	
3.10 Explanation of the effect of any re-statements of information provided in earlier reports	66-69	
3.11 Significant changes from previous reporting periods in the scope, boundary or measurement methods	64-65	
Global Reporting Initiative Content index		
3.12 Table explaining report contents	70-72	
Assurance		
3.13 Policy and current practice with regard to seeking external assurance for the report	B, 73	
4 Governance, commitments and engagement of stakeholders		
Governance		
4.1 Governance structure of the organisation	50-57	
4.2 Indicate whether the Chair of the highest governance body is also an executive officer	50-57	
4.3 State the number of members that are independent and/or non-executive	50	
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	50-57	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).	52-53	
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided	50-57	
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	50-57	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	4-5, 50-57	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	50-57	
4.10 Process for evaluating the performance of the highest governance body members, particularly with respect to economic, environmental and social performance	52-53	
Commitments to external initiatives		
4.11 Explanation of whether and how the precautionary approach or principle is addressed	16-17, 54-57	
4.12 Externally developed codes of conduct, principles and charters subscribed to or adopted by the organisation	16, 48, 55	
4.13 Memberships of national and/or international industry associations	65	ERG is member of some of the main Associations like: Unione Petrolifera, Assoelettrica, CONCAWE etc.
4.14 List of stakeholder groups engaged by the organisation	28-30, 48-49, 60 61, 62 63	
4.15 Basis for identification and selection of principal stakeholders with whom to engage	28-29, 30, 44, 48-49, 60 63	
4.16 Approaches to stakeholder engagement, including frequency of engagement by type of activity developed and by stakeholder group	28-29, 30, 44, 48-49, 60 63	
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	28-29, 30, 44, 48-49, 60 63	

Indicators

Covered ●

Partially covered ◐

No covered ○

n.a.: not applicable

Disclosure	Reference	Notes
Economic performance		
EC1	● 66-67	
EC2	● 13, 47	Overall, direct CO ₂ emissions in 2009 were lower than the allowances allocated by the National Allocation Plan for of reference
EC3	n.a.	ERG does not support any plan occupational pension, self, but contributes to various pension funds of various categories of staff
EC4	● 57, 66	
EC5	●	Ruled by National Collective Labour Agreement (CCNL)
EC6	● 9	About 100 million Euro of spending on goods and services in Sicily. 70% coming from Syracuse Suppliers
EC7	◐	More than 50% of workforce (ISAB included) comes from Sicilian community. The indicator is being defined
EC8	● 28-29, 31-35	
EC9	● 28-29, 31-35, 67	
Environmental performance		
EN1	● 66	
EN2	n.a.	After internal analysis, the indicator is considered not significant in quantitative terms
EN3	● 69	
EN4	● 69	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	● 9, 10-12, 69	
EN6	● 10-13	
EN7	● 10-13	
EN8	● 69	
EN9	● 69	
EN10	● 69	The drinking water withdrawn from the wells is that required for non-industrial use only. Seawater, which represents 97% of total withdrawals, is largely used for cooling the plants and equipment before being returned to the receiving body, after adequately monitoring its quality
EN11	n.a.	ERG does not manage high biodiversity areas
EN12	n.a.	ERG activities do not generate impacts in sensitive areas under the profile of biodiversity
EN13	n.a.	See also EN12 indicator. ERG supports the Natural Reserve of Saline of Priolo whose faunal wealth is an indication of the balance of the ecosystem
EN14	n.a.	See also EN 13 indicator
EN15	n.a.	
EN16	● 69	
EN17	n.a.	Other indirect emissions are not significant and are included in EN29
EN18	● 9-13	
EN19	n.a.	ERG does not use harmful substances for ozone in its industrial activities
EN20	● 19, 69	

Disclosure	Reference	Notes
EN21	● 69	
EN22	● 69	
EN23	● 21, 69	
EN24	● 69	
EN25	○	
EN26	● 69	ERG has implemented a line of consumer-oriented products designed to improve energy efficiency and to reduce environmental impact. 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. DieselOne, available on about 1,200 outlets, contributes to reduce carbon monoxide and unburnt hydrocarbons emissions. ERG Petroli in 2009 sold over 90,000 tonnes of biodiesel as a blending diesel component
EN27	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)
EN28	●	No penalty for failure to comply with environmental rules and regulations received
EN29	○	Is being evaluated, also according to new organizational structures, the implementation of Carbon Footprint project
EN30	● 20, 69	

Social performance

LA1	● 8, 68	
LA2	○ 68	The breakdown by categories of the indicator is on going
LA3	n.a.	
LA4	● 68	Regulatory issues and pay refer to their respective areas of competence of the National Collective Labor Agreement
LA5	● 68	See also LA4 indicator
LA6	●	HSE Committees, listed by company, are organized at various levels (Company, Department, Operational Unit). The staff involved are between 25% and 50% of the total workforce
LA7	● 15, 68	
LA8	● 9, 14-18, 68	
LA9	●	See also LA6 indicator
LA10	○ 23, 68	The breakdown by categories of the indicator is on going
LA11	● 22-23	
LA12	● 22-23	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
LA13	● 50-52, 68	
LA14	●	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

HR1	n.a.	
HR2	n.a.	
HR3	n.a.	
HR4	● 57	
HR5	n.a.	ERG carries out its operation in national / European areas where these aspects are protected by law
HR6	n.a.	See also HR5 indicator
HR7	n.a.	See also HR5 indicator
HR8	n.a.	
HR9	n.a.	

Disclosure	Reference	Notes
Society		
S01	● 9, 28-41	
S02	● 54-57	
S03	● 54-57	Knowledge of anti-corruption policies and procedures is guaranteed by a specific training available online on the company intranet and to all the employees. The training process requires verification of participation in the course of the goodness of learning
S04	● 54-57	
S05	● 57	
S06	● 66	ERG Group activities do not provide funding to political parties
S07	●	
S08	○ 57	
Product responsibility		
PR1	● 19	ERG has implemented a line of consumer-oriented products designed to improve energy efficiency and to reduce environmental impact. 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. DieselOne, available on about 1,200 outlets, contributes to reduce carbon monoxide and unburnt hydrocarbons emissions. ERG Petroli in 2009 sold over 90,000 tonnes of biodiesel as a blending diesel component
PR2	●	During 2009 there have been no cases of non-compliance with the scope covered by the indicator
PR3	n.a.	See also EN27 indicator
PR4	●	No cases of non-compliance
PR5	● 44-45	
PR6	● 42-45	Ruled within the Code of Ethics (Section 4.2 – Relationship with Customers)
PR7	●	ERG has not received any report of non-compliance during the 2009
PR8	●	ERG has received no complaints about in 2009
PR9	○	No penalty received for failure to comply with laws and regulations relating to the provision and use of ERG products



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To the Board of Directors of ERG SpA,

Milan, May 2010

URS has been selected by ERG management as third party assessor to check the level of disclosure self declared in the Sustainability Report of 2009 according to the guidelines of the Global Reporting Initiative (GRI 3).

The document has been examined with reference to both the GRI 3 requirements and the comments reported in the evaluation grid attached to the previous report.

We can confirm that, according to the results of the assessment, this year's report maintains the highest level of disclosure "A". This achievement is further strengthened by improvements which have emerged with reference to both the coverage and the completeness of some performance indicators.

As a further improvement, and in order to be aligned to best practices of sustainability reporting, we suggest considering submission of the next report to a full verification process.

A handwritten signature in black ink, appearing to read "Paolo Bendotti", written in a cursive style.

Paolo Bendotti
(Amministratore Delegato)

A handwritten signature in black ink, appearing to read "Marco De Simone", written in a cursive style.

Marco De Simone
(Senior Manager)

