



2010 SUSTAINABILITY REPORT



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Change and new opportunities

*Letter from the Chairman
and Chief Executive Officer*

As you are aware, 2010 was once again defined by an impasse in the global economic system, particularly in the west which, following the financial crisis of recent years, was forced for the first time to face an eastern shift in the axis of economic activity.

The crisis has put a great strain on countries, entities and people, each of which has had to deal with it in their own way based on their resources and devise new strategies for pushing further and reinventing their development plans.

In fact, the word crisis (*krisis*) derives from the Greek verb *krino* (to separate or divide) and has different meanings including a choice, outcome or solution. Beginning from its etymological meaning, it becomes clear we are dealing with an edge, an imaginary line dividing one side from the other with a mountainous relief. Extending this meaning, the word crisis indicates precisely the separation between a before and after timeframe and is in itself both a choice and a solution.

We are thus interpreting the present crisis as an opportunity for change and innovative choices, in short, an opportunity to reorganise a system when it appears evident that the existing organisation is

no longer sustainable.

We believe that no turning point or solution can be found without a deep understanding of the present situation and a careful identification of the new opportunities visible on the horizon.

In order to revitalize economies and the social system – real times of crisis are always accompanied by an inevitable loss of trust in the future by the persons involved and a general weakening of passion and initiative – it is thus important to exploit innovation processes that involve the largest number of players and give them a key role, creating a virtuous cycle between economic wellbeing and freedom, the only cycle able to build a healthy, solid and long-lasting economic/social system.

For over 70 years, ERG's mission has been to create lasting value distributed among all stakeholders: the results achieved thus far prove to us that we have operated well in the past but the inconsistency of the situation requires constant attention and a propensity for change so as not to be overwhelmed by the competition in emerging markets and to overcome the stasis that currently defines both Italy and Europe. In coping with these difficult circum-

stances, ERG quickly understood the need to innovate its way of doing business and its relationship with the market and has implemented important changes in the Group's organisational set-up aimed at increasing the effectiveness of business lines, streamlining management procedures and making the company more flexible, taking advantage of new opportunities for partnership and growth.

We embarked along this path, in full compliance with the code of values that has supported our business development from the beginning, with a special focus on people, working to fully involve them in set objectives and convey a sufficient sense of trust in the future.

Despite the complexity of the situation the ERG Group has maintained its commitment to the community (both in Genoa and Sicily) and, together with ISAB, launched a programme of initiatives in close collaboration with local institutions in important sectors including health, culture and sports.

One of the elements that inspires the Group's mission is, in fact, the creation of "shared value" or the creation of economic and cultural value, not merely for businesses as such but also for the society where it operates, fulfilling local

needs, expectations and demands. This “shared value” can be defined as the entirety of policies and practices that reinforce the competitiveness of a company while contributing at the same time to improving the social-economic conditions of the community where it operates.

This process is defined by a passage from reasoning focused exclusively on redistributing wealth to a focus on identifying the needs of the community and reference stakeholders, which should be considered the fulcrum of the company's CSR activities (Corporate Social Responsibility).

But ERG has done even more, focusing on a vision that can transform CSR programmes – which focus principally on reputation and have a limited connection to business – into CSV (Corporate Social Value) programmes, which are more useful in creating economic and social value and offer a greater focus on identifying the needs of stakeholders. The projects developed internally within the Group focused on safety, corporate rationalisation, technological development, the development of renewable energy sources as well as external sources aimed at coping with the key areas identified during the research performed by Co-

esis (community, environment, sports, young people) on our stakeholders. In conclusion, we can view Darwin's reflections as highly pertinent when he

said that it is not the strongest or healthiest who survive but the species that are better and quicker at adapting to and understanding change.



EDOARDO GARRONE
Chairman

ALESSANDRO GARRONE
Chief Executive Officer



Group Profile



The ERG Group – listed on the Milan stock exchange since 1997 – is also active through its subsidiaries and joint ventures with primary international operators in the following sectors: Renewable Energy Sources, Power & Gas and Refining & Marketing.

ERG's strategy is to become a "multi-energy" group, whose main objective is to create lasting value by increasing profitability and continuously reducing its dependence on volatile external factors, also through a balanced management of its portfolio.

RENEWABLE ENERGY SOURCES

Through the subsidiary ERG Renew, ERG operates in the generation of electricity from renewable sources with 310 MW installed in the wind sector including 157.8 in Puglia, 40 in Molise, 37.5 in Sicily, 1.6 in Liguria, 9 in Latium and 64 in France. These include two wind farms for a total of 101.8 MW produced by ERG Eolica Adriatica S.r.l. (previously IVPC Power 5 S.r.l.) whose acquisition was finalised in July 2010.

The strategy

ERG is active in the generation of elec-

tricity from renewable sources with a special focus on the wind sector. Its strategic plan aims to strengthen its presence on the domestic market and become one of the leading operators in Italy, as proven by the aforementioned purchase of ERG Eolica Adriatica S.r.l., and at the same time expand its activities abroad in markets that offer conditions favourable to growth in terms of market potential and the regulatory framework of reference. In addition to the French market, where ERG Renew already has a significant presence, the focus is also on Eastern European areas that offer a high potential for development.

The objective is to build a well-diversified and geographically balanced portfolio of assets in the medium term, partly in order to optimise regulatory risk management. On 14 December 2010 ERG issued a tender offer on all shares in ERG Renew, aimed at delisting, with the strategic objective of providing the latter with better financial, organisational and managerial flexibility, useful for launching its strategic plan and more quickly achieving and surpassing, through the growth of staff and/or purchases,

the current investment and market positioning objectives.

POWER & GAS

The Group is active in the generation and sale of thermoelectric power, steam and gas. ERG's principal investments in the sector are:

- **ISAB Energy S.r.l.:** power plant electricity generation (528 MW), based on the gasification of asphalt originating from the ISAB Refinery in Priolo (Sicily);
- **ERG Power S.r.l.:** the owner of the North Power Plant in Priolo (480 MW), including the combined cycle plant fuelled by natural gas and the existing counterpressure units of the power station.

Projects under development:

- **Ionio Gas S.r.l.:** a joint venture with Shell Energy Italia for the development of a liquefied natural gas regasification plant at the Priolo site;
- **ERG Rivara Storage S.r.l.:** (15% ERG, 85% Independent Gas Management – Independent Resources Group): a company that creates and manages an underground natural gas storage site

ERG

ERG

ERG

in Rivara in the municipality of San Felice sul Panaro (MO).

The strategy

ERG intends to develop its electrical assets such as the IGCC plant in ISAB Energy (51% ERG), in operation since 2000 through the aforementioned twenty-year CIP agreement 6 and the new CCGT plant of the ERG Power S.r.l. subsidiary, fully operational since April 2010, with an installed power of approximately 480 MW, which provides utilities to industrial customers at the Priolo site and merchant electricity.

ERG is also working to penetrate the gas infrastructure sector with two projects currently in the permitting phase: Ionio Gas S.r.l., a special purpose joint venture with Shell focused on the regasification of liquefied natural gas (LNG) within the industrial hub in Priolo, and ERG Rivara Storage S.r.l., a special purpose joint venture with Independent Resources Plc (IRG) for natural gas storage in Rivara (MO).

REFINING & MARKETING

The Group is active in the **Coastal Refining** sector in a joint venture with

LUKOIL that controls the ISAB refinery in Priolo, one of the top sites in the Mediterranean both in terms of capacity (320 thousand barrels/day) and complexity (Nelson index 9.3), and in the **Integrated Downstream** segment through TotalErg, a joint venture with TOTAL, with a network of approximately 3,300 stores and a market quota of approximately 12% and ERG Oil Sicilia (EOS), a company that on **1 April 2010** received a business unit by split including the assets of ERG Petroli S.p.A. in Sicily.

TotalErg also operates in the **Refining** sector (Raffineria di Roma, managed 100% and Raffineria Sarpom in Trecate invested at 26%).

The strategy

ERG operates in **Coastal Refining** through a joint venture with LUKOIL, which manages a leading petroleum hub in the Mediterranean and continues to pursue a continuous improvement strategy aimed at plant effectiveness and flexibility.

In the **Integrated Downstream** segment ERG continually works toward structural improvement aimed at maximizing the profitability of the sales channel and

improving sustainability over the long term. Within this context, **1 October 2010** marked ERG's completed agreement with the French group TOTAL for a merger between TOTAL Italia and ERG Petroli: the new company, called **TotalErg**, is the third largest Italian marketing operator also thanks to a significant presence on wholesale and specialty markets as well as a significant logistics structure and inland refining capacity of approximately 116,000 barrels per day. Through this joint venture ERG will benefit from strengthening its competitive position on the market through the achievement of important sales synergies and costs, in partnership with one of the most important oil operators in the world. As part of the merger, ERG has developed a spin-off of its sales in Sicily, which were divided into a new subsidiary (100%), ERG Oil Sicilia (EOS), in operation since 1 April 2010. ERG Oil Sicilia S.r.l. has been a key operator on the Sicilian market, with over 300 service stations and 15% of the network market quota on a regional level, with an influential presence in the wholesale market and a logistics system connected to Raffineria ISAB in Priolo.



ERG in a nutshell – some numbers

consolidated revenues

7,899 EUR
million

EBITDA at adjusted
replacement cost *

305 EUR
million

group net profit
at replacement cost

(20) EUR
million

net invested capital

2,614 EUR
million

group indebtedness at the
end of 2010

723 EUR
million

investments

201 EUR
million

maximum market
capitalisation

1,628 EUR
million

electricity generation

6,688 million kWh

employees at period end

714

retail market share**

12%

service stations**

3,322

processing of crudes
in refineries

194 thousand
barrels/day

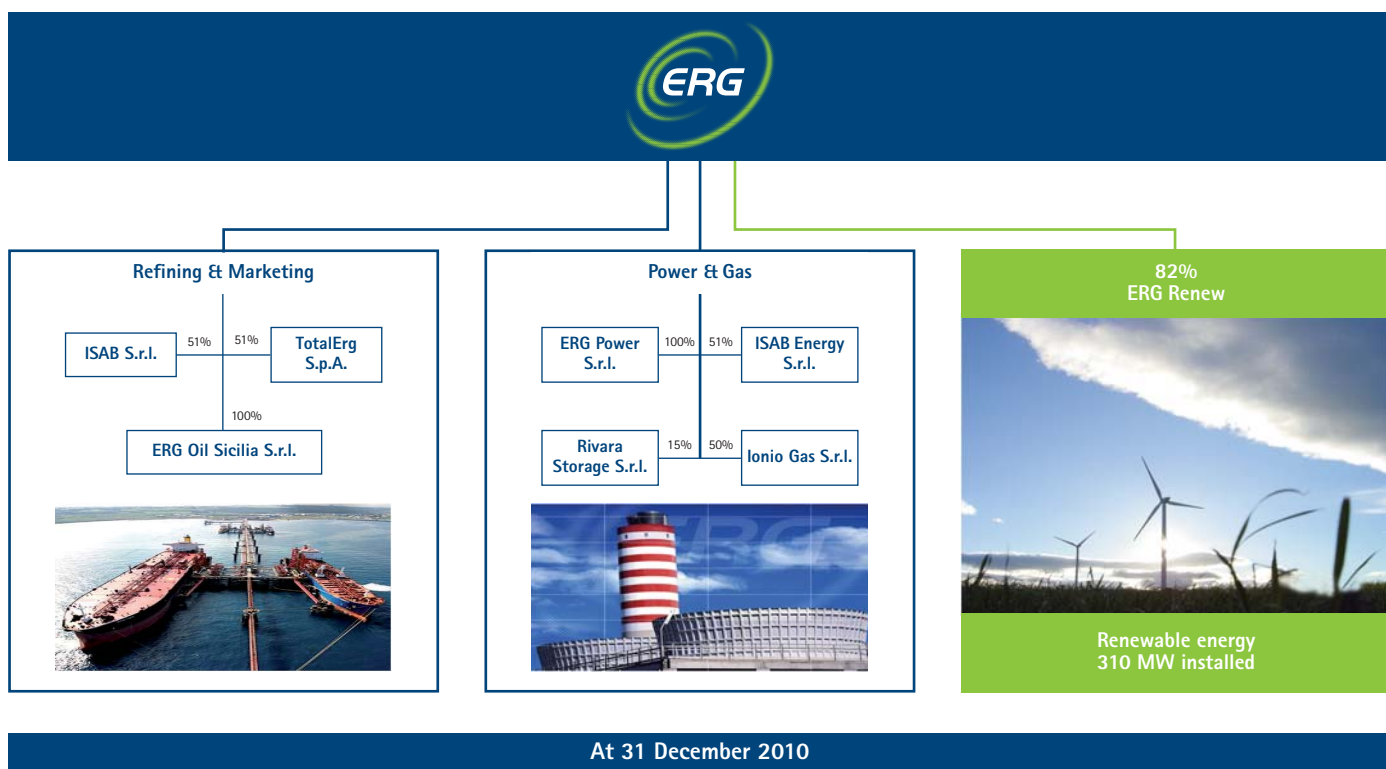
* Results at replacement costs do not include inventory gains (losses) and non-recurring items. The EBITDA at adjusted replacement costs also includes ISAB S.r.l.'s (a joint venture with LUKOIL) and TotalErg S.p.A.'s (a joint venture with TOTAL) performance, proportionally to ERG's shareholding (51%).

** Data for TotalErg S.p.A., a joint venture owned 51% by ERG S.p.A.

ERG

ERG

ERG



“TotalErg, a joint venture at the service of customers”

*Italy's third largest distributor
of petroleum products is established*

Grow, improving results in terms of performance, efficiency and sustainability over the long term; guarantee customers a continually expanding, competitive and innovative range of services and products; ensure adequate economic return for shareholders who believed in the project. These are the objectives of the agreement signed on 28 January 2010 between TOTAL and ERG to create a joint venture operating in Italy in the refining and marketing sector, including shared governance and operating autonomy.

The merger between TOTAL Italia and ERG Petroli lead to the creation of Italy's third largest distributor of petroleum products, with a market share of over 12%, over 3,300 stores and approximately 4.4 million m³ of fuel sold on the road and highway network, not including the approximately 3 billion m³ per year of sales in the wholesale and speciality sector.

The joint venture is also active in Internal Refining, holding 100% of equity investments in Raffineria di Roma and a

share in Trecate equal to a total of approximately 116,000 barrels/day.

The forces of two solid entities have been united under the new brand to face an increasingly complex market characterised by crises, a fall in consumption and critical issues concerning fuel prices. The new company, in operation since 1 October 2010, arose from a union between two entities based on their essential shared features: a focus on safety, the customer, service quality and resources.

TotalErg's priorities are the safety and health of its staff, respect for the environment, ethical behaviour and careful risk management.

Special attention is paid to the requests of its stakeholders:

- **customers:** brand value, product and service quality, listening to and quickly responding to needs, regional presence and the "right" price;
- **shareholders:** sustainability and risk management, business ethics, devel-

opment and growth, performance and profitability;

- **people and partners:** respect, a culture of safety, professionalism and experience, business, ethical and transparent sensibility;
- **community:** health – safety – environment, rights and obligations, sustainable development, reputation and acceptance.

With all these topics TotalErg aims to constantly maintain open, two-way communication channels, so that, by listening to the needs and requests that are expressed, it can develop sustainability operations consistent with the expectations of stakeholders.

Before turning to sales, the merger phase had to first establish the base for acquiring a solid, healthy and shared corporate culture.

In this sense the first step was to draft a "Code of Conduct" that could serve as a reference guide for the conduct of TotalErg's staff: this document is essen-



tial to clarifying and communicating the values and principles on which relations with company collaborators and stakeholders should be based.

The document refers to principles that are already at the centre of the policies of the two shareholder companies, which were recruited to correctly structure activities, processes and communications. The company focuses on the safety and protection of health and working conditions, the environment, ethics, moral integrity, personal honesty and correctness in internal and external relations, in addition to transparent behaviour that is immediately recognizable to the outside world. These macro topics were outlined in "cards" that detail the concepts expressed in the Code of Conduct.

In order to ensure the effectiveness of choices and operations, a risk analysis was launched based on the existing map at the two parent companies: the results were discussed and evaluated by the Steering Committee and the greatest

risks were then shared with the operational referents. These activities highlighted how the creation of the company created no new risks and those already identified and acknowledged, are already



being monitored effectively on an operational level. By 2011 a structured management of risk will be launched, thanks to the implementation of an ERM (Enterprise Risk Management) and a ROM (Risk Opportunity Management) plan supported by the proactive staff.

With the goal of protecting the environment, effective on 1 January 2011, TotalErg became an Associated Member of Oil Spill Response, an international organisation that provides its resources and highly qualified personnel to companies that find themselves faced with managing accidents. In particular, the services proved will be available for the Raffineria di Roma, the Savona Depot and their marine terminals.

The clearest advantage for customers will come from synergies resulting from network integration that will enable a stronger presence in the region and the integration of loyalty programmes. Beginning in 2011 a new loyalty card will also be launched for the new company.

“A 2010 for ‘reorganisation’”

The ERG Group improves efficiency

Throughout 2010 and in early 2011, ERG pursued a process aimed at organisational change, which was launched in 2008 during the establishment of the joint venture with LUKOIL for the ISAB refinery. ERG also underwent a reorganizational process following the establishment of the joint venture with TOTAL in the Integrated downstream sector that involved both structures and the corporate outlook.

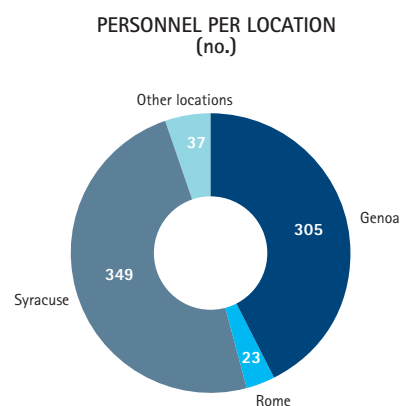
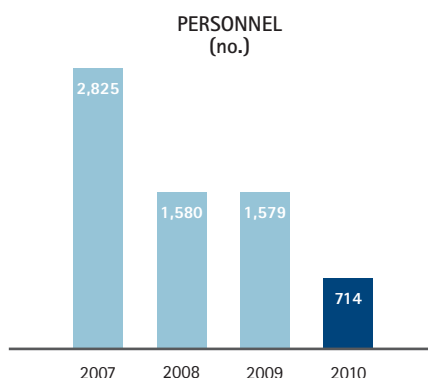
The chain of command was reduced through the merging of the two sub-holdings ERG Raffinerie Mediterranee and ERG Power & Gas into ERG S.p.A. The latter was then organised into two business units for Refining & Marketing and Power & Gas respectively as well as Corporate General Management. ERG Renew instead maintains its position as a subsidiary operating in the renewable energy sector. The reorganisation was principally aimed at optimising decision-making processes and improving management efficiency; the final goal being to provide the Group with a structure consistent with its activities that is suitable for “nimble” seizing any opportunities that may present themselves following the anticipated global economic recovery.

The concentration of all skills within the same company will enable an increased sharing of knowledge on the various busi-

nesses and will increase the comparison and collaboration between the various areas and departments through the assumption of shared responsibilities.

From an industrial point of view it's the only company that:

- directly manages the purchase and processing of “crude oil” as well as the sale of refined products;
- manages, through the joint venture TotalErg, the third largest Italian distribution network;
- uniformly manages the activities of the holding staff.



ERG Oil Sicilia: a growing company

Retail and wholesale on the market

One year since it was established, as a spin-off for the Sicilian retail market during the joint venture between ERG and TOTAL, it has already reached important goals, organising its IT system in just 40 days to independently manage the distribution of petroleum assets; all end and intermediate customers in the sector, which were previously managed by ERG Petroli, passed to the new company thus enabling ERG Oil Sicilia (EOS) to achieving the goals identified by shareholders from the first year in terms of volumes, profits and credit.

EOS uses the recently redesigned ERG brand on the retail market and exploits its most innovative marketing and customer care services (including ERG Mobile), thanks to a strategic agreement with TotalErg.

Through its projects, the company aims to consolidate and further strengthen its role as a primary operator on the Sicilian market with the goal of developing sustainable value over time by growing the profitability of its assets. To this end, it performs a continual process of structurally improving its retail market presence through investments aimed at strengthening existing plants and creating new ones as well as acquiring single stores or small local networks of operators.

Today, its **168** company plants and an-

other **138** leased plants make EOS the third largest Sicilian operator following Agip and Esso, with a share of approximately 15% of the Sicilian market (equal to 1.2 % of the national market).

Its market share increases significantly in the wholesale sector and is equal to approximately 30% of Sicilian consumption, thanks to the exclusive availability of the "Carico via Terra" at the ISAB Refinery in Priolo that also ensures the sale of supplies to key national petroleum operators, as well as supplies for the A1 Jet during its stopover in Catania, the fourth in Italy in order of importance. Customer care is ensured through a regional sales structure that is always available to assist customers with all their needs.

KEY PERFORMANCE IN 2010

In 2010 EOS expanded its distribution network and optimal results were also achieved in the customer loyalty campaign with the 140,000 customers holding **ERG più** loyalty card joined by another 80,000 customers achieving a loyalty penetration of over 40% on litres sold, one of the highest percentages in Italy in the entire sector.

The high penetration in the community allows for experimentations with new forms of differentiated pricing, which can reward the most loyal customers

and reduce waste due to undifferentiated discounts.

Even the **Drive ERG** company oil card improved its performance as compared with the previous year, reaching 9 million and a half litres sold and exceeding sales objectives by 30%.

Performance was optimal even from a technical-system point of view: the 26 programmes completed, including those in highway service areas, complied with the established timeframes and costs.

Good results were also reported for the **Wholesale** sector which almost fully recovered the delay accumulated during the first months of the year, with a renewed focus on the customer and a special attention that led to sales even in Malta, served for the first time by tanker trucks of ERG products.

Finally, a special focus should be reserved for carriers, the final but important chain in the wholesale loop distribution system. Together with ISAB, EOS has actually presented a project aimed at creating, at the entry to the site of the South "Carico via terra", a special waiting room where carriers can rest during tanker truck loading operations, using sanitary services complete with showers and automatic dispensers as well as accessing information on safety devices.



2010

Sustainability Report



The Sustainability Report is an important tool for communicating objectives and performance in the environmental, social and economic sectors and aims to encourage an internal and external dialogue with stakeholders.

It was drafted in accordance with the "Sustainability Reporting Guidelines" defined in 2006 by the Global Reporting Initiative (GRI-G3), which is a well-known international reference for preparing sustainability reports. It was also in 2010 that ERG achieved a Level A on the use of the so-called Guidelines, expanding the report, as compared with the 2009 edition (published in June 2010), with the information requested by the Electric Utilities Sector Supplement (approved by the GRI in 2009).

In terms of sustainability reporting, ERG's goal is to improve, year after year, the information provided in the Report, improve the level of communication with its stakeholders and adopt be increasingly strict in adopting the GRI Guidelines.

The preparation of the Report, which is published yearly, is an activity involving all Group departments and companies under the guidance of the Sustainability Committee. The Report is approved by the Board of Directors of ERG S.p.A.

The information and data contained within the Sustainability Report refer to subsidiaries on 31 December 2010 and reflect the Group's consolidation scope in accordance with IAS-IFRS standards: economic/financial values and operating indicators are based on the ERG Group's consolidated financial statements, which have already been audited. Data on personnel, work organisation and training refer to the aforementioned consolidation scope save that indicated at the bottom of each table.

Data on health, safety and the environment reflect the aforementioned consolidation scope: in order to make the data for 2009 consistent with the reporting methods in the present Report, it was deemed necessary to perform a restatement excluding data on ISAB S.r.l. from the consolidated data for 2009. All data are presented with a historical time series of 3 years and, where necessary, the data relative for 2009 are restated.

As regards HSE data, the methodology adopted combines appraisal methods and identification and quantification criteria developed by various organisations recognised on a domestic and international level including Eurostat, the European Federation of Accountants

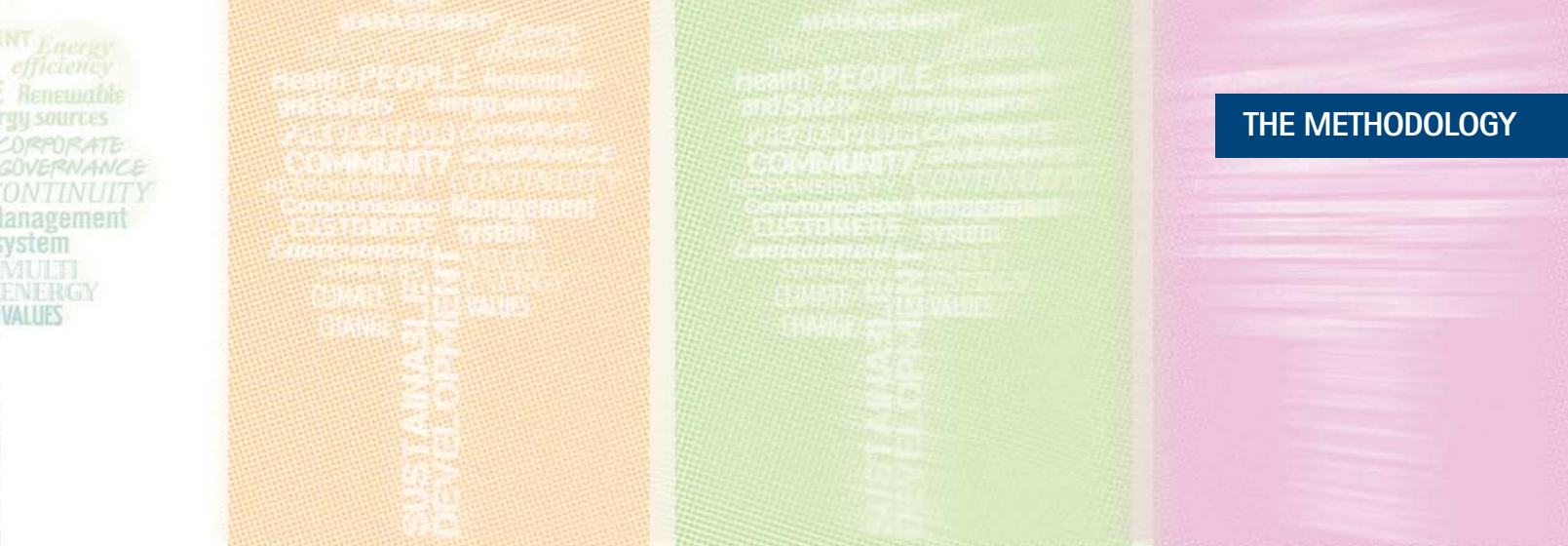
(FEE), the oil companies' European association for HSE in refining and distribution (CONCAWE), the US Environmental Protection Agency (EPA) and the Italian Petroleum Industry Association (Unione Petrolifera).

The principal atmospheric emissions are calculated through continuous measurements at 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 Italian and European guidelines.

It should be noted that, as compared with the previous Report, the method of representation refining & marketing was changed, favouring a specific reporting method.

In particular, it should be emphasized that the joint venture TotalErg designated a new boundary for the Integrated downstream sector, summarizing the activities of ERG Petroli and those of TOTAL Italia: thus no historical series can be presented for comparison.

To improve the effectiveness of the reporting process and guarantee all stakeholders reliable reported information,

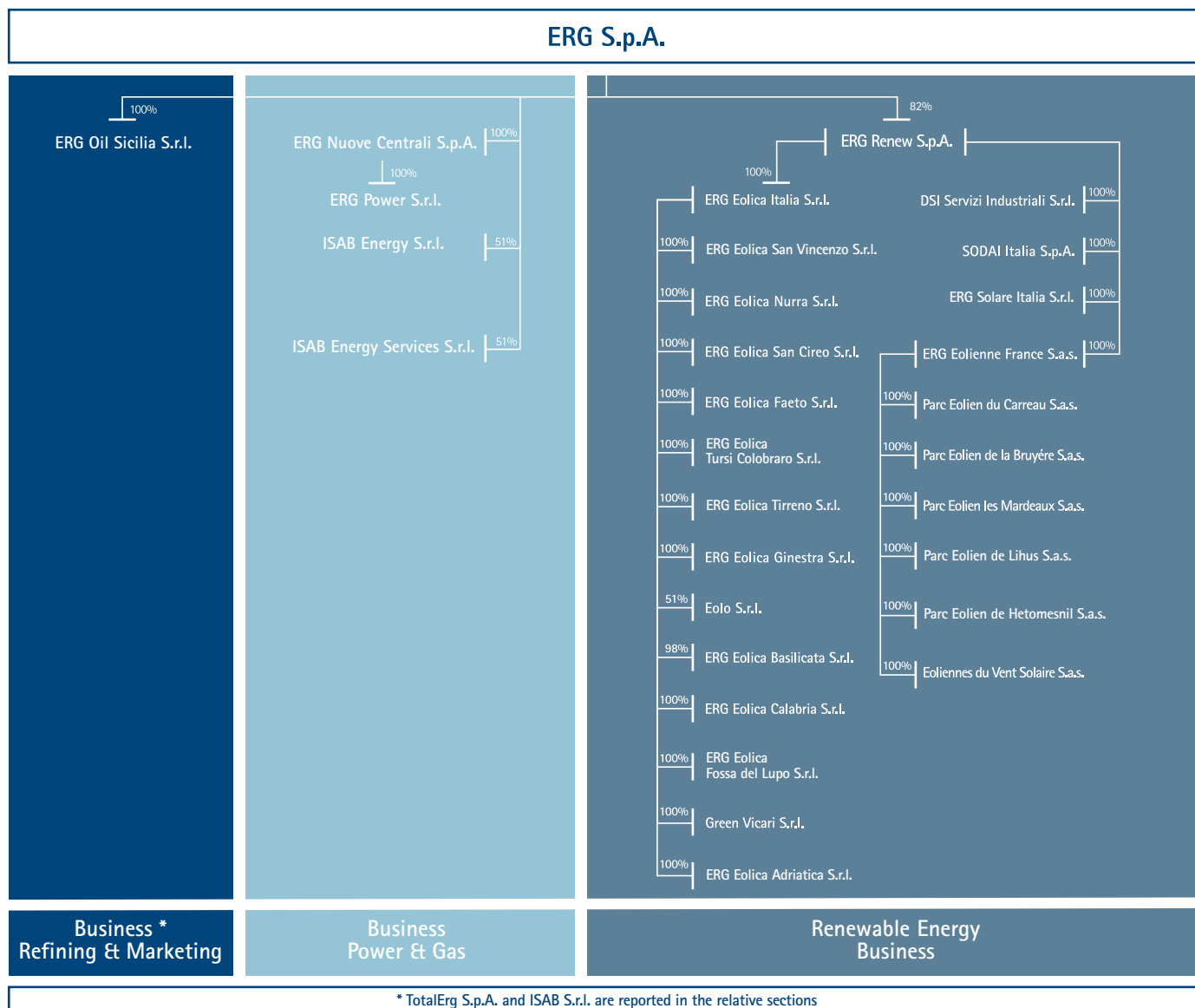


Deloitte ERS was entrusted with the task of verifying the degree of con-

formity to the GRI Application Level A; this task was completed and a state-

ment issued, which is reported in the present document.

REPORTING BOUNDARY FOR THE 2010 SUSTAINABILITY REPORT



Plant table

ERG Renew and ERG Power & Gas division

Plant	Prov.	Installed power MW	Production GWh 2010	System	CO ₂ allocation* ktonnes/year
WIND ITALY					
San Vincenzo	FG	42.0	61.4	green certificates	
San Ciro	FG	30.0	50.2	green certificates	
Faeto	FG	24.0	38.9	green certificates	
Vicari	PA	37.5	74.6	green certificates	
Eolo	FR	9.0	14.9	green certificates	
Rotello	CB	40.0	46.3	green certificates	
Ascoli Satriano	FG	61.8	45.9	green certificates	
Pian de Corsi Baltera	SV	1.6	1.2	green certificates	
Total		245.9	333.4		
WIND FRANCE					
Le Carreau		9.2	21.6	fit	
Lihus		11.5	20.7	fit	
Hetomesnil		11.5	20.9	fit	
La Bruyère		11.5	23.4	fit	
Les Mardeaux		11.5	21.6	fit	
Plogastel		9.2	8.6	fit	
Total		64.4	116.8		
MINI HYDRO **					
I.S.E.A. + Ecopower			2.7		
Total			2.7		
TOTAL RENEWABLE ENERGY		310.3	452.9		
THERMOELECTRIC					
ERG Power - CCGT	SR	480	2,903	-	1,748
ISAB Energy - IGCC	SR	528	3,331	CIP 6	371
TOTAL THERMOELECTRIC		1,008	6,234		
WIND ITALY UNDER CONSTRUCTION					
Fossa del Lupo	CZ	90.0	under construction		
Ginestra	BN	40.0	under construction		
PHOTOVOLTAIC UNDER CONSTRUCTION					
ISAB Energy Solare	SR	1.0	under construction		

* The allocation of CO₂ emission quotas are assigned freely based on the decisions of the relative national authority.

** The mini hydro plants were sold during 2010.

Sustainability commitments

Commitment scope/Targets	Status
Energy package <ul style="list-style-type: none"> Improve energy efficiency by 20% in thermoelectric power generation by the end of 2011* Increase the power generation from renewable sources, in particular wind Avoid CO₂ air emissions of 11.2 Mtonnes by the end of 2013 	<ul style="list-style-type: none"> +20% energy efficiency in the thermoelectric sector Power generation from renewable sources increased Seven times that in 2006 586 ktonnes of CO₂ avoided in 2006
Safety <p>Achieve the "Zero injury" objective by developing a robust safety culture based on the interdependence of all workers</p>	<ul style="list-style-type: none"> Strengthened the Safety Project (phase 2) with a focus on the human factor as a key element for ensuring risk prevention and protection Maintain decreased frequency and severity indices in line with previous years
HSE Management Systems <p>Complete ISO 14001 and OHSAS 18001 integrated certification for all industrial sites by the end of 2010</p>	<ul style="list-style-type: none"> Currently being implemented at the ERG Power station launched in 2010. 91% of certifications have already been issued at the other sites
People <p>Pursue managerial excellence through the system of corporate competencies and guidelines of the ERG managerial development model</p>	<ul style="list-style-type: none"> 26,339 hours of managerial training since 2007 Average training indicator = 5.1 days/person
Community <p>Contribute to the sustainable development of the community through structured initiatives in the economic, social and environmental field</p>	<ul style="list-style-type: none"> Approximately EUR 2 million spent on activities of value for the community in 2010 and approximately EUR 10 million total since 2006**
Customers <p>Make the customer the core of the marketing strategy and the efficiency of customer service</p>	<ul style="list-style-type: none"> Comply with the response time for customers concerning written claims: > 99% Number of calls to the call centre answered within 30 seconds: >75%
Innovation <p>Support the multi-energy strategy with appropriate initiatives in the research and innovation field</p>	<ul style="list-style-type: none"> Organic photovoltaic and geothermal energy projects started
Suppliers <p>Assure correctness and transparency of dealings, adopting international best practices in the social responsibility area</p>	<ul style="list-style-type: none"> Implementation of the new web platform for supplier qualification

* As compared with previous years, the goal of improving energy efficiency in refining was not reported following the modification of the reporting boundary.

** Until 2009 data includes ISAB S.r.l.

“Stakeholder analysis”



For ERG stakeholders include “all easily identifiable individuals and groups who can influence or be influenced by the Group’s activities in terms of products, policies and work processes”.

In its operations ERG has always used various methods for involving stakeholders with the goal of understanding their expectations and interests and using the requests that emerge through the dialogue and comparison process to define and update commitments and specific objectives in economic, social and environmental responsibility.

The operating methods the Group uses in its relations with both internal and external stakeholders are based on fundamental values detailed in the Code of Ethics, which integrates moral integrity and personal honesty, transparency and correctness.

Since the beginning ERG worked openly and transparently with its stakeholders placing great value on Social Responsibility.

Over the course of the last 4 years, in addition to consolidated internal and external communications and regular meetings between company management and the financial community, important engagement activities with a series of relevant stakeholders were launched, supported by specialised companies.

In 2006 ERG, thanks to its collaboration with a company specialised in “social analysis”, conducted an important survey

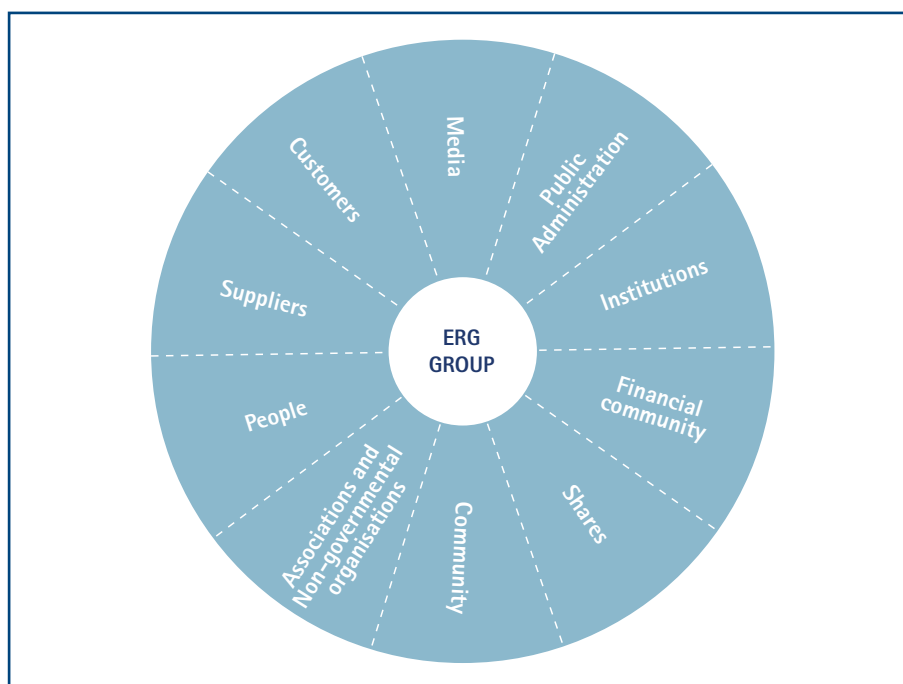
of the population, opinion leaders and opinion makers, a study that aimed at identifying the needs and preferences of the community so as to examine the community’s perception of ERG and prepare a scale of priority expectations.

The results of this research focused primarily on the Group’s choices in social responsibility and were used to define and implement a community-based plan of action concentrated on areas for social development, the protection of the environment, health and the community and the promotion of culture and sports among young people.

The research was repeated in 2009, focusing on a new examination of the community of reference, evaluating the

approval of actions performed over the last three years and tracing new guidelines for action. The results of the analysis highlighted stakeholders’ growing appreciation for the activities ERG has performed within the community.

In 2010 ERG further advanced the identification process for stakeholders using a series of interviews with those most frequently involved in external relations. This process will also continue throughout 2011 with the goal of developing systematic and structured involvement activities and dialogues with internal and external stakeholders, aimed at implementing increasingly effective intervention programmes concerning the requests of stakeholders.



Governance of sustainability



“Distribution of value”

Economic value generated, distributed and withheld by the Group⁽¹⁾

		2010	2009	2008
Economic value generated (revenues)	EUR million	9,121	6,216	11,243
Economic value distributed	EUR million	(8,966)	(6,241)	(10,991)
Production costs	"	8,568	5,850	10,410
Compensation of personnel	"	181	178	212
Compensation of public administration	"	70	10	164
Compensation of debt capital ⁽²⁾	"	64	68	141
Compensation of risk capital ⁽³⁾	"	81	133	62
Compensation for the community	"	2	2	2
Economic value withheld	EUR million	155	(25)	252
Amortisation and depreciation	"	219	183	204
Compensation of the company	"	(64)	(208)	48

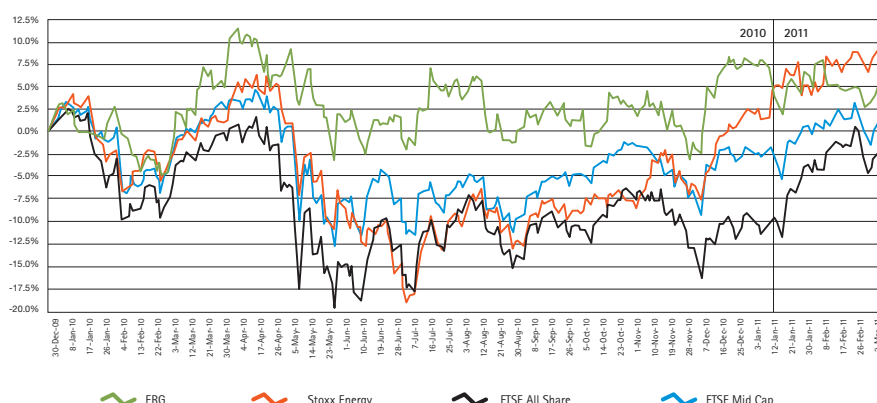
⁽¹⁾ Data inferred from results at adjusted replacement costs.

⁽²⁾ Interest paid and other financial expenses for indebtedness.

⁽³⁾ Overall dividends distributed by the Group.

ERG's share price performance compared to leading indices (normalised)

ERG VS. STOXX ENERGY INDEX, FTSE ALL SHARE AND FTSE MID CAP
% Change from 1/1/2010 to 3/3/2011



The ERG Group on the stock exchange

On 30 December 2010 the closing price for ERG shares (Blue Chips) was EUR 10.45, 8% higher than at the end of 2009, as compared with a 1.2% decrease in the European sector index (Stoxx Energy Index) and an 11.5% growth in the FTSE All Share Index.

On 31 December 2010 capitalisation on the stock exchange amounted to approximately EUR 1,571 million (1,455 million at the end of 2009).

“Financial communication”

ERG maintains constant relations with the market and financial community, in compliance with current regulations on the disclosure of privileged and confidential information.

Through its structures as well as targeted company procedures, the company guarantees the utmost transparency and timeliness in its communication activities, with the goal of punctually providing each investor with all information pertinent to evaluating and choosing investments.

In particular, the Investor Relations department serves as the link between the company and the financial community, as it is specifically responsible for maintaining and developing relations with analysts, shareholders and institutional investors, both for equity and fixed income.

TRANSPARENCY AND TIMELINESS AT THE SERVICE OF FINANCIAL MARKETS

ERG's precise communication activities focus on providing the market with public and understandable information on the company's economic/financial performance, its development prospects and strategic guidelines detailed by the management. Transparent and punctual com-

munication is essential to spreading the Group's values, particularly in the event of excessive fluctuations on the stock exchange during negative situations, including raising awareness within the market on strategies the company itself undertakes.

FINANCIAL COMMUNICATION INSTRUMENTS

ERG'S financial communication is developed through contacts with financial analysts, both buy-side and sell-side, and encounters with institutional investors, both in the form of one-on-one meetings and national and international roadshows.

The company's website www.erg.it is another essential tool for ensuring thorough and constantly updated communications and also includes specific sections dedicated to the Press, Investor Relations and Corporate Governance. The website includes all press communications, financial statements and reports, company presentations, documents relative to shareholder's meetings and all corporate information required by current regulations.

In addition, the website includes webcast

presentations and conference calls completed during the distribution of quarterly data: with the goal of providing the broadest and most transparent communication possible, participation in these conferences is an open call to analysts, investors and the specialised press.

The constant dialogue with the public and financial community takes place not only through the complete availability of the Investor Relations team, but also a dedicated electronic mailbox used to respond to the information requests often sent by shareholders and anyone interested in the company and its business.

ERG and economic sustainability

ERG's strategy is to become a diversified “multi-energy” group, whose main objective is to create lasting value by increasing profitability and continuously reducing its dependence on volatile external factors, also through a balanced management of its portfolio. ERG's multi-energy strategy, strongly focused on renewable energy sources, is also defined by intense research and innovation.

“Sustainability on the stock exchange”

*The ERG Group was awarded an EE rating,
among the highest in the sector and in Italy*

In September 2010 ERG was included on the “Benchmark” and “Leaders” indices in the new series of FTSE ECPI Italia indices. The Sustainability Indices include companies with medium and large capitalisation on the FTSE Italia All-Share index, which are characterised by sustainable behaviour and practices.

The ECPI rating is based on a broad information base on ESG topics:

E – environmental (environmental analysis): environmental strategy and policy, environmental management system, products and production processes;
S – social (social analysis): relations with local communities, personnel management policies, market competition and relations policies;

G – governance (governance analysis): markets, corporate governance and shareholders.

Market information is collected in official documents drafted by the company including the consolidated financial statements, sustainability report, presentations to investors, the website, press news, etc.

Why an ESG rating? A company's ability to deal with ESG issues serves as an indicator of its quality and management level as well as its capacity to guarantee investors long-term productivity.

ERG's position in these indices corresponds to the rating level assigned by ECPI (a company that awards ratings

and created the FTSE Italia indices) of EE (on 30 September 2010): this is one of the highest ratings both in the sector and nationally (the scale grants a minimum level of “F”, three low levels evaluated as “E”, three intermediate levels of “EE”, and three top classification levels of “EEE”).



FTSE is the abbreviation for the “Financial Times Stock Exchange”: an independent company that created the stock index most representative of price trends in the most capitalised companies traded on the London Stock Exchange. It has been in operation in Italy since 1 January 2009 following the merger between the Italian Stock Exchange (S&P Mib) and the London Stock Exchange and holds the shares of the 40 largest Italian and foreign companies.



ECPI Italia has been active in the study and assignment of sustainability indices since 1997.

The indices created by ECPI Italia in collaboration with the FTSE are targeted toward a wide audience of individual and institutional investors interested in investing in Italian companies with excellent sustainability performance.

Its database includes over 400 operators and its procedures have been ISO 9001 certified since 1996.



“Management and coordination”

ERG S.p.A. manages and coordinates the operations of its directly and indirectly controlled subsidiaries, in particular the:

- definition of business strategies;
- indication of strategic guidelines for organisational matters and macro level personnel policies;
- strategic finance and group treasury management;
- management of tax-related issues, especially with regards to planning;
- management of communication policies and dealings with institutions;
- management of environmental, health and safety policies;
- coordinated management of IT systems;
- definition of risk management policies;
- centralized management of corporate obligations;
- legal support for the most significant transactions (special projects);
- definition of common policies for internal audits;
- definition of guidelines for the preparation of financial statements;
- management of non-oil purchases.

Following the extraordinary transactions performed during the year, the directly and indirectly controlled companies subject to management and coordination include: ERG Nuove Centrali, ISAB Energy, ISAB Energy Services, ERG Power and ERG Oil Sicilia.

As regards the subsidiary ERG Renew, ERG S.p.A. performs the same management and coordination activities save for defining the guidelines for drafting financial statements.

ERG has adopted the following to manage its operations:

- a procedure for the public communication of statements and information. The aim is to ensure that all statements and information intended for the market, for CONSOB and for the Italian Stock Exchange are the result of an accretion process that guarantees both timeliness and accuracy. The procedure defines the tasks and responsibilities of the departments involved, identifies the criteria, methods and timing of various procedural stages and establishes the appropriate decision-making lev-

els for the dissemination of statements and information;

- a Code of Conduct that aims to ensure transparent financial transactions carried out by relevant persons, namely those persons who, by virtue of their roles within the Group, have significant decision-making powers or considerable knowledge of corporate strategies which would help them in making investment decisions regarding the financial instruments issued by the company;
- a reporting procedure in compliance with which subholding companies – based on specific approaches and timeframes – would inform the parent company of transactions effected by them directly and which might be classified as significant according to the guidelines mentioned above, applying the exceptions envisaged in these guidelines.
- a specific internal procedure – in effect since 2011 – aimed at ensuring basic and procedural transparency and correctness in transactions with involved parties, completed directly by ERG S.p.A. or through subsidiaries.

“Actions against global warming”

The ERG Group supports the “20-20-20 climate-energy package”

As part of Corporate Sustainability and Social Responsibility, the Group adheres to the so-called “Climate-energy package” adopted by the European Union to oppose the atmospheric heating phenomenon and resulting climate change.

For some time the Group has carried out strategic actions aimed at achieving increasingly sustainable development within its business portfolio, in line with European principles, and is able to integrate economic topics with social and environmental issues.

Promoting and increasing the use of fossil fuels with a low environmental impact – such as natural gas – developing renewable energy sources, the use of technologies with a low environmental impact and energy efficiency are the commitments ERG has made to the Sustainability targets established in the “Climate-energy package” on a European level.

THE CLIMATE-ENERGY PACKAGE

The European Parliament adopted the so-called “20-20-20 climate-energy package” with the goal of curbing atmospheric heating.

Below are the principal objectives contained in the package:

- by 2020, a 20% reduction in greenhouse gas emissions as compared with 1990 levels;
- bring the quota of renewable energy sources to 20% of total energy consumption, also envisaging the promotion and use of biofuels thus bringing the quota to 10% of the total consumption of fuel used in transportation by 2020.
- reduce energy consumption by 20% through energy efficiency measures.

These objectives can be achieved through the implementation of a regulatory framework set by different European Union Directives that specifically envisage:

- a reduction in greenhouse gas emissions, an bidding system for the purchase of “emission permits”, whose proceeds will go toward funding measures aimed at reducing emissions and adjusting to climate change;
- binding national objectives (17% for Italy) for the generation of energy from renewable sources;
- at least 10% of the fuel used for transportation in all countries should come

from renewable energy sources (biofuels, “green” electricity, etc.); biofuels should also comply with set sustainability criteria (the directive on biofuels is under revision).

THE CENTRAL FOCUS OF THE ENERGY SECTOR

It is clear that the energy sector should work to achieve set objectives and develop sustainable methods of energy generation through the use of increasingly “clean” fuels and, at the same time, aim for enhanced energy efficiency (through the adoption of innovative technologies and research on the best process solutions) as well as the development of renewable energy sources and the use of biofuels.

Reducing greenhouse gas emissions, the principal goal of the Kyoto Protocol, is paired with the development of projects useful for limiting the production of carbon dioxide (CO₂) and those based on the so-called flexible mechanisms included in the Emission Trading Directive.

The CDM (Clean Development Mechanism) and JI (Joint Implementation) mechanisms enable industrialised countries to compensate for their emissions by establishing projects in developing

economies. The goal is to produce a beneficial impact on the environment in terms of reducing emissions and economic and social development in the countries hosting the projects.

This also produces emission credits for industrialised countries that encourage certificate issue programmes (Certified Emissions Reduction - CER and Emissions Reduction Unit - ERU) that achieve an effective reduction of gas emissions, which contributes to the achievement of each country's goals. The projects are pre-emptively selected and carefully analysed based on environmental, social and sustainability criteria over the short and long term.

In particular:

- a preliminary evaluation of environmental impact must be performed;
- the project must promote the spread of knowledge on "clean" technologies;
- the reduction of emissions should be supplemental to the situation without the project;
- a quantitative report of the emissions prevented should be defined.

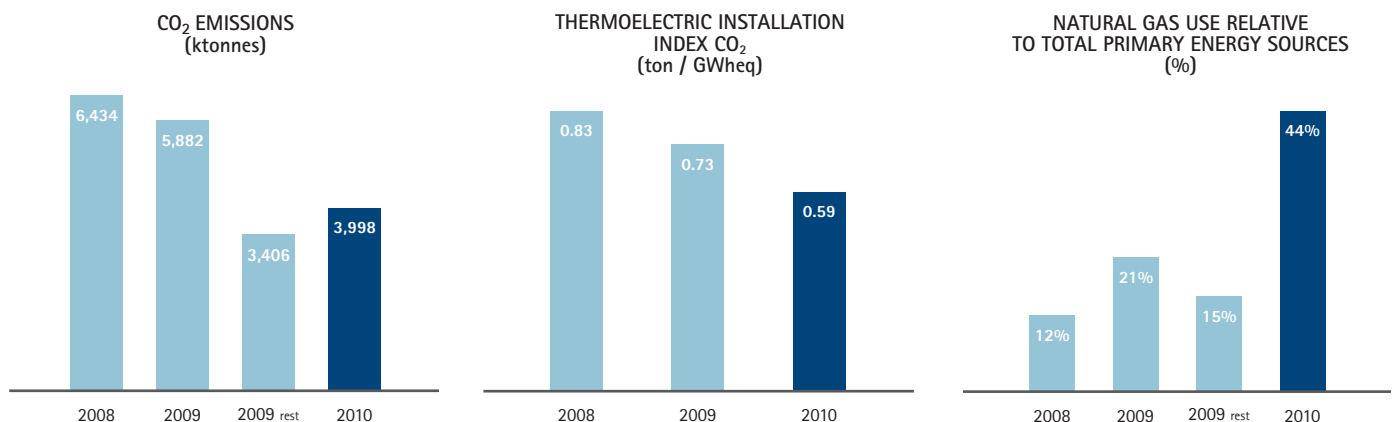
THE ITALIAN CARBON FUND

In order to proactively participate, the ERG Group became one of the principal partners in the private sector by joining the Italian Carbon Fund, a project supported by the Ministry of the Environ-

ment in collaboration with World Bank. Since 2008, the fund has issued Emission Reduction Certificates (CER) that the Group uses to comply with the targets set by the Emission Trading Directive.

Beyond the tangible benefits, active participation in the fund has enabled ERG to acquire precious know-how on projects aimed at lowering emissions internationally.

ERG thus adopted a rigorous accounting system for greenhouse gas emissions at its facilities and regularly presents a complete and accurate report that is certified by independent auditors and accredited by the relative authority.



The 2009 rest column shows the values for the year 2009 excluding the ISAB S.r.l. data.



“Gone with the wind”

The development of renewable energy sources

The ERG Group, through its subsidiary ERG Renew, is active in the generation of electricity from renewable sources with a special focus on the wind sector. The strategy aims to consolidate the Group's presence on the national market and confirm ERG Renew as the leading operator in Italy both through organic growth and acquisitions: in July 2010 the company acquired two wind farms for a total power of 102 MW.

These two wind farms located in the municipalities of Rotello (CB) and Ascoli Satriano (FG) comply with elevated standards for integration with the landscape, both in terms of technology and aesthetics and architecture.

At the end of 2010 ERG Renew owned plants that generate a total of 246 MW of installed power in Italy and 64 MW in France.

During 2010 the Group invested 89 million, the majority of which went to the generation of wind power on a national level: at year's end, in southern Italy, new wind plants were in an advanced phase of construction in Fossa del Lupo (EUR 63.7 million of investments) and in Ginestra (EUR 22.1 million) for a total installed power of approximately 130 MW.

A pilot project was also launched for the creation of photovoltaic plants on roofs and bus shelters at the ISAB Energy industrial site, for an expected power of approximately 1 MW.

The ERG Group is also working on a project aimed at expanding their operations abroad, with a special focus on those markets that, based on the regulatory

framework, offer conditions favourable for development.

In addition to the French market, where ERG Renew already has a strong presence and is expecting in 2011 to achieve authorisation for the expansion of the Greneville park, the focus has concentrated on areas in Eastern Europe that offer a high potential for development and

ERG and environmental performance

Environmental protection is achieved by improving the environmental effectiveness of processes and successfully preventing pollution. The Group implements an Integrated Certification policy for industrial sites in accordance with the international management standards ISO 14001 (environment) and OHSAS 18001 (health and safety).

In particular the goal of energy efficiency and the development of renewable energy sources contributes considerably to environmental protection.

The projects are focus on improving the management of water resources, atmospheric emissions and topsoil and subsoil.

Water resource management is focused on minimising withdrawals and the reuse of process water that is obtained from the most diverse industrial activities.

Atmospheric emissions are primarily minimised by increasing the use of low-carbon and low-sulphur fuels together with specific activities aimed at lowering and controlling emissions. Investments in the thermoelectric sector also enabled the replacement of old generation plants with new, more efficient facilities both from a technological and environmental perspective.

Prevention and protection operations focused on the **topsoil and subsoil** take place through plans focused on:

- analysing and evaluating new projects;
- recovery and remediation programmes;
- environmental characterisation;
- safety measures.

would offer significant synergies thanks to the "Memorandum of Understanding" for the development of renewable ener-

gy sources signed together with LUKOIL. The goal is to build a well-diversified and geographically balanced portfolio

of assets in the medium term, partly in order to optimise regulatory risk management.

Plant	Prov.	Commis- sioned	Installed power MW	Production GWh			ktonnes CO ₂ avoided *
				2010	2009	Δ	

WIND ITALY

San Vincenzo	FG	01-2005	42.0	61.4	57.7	3.7	26.7
San Ciro	FG	01-2006	30.0	50.2	49.6	0.6	21.8
Faeto	FG	04-2009	24.0	38.9	26.4	12.4	16.9
Vicari	PA	12-2008	37.5	74.6	59.4	15.3	32.5
Eolo	FR	01-2002	9.0	14.9	15.2	(0.3)	6.5
Rotello	CB	01-2010	40.0	46.3	–	46.3	20.1
Ascoli Satriano	FG	06-2010	61.8	45.9	–	45.9	20.0
Pian de Corsi Baltera	SV	06-2002	1.6	1.2	1.2	–	0.5
Total			245.9	333.4	209.6	123.8	145.0

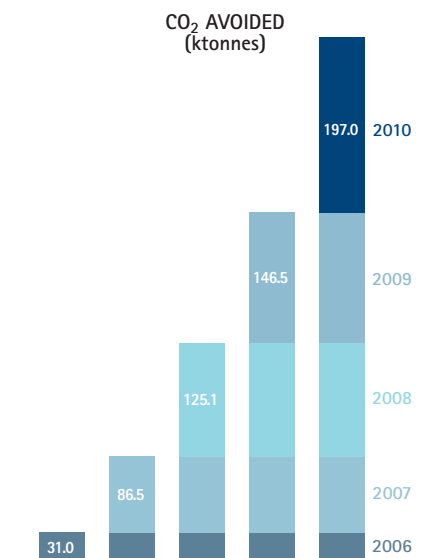
WIND FRANCE

Le Carreau	10-2006	9.2	21.6	21.3	0.2	9.4
Lihus	12-2006	11.5	20.7	19.9	0.8	9.0
Hetomesnil	12-2006	11.5	20.9	21.4	(0.5)	9.1
La Bruyère	10-2006	11.5	23.4	23.7	(0.3)	10.2
Les Mardeaux	10-2006	11.5	21.6	21.2	0.3	9.4
Plogastel	04-2010	9.2	8.6	–	8.6	3.8
Total		64.4	116.8	107.6	9.2	50.8


MINI HYDRO

I.S.E.A. + Ecopower			2.7	4.9	(2.2)	1.2
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TOTAL			310.3	452.9	322.1		197.0
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* Avoided CO₂ is calculated based on production and the g CO₂ / kWh conversion factor according to Terna data.



“A fully operational power station”

The new CCGT ERG Power plant reduces environmental impact and improves energy efficiency

Efficiency, environmental and economic sustainability, safe energy procurement for industry: these are a few of the fundamental elements that have encouraged ERG Power to create a new station, which is expected to become fully operational by the first quarter of 2010.

The new combined cycle “cogeneration” plant (CCGT, Combined Cycle Gas Turbine), with a capacity of 480 MW fuelled by natural gas, replaced the conventional condenser-based thermoelectric plants (CTE); it fulfils all the requirements of present energy demands and those expected in coming years ensuring flexibility and reliability at industrial sites.

In its present configuration, the CCGT joins the existing SA1N/3 counterpressure Group. The electricity produced is partly fed into the Italian national grid and in part used to fuel the multi-company site's plants via a 150 kV network. The new plant allowed for two main outcomes: on one side it powers the plants at the multi-company industrial

site in Priolo with more sustainable, more flexible and much more efficient methane gas production than traditional generation at CTE plants powered by fuel oil, and, on the other, it enables, given the degree of installed power, a large quantity of electricity to be fed into the grid and destined for sale on the Sicilian electricity market (which is still strongly supported by traditional plants).

In creating this plant ERG used innovative technologies aiming both to improve energy efficiency and reduce environmental impact.

The operations at ERG Power plants, located within the boundary of the North

Plants of the ISAB Refinery, are closely integrated with those of other companies present within the industrial area in Priolo Gargallo (SR). The steam, electricity and demineralised water produced are utilities essential to the operation of other plants.

In order to ensure the efficiency of the steam generation system for such a large area, the system must be extremely flexible and reliable, so as to ensure continued operation even during emergencies. Flexibility is guaranteed by the existence of several production centres and compliance with precautionary conditions (hot thermal reserve) that are able to satisfy demands in the event that other energy producers are unavailable.

Objectives achieved

With ERG Power's CCGT plant entering full operation a year earlier than planned, the goal of a 20% improvement in energy efficiency at thermoelectric installations (as compared with 2006) was achieved.

By modifying the original thermoelectric structure of the site, the new CCGT plant (together with the SA1N/3 Group) significantly helps to meet the Group's energy efficiency objectives and, most importantly, enables a reduced environmental impact on production activities. The data show that emission levels for macro-pollutants have been drastically

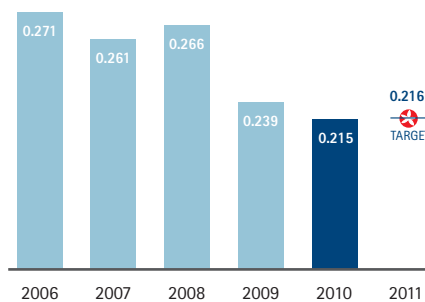
decreased and are in line with the typical values for plants using more innovative technologies.

The CO₂ emissions index has also been improved (calculated as the ratio between tonnes of CO₂ emitted and total electricity produced measured in GWheq, as shown in the graph on page 25). Although electricity generation has been tripled since 2009 (passing from approximately 1TWh in 2009 to approximately 3 TWh), the CO₂ emissions index has dropped by approximately one fourth.

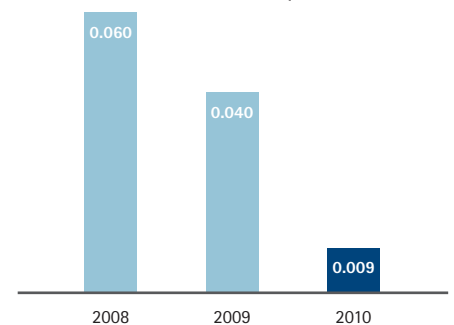
These environmental benefits are strengthened by those relative to the ability to “modulate” electricity generation based on demand and the production capacity guaranteed by the new plant.

An elevated ability in “modulating” electricity generation thus represents a further assurance of efficiency on the electricity market, providing an electricity reserve that can be managed by Terna to resolve congestion, balance problems and general grid safety problems.

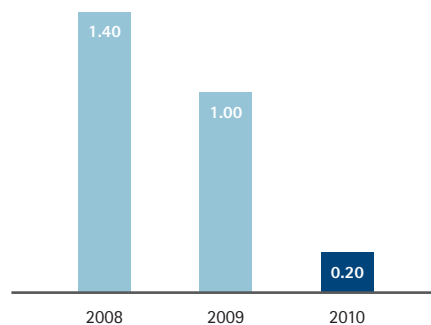
THERMOELECTRIC INSTALLATION
EFFICIENCY
(Toe / MWheq)



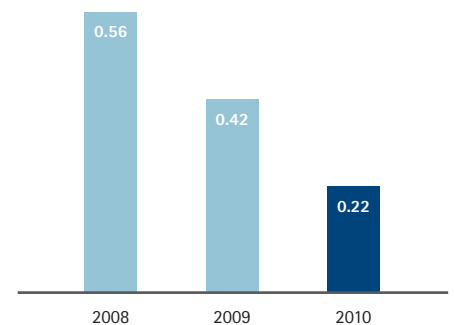
THERMOELECTRIC INSTALLATION
PARTICULATE INDEX
(ton / GWheq)



THERMOELECTRIC INSTALLATION SO₂ INDEX
(ton / GWheq)




THERMOELECTRIC INSTALLATION NO_x INDEX
(ton / GWheq)



Reduction in principal pollutants - ERG Power

	2010	2009	Change
SO ₂	681	3,830	- 82%
NO _x	819	1,377	- 40%
Particulate	15	164	- 91%



“An eco-friendly work site”

Constructing a wind farm in respect of the habitat

ERG Renew, a company in the ERG Group that develops energy from renewable sources, pays the utmost attention to protecting the environment in the places where it operates. It was in this setting that the opportunity arose to start a complex study on the environmental impact of work site activities for the construction of the Wind Farm “Fossa del Lupo”, owned by the company ERG Fossa del Lupo S.r.l., in the municipalities of Vallefiorita, Gasperina and Palermiti (CZ).

The study concerns the environmental variables – **habitat, fauna, flora, and vegetation** – subjected to stress during the various work site phases and evaluates any effects, case by case. It was therefore possible to readily identify both the most critical environmental variables, that is, those most likely to be affected, and measures for mitigating the consequences.

Even today, an analysis of the single effects recorded reveals that the final monitoring results are encouraging in that they show that, overall, the work site is fully compatible with the various environmental components considered.

THE WORK METHOD ADOPTED

The complexity of the investigations made it necessary to design a preliminary monitoring work plan capable of clearly establishing the objectives and methodological criteria for each phase of construction. This plan may be summed up as follows:

- definition of environmental indicators;
- identification of the effects to be monitored;
- pre-construction and post-construction monitoring;
- elaboration of the data management and summary procedures.

The land on which the wind farm is to be built has a surface area of about 8 km² and has been subdivided into three areas. For each of these areas, a preliminary study of the environmental components divided into “flora” and “vegetation” will be conducted and the subsequent effects of the work site activities will be monitored.

In order to classify the various types of habitat present in the area under study, a Land Use Map was elaborated in accordance with the official land cover and use system adopted across Europe (Corine Land Cover).

An assessment was then made of the presence of any protected habitats defined by Directive 43/92/EC, whose aim is to safeguard biodiversity in consideration of local economic, social and cultural needs, through the conservation of natural and seminatural habitats, as well as the wild flora and fauna present on the land concerned.

The environmental monitoring programme may be subdivided into:

A) pre-construction monitoring with a view to:

- 1) documenting the dynamic evolution of the single environmental variables subjected to varying degrees of stress during the work site activities;
- 2) reporting the onset of any environmental emergencies;
- 3) guaranteeing control of specific situations so that the organization of the works may be adapted and modulated according to the specific environmental needs of the area concerned.

B) post-construction monitoring with a view to:

- 1) verifying respect of the general regulations adopted previously in the various phases of the project according to



the protection of the environmental variables considered "sensitive";

- 2) verifying and analysing any environmental changes recorded following the construction of the work;
- 3) ascertaining the actual effectiveness of the measures taken to mitigate the impact on the natural and anthropic environment;
- 4) adopting mitigation or compensation measures to limit unexpected negative effects on the environment.

The methodological criteria on which the monitoring programme is based are:

- 1) identification of the effects to be monitored: starting from the assumption that every action included in the project is to be considered a potential source of impact, mitigation works were designed to ensure that the environmental balance is maintained to a sufficient degree and the monitoring activity included an assessment of the actual effectiveness of the measures taken in ensuring that the environmental balance is not upset;
- 2) definition of the environmental indicators and monitoring activities: specific indicators were defined and pa-

rameters selected on the basis of the monitoring area for which they are used. These indicators can be measured on biotic and abiotic organisms that represent the status of a single environmental component or the entire system considered;

- 3) elaboration of the data management

and summary procedures through the application of summary environmental quality indexes;

- 4) specific topic monitoring: important component of the monitoring plan associated with temporary impacts – particulate, surface water, groundwater, soil, flora, vegetation.



“Wind turbines and fauna: a possible coexistence”

Monitoring bird habitats on Vicari Wind Farm

The area on which the wind farm of Vicari (Palermo) stands is subjected to constant environmental monitoring to check the direct and indirect short and medium-term effects that the plant could have on resident and migratory bird life. This monitoring enables the effects of the wind farm during its operation on the bird community to be assessed and, where necessary, appropriate measures to be taken to mitigate these effects and any measures laid down by the law to be adapted on the basis of the findings in the field.

The initial results of monitoring are encouraging: the measurements made so far do not reveal any direct effects of the plant on bird life. In fact, in a thorough check of the area, no dead birds were found around any of the wind turbines and no collisions between birds and the turbines have been observed whether the blades were stationary or in motion. In the area concerned by the wind farm there is a farming village where wheat and forage, crops that play an important role in maintaining the bird life that populates the area, are grown, alternated with large areas of natural vegetation.

Monitoring is performed in the field

throughout the year in order to observe and assess the short and medium-term effects of the wind farm, (during the various seasons of the year, different phases of migration and different weather conditions), on the resident and migratory bird life in the area around the wind farm. The work is done using methods that conform to the provisions laid down in the environmental monitoring plan drawn up on the basis of a wide range of national protocols and guidelines (for example, the WWF Italy “Guidelines for the construction of industrial wind farms in Italy”).

During the first year of monitoring, the

best method of discovering the bird life present in the study area was identified. The specialist bibliography was consulted and the area around the wind farm was subjected to inspection, “georeferencing” the listening and observation points on the basis of the orographic features and layout of the wind turbines. In this way, as the investigation continued, during the second monitoring period, a selection was made of some stations that, according to the weather conditions, seasons and habitats present, were particularly suitable for increasing the possibilities of registering and detecting the presence of the species (for example, observation points were selected





in such a way as to be able to monitor at least 10 turbines at the same time or, according to wind intensity and cloudiness, to monitor the areas frequented the most by the species present).

This operation, which was performed with great care, required a long time as, although the countryside in the area is quite homogeneous, we identified some points characterized by a greater variety of fauna due to the presence of food not found in the rest of the area around the wind farm, as a result of the presence of particular "phytosociological" features (such as the presence of thorn bushes or broom, or during the hot season, drinking points).

In order to identify nesting sites, the rock walls situated in the areas beside the wind farm within a range of at least 10 km were inspected systematically to detect the presence of bird species, particularly predatory birds, resident and nesting in the area. An inspection was then made of rock walls situated outside the area taken into consideration but that, due to the particular orographic features of the entire Vicari plain area, could house nesting birds with which the wind power plant could interfere.

The largest percentages of sightings concerned common species abundant in Sicily or migratory species while there were very few rare and endangered species. The collection of data on specially designed, standardized forms enabled information to be obtained not only on the presence of the bird species but also on their flying behaviour in the area under study and the possible interference with the wind power plant.

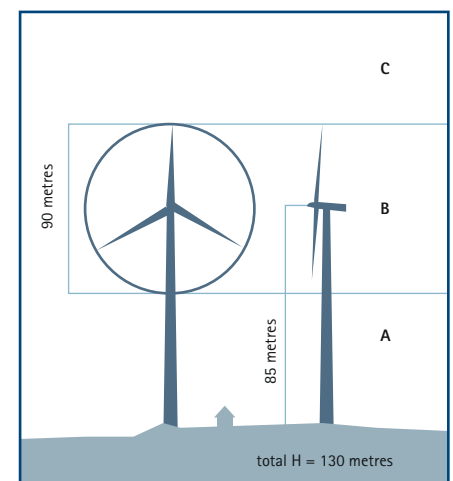
In particular, to identify the potential degree of interference between each individual species and the turbines, the flying height, divided into three bands, was indicated for each sighting (see figure): the first, called band A, was the bottom part of the tower below the bottommost point reached by the turning blades; band B stretched from the bottommost to the topmost points reached by the turning blades in which collisions between birds and the blades may take place and band C, which is the area above the topmost point reached by the blades.

An analysis putting the number of birds recorded for each species into relation with the flying height was conducted. This revealed that about 16% of the birds fly in the danger zone, band B.

It was also observed that the area affected by the wind farm does not seem to be on a route of migration of predatory birds.

The surrounding area, characterized by the presence of rock complexes with numerous rock walls, houses many species of nesting predatory birds which, according to the results obtained up to now, have not suffered any damage or changes in their reproductive rate.

In conclusion and on the basis of the findings made up to now, the impact of the wind farm on the quality and customs of resident birdlife may be considered to be insignificant and has not altered the routes of migratory birds flying through the area.



“Environmental protection measures”

Remediation activities

In carrying out its industrial activities, ERG pays great attention to the protection of the water, air and soil with a view to safeguarding the area and in active collaboration with all the authorities concerned. In fact, for years, ERG has been focusing its efforts on mitigation and remediation measures with a view to eliminating all risks for health and the environment in the soil, subsoil and groundwater. A constant commitment realized through the elaboration and implementation of continuous monitoring and prevention and remediation measures, in close collaboration with the competent authorities who are informed of the actions taken transparently to allow the relevant assessments and checks to be made.

On “Sites of national interest”, such as the industrial area of Priolo, Melilli and Augusta, the remediation operations are managed directly by the Ministry for the Environment in its capacity as the authority responsible for tackling and evaluating the effects of industrial settlements in the largest and most complex areas in Italy, ensuring the obtainment of a high level of health and environmental protection from the regional development and promotion point of view.

Through a Programme Agreement for the Site of Priolo, the Ministry for the Environment shared with the local authorities the procedures for the approval of clean-up projects and on land owned by private

individuals and restoration of the areas to their original uses. ERG has therefore established an active dialogue with the Ministry for the Environment with a view to evaluating whether the operations and the development plan for its plants on the Site of National Interest of Priolo are in line with the methods and procedures indicated in the Programme Agreement.

It should be borne in mind that the aspects associated with the remediation of the land, subsoil and groundwater are regulated on a national level by the Italian Environment Act (Legislative Decree 152/2006), which assigns the specific prevention and remediation responsibilities to Private individuals and the competent authorities (Ministry for the Environment and Local authorities).

The objective of the legislation is to regulate the operations through procedures, criteria and methods for performing the operations necessary to eliminate pollutant sources and to reduce the concentrations of contaminants, in accordance with the principles and framework directives established on the EU level. In particular, environmental and land remediation operations, combined with permanent or operational safety enhancement measures, enable the site to be restored to its actual and final condition for the use established in the town plans. From the regulatory point of view, in Italy

there has been an increasingly wide application of what is called the “Site-specific analysis”, a tool already adopted successfully in most European countries. This kind of analysis consists in making a detailed assessment of the characteristics (hydrogeological, lithological substrate, environmental condition and routes of exposure) of each area so as to define specific operations capable of significantly reducing the risks for health and the environment.

Monitoring the marine area in the Bay of Santa Panagia

For many years, ISAB Energy (together with the ISAB Refinery) has carried out campaigns for monitoring the chemicophysical characteristics of the stretch of sea that receives the water used to cool the plants: the objective is to obtain a picture of the ecological and chemical condition of the water in the bay of Santa Panagia.

The results of the 2010 monitoring campaign showed that the values measured conform to those laid down by the legislation and the reference standards (Environment Act); the toxicological tests carried out on the various matrices did not reveal any negative effect and the biocenosis study revealed the presence of a fair number of plant and fish species. In conclusion, the balance between the industrial plant and the surrounding environment may be said to be adequate.

LINES OF ACTION

The design of operations on the ERG sites is based on the following criteria:

- definition of the operations on the basis of an in-depth knowledge of the environmental condition of the Site;
- identification of the operations necessary for the "land matrix" through a site-specific risk analysis conforming to methodological criteria and the technical guidelines drawn up by the Italian Institute for Environmental Protection and Research (Istituto Superiore per la Ricerca Ambientale - ISPRA);
- definition of the operational criteria applicable to the areas concerned by accidental events;
- preparation of corrective operations for the groundwater in the areas concerned to eliminate or reduce the concentration of contaminants present.

The objective is to effectively implement all operations necessary to obtain environmental benefits in the soil, subsoil and groundwater, in respect of the limits laid down by the legislation and the competent authorities. The implementation of these operations is checked carefully and periodically, through monitoring and analysis of the environmental condition, also in the presence of the supervisory authorities.

REMEDIATION ACTIVITIES AT THE IGCC PLANT OF ISAB ENERGY

- Finalization of the engineering part of

the operations laid down in the operational safety enhancement project (groundwater drainage system).

- Periodic and updated monitoring of the condition of the groundwater.
- Site-specific analysis of the land to confirm the lack of risk for workers and the environment.

OPERATIONS IN CASE OF ACCIDENTAL EVENTS

In an emergency, that is, if an accident takes place, a plan of action will be implemented with a view to taking all the Emergency Safety Enhancement measures (MISE), which consists mainly in blocking the primary source of contamination and taking the actions necessary to:

- avoid triggering other events (e.g. fires);
- reduce dispersion and limit the spread;
- avoid contact with the other environmental matrices.

When an accident takes place, the actions necessary to remove the spilled substance are taken, using suitable means to clean up the spill and dispose of the surface soil contaminated by the event.

These operations performed on ERG sites ensure prompt emergency handling: an effective Emergency safety enhancement service designed to reduce the risks for the workers' health and the environment.

Electric company cars

In its continual pursuit of environmental protection, ISAB Energy has replaced 100% of its internal car fleet with electric cars, thus saving about one metric tonne of CO₂ equivalent.



HSE Certifications

Adopting Integrated Management Systems

One of the sustainability commitments undertaken by the ERG Group in 2006 was to obtain certification of the Integrated Management Systems of all its industrial sites in accordance with the international standards ISO 14001 (Environment) and OHSAS 18001 (Health and Safety).

The last of the commitments left on its agenda to reach this objective is the development of certified management systems for the CCGT plant of ERG Power, which was put into operation fully in 2010: this requires an extension of the existing combined ISO 14001 and OHSAS 18001 certification of the company ISAB Energy Services (company with a service contract for managing thermoelectric power plants) – only valid for the management of ISAB Energy plant – to the activities of ERG Power.

At the end of 2010, the process had not yet been completed but the bases have been laid for obtainment of the objective over the next two years.

The reason for this confidence comes from an analysis of the management systems currently used at the plants, which apply the work methods adopted by ISAB Energy Services, which has based its management style on the culture of minimizing risks and encouraging continuous improvement in

the efficiency of its processes.

Today, the ERG Power site operates on the same principles and methods certified and adopted in managing the ISAB Energy plant: reproducing these management systems made it easy to create an immediately pre-certifiable system that will enable the OHSAS 18001 safety certification to be obtained during the course of 2011 and the ISO 14001 environmental certification immediately afterwards. As soon as the managing company ISAB Energy Services obtains the combined certification, the company ERG Power will implement the procedures for obtaining ISO 14001 certification.

During the course of 2010, ERG Renew maintained and confirmed the combined certifications both for its holding activi-

ties and those associated with the wind farms of ERG Eolica San Vincenzo, ERG Eolica San Ciro and ERG Eolica Faeto.

For its hazardous and non-hazardous special waste storage and treatment plant situated in Frosinone, the company DSI (of which ERG Renew holds a share) has implemented an integrated Quality, Safety and Environment management system conforming to the ISO 9001, ISO 14001 and OHSAS 18001 standards, respectively. In 2010, it also obtained EMAS registration (issued by the EMAS-Ecolabel Committee of the Ministry for the Environment) and the prestigious Certificate of excellence for its integrated Quality, Safety and Environment management system from the certifying authority.

Why certify the whole Group?

One of the ERG Group's sustainability commitments is to implement and develop effective and efficient integrated management systems.

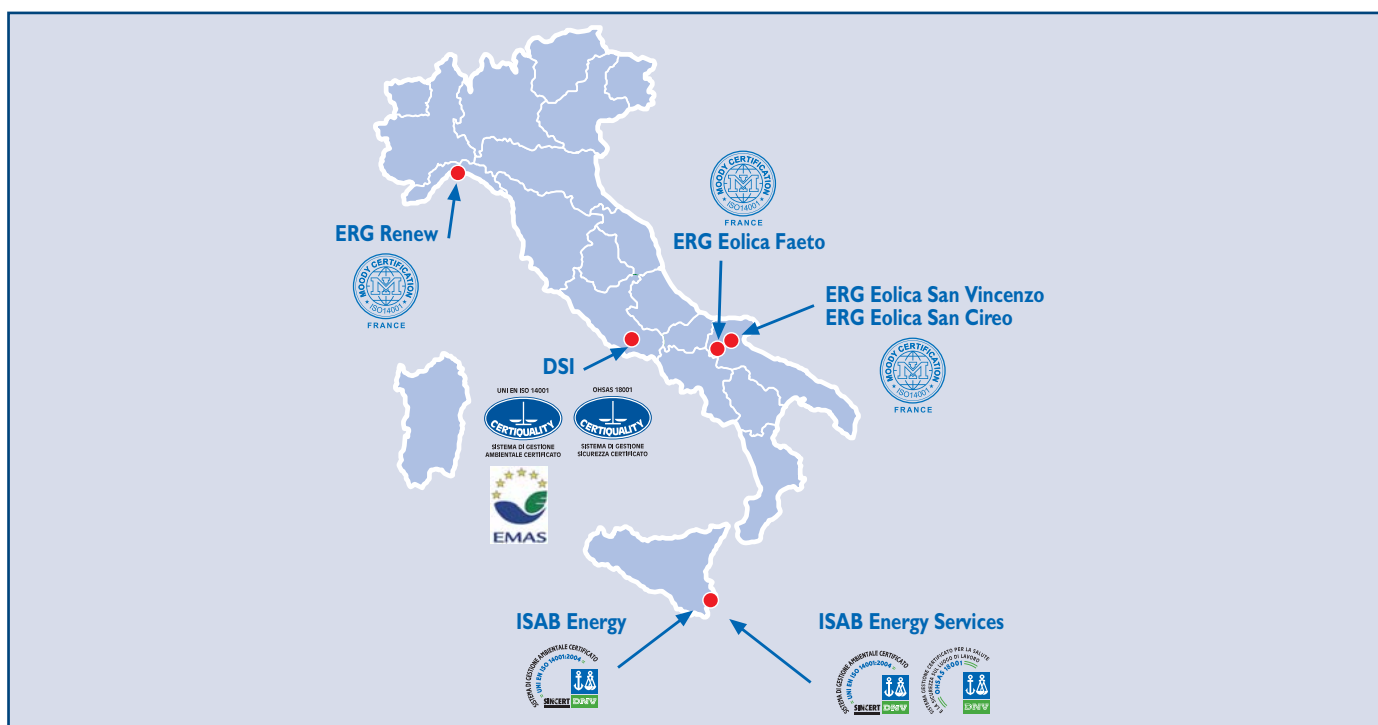
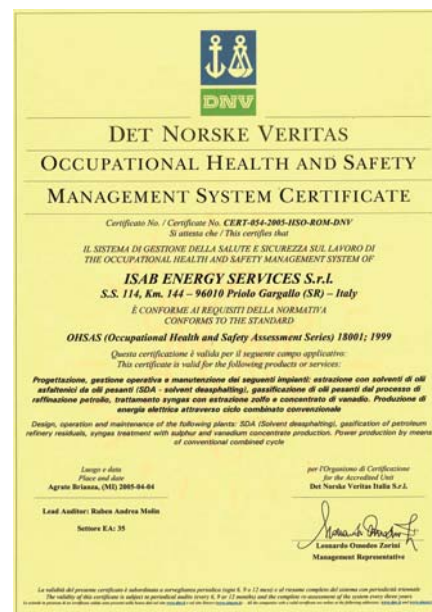
The reasons for this are intrinsic in the company's way of working:

- the Group's mission and vision are expressed in the contributions it makes to the building of a future that is "energy and environment-based": it therefore comes natural to take all the management measures necessary to reach this objective;
- in a medium-long term entrepreneurial approach that guarantees real sustainable growth through energy efficiency, obtaining certification means activating a mechanism that not only gives added value to a production process "genetically" close to environmental problems but also implements and renews corporate management strategies, optimizes resources and reduces waste;
- the adoption of certified management systems is a guarantee for the community and the competent authorities that consolidated and periodically checked analytical and test procedures (conforming to the regulatory requirements) suitable for ensuring the protection of workers' health and the environment are implemented on the Group's sites.



SUSTAINABILITY COMMITMENTS

Environment





“ ISAB Energy and ERG Power achieve Integrated Environmental Authorization ”

Best environmental performances of production sites

In 2010, after a lengthy procedure, the two ISAB Energy and ERG Power sites obtained Integrated Environmental Authorization (AIA) from the Ministry for the Environment, Land and Sea.

The AIA describes and regulates all the environmental aspects associated with the management of plants in terms of gas emissions, waste water and waste management.

One of the leit motifs that runs through the entire authorization is represented by the "best available methods", that is, the identification of the most advanced and efficient method of eliminating or at least reducing emissions and the impact on the environment as a whole. As early as the design phase, ISAB Energy has adopted all the best available methods, keeping them up to date and in line with technological progress.

The "running-in" period is not at all long; the new features introduced within the AIA must be implemented quickly. These include the need to respect the maximum hourly gas emission concentrations and

the application of strict limits on each individual plant (chimney stacks) that make it up: boilers set in series with the gas turbines and oven of the Hot Oil unit.

Another improvement has been made to the design criteria on which the Emission Monitoring System (EMS) is based, to make it more accurate and reliable for the persons responsible for managing the plants on a day to day basis.

Operations will also be performed to improve the monitoring of "leak emissions", that is small emissions of volatile organic compounds that may come from sealing elements (valves, pumps, flanges, etc.).

It is important to underline the fact that ISAB Energy – which has had an Environment Management System certified in accordance with the ISO 14001 standard for years – had already voluntarily implemented a system to control leak emissions of the "LDAR" (Leak Detection And Repair) type, which has now been perfected on the basis of the latest technical specifications. The system was then borrowed for the ERG Power site, de-

spite the small number of potential sources of emission.

Finally, particular attention was paid to the management of the torches, indicating a complete set of monitoring and control tools for checking the characteristics of the fluids transferred to the plant safety system so as to safeguard the "air" environmental matrix.

In particular, attention was focused on the possibility of using these safety systems in all phases of plant operation.

In addition to detailed "monitoring and control plans", the AIA includes additional studies for improving the protection of the air and water environmental matrices by laying down:

- operations aimed at reducing emissions from chimney stacks;
- assessments of the possibility of reducing the pollutant load conveyed to the IAS (Industria Acque Siracusane) consortium treatment plant.

“The safe use of products”

Implementing the new REACH Regulation for chemicals

In 2010, ERG undertook to implement the provisions laid down in the new REACH (Registration, Evaluation and Authorization of Chemicals) regulation that introduced a new, stricter regulatory framework on the production and sale of chemicals and other preparations on the market across the European Union.

More in particular, on the basis of the trading activities carried out, ERG concentrated its attention on oil products imported from outside the EU and put on the market, while ISAB Energy registered some substances coming from the production cycle of the gasification plant.

Due in part to their participation in the work group set up specially by the CONCAWE (oil companies' European association for HSE), the companies in the ERG group effectively implemented the principles laid down in the REACH Regulation, developing shared European Union procedures, together with the other companies operating in the sector, and collecting all the data required to register the substances.

CONTENTS OF THE REACH REGULATION

The REACH Regulation establishes precise obligations for manufacturers, importers and users of a large number of chemicals and imposes their registration with a view to sharing all the relevant information about the associated risks throughout the entire supply chain.

This guarantees that the substances handled will not present high risks for man and the environment: basically, the industry becomes responsible for a kind of self-certification process to demonstrate the safety of its products in accordance with the general “No data, no market” principle.

REGISTRATION

Registration takes the form of documentation that all manufacturers or importers must submit to the European Chemicals Agency (ECHA), which manages and updates the databases of hazardous substances and their classification and labelling. The Agency checks the registration and assessment procedures and, for each substance (as it is or as an ingredient of a preparation), collects the

following information from the operators:

- seriousness of hazard (chemicophysical, toxicological and ecotoxicological properties), description of manufacturing process and identified uses;
- assessment of the risk for human health and the environment.

ERG's objective, within the scope of the actions taken in conformance with the REACH Regulation, is thus to safeguard the workers' health and the environment; the collection, processing and sharing of information are useful in guaranteeing controlled and protected marketing of all potentially hazardous substances, at the end of the production cycles.



ECHA stands for European Chemicals Agency, which manages the REACH Regulation by carrying out and coordinating all the necessary activities, ensuring that they are implemented in a uniform manner across the European Union and giving scientific advice on the socioeconomic and safety aspects associated with the use of chemicals.



“ Safety Culture ”

Two competitions for the safety of employees and contractors

The commitment that ISAB Energy Services has always made towards Safety and Environmental issues over the past years has increased exponentially. The projects that have been promoted across the Group to raise even further the awareness of HSE issues, the first of which is the “Safety Project”, are continuing to provide inspiration for the improvement of a system which, though well established, cannot but pursue the objective of “continuous improvement”.

During the course of 2010, a year in which major projects have been concluded both on the IGCC site of ISAB Energy and at ERG Power, the reference point for all has always been respect of the regulations and safety at work: this was made possible by an increasingly close collaboration between the corporate functions such as Safety and the Environment, Maintenance, Plant Operation, Process Engineering and Investments, and a briefing and training system for anyone entering the plant, according to the activities that they are to carry out.

In spite of encouraging, positive results, the commitment to excellence demonstrates that there remain many aspects

with room for improvement on which high levels of attention and operation must be maintained.

The first of the aspects to be investigated and strengthened is how to increase the entire staff's awareness of the fact that everyone is part of this continuous improvement process whose aim is to implement safe behaviour with a view to making everyone the protagonists of their own safety and that of those working beside them.

In order to encourage safe behaviour and examine the state of progress of the works with respect to the established plan, in June 2010, a Safety Project co-ordination meeting was held. It emerged from that meeting that the Management, Department managers and Shift managers found the training activities very useful.

The following activities will involve the entire staff of the company with a view to spreading safety culture further and getting everyone to experience it as a protagonist in their everyday activities. In particular, the “Safety Dialogues” and “Safety Meetings”, which will be held in the field over the coming months by

Management, the Department managers and the Shift managers, backed up by the work groups involved in designing the tool, will enable the new approach methods to be applied to safety issues.

Employees' Safety Competition

The competition was designed to increase employees' awareness of workplace accident prevention, encouraging more responsible behaviour in order to get benefits in terms of improving working conditions. Participants must propose initiatives to improve the procedures or plants in terms of safety or environmental sustainability. Of the proposals received, 150 were validated by the judging committee and are consequently on their way towards implementation.

Contractors' Safety Competition

The aim of the competition was to help increase contractor staff's awareness of workplace safety issues so as to avoid the risk of injury and hazards, in general. The assessment was made through daily audits in the field conducted by ISAB Energy Services staff: during the course of 2010 over 2,000 were conducted and more than 99% were found to conform to the company's procedures.

Health and Accident Prevention at the Work Site

Constructing the CCGT: maximum commitment to safety and the environment

Now that the new ERG Power combined-cycle and cogeneration gas turbine (CCGT) plant at Priolo Gargallo (SR) is in operation – with a power of 480 MW, fired by natural gas – we feel it could be useful to conduct a final balance of the work site activities carried out for its construction, indicating how the works were based on Corporate Social Responsibility criteria. In fact, ERG Power asked all workers involved to give their greatest possible commitment and dedication to safety and environmental issues.

All the work site activities were managed as laid down by the legislation in force (Legislative Decree 81/08, as amended) and, before entering the site, all the companies were instructed to read the safety measures to be taken and send their safety documentation as laid down by the law.

A detailed Safety and Coordination Plan was drawn up during the work design phase and updated by the coordinators responsible for the various work site phases.

In order to make the work site documentation available for consultation at

all times, a centralized information system, accessible on line, was set up for the customer, thus enabling real time sharing of all the information required to coordinate and monitor the activities.

About 250 "safety and coordination" meetings were held to tackle the main problems in terms of both accident prevention and work-related problems. In order to encourage third-party workers to behave responsibly, a "safety competition" was held to reward companies that performed well from this point of view.

The aim of ERG Power in terms of sustainability was clear: to protect the health and safety of all workers, whether employees of ERG or contractors, and to pay the utmost attention to environmental aspects. The management and the entire staff have worked in this direction, involving all company departments, issuing directives and making checks and inspections.

With regard to the safety and protection of the workers' health, no result may be considered fully satisfactory by a Responsible Company unless it is that of

reaching the "Zero injuries" objective, which has always been pursued by the ERG Group. The commitment and efforts made have led to the following result: in over 3 million hours worked, only 9 injuries (with an absence from work of more than 3 days) were recorded with an injury frequency index (IFI) approaching 4, equivalent to about 1/10 of the IFI taken as a benchmark for activities comparable to those carried out on the work site.

With regard to the protection of the environment in particular from the hazardous gases present in the air, a complex real-time environmental monitoring system was set up through the installation of 18 small gas chromatographs.

The workers of the companies present on the site were also all informed of the environmental risks associated with the operation of the ISAB Nord Refinery and were consequently trained in the specific procedures necessary to adequately handle any emergencies that may arise. The training also included simulation drills on the work site.

“ Site Emergency Plan ”

The strategy for immediate and effective action

THREE ALARM LEVELS

The site emergency plan, formally divided between the areas of the ISAB Energy and ERG Power sites but with the same contents and methods of action, classifies emergencies into three levels:

- pre-emergency, yellow alarm: local emergency that does not entail evacuating the building, due to the localized nature of the event;
- first-level emergency, red alarm: widespread emergency that entails gathering all persons present at the inside meeting points;
- second-level emergency, blue alarm: widespread emergency that entails moving all persons present to the out-

side meeting points and their subsequent evacuation.

If a first or second level emergency occurs, the Emergency committee is to be alerted immediately and will coordinate the measures required to handle the event, shut down the plant safely and coordinate the rescue services.

TEST AND TRAINING

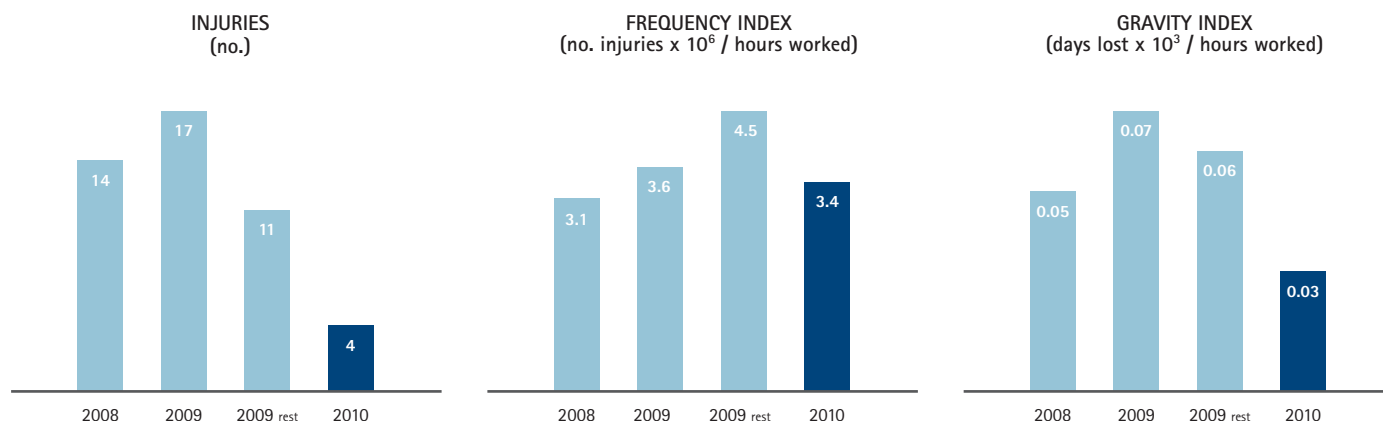
Every two months, the operational staff together with the authorities and the departments responsible for the safety of the population (Fire Brigade, Civil Protection, municipality, CCPP, ambulances) simulate an emergency to consolidate the coordination procedures to be carried

out when accidents occur.

The results of the simulations are analysed by the site management, who takes suitable action to eliminate the risk of any dangerous behaviour observed reoccurring.

In addition, every three months, the entire staff authorized to enter the plant attends a training session that summarizes the main emergency procedures in force on the plant.

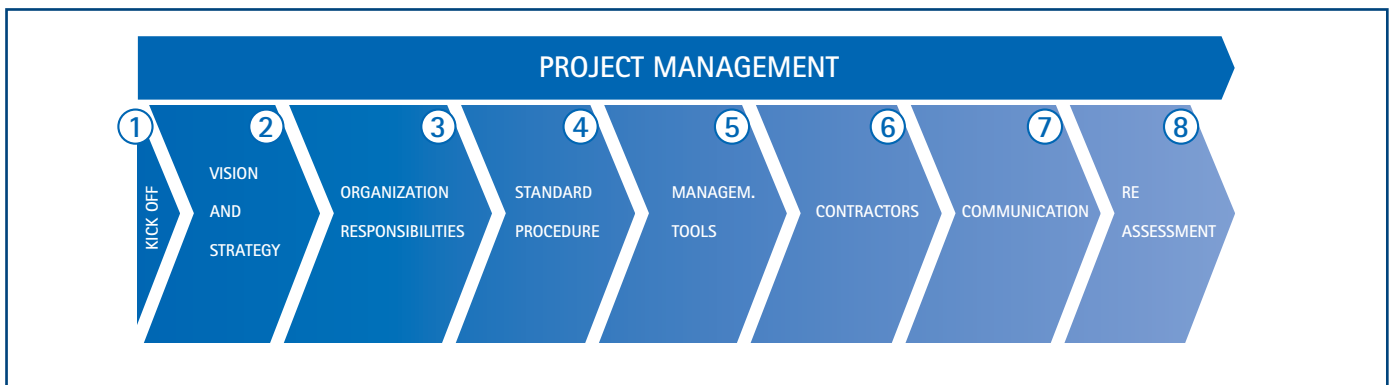
Even occasional guests are involved in training in that they are shown a video that presents a summary of the emergency plan for the plant.



The 2009 rest column shows the values for the year 2009 excluding the ISAB S.r.l. data.

Safety Project: moving towards excellence

*The guarantee offered by
ERG Renew's operations*



In 2009 all the companies in the ERG Group took part in the "Safety Project" with the precise aim of spreading workplace safety culture, focusing attention on improving behaviour and following the procedures.

ERG Renew took part by elaborating an ad hoc project, undertaken at the start of 2010, which is divided into 8 phases over 2 years of work; the fields of application are both the company and ERG Renew's work sites and all company departments are involved.

Through this project, ERG Renew intends to develop a cultural system in which workplace safety is to be seen not as an obligation imposed by regulations or company procedures but as a shared commitment and a way of living

and working. The first activities carried out included a gap analysis on respect of the regulatory obligations, international standards and best practice, aimed at identifying the areas with room for improvement in terms of health and safety and the actions required to implement a management system oriented towards excellence.

From the analysis conducted, ERG Renew was found to have a well-organized management system and a safety culture focused on the technical aspect; the opportunities for improvement identified mainly concern a development of the management system that involves all company departments, with a view to improving the current system not only from the health and safety point of view

but also in terms of process optimization and company efficiency.

To this aim, an investigation involving each individual employee was conducted, thus making him a part of the improvement process.

The project, which will continue throughout the year 2011, will entail ERG Renew reviewing all the company's tools used in safety management, extending their use to all employees and adapting them to the company's actual business and the international best practices. ERG Renew's objective is to integrate the current certified quality and environment system with a health and safety management system in line with the requirements defined by the voluntary certifications.

“A young, lean and efficient organisation”

The average age of our staff is still below 42 years

At 31 December 2010, the ERG Group had a staff of 714 employees, 865 fewer than 31 December 2009.

During the course of the year, the most important event was the launch of the TotalErg joint venture, which absorbed about 800 members of our existing staff. Regular turnover completes the figures, with another 113 persons joining and 177 leaving the company.

The reorganization of the Group included the merger of the two sub-holding companies ERG Raffinerie Mediterranee S.p.A. and ERG Power & Gas S.p.A. in ERG S.p.A., thus becoming divisions of it

with 58 and 64 workers, respectively. In the Group's new organizational structure, staff activities are centralized at ERG S.p.A., which unitarily manages Planning & Development, Management Control, Corporate Finance, Operational and Strategic Finance, Personnel, Tax, Legal and Company Administration, Institutional Relations and Communication, Internal Audit, Risk Office and directs and supervises its core businesses from the operational and financial points of view.

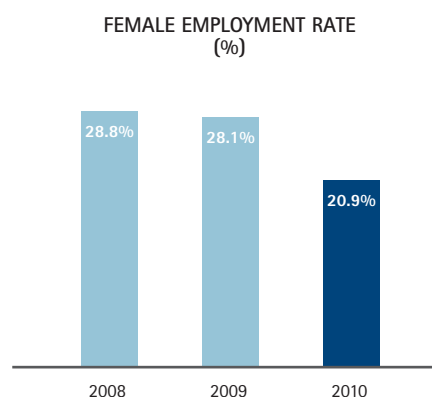
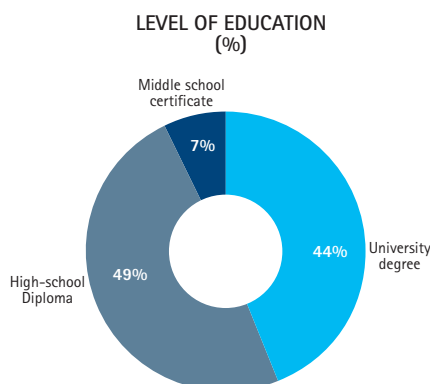
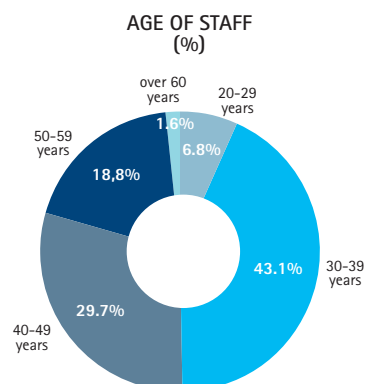
Within it:

- the Refining & Marketing division manages business in the oil refinement,

distribution and marketing directly or through joint ventures (ISAB S.r.l., TotalErg S.p.A.);

- the Power & Gas division manages the business of producing and marketing electricity and gas directly or through joint ventures.

Optimization work to develop a work organization increasingly in line with the best practices in the field and oriented towards efficiency (lean organization) has continued on the structure of the ISAB Energy Services subsidiary: this efficiency enhancing measure enabled the staff to be reduced by 7 units. The Group's

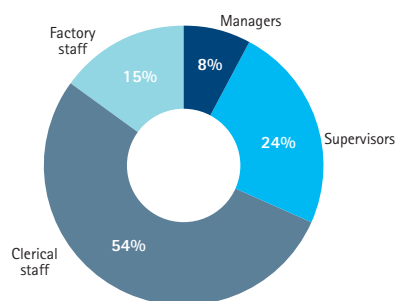


reorganization process also made it possible to start a constructive debate with the local Trade Unions with a view to finding shared solutions for maintaining the Group's technical, professional

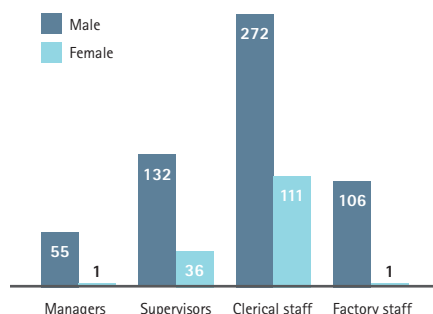
and economic efficiency, under conditions of equity and valuation of the human resources: in relation to this, the parties reached an agreement, which also included the early retirement of 25 work-

ers. The average age of the Group's staff remains slightly below 42 years and, with regard to their level of education, over 90% of company staff have a high-school diploma or university degree.

PERSONNEL PLACEMENT
(%)



EMPLOYEES BY GENDER
(no.)



ERG and staff management

Human resources are an indispensable element for the existence, development and success of any company. ERG therefore pays particular attention to valuing, protecting and developing the abilities and skills of all its employees, so that they can realize their full potential and professionalism and, as a result, contribute to the reaching of the company's objectives. The definition of a regular career path and training are two strategic and interdependent elements through which the Group "takes care" of its staff from the moment they are taken on.

The career path supports an extremely important and difficult objective, that is, to train future managers within the company, identifying their strong points and the pathways functional to their development. In particular, in its managerial development plan, ERG aims to spread its skills system based on 5 elements, which are considered to play a decisive role in reaching its business objectives:

- **teamworking:** to work together towards common objectives;
- **authority:** to act as a guide recognized by others;
- **coaching:** to improve the performance of individuals and the team;
- **entrepreneuriality:** to guarantee good results and take the opportunities that arise;
- **vision:** to anticipate events and plan the moves to be made.

Training is the axis about which the career path turns, it accompanies the person from the moment he joins the company and pursues objectives across the company, that is, those common to all persons working for the Group and those of each individual.

ERG also finds room for a less traditional type of training given outdoors in a kind of open-air training gym where the concepts summarized in the skills system are put into practice.

The aim is to develop trust between colleagues, a sense of belonging, a spirit of innovation and the will to accept increasingly big challenges.

“Protagonists of a Common Project”

*Empowerment as a professional
development tool*

Creating TotalErg, integrating the company with LUKOIL, developing the energy area, new processes to be defined, pursuit of increased effectiveness and increased focus on efficiency: the Group's new challenges require each of us to offer the best of our resources and talent. In 2005, we designed a pathway to be followed by the ERG Group in order to identify the managerial skills that would enable each of us to develop and above all put out professional qualities at the company's disposal.

Having built the skills model and aligned the human resource management tools with the new requirements, we decided to introduce at ERG a new method of speeding up the “from words to action” process and the implementation of what we had created and shared in our skills system. It is for this reason that at ERG we decided to adopt Empowerment with the support of a consultant company that conducts research and studies in the development of this method.

BUT WHAT IS EMPOWERMENT AS ERG SEES IT?

Empowerment is a term widely used in social disciplines and “corporate” language.

In general, it concerns the set of know-how and relational abilities and skills that enable an individual or a group to set objectives and elaborate strategies for reaching them, using the resources at their disposal. It indicates both a concept and a process that enables the objectives to be reached and is based on two main elements: the feeling of being able to take effective action to reach an objective and to control, check or perceive the influence of one's actions on events.

The approach shared by ERG focuses on the “expansion (through optimum use of its currently available or potentially acquirable resources) of the capabilities that a person may exercise and from which he may therefore choose”.

Empowerment therefore means opening new possibilities.

It helps the person to feel the protagonist of his life and to develop his capabilities. His working life, lived from 9 a.m. to 6 p.m., is not to be considered separate from his private life, which brings satisfaction to him during the rest of the day. Adults feel good when they are themselves and live to the full.

In this sense, Empowerment also brings a feeling of wellness, being and feeling effective also within the organization, which is no longer just a slice of the person's life but one of the fields in which he can implement and develop his resources.

ERG for human rights

The company analysed the respect of human rights issue in its own working environment and area of economic influence.

The ERG Group works mainly in countries where Human Rights are respected so we do not feel exposed to the risk of problems concerning this aspect.



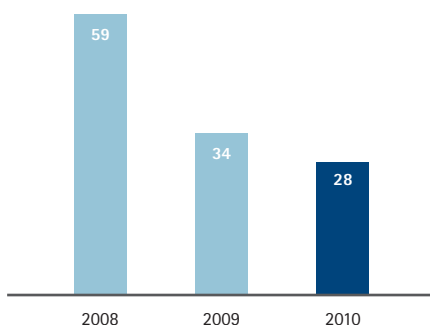
It focuses attention and individual investment on what can be done rather than on the reasons why things cannot be done. The opening of new possibilities inspired not only by needs but also by desires is the first step towards the change. Adults do not change by abandoning the past and turning over a new leaf, except after traumatic events. Change means adding new possibilities and the first step is to actually think of these new possibilities. On this theoretical basis and through this vision we designed a training and development pathway

aimed at providing employees with information on the empowerment process and enabling them to use it for their own benefit or that of other persons in their sphere of influence. Though varying according to the persons taking part and the specific stage of history that ERG was in, we have organized 5 editions of the pathway, one session of the meeting being dedicated to Management and one to Human Resources department staff. Putting Empowerment at the disposal of colleagues and collaborators for ERG means spreading an increasingly stimu-

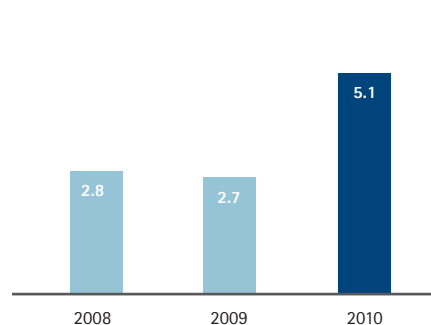
lating attitude and behaviour:

- **the taste for work:** a piece of the world that would not exist without us...;
- **desiring energy:** desire is an index of vitality... it helps to achieve unhoped-for results;
- **ability:** the capability of achieving a result;
- **personal/professional development:** the taste for making progress ...;
- **alliance:** to stimulate and be stimulated by colleagues;
- **increase in quality:** beyond continuous improvement.

HOURS OF TRAINING
(thousands of hours)



INDEX OF AVERAGE TRAINING
(days per employee)



Training at ERG

The significant reduction in the absolute value of the hours of training provided is attributable to the exclusion of the ISAB data for 2009 and TotalErg data for 2010.

On the other hand, the mean training index, which has increased continuously over the years, shows the Group's strong commitment to the development of its employees.

A close-up, artistic photograph of chess pieces on a wooden board. The pieces are dark and light wood, with some in sharp focus and others blurred in the background. The lighting is dramatic, highlighting the textures of the wood and the shapes of the pieces.

“Winning in 5 moves”

*Training is based
on the company skills system*

ERG focuses its attention on the persons who work for the Group, their individual professional development, valuing energy and talent, the ambitions and expectations of its collaborators. It encourages the spreading of the group spirit and the sense of belonging and pursues working excellence. In today's turbulent economic scenario, it is increasingly important for ERG to be able to count on determined and strongly motivated persons to become the protagonists of their own careers and the success of the company. This is why the Group invests in training, by organizing numerous initiatives that alternate classroom teaching with exercises in the field. ERG's training is based on the Company Skills System, called "Pentalogue", based on **5 fundamental values**:

- **Teamworking**: the ability to work as a team in order to reach common objectives;
- **Authority**: the ability to act as a guide recognized by others;
- **Coaching**: the ability to improve the performance of individuals and the team;
- **Entrepreneuriality**: the ability to guarantee good results and take opportunities;
- **Vision**: the ability to anticipate events and plan the moves to be made.

The training processes are divided into two main areas:

technical/specialist training, to transmit the specific know-how of a professional position or "family" and institutional/managerial training to transmit know-how on the behaviour that enables the organization and each individual to realize their potential and make their talent emerge. The seminars are based on experience, the study of real company cases and findings. They are held by consultant companies specialized both in transmitting the relevant know-how and in research into these topics.

INSTITUTIONAL TRAINING

Institutional training favours the integration of persons new to employment and/or the ERG Group.

Its main objective is to provide participants with information on ERG's business, create a common language, promote behaviour that is considered indispensable for professional development, develop cross-company skills and spread economic skills.

MANAGERIAL TRAINING

First-level managerial training is dedicated to those who coordinate persons and/or processes. Its objective is to provide tools

for coordinating and supporting individual development in terms of managerial skills. Second-level managerial training is dedicated to Middle and Top Managers who occupy posts of considerable managerial responsibility and its objective is to provide them with tools for managing persons, the team, the organization and change. The second-level managerial training courses were designed to support managers in their role as producers of change, spreading specific skills, using new techniques and methods for working together and living the company experience, particularly through Empowerment.

THE COMPANY SKILLS SYSTEM

1. **Teamworking**: working together towards common objectives.
2. **Authority**: acting as a guide recognized by others.
3. **Coaching**: improving the performance of individuals and the team.
4. **Entrepreneuriality**: guaranteeing good results and taking opportunities.
5. **Vision**: anticipating events and planning the moves to be made.

Communicate to share

Internal communication favours change and improves the company atmosphere

Sharing company decisions with persons working for the company, simplifying work procedures, shortening the communication and decision-making processes within the scope of an improvement of the company atmosphere and developing the sense of belonging and trust in the company.

These are the objectives of ERG's internal communication system, which, during the course of 2010 – a year of major changes in the company's ownership and organization – has contributed to the spreading of new corporate and professional models, through its own consolidated tools and new activities.

THE TOOLS

TeamERG – periodical magazine (quarterly) printed on recycled paper in 2,150 copies, 1,100 of which for ISAB employees (company in a joint venture with LUKOIL) and 150 for TotalErg employees (company in a joint venture with TOTAL).

ERGate – intranet portal of the ERG Group with 1,353 visits a day.

Institutional events – the Christmas annual meeting, organized at both of the Group's sites, Genoa and Priolo, represents a major opportunity for Top Management to meet up with all the persons

in the Group. The Group Meeting is an opportunity for exchange of information and debate between the CEO and the Directors. The meeting is videorecorded and shared the following day through the intranet with all the persons working for the Group.

IMPLEMENTATION AND INNOVATION

During the course of 2010, to provide the persons with adequate and prompt information and to encourage the sharing of objectives and active participation in organizational changes, the following

measures were taken:

- updating of the intranet portal, modifying the structures and descriptions of activities, bringing up to date the organizational areas and editor profiles;
- reorganization of the contents of the house organ (main periodical internal communication tool), ensuring the flow of information on the main activities in progress between the Group and the joint venture companies (ISAB and TotalErg);
- optimization of the exchange and sharing of information, and interaction between the persons working for the Group using new channels of communication available through the intranet portal: ocs (chat) and web streaming (communication between the joint venture and TOTAL, for example, involved no fewer than 950 persons of whom 600 in Rome and 350 by web streaming through the portal);
- support for Top Management with new tools in its activities of sharing results and objectives with their direct collaborators;
- introduction of new methods of reflection and sharing with regard to the change in progress in the Group (video interviews, corporate theatre).



“ Together after work ”

The ERG Club unites the company population

The activities organized by the ERG Club represent an important opportunity for socialization between the persons working for ERG and ISAB and their children, a great opportunity for all members to meet up. In short, an opportunity for all collaborators to get to know each other and enjoy themselves reconciling their own free time with their occupational roles and commitments.

Over the years, the Club has improved from both the organizational and managerial point of view, due to the commitment and contribution of the members of its Board of Directors, made up of company trade union representatives and members of other departments of ERG and ISAB. It has acquired a site of its own through the construction of sports and entertainment facilities. The contribution and active participation of its members in conceiving and realizing interesting projects also proved to be fundamentally important.

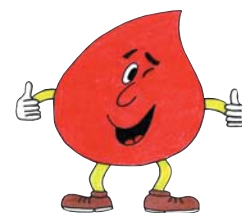
Many initiatives were taken for the workers' children, including the "Estate Ragazzi in Gamba" (Summer Camp for Smart Kids) project, which, in 2010, was

enriched with initiatives and courses held also outside the ERG Club.

"Estate Ragazzi in Gamba" – a modern version of the traditional Summer Holiday Camp – involves on average about 150 kids of employees of the companies in the Group in a busy programme of activities.

In addition to the traditional sports and art activities (the kids staged a highly entertaining musical, which was the key event of the final evening of the Summer Camp), a sailing course was held in the waters of Porto Piccolo in Syracuse – in collaboration with the Italian Navy League– and skin-diving courses were held in the Club's swimming pool, not to mention the singing course organized in preparation for the end of year performance.

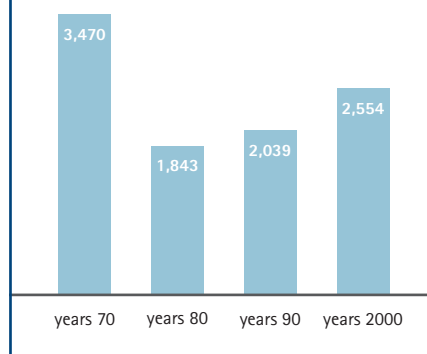
The Club's activities for young people every year also include the awarding of study grants to employees' children who have just obtained their high-school diploma or university degree. Worthy of particular mention is the activity of the Club's theatre company, which enjoys great success even outside the company.



Blood donors' group

The ERG blood donors' group was set up over 40 years ago (to be precise in 1969) and is made up of employees and ex-employees of the ERG Group who donate blood at public hospitals. The Group aims to represent a reference point for the health care facilities in their times of need, as they can direct requests for help to their group of volunteers (136 persons at the end of 2010).

BLOOD DONATIONS FROM 1969 TO 2010
(no.)



“A “Group” of athletes

Practising sport

11TH NATIONAL OIL CHAMPIONSHIP

In September 2010, the 11th edition of the National Oil Championship was held in Genoa. This multidisciplinary sports event was held for the first time in 2000 on the initiative of the Italian oil com-

panies, which take turns in organizing it each year. This edition distinguished itself for the participation of no fewer than 200 athletes – cyclists, runners and swimmers – coming from the leading Italian oil companies (ERG, ENI, SARAS,

Q8, API-IP and TOTAL). Your efforts are the same concepts as those indicated as corporate values in the Code of Ethics.

NEW YORK MARATHON

In November 2010, ERG athletes went to New York to run the most famous Marathon in the world. The efforts made by the 26 runners representing the Company – all of whom managed to cross the finish line – was recompensated by the extraordinary atmosphere that the population of New York created for the runners.

As for the National Oil Championship, also on this occasion ERG organized all aspects concerning the trip to New York and the athletes' participation in the Marathon. Great commitment was required of the athletes, who subjected themselves to long and tiring training sessions but, for many of them, taking part in this adventure changed their attitude towards tough challenges, increasing their awareness of the fact that through strength of will and commitment even extremely challenging results may be obtained. More of a life lesson than a sports lesson.

2010 GENOVA SESTRI LEVANTE

XI CAMPIONATO NAZIONALE DEL PETROLIO

GIOVEDÌ 23 SETTEMBRE

ore 14,30 Genova ore 18,00 Genova ore 21,00 Genova	Staffetta Ciclopodistica Rinfresco di benvenuto Cronociclistica a squadre
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VENERDÌ 24 SETTEMBRE

ore 09,30 Tavarone ore 14,30 Sestri Levante ore 19,00 Sestri Levante	Gara di mountain bike Triathlon a squadre Staffetta podistica a coppie
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SABATO 25 SETTEMBRE

ore 14,30 Sestri Levante ore 17,00 Casarza Ligure ore 21,00 Sestri Levante	Gara di Ciclismo in Linea Gara di Podismo su Strada Premiazioni
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DOMENICA 26 SETTEMBRE

ore 09,30 Sestri Levante ore 14,00 Sestri Levante	Cicloraduno Premiazioni finali e chiusura manifestazione
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Ulteriori informazioni sul sito www.energiapetrolio.it



“Focus on the community”

*CSR activities:
health, culture, sport and the environment*

In short, the strong points of the CSR (Corporate Social Responsibility) activities carried out by the ERG Group for the community are listening to requests from the community, taking note of local expectations and needs, identifying public and private entities with whom to communicate, and investing resources in valuing and developing the communities of the areas in which the Group operates.

In this field, many initiatives classifiable as Corporate Social Responsibility activities have been taken by ERG for the benefit of the local communities of Sicily where it works, mainly in Syracuse, Priolo Gargallo, Melilli and Augusta. Some of these initiatives were based on a study conducted by COESIS in 2006 and updated in 2009, and carried out in partnership with ISAB.

The study took into consideration the various aspects of the relationship between companies and the community from Social Responsibility point of view. The report suggests that the correct approach to the community is to identify

the institutional stakeholders (public authorities) and non-institutional stakeholders (associations, opinion leaders and opinion makers), and then to concentrate on the need to develop the capacity to listen carefully to the requests made by the community, taking note of the needs and expectations and giving consideration to the suggestions made in a spirit of collaboration. Most of the CSR initiatives taken are documented in a quarterly report in accordance with the provisions laid down in Italian Legislative Decree no. 231/2001.

In particular, the attention of ERG and ISAB is focused on the Syracuse area, where the two companies have managed to establish a relationship of collaboration with the community, in perfect synergism with the local situation. This has consolidated a socially responsible corporate identity recognized by the community, which sees the two companies as authoritative interfaces willing to contribute to the valuation and development of the local conditions.

ASSESSMENT TOOLS AND CRITERIA

ERG's CSR activity is divided into three main areas:

- Young people and sport;
- Health and the Environmental protection;
- Culture and Knowledge.

In Sicily, a joint ERG and ISAB committee has been set up to Assess Social Responsibility Initiatives (VIRS) and is made up of representatives of the two companies assigned the task of evaluating the results of community engagement at periodic meetings. In 2010, the VIRS Committee met up 8 times, examining about a hundred initiatives proposed by Institutions, Non-Profit Organizations and Associations.

In confirmation of the positive results obtained from this assessment activity, it should be pointed out that the number of Social Responsibility initiatives assessed by the VIRS Committee, from the time it was first set up in 2007 to today, has been optimized, through an ever-increasing ability to listen to and



understand the needs of the community and ERG and ISAB's stakeholder engagement.

The assessment criteria followed in taking Social Responsibility initiatives may be summed up in the following three points:

- **Planning:** inclusion of the activities in the Social Responsibility budget;

- **Consistency with the three main areas:** recognition of requests within the scope of the guidelines and delimitation of well-defined areas as close as possible to the Group's business;

- **Collaboration with the Institutions:** particularly worthy of note are the initiatives taken on the basis of re-

quests from Public Administration for the provision of new services for the community.

The activities of the VIRS Committee provide support for Social Responsibility initiatives taken in the community for a total sum of about EUR 2 million, which is in line with what has been spent over the previous three years.

ERG Group & ISAB S.r.l. – HSE commitment in the community

		2010	2009	2008
Total HSE expenses	EUR million	88	113	122
of which investments	"	37	38	34
of which current expenses	"	51	75	88
Equivalent HSE staff	%	16.6	12.9	14.6

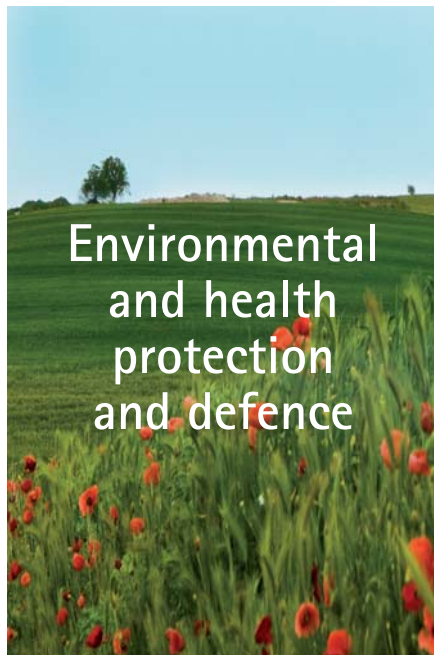
The table contains the figures for the total HSE commitment of the ERG Group (ISAB Energy Services, ISAB Energy and ERG Power) and ISAB S.r.l. in the Syracuse area.

It was decided to present the aggregate data so as to show the constant, considerable commitment put in by the companies to guarantee sustainable work management for the community.

In fact, it can clearly be seen that the investment expenses for improving the plants in terms of technology and environmental impact are almost constant in time.

On the other hand, the drop in current expenses is attributable to the conclusion of the work sites of new constructions and the return of activities to ordinary management.

Main initiatives in the community



RAO, Rete di Assistenza Oncologica (Cancer Care Network)

Foundation for the South

"Saline di Priolo" Nature Reserve

Safety Project



Science Festival

INDA Foundation

Restoration of the Church of San Filippo Apostolo

The ERG 2010 Almanac

University of Catania

During 2010, the three-year collaboration programme saw the completion of the reorganization of the Oncology ward of the "Di Maria" Hospital in Avola, one of the centres (together with Augusta and Lentini) of the cancer care network. ERG's support also led to the construction of the clean room for the production of anti-cancer drugs. The RAO project and the collaboration between ERG and the Provincial Health Authority of Syracuse for its construction, were also protagonists at the "Dal Dire al Fare" (From Saying to Doing) Social Responsibility Show, organized at the Bocconi University in Milan. The collaboration between a private enterprise and a public authority for an extremely innovative initiative like the construction of a cancer care network, was indicated as a model of success in the field of Social Responsibility initiatives in the community.

Through the San Martino Cooperative ERG co-finances the project entitled "Percorsi di Integrazione e Transizione verso l'Autonomia per l'Autismo e il Disagio Psicico" (Pathways of Integration and Transition towards Autonomy for people with Autism and Psychic distress).

ERG and ISAB contributed to the project for the promotion, divulgation and management of the site of the Oriented Nature Reserve of Saline di Priolo Gargallo through the reconstruction of the old windmill present up to the seventies and functional to maintaining the level of water in the damp area during the summer period.

In collaboration with the National Fire Brigade, the company organized a workshop to illustrate the terms of the ERG Safety Project and to contribute to increasing the community's awareness of health and safety issues. The workshop was also attended by representatives of the Civil Protection and the local authorities.

In 2010 ERG continued its participation in the Science Festival as the Main Sponsor: the event represents an important workshop for exchanging and divulging information and meeting up where private individuals can satisfy their curiosity and see significant scientific discoveries close at hand. The Festival was also one of the opportunities for ERG to put its idea of a sustainable enterprise into practice.

ERG is the first private organization to become a sponsoring member of the Foundation, which, since 1910 has organized series of classical plays at the Greek Theatre of Syracuse. Every year, ERG enriches the series of performances with a relational event dedicated to stakeholders and partners coming from all over the world.

ERG and ISAB supported the restoration of the works of art and the construction of some technological systems in the Church of San Filippo Apostolo, in Giudecca, Ortigia, Syracuse, reopened to public services after sixty years.

The publication of the "ERG 2010 Almanac", a collection of about 2,000 news items from the province of Syracuse, represented the production of a tool for getting to know the local area. The volume contains not only the list of news items in the typical layout of an almanac but also a series of articles written by opinion leaders and opinion makers, which provide further elements for understanding the events of the year set in an overall view of the local situation.

At the headquarters of Confindustria Siracusa (Syracuse Confederation of Italian Industry), ERG and ISAB organized a series of training sessions on environment and workplace safety, in collaboration with the Criminal Law professors at the faculty of Law of Catania university. The series of meetings (held over a period of five days) was attended by representatives of the Ministry for the Environment, the Universities of Catania and Verona, as well as experts in the field and professionals.

Main initiatives in the community



Young people
and sport

The "Archimede ed Electra" Trophy

Sponsoring Rinascita Melillese

Junior Achievement Italia – Sustainable economy:
"The Economy and I – Community and the Environment"

Bussola project and "Job Orienta"

National Electricity Day

Trogylos Priolo

ERG sports centre

Drivemotion

Stelle nello Sport (Sports stars)

ERG Ravano Tournament

The nineteenth edition of the "Archimede ed Electra" Trophy saw the participation of about 600 primary and middle school children from the province of Syracuse in an event that is organized and sponsored by ERG, has become a "classic" on the panorama of children's sport and is linked with a competition centred on the educational value of sport. The tournament meetings were held at the ERG Sports Centre in Via Piazza Armerina, Syracuse, managed by the ERG Amateur Sports Association, which, following its restoration, has become an important social meeting point in town.

ERG is the jersey sponsor of the sports club Rinascita Melilliese, which plays football in the championship known as First Category, for the season 2010-2011.

ERG continues to collaborate with Junior Achievement Italia, within the scope of which training has been developed for middle school students: "The Economy and I. Community and the Environment" is a role-playing game played in the classrooms of the schools of Melilli with a view to stimulating awareness of the relationship between the local economy and community.

In agreement with the University of Catania and the Provincial School Office of Syracuse, ERG and ISAB held a series of meetings with teachers from the schools in Syracuse with a view to creating and strengthening the skills of teachers in university orientation. Through this initiative and the participation in the "Job Orienta" event, held in Catania, ERG and ISAB reached their objective of helping young people – with the educational mediation of their teachers – in the important choice of their future university faculty and getting to know companies' needs in terms of human resources.

The ERG Group took part for the fourth time in the event organized on a national level by Assoelettrica (Italian Association of Electricity Enterprises) by welcoming visitors at the ISAB Energy plant in Priolo Gargallo, for the National Electricity Day. The aim of the initiative is to bring industrial companies based in the area together so that they can get to know one another.

ERG continues to support Trogylos, the women's basketball club that plays in division A1, in its activities, sharing its sporting successes but also, and above all, the ethical values of sport.

ERG financed the restoration of the Sports Centre in via Piazza Armerina in Syracuse, thus recovering an important recreational area for the town.

ERG supported the "Guida sicura per i giovani" (Safe Driving for Young People) project conceived by the Centro di Guida Sicura Drivemotion (Drivemotion Safe Driving Centre) for high-school students in Genoa who have just passed their test. In line with the operations included in the National Road Safety Plan and laid down by the European Commission, the course turned out to be a safety awareness campaign concentrating on the correct use of cars. The project, which met with great success, reached the objective of training more skilled, mature and responsible young drivers above all aware of their own limits in controlling the vehicle in critical situations.

ERG took part as a Gold Sponsor at the 11th edition of "Sports Stars", a project conceived to promote sport in Liguria. Under the guidance of Coni Liguria and Coni Genoa, "Sports Stars" involved all sports federations and clubs in Liguria, fans and sportsmen in a get-together mainly to have fun but also to promote the local sports activities. The project promoted the values of sport through the performances of champions and young children, without losing sight of the important charity objective set: to collect funds for the Gigi Ghirotti Association in Genoa, which provides free home and hospice care to terminally ill patients.

The "ERG Ravano Tournament" is the largest school tournament in Europe, organized for children in the fourth and fifth years of the primary schools in Liguria and southern Piedmont. It is an opportunity for a huge number of children to meet up and play football, volleyball, basketball and rugby, united by a strong team spirit. The 2010 edition set new records with more than 4,000 children from 350 different primary schools taking part.

One of the most important features of this edition, as of earlier editions, was the Fair Play Cup, awarded to the team that distinguished itself for its sportsmanlike behaviour, in line with the basic principles of Sport and the Tournament.

“ Science Festival ”

Partners of the eighth edition: “Horizons”

The Festival's figures

More than
300
events

over
200,000
visitors

700
animators

over
1,000
articles
published

Having explored the frontiers of time in the 2009 edition dedicated to the Future, the 2010 Science Festival focused on the theme of space, choosing Horizons as the key word of the eighth edition.

Conceived and organized by the Science Festival Association in partnership with the Region of Liguria, CNR – National Research Council, the Municipal Authority of Genoa and the Provincial Authority of Genoa, the Festival explored the Horizons as a metaphor of the goal of science: new, unknown and fleeting targets that act as a stimulus to non-stop research, which aims to cross the boundaries of knowledge and get closer and closer to the truth.

As Popper said, science may be perfect-

ed, advancing by trial and error, and can only be broad-minded and have broad horizons.

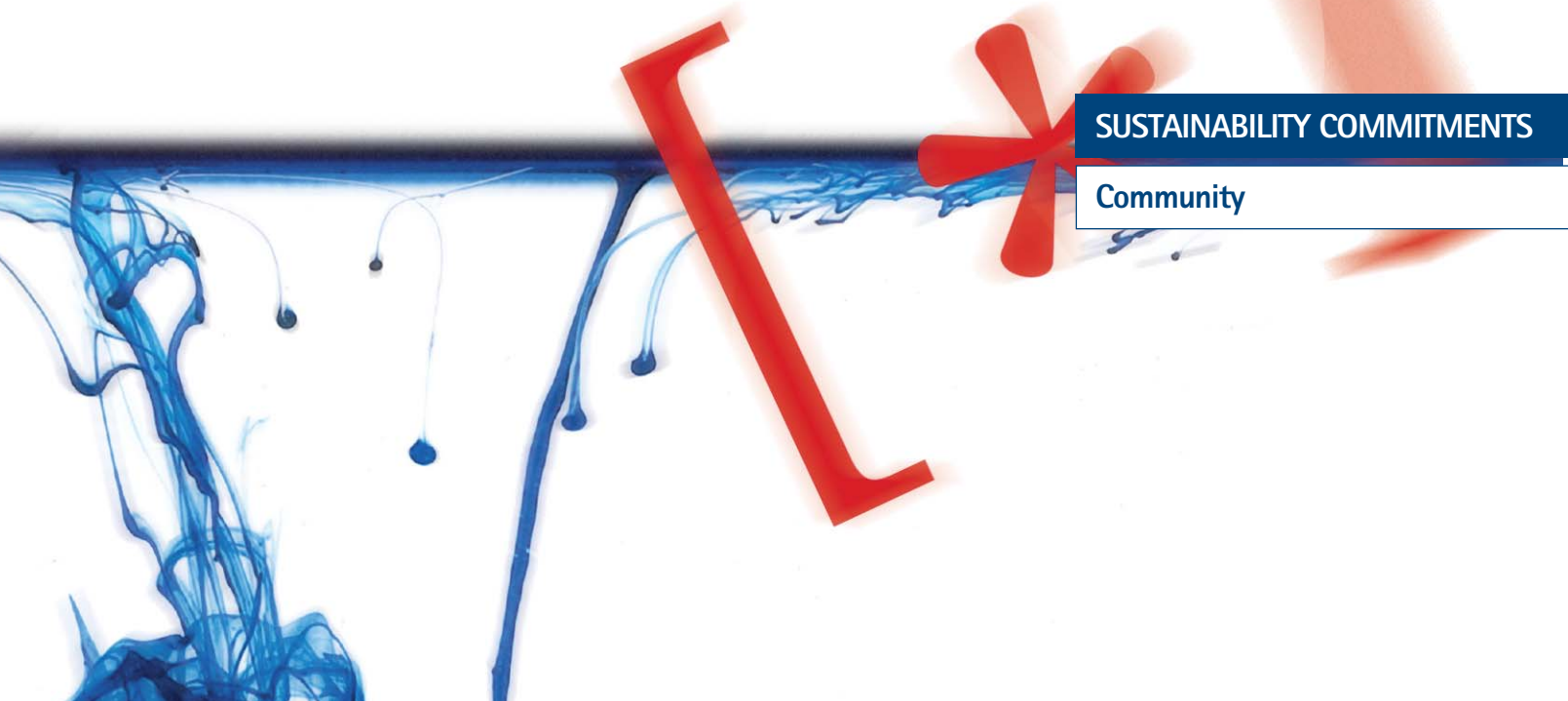
The 2010 programme included over three hundred events that injected new life into the centre of Genoa, from the squares to the ancient buildings, from the museums to the theatres: Genoa opens its doors to a sharp, throbbing and curious science that communicates with the places of civil society, through various kinds of spectacle, in present-day language and with the challenges of our times which, despite the problems, offer many challenges and possibilities.

Through its exhibitions, conferences, laboratories and shows, the Festival offered the public an extremely varied journey to-

wards the discovery of new horizons.

The 2010 edition of the Science Festival paid particular attention to the sustainability issue. Protection of the ecosystem was the subject to which the event dedicated a full programme of appointments (a series of conferences on water and the safeguarding of water resources, a wide range of workshops on separate waste collection and recycling and shows on renewable energy sources and energy saving) and a series of practical initiatives (extraordinary cleaning of the squares throughout the event, separate waste bins available at all sites of the Festival and recycling of the waste paper at the end of each event).

In 2010, ERG continued its participation



in the Science Festival as the Main Sponsor: the event represents an authoritative workshop for exchanging and divulging information and meeting up where private individuals can satisfy their curiosity and see significant scientific discoveries close at hand. The Festival was also one of the opportunities for ERG to put its idea of a sustainable enterprise into practice. In fact, we are convinced that the only way of running a business is to create value for the community: listening to persons, safeguarding the environment, promoting culture and support for training are key values around which

the ERG's path as a socially responsible company develops. Promoting the Festival for us meant contributing to the life of the community and increasing the value of knowledge pathways, particularly for the young generations.

The Horizons issue is particularly dear to us: for science it is the ideal metaphor of the move towards innovation, the unknown, the inexperienced and it is a sign of curiosity; for modern-day companies it is a metaphor of innovation, going beyond the current limits to ensure adequate development for future genera-

tions in safeguarding the environment and respecting people's rights. ERG's history has been marked for over 70 years by the will to continue to reach new horizons.

The Czech writer Václav Havel said: "Either we have hope or we don't; it is a dimension of the soul; it's not dependent on some particular observation of the world or estimate of the situation. Hope is not a prognostication but an orientation of the spirit and the heart; it transcends the world that is immediately experienced and is anchored somewhere beyond its horizons".

Icarus at the Edge of Time

The future horizon proposed in 2010 by ERG in collaboration with the Science Festival is "Icaro ai confini del tempo" (Icarus at the Edge of Time), not a simple play but a fascinating multimedia work. The evening on which the Festival was inaugurated, we witnessed a modern-day fable in which the black hole theory was illustrated using simple, easily comprehensible language so as to introduce even the less knowledgeable to the rules of Astrophysics. The concert was based on the novel of the same name by the scientist Brian Greene, the music was written by Philip Glass, an American modern classical music composer and the stage was designed with the pictures of two English visual artists "AI and AI" who offered a dynamic representation of space and time, using the very latest digital technology. The show was introduced by the scientist Brian Greene, a prestigious character present exclusively for the first performance in Italy. The show was produced by the two institutions: the World Science Festival from New York and the Southbank Centre in London. The Science Festival, as the co-producer, managed to obtain an exclusive adaptation in Italian. ERG, which has always been sensitive to scientific research and development as well as culture and artistic expression, inaugurated the Festival with a reflection on the universe and infinity, keeping an eye on mythology and the history of man, who has always endeavoured to find answers to unexplainable concepts... in short, opening out to distant horizons.

“The Greek Theatre of Syracuse”

Year 2010: the forty-sixth edition

The establishment of the National Ancient Drama Institute (Istituto Nazionale del Dramma Antico - INDA) was commissioned by the Syracusan aristocrat Mario Tommaso Gargallo, who, in 1913, set up a sponsoring committee with the ambition of reviving ancient drama in its “natural space”, the Greek Theatre of Syracuse; in 1914, the first series of classical plays was held with the performance of Agamemnon by Aeschylus. INDA has been a cultural foundation since 1998 and ERG became its only private member in 2009.

The event is repeated every summer in the setting of the Greek Theatre, a splendid monument of a city that was one of the capitals of Magna Grecia and with which ERG established an alliance over 30 years ago.

Before the Group became a member, collaboration between ERG and INDA was anticipated by a few years in which ERG was simply a sponsor. Since 2009, the greater commitment alongside the Foundation has represented

an important element for strengthening ERG’s policies towards the community, this resulting in the recognition and consolidation of its reputation as a socially responsible company.

In addition to the economic front on which ERG acts as a supporting partner, the company’s support for the INDA Foundation is also oriented towards promoting Ancient Drama on a national and international level. In fact, the Greek Theatre – with its series of classical performances – and the “Orecchio di Dionisio” (Ear of Dionysius) in the “Latomia del Paradiso” are the unrivalled stage of the relational events organized by ERG for its stakeholders, partners and friends.

Persons through whom an area with unique cultural assets is promoted. A choice, which is not only highly pres-

tigious due to the originality and charm of the location but also represents ERG’s will to feel part of the community in a strongly symbolic manner, sharing and offering historical and cultural heritage of enormous interest and value.



Three-year collaboration with the Syracuse health authority

At the community's service

Through a three-year agreement with the Provincial Health Authority of Syracuse, ERG supported the launch of the RAO, Cancer Care Network, a local structure for prevention and care. An experience, originating as an effective CSR initiative that saw the collaboration between a profit-making company like ERG and a health authority "deep down South", a model that may be exported to the rest of Italy.

The institution of the RAO, which, since it was set up in 2008 has treated over 700 cancer patients, has met two primary needs. The first was to help improve treatment thus enabling patients – and their families – to receive cancer treatment at health care centres near to their homes; the second was to take another step along the indispensable road towards rationalizing the national health service through an improvement in quality.

As far as corporate social responsibility is concerned, the RAO project is extremely valid with regard to the choice made by ERG, within the scope of a

"stakeholder engagement" process, to satisfy a need emerging from the area understood as a community in a setting with a unique history and experience, like that of the industrial zone of the province of Syracuse. An original idea, which derives from the need to overcome major shortcomings. The RAO was thus set up as a form of reorganization of the public health system.

The declared aim is to change the health service to make it more efficient, by respecting a few rules; the first is that to have an impact on health care expenditure, it is not sufficient simply to reduce the number of hospital beds or homes or reduce the length of hospital stays without modifying the old model. Economic needs must be effectively balanced with

ethical needs, always considering that health concerns the administration of medicine which, in turn, concerns relations between persons.

The localized cancer care system works as can be seen from the objectives reached over the three years: moving the treatment towards the patient and considerably reducing the inconvenience; improving the quality of the relationship between the doctor and patient from the point of view of continuity between diagnosis, care and outcome of the illness. An improvement that has had measurable effects also in terms of rationalization of direct and indirect costs, which represents the indicator for measuring the enormous potential of the network system applied through the RAO project in the province of Syracuse.



Rete Assistenza Oncologica Siracusa



“Safety and the Environment in the classroom”

Enhancing the value of the community through the University of Catania

The ERG Group believes in the importance of research and innovation, elements considered to lie at the basis of the sustainable development of a company; this is why it is committed to organizing meetings and discussions between the entrepreneurial world and the academic world. This commitment also aims to take full advantage of local talent and excellence. This is what is behind the framework agreement between ERG, ISAB and the University of Catania for the implementation of Research and Development projects and the Agreement for financing four permanent research posts in the Industrial and Mechanical Engineering Department.

The agreement guarantees economic coverage for the four researcher posts in the fields of “Mechanics applied to machines”, “Mechanical design and machine construction” (with the support of ISAB Energy Services); “Industrial Physics” and “Mechanical industrial plants” in the Engineering faculty of the university. This six-year agreement represents the latest stage of a consolidated pathway of collaboration between the Group and the University of Catania to sustain Research applied to innovation, understood

as irreplaceable support for improving industrial performance, not only on the production level but also and above all with regard to technological reliability and safety.

On the one hand, ERG intends to enhance the skills developed by the Industrial and mechanical engineering department of the University of Catania, making them available for the development of its business and, on the other, to introduce methods of collaboration between companies and communities in the South of Italy.

Another project saw ERG, ISAB and the Law Faculty of the University of Catania work side by side: a series of training sessions on the legal aspects of Italian and EU legislation on environmental protection and workplace safety.

The initiative, intended for technical specialists in the field of environmental protection and safety who work for companies in the industrial zone of Syracuse and the local public authorities, involved university lecturers, lawyers and public officials invited to present the principal concepts of this complex subject from the legal point of view.

The series of five meetings, held in the “Ugo Gianformaggio” hall Confindustria Siracusa, was introduced and presented by representatives of the Ministry for the Environment, the Law Faculty of the University of Catania and Confindustria Siracusa.

The first two lessons of the training course dealt with the topic “Environment and Workplace safety: the company’s role” together with “Environmental protection in Italian and European legislation”.

The other lessons focused on: reclamation of contaminated sites and environmental damage; waste management, identification of responsible entities within organizations and companies; workplace safety and organizational models.



“ Drivemotion 2010 ”

Young people from Genoa at the wheel

ERG continued through 2010 its contribution to the Drivemotion Safe Driving Project that has reached its 4th edition: “Training more skilled, mature and responsible young drivers on the roads and teaching them how to control the vehicle and improving their ability to drive under critical conditions but making them aware of their limits at the wheel”, this is the objective and the spirit behind the Safety Driving for Young People Project.

Conceived, organized and promoted by the Drivemotion Safety Driving Centre in partnership with the European Parliament, the Provincial Authority of Genoa, Traffic Police, Italian Red Cross and regional and provincial school offices of the Ministry of Education, the project is a safe driving campaign involving over 300 students from the schools of Genoa every year.

Istat, the Italian Statistics Institute, has stated that: “90% of road accidents are the direct consequence of reckless behaviour at the wheel”: in the light of this data and in line with the objectives set by the National Road Safety Plan and those of the European Community,

the Drivemotion Safe Driving Project represented a free, fully-fledged training course complementary to the standard driving school courses, designed for young people who have just passed their test.

The project is divided into two separate stages:

- the first is a theoretical phase, during which the students learn some basic notions for safe and aware driving such as correct driver posture, emergency braking, safety distance and the use of safety belts;
- the second is a practical phase carried out on a fitted-out yard where the young people can put into practice the notions learnt in the classroom, driving the cars of the Safe Driving School, always in the presence and under the supervision of expert instructors.

Some members of the Provincial Police Force, the Road Police and the Italian Red Cross assisted the instructors on particularly delicate topics such as road accidents and the dangers of driving under the influence of alcohol or drugs. Right from its first edition, the theoret-

ical part of the course has also benefited from the precious collaboration of the “Sleepiness and road safety” Commission set up at the AIMS, “Associazione Italiana Medicina del Sonno” (the Italian Sleep Medicine Association), which involved the students in an interesting speech on the risks of falling asleep at the wheel and the link between sleepiness and road accidents, explaining that: “Sleepiness and tiredness are often a consequence of young people’s lifestyle as they sometimes drive long distances to reach the “trendiest” clubs and this leads to sleepiness, which accumulates even more if the driver has drunk alcohol or taken drug or medicines. This all contributes to reducing alertness and attention and sleepiness is the predictable final consequence of a sum of factors. All these things together considerably increase the risk of an accident”.

In fact, due to its training value, the project is one of the Corporate Social Responsibility initiatives taken in the community and, in particular, may be used to transmit messages useful to young people growing into adults who act more responsibly towards themselves and the community.



“Solidarity Centre”

Favouring reintegration

ERG continued through 2010 its support for the Centro di Solidarietà (Solidarity Centre) in Genoa, confirming its intention to support entities that, within the scope of commitment and solidarity towards society and in particular the weaker categories, make a major contribution to the development of the social fabric. Focusing on the problems of the area and the needs of the community are essential values on which a socially responsible company can invest and express its vision.

The Solidarity Centre is an organization based in Genoa that works in the social field. Since it was set up in 1973, it has concentrated its efforts on combating youth isolation, paying particular attention to the recovery and reintegration of drug addicts and the prevention of destructive and self-destructive behaviour.

In order to ensure effective recovery treatment for drug addicts, the Centre adopted the “Progetto Uomo” (Man Project) philosophy, adapting its characteristics to the social and cultural conditions of the Genoa area. The choice of the project may be explained as follows: “we believe that it is important for an ex drug addict to be fully reintegrated in his

original family, work and cultural environments”.

The rehabilitation pathway is adapted to the person and the specific location of treatment and allows those who decide to follow it to leave the Centre and continue to live their lives independently and with no further need for support. The values that lie at the base of the “Man Project” are the same as those that our company has always shared and encouraged: responsibility, respect and honesty.

The aim of the Solidarity Centre is to put the person at the centre of his life in such a way as to favour his development and enable him to make responsible choices, using tools and values that help him to regain control of his life.

This long and difficult recovery process also involves the families, demonstrating their importance and value and making them play an active part in the recovery of the drug addict and his return to his original social environment.

The aim of the Solidarity Centre in Genoa is to find the rehabilitation pathway best suited to the person; hence much effort and commitment is required in order to

find a “specially designed” way of exiting from this state of dependency, by taking a series of measures that are useful for this purpose.

The method adopted to identify a pathway suited to each individual is to hold orientative interviews both at the Centre and outside with a view to elaborating an ad hoc recovery project together with the person concerned and the Public service that handled his case.

To ensure adequate action for young drug addicts, the Solidarity Centre of Genoa also organizes continuous training courses for its staff in partnership with the FICT, Italian Therapeutic Community Federation, to keep them constantly up to date with the continual changes in the settings in which the Centre operates.

The figures that the Centre has managed to obtain since it was set up are proof of the success of the work done: in fact, over 500 young people have completed the rehabilitation program, lead a normal life and are fully reintegrated in society. Another 200 persons have not yet completed the programme but have started the social reintegration process.

ERG Ravano Tournament

The fair-play kids

Having reached its 26th edition in 2010, the ERG Ravano Tournament confirmed its success, reaching the nth record in terms of participation with more than 4,000 boys and girls involved; the figures of this Tournament make it the largest school event in Europe (recognized by the F.I.G.C. Italian football federation). Conceived by the Chairman Paolo Mantovani, the ERG Ravano Tournament gives a huge number of children the emotion of playing during their last two years at primary schools in Liguria and, from this edition on, in southern Piedmont.

The joy and involvement of children having fun practising sport lie at the base of the spirit of the Tournament.

The aim of the event is to teach the kids that the important thing is not to win but to be part of a group that respects the rules, team mates and opponents. In fact, this is the philosophy behind the most important trophy of the Tournament: the "Fair-play Cup" awarded to the team that showed the best behaviour in terms of sportsmanship in the opinion of the jury. ERG has taken part in the Tournament for about ten years, giving its full support to what has always been the true spirit of the event: sportsmanship, fairness and socialization.



4th WFTC Genoa Institute 2010 conference

"The Future of the Therapeutic Community in a Changing World"

During the month of October ERG sponsored the 4th WFTC Genoa Institute 2010 conference "The Future of the Therapeutic Community in a Changing World". There are 42 countries in the world that have members of the World Federation of Therapeutic Communities committed to combating drug addiction and putting the person, group instruments and family involvement at the centre of attention, with the final objective of freeing men and women from their drug addictions.

The Conference was divided into two parts. The first, which lasted for three days, represented an opportunity to study, analyse and discuss the critical problems and possible developments of the therapeutic community concept: changes in the users, the validity of the model and interaction with the community. On the fourth and last day, the conference was opened to the public and the work done over the previous three days was illustrated in the presence of the leading Italian and international institutions and in close collaboration with the National Anti-Drug Policy Department.

“Corporate Culture: the Garrone Foundation”

The Foundation promotes and carries out cultural activities and pursues social integration

In Italy, the Corporate Foundations are still little developed with respect to those based overseas and are consequently little known to the public; common initiatives should therefore be taken between the Corporate Foundations in order to present their missions and methods of operation to the general public.

This is the setting of the Edoardo Garrone Foundation (FEG), which promotes and carries out cultural activities, valuing the history and aspirations of the area and combining them with the best industrial traditions.

The Foundation's strategy may be expressed by underlining the increasingly popularity of the initiatives taken. The intention is to strengthen divulgation so as to bring the culture, in its broadest sense, to an increasingly vast public. Two characteristics emerge and distinguish the Foundation, in addition to its popularity: the multidisciplinary aspect and the ability to propose original and innovative projects, events and initiatives.

The constant commitment is to move the Foundation's work closer and closer to the many cultural needs of the regions and the whole country.

FEG: A HIGH-QUALITY CULTURAL POLICY

The consolidation of the traditional initiatives – which meet with greater and greater success, has been accompanied by a full programme of new projects, some of which were conducted in 2010 and others are to be developed in 2011. The commitment is towards improving further the quality of the projects, keeping attention focused on broadening the public involved.

The second edition of the “History lessons” met with great popularity at the

Palazzo Ducale, with over 10,000 participants in all as did “Feg Mondays”, of which a larger number were held and which reached its customary target of 5,000 participants.

It is clear that the activity of every Corporate Foundation should be assessed on its capacity to have an effect on the cultural fabric not simply on the number of citizens involved but also and above all on the quality of the event.

From this point of view, worthy of particular mention are the latest projects,



Fondazione Edoardo Garrone



such as "Discovering Genoa" which enabled over 250 high-school children to get to know Genoa, not only its cultural aspect (already better known) but also its industrial aspect (much less known). The training programme has been enriched with a master course in tourism on the Mediterranean held in Genoa, in collaboration with the University. This initiative, at its first edition, met with gratifying success in its intention to train new middle managers for companies operating in the sector but also (and above all) in channelling students towards self-employment pathways.

It should also be underlined that the "FEG" trademark has become a guarantee of quality with regard to the study of history to the point that the Municipal Authority of Genoa has asked to be allowed to use it in 2011 for two of the most significant initiatives under preparation: the Celebrations for the 150th anniversary of the Unification of Italy and the "Open-air history lessons". The extension of activities to the South, through the project entitled "The capitals of ancient thought in Southern Italy", prepared last year and implemented in

the first four months of 2011, makes the Foundation increasingly present and visible on a national level. The project involved four regions in the south of Italy (Sicily, Campania, Puglia and Calabria).

DISCOVERING GENOA

This project was conceived by the Garrone Foundation with a view to helping young people to "rediscover" the roots of the city by showing the students the historical, artistic and cultural heritage of Genoa. Over 250 middle and high school children were guided along a leisure and education-oriented itinerary which included the discovery of the architectural, historical and cultural symbols of the city, as well as the other characteristic elements of development such as its industrial establishments.

The project, implemented in an innovative way based on the model of peer education and action research, was structured in four main phases which included classroom activities alternated with direct experience in the field. This all favoured the exchange of experiences and knowledge between students, thus

strengthening their cultural and industrial identity and their sense of belonging to the community.

A preliminary meeting with students and teachers, held at the head office of the Garrone Foundation, preceded the two days of direct experience in the field, preparing the children for an interactive pathway characterized by group work, discussions and data collection and processing.

The historical, artistic and cultural part was conducted by the students of the Linguistic Academy of Fine Arts, while the industrial part involved the youngsters in a visit to the main industrial and technological establishments (Porto, Piaggio, Ansaldo, Ilva), where they had the chance to observe the "engines" of the Genoa economy directly from inside. A final meeting was held to sum up what had emerged from the visits and check the objectives reached.

The schools produced a large number of reports and papers, which will be inserted in the "Good Practice Catalogue" of the National Report of the Ministry of Education, University and Research.

“ Selection methods ”

New assessment and qualification procedures

The policy to be followed in selecting vendors for ERG is one of the more general Social Responsibility activities. In fact, we are well aware of the delicacy of this activity, which has significant effects on the processes and quality of the products/services purchased and which, for this reason, may influence our relations with the end customers and the communities in which we work. This is why we pay particular attention to the assessment of our vendors and, in 2010, we revised our selection and assessment procedures to make them even more efficient.

“Vendor management” is an advanced procedure for efficiently handling and supervising information on the Group's current and potential vendors and may be used to support the entire List of Vendors' management process, from their classification to their qualification and the monitoring of their performance.

The procedure consists of a totally transparent and traceable management of the vendor selection and contract awarding processes, in line with the Group's

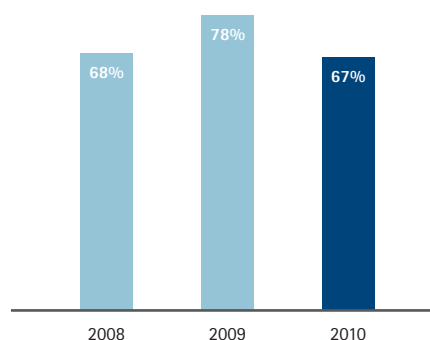
Ethics Code, constant updating of the information about its group of vendors and a significant reduction in management times.

The assessment criteria are strict and based on the Ethics Code and every vendor is obliged to share and respect the Group's policies above all with regard to Health, Safety and the Environment. But that's still not enough: during the qualification process, the vendor is examined not only for his technical capabilities but also for his HSE (Health, Safety and Environment) performance and

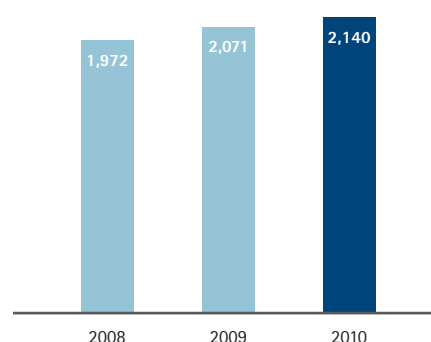
regularity in paying remuneration and contributions. The aim of the overall analysis of the vendor (economic and contribution analysis) is to discover in advance any economic difficulties he may have or debts towards public authorities (particularly Inps), which could have negative repercussions.

With a view to checking the economic and contribution payment situation of the aspiring vendor, the company's accounting/administrative documents are requested and an ad hoc questionnaire is to be filled in.

INCIDENCE OF PURCHASES WITH TENDERS (%)



QUALIFIED VENDORS (no.)



The analysis is based mainly on the following elements:

- copy of the last financial statement approved;
- copy of a recent DURC form (Contribution payment certificate) or, alternatively, a copy of the DM10 form and corresponding F24 forms used to pay for the last 3 months;
- copy of a recent certificate of registration issued by the Chamber of Commerce;
- copy, if available, of existing quality certificates, with indications of expiry dates.

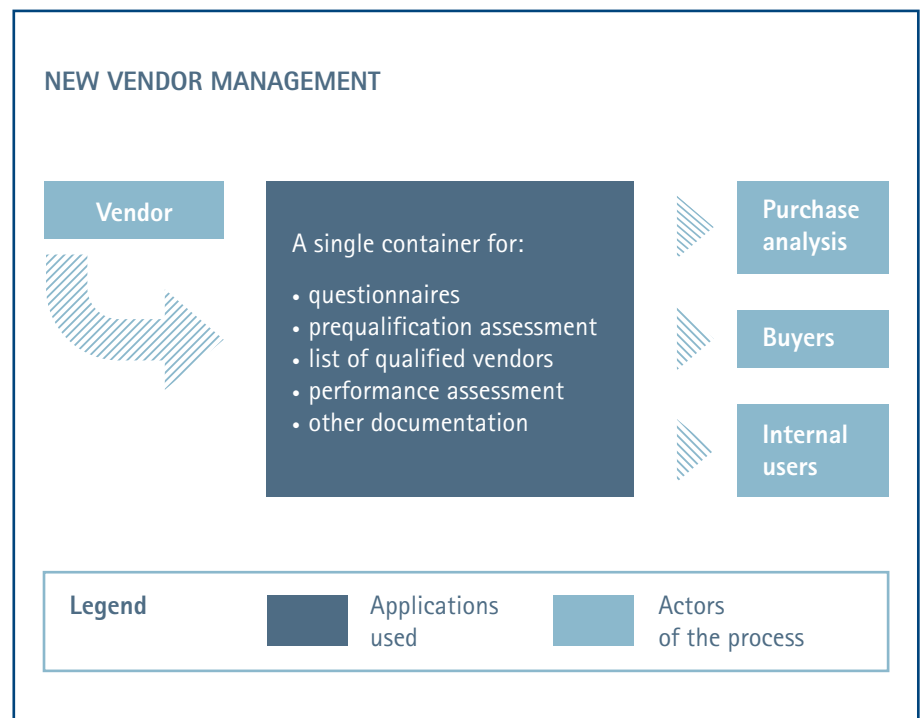
The analysis of the financial statements also permits an assessment of the cash, rotation of invested capital, business profitability, etc.

For the management of its purchases ERG also commissions the CRIBIS D&B information company regularly to conduct a detailed analysis of its vendors and occasionally to investigate into any critical problems found.

THE NEW VENDOR MANAGEMENT PLATFORM

In 2010, the Vendor management platform that manages qualification and performance was revised. The previous version included various information systems with different accesses for vendors

and ERG users. The new release uses the I-Faber platform and concentrates all the functions necessary to manage the group of vendors (preliminary and performance assessment) in a single information container (see the figure at the bottom of the page).





“ Safe sea transport ”

The test procedures

For ERG, the transportation of petroleum products by sea is closely connected to environmental protection, both for the huge quantities transported and for the potentially disastrous effects an accident could have on the marine ecosystem.

The supply of crude oil and the distribution of products sold on the cargo market take place by sea on ships belonging to third parties. For this reason, ERG focuses its attention on the ships used by the ship owners and subjects them to strict quality tests carried out by highly qualified internal specialists that ensure their safety in conformance with the Group's policy and from the Corporate Social Responsibility point of view.

The policy adopted by the ERG Group, for example, for the transportation of crude oil and fuel oil ("heavy" products that would thus have a significant impact on the environment in case of an accident), is to make exclusive use of double-hull ships, which are notoriously safer than the others.

The Group also checks that the ships used to transport the crude oil meet the fundamental requirements laid down, which range from respect of the national and international laws and regulations to the adoption of procedures that guarantee the safety of the operations. ERG also analyses the specific working history of each ship and checks that indications given by the leading international maritime organizations (IMO – International Maritime Organisation and OCIMF – Oil Companies International Maritime Forum, etc.) are respected.

The Group's procedures consist of three levels of analysis and control:

- Vetting;
- Screening;
- Safety.

VETTING

The Vetting checks are made before accepting the ship and consist in a series of structural inspections that substantially follow the guidelines of the OCIMF ques-

tionnaire for naval inspections. The data is then entered in the SIRE (Ship Inspection Report) database which is at the disposal of all operators in the sector and thus provides significant indications on the history and characteristics of each ship. The presence and constant updating of this database currently represent the greatest deterrent for the use, by the ship owners, of ships that are not kept in perfectly efficient working order and have inexperienced crews of dubious skill.

The vetting checks thus make sure that the ERG's oil products are transported by carriers and on ships that minimize the risk and meet the quality standards laid down by the Group's policy. In 2010, out of a total of 1,165 ships berthing at the terminals on ERG's behalf, 443, equivalent to about 40%, were subjected to inspection.

SCREENING

Screening consists in making a series of preventive checks on the ships that ship owners use for the transportation of oil

Suppliers

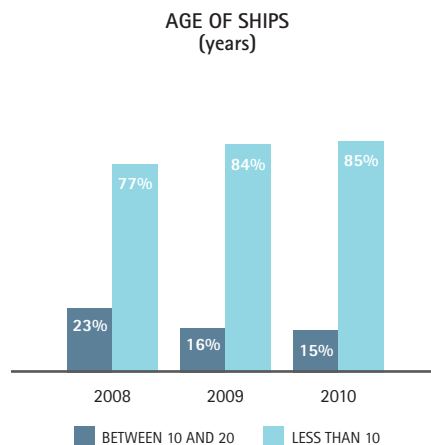
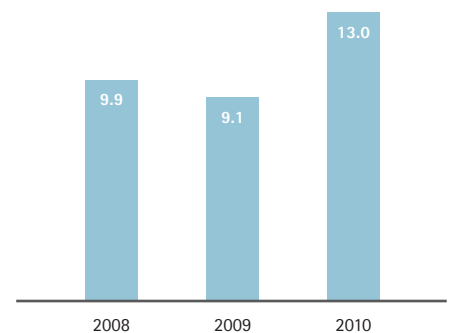
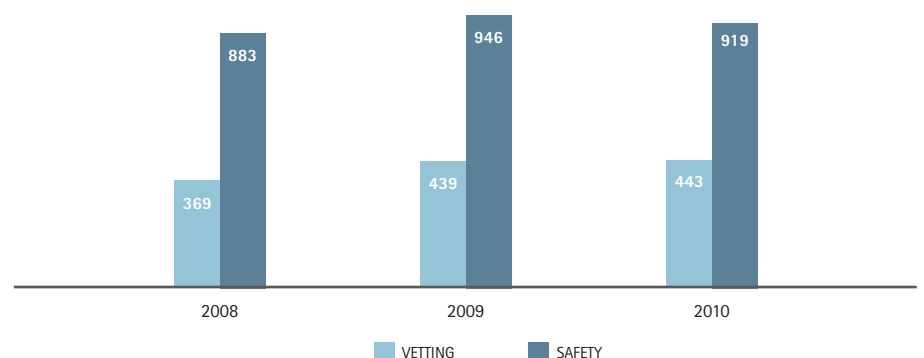


products. In this case, ERG requests the documents on recent tests that certify the suitability of the ship on the basis of the parameters laid down. If any documents are missing, the ERG staff or their representatives may check these parameters by direct inspection. In 2010, 13% of the ships inspected were rejected.

SAFETY

Safety tests are carried out (919 in 2010) on the loading and unloading operations performed on the quays. The aim of the inspections made is to check that these operations are performed in respect of the safety regulations in force and thus to prevent leakages and the risk of emissions.

Finally, with regard to the age of the ships used, this aspect has been found to have improved over the years in that no ships of over 20 years are used and only 15% of the fleet berthed are between 10 and 20 years old while the remaining 85% is made up of ships aged less than 10 years.

AGE OF SHIPS
(years)SHIPS REJECTED BY SCREENING
(%)SEA TRANSPORTATION TESTS
(no.)



“Our offer”

*EVERG:
the eco-friendly choice*

ERG considers the customer's trust and loyalty an asset to be safeguarded and increased through accessible channels of dialogue and promptly available, complete and readily comprehensible information. Listening continually to the customer's needs is one of the essential conditions for improving the quality of the service and the type of products offered. ERG provides its customers with a dedicated service, a direct contact and electricity market communication and information through qualified staff. The commercial offer is distinguished by its simplicity, variety and flexibility.

ERG is working towards a continuous evolution of its products and services in the directions desired by its customers, paying particular attention to the community and the management of resources from the sustainability point of view. In line with this philosophy, it has established relationships with associations of locally based companies in the various sectors of production for the supply of electricity, thus enabling a growing number of companies to be informed of and competitive in the supply of energy.

A business to business reference target was used to identify ad hoc offers for industrial customers based on and adapted

to specific consumer characteristics and periodically updated customized offers for small and medium enterprises and self-employed individuals. In short, the characteristics of the offers are listed below:

- **ERG Balanced** offer provides a balanced electricity supply price, fixed for part of the year and indexed for the remaining part of it;
- **ERG Dynamic** offer provides an indexed electricity supply price for the whole year of the contract;
- **ERG Safe** offer provides a fixed and invariable electricity supply price for a period of at least 12 months;
- **ERG Retail** offer provides a fixed electricity supply price for the first three months of the supply and indexed for the rest of the year with a maximum expenditure limit.

This offer is proposed via two channels, one is the direct channel through key account managers to industrial customers with a consumption of over 1 GWh year and the other is the indirect channel made up of external partners that propose it to small and medium enterprises and self-employed individuals across the country. Through these two sales channels, ERG's aim is to contact and reach its actual and

potential customers in the quickest and most effective way possible, giving them the opportunity to save money and providing them with offers that meet their expectations also through the use of highly competitive promotional formulas.

The results obtained over the past three years of sales activities have been satisfactory, reaching, at the end of 2010, the target of over 21,000 customers with contracts of whom: 2,800 small and medium enterprises; 18,000 self-employed individuals and 350 major industrial customers for a total of 1,000 GWh of electricity supplied in 2010.

THE SUSTAINABLE OFFER “EVERG”

ERG's commitment to environmental protection is also witnessed in its sales activities and the composition of its offer by the promotion of the purchase of green energy produced from renewable sources. This energy is certified RECS (Renewable Energy Certificate System), an international programme adopted by ERG, which, through the sale of certificates demonstrating the production of electricity from renewable sources, aims to promote, recognize and economically support the environmental value of electricity produced from non-polluting sources. This energy is

also valued through the "EVERG" registered trademark.

By purchasing ERG's green offer, the customer can qualify his environmental commitment through possession of this trademark, created with a view to promoting sustainable culture through three important clean energy concepts:

- production of electricity exclusively from the renewable sources present in nature;

- respect for the environment;
- controlled product certification by an independent, third party association (RECS International).

Once a green offer has been signed, ERG purchases the certificates and sends an RECS certificate bearing the logo and EVERG trademark to the customer.

In 2010, the contracts signed by small and medium enterprises and self-employed individuals with the EVERG logo

amounted to about 15% of the total, equivalent to an annual supply of about 60 GWh.

COMMUNICATION

In 2010, communication saw an intensification of direct marketing initiatives. In parallel with the development of communication agreements and synergies with Corporate Associations present in the area, the web planning activity, which got underway in 2009, was developed further. Communication on the network was capillary due to a direct agreement with Google Italia and the simultaneous programming of on-line promotional and advertising spaces (in box, banner, skyscraper and text link formats) on the main Business to Business (B2B) portals and information sites.

The web planning activity was strengthened through direct emailing to 600,000 business contacts.

The entire communication kit was redesigned to be functional to the activities carried out during the year. A more immediate, compact format, ideal for spreading promotional material (in particular, vouchers with bonus points on the Total-Erg Più loyalty card) indispensable for maximizing the effectiveness of the initiatives taken.



EVERG originates from the need to have an exclusive, distinguishing trademark to identify the offer of electricity produced from renewable sources. The logo was developed with a clear reference to the environmental issues in line with the Group's image and naming. The design company combined and summarized these needs. Starting from the English term evergreen, EVERG, as an acronym of ERG green energy, was chosen. The graphics shows an immediate link with nature, hence the inclusion of the dandelion whose seeds are made of tiny wind turbine blades. As regards the colours used, the letters EV are green and the letters ERG are blue: the choice of using both of the company colours makes it easier to identify the two parts of the acronym.

“Focus on the customer”

The results of a high-quality service

CUSTOMER SATISFACTION AND CUSTOMER CARE

Communicating with customers in a complete, effective and transparent way is important and ERG does this through a large number of channels to facilitate contact, give effective answers to questions and solve problems promptly.

An important objective for ERG in 2011 will be to elaborate a plan of action aimed at continually improving its services and customer satisfaction, which will include a detailed customer satisfaction analysis conducted with a view to assessing the performance of the services offered in solving the main critical problems that arose.

QUALITY OF THE ELECTRICITY AND GAS DISTRIBUTION SERVICES

In the fields of electricity and gas distribution, the technical and commercial quality standards of the service are regulated by specific standards that lay down obligatory minimum levels of service as well as a system of penalties to be

Main customer monitoring data

	2010
Number of call center contacts (no.)	7,668
Mean call centre waiting time (sec.)	19
Number of calls answered within 30 seconds	> 75%

applied if they are not reached. The normative references are the complete texts issued by the Authority for Electricity and Gas on service quality, to be more precise resolution no. 168/04 for gas and resolution no. 333/07 for electricity. The authority also imposes the monitoring, recording and periodic communication of precise indicators for controlling the quality of the service offered and the penalties to be applied if they are not respected.

The indicators are to be recorded directly on the Authority's web site (www.autorita.energia.it) where the results are available for consultation.

CALL CENTER QUALITY

The Group's call center, outsourced to a

leading company in the sector, is equipped with all the very latest and advanced technology for guaranteeing a non-stop service for the customer and is in possession of the main certifications that guarantee the quality of the service offered.

In particular, it has obtained ISO 9001:2008 certification for the quality of the company's customer satisfaction processes and ISO/IEC 27001:2005 certification for the information security management system.

The company is actively committed to obtaining certification according to the SA 8000:2008 social responsibility standard and the UNI EN 15838:2010 and UNI 11200:2010 standards that indicate the

reference parameters for guaranteeing an objective assessment of the level of quality of the service provided. In particular, the UNI 11200:2010 standard indicates the requirements of a call center in terms of transparency, consistency with the purposes and objectives of the service, skills and technologies suitable for guaranteeing the adequacy and continuity of the service.

In order to safeguard the customer, ERG has subjected the call center to constant monitoring of the performance and level of service provided.

COMPLAINT MANAGEMENT

The Integrated Text of the Electricity and Natural Gas Sales Service Quality Regulation (TIQV), in force since 1 July 2009, has integrated all the new features introduced by the Authority's resolution no. 164/2008 and has revolutionized the management of complaints, by setting them alongside requests for information and correction of invoices and laying down rules for the management methods and times. It has introduced the obligation of replying to all invoice correcting requests while before the cor-

rection was not always accompanied by a written answer to the customer.

ERG is committed to ensuring its customers a more efficient service than that laid down by the law.

The table below shows a comparison between the standards laid down by the law and the main 2010 balance complaint management data: in the first half of 2010, no payment was made while in the second half 12 were made for exceeding the response time limit laid down by the standards.

Indicator	Standard laid down by law	Number of cases	Performance measured for LV* and MV* customers (weighted mean for period)
Average time for reasoned written reply to written complaints	Maximum response time 40 calendar days	1,458	6.2 days
Average invoice correcting time	Maximum response time 90 calendar days	100	2.9 days
Duplicate invoice correcting time	Maximum response time 20 calendar days	23	7.9 days

** LV customers: customers with low voltage supplies; MT customers: customers with medium voltage supplies.*



“ Looking out towards new technologies ”

Research and development of innovative projects

The ERG Group is particularly active in the Research and development of advanced projects, aimed in particular at the production of electricity from renewable sources. These projects, currently conducted in partnership with several organizations and universities and oriented towards the search for excellence, are fruit of the conviction that the future of energy is related to that of the renewable sources in that they are efficient and respect the environment.

ORGANIC PHOTOVOLTAICS

Organic photovoltaic technology uses coloured pigments deposited using printing techniques on standard window glass to capture the sunlight and convert it into electricity. The entire organic photovoltaic production process consumes little energy unlike the silicon production process and does not use materials or production processes hazardous for the workers. In addition, the transparency of the glass and the various colours that give the surfaces an attractive appearance, also guarantee an architectural application for it.

The organic photovoltaics research project, elaborated in partnership with Per-

masteelisa Group and the Universities of Rome Tor Vergata, Ferrara and Turin, has almost reached the “preindustrial” stage. In 2010, having reached all the targets set, the Research Consortium decided to rent a warehouse on the outskirts of Rome near the Tor Vergata University, which handles the main part of the scientific and technological research, in which to install an initial set of machines for producing the pilot line. In the meantime, studies are being conducted to compare this technology – which respects the environment and is surprisingly ductile for architectural use– with the other more traditional photovoltaic technologies.

To be more precise, the electricity production of these coloured, semi-transparent systems is being compared with that of the traditional crystalline or amorphous silicon panels, which are opaque and thus are not suitable for architectural use as they cannot be used for constructing windows.

The challenges to be won on a purely scientific research and technological development level are however still many but researchers from the three universities are still working hard and obtaining great success and satisfaction.

In fact, the Consortium is continually filing national and international patents to protect the originality of the research and guarantee the necessary protection of the know-how developed.

INNOVATIVE GEOTHERMICS

ERG is also involved in developing projects concerning the production of electricity from geothermal sources, through innovative, environmentally sustainable systems. Systems that meet the new needs for environmental protection, capable of guaranteeing the production of alternative energy non-stop, 24 hours a day, 7 days a week. In fact, this is the main advantage of geothermics with respect to the other renewable sources, which all have the shortcoming of being intermittent (due to night for solar power, drops in wind for wind power).

This system also offers the possibility, after producing electricity, of recovering some of the heat of the fluids used to provide a district heating service to villages or industrial installations situated near the small electricity power plants.

The development of this source of energy, which began in Larderello – where, at the start of the 20th century, geothermics

was applied for the first time due to the insight of an ingenious Italian entrepreneur– was subsequently blocked due to the difficulty of installing the production plants in the environment: enormous stretches of piping, columns of white smoke rising into the sky, gigantic cooling towers, etc. All things that, with the increase in sensitivity to environmental issues, none of us would like to have near our home or workplace.

Technology has advanced, however, and today ERG is developing systems for producing electricity from geothermal sources which, on the one hand, may use heat sources that were previously unusable (with medium heat and no longer only high or extremely high heat), and, on the other, are extremely ecofriendly and environmentally sustainable.

Electricity and heat generating systems that, after use, release the geothermal fluids into the land from where they came without altering the underlying geological conditions at all and, above all, without giving rise to the emission of foul-smelling gases.

ERG is developing these innovative systems in the regions of Italy that, in ad-

dition to Tuscany, offer the best possibilities of implementation through a

broad strategic action with great commitment from the Group.

Safe Hydrogen

In all work site phases of the construction of the Hydrogen plant, ISAB Energy paid great attention to safety in the supply of hydrogen to the ISAB Refinery.

The measures taken by all the actors involved in the project, from the project manager to the companies involved in construction and the structures set up to monitor safety were designed to guarantee maximum efficacy.

All the safety operations were thus planned on the basis of an in-depth specific risk analysis, so as to identify the possible Top Events and identify suitable technical, organizational and procedural measures. The commitment shown, intensified further by the complexity of the work, led to the achievement of the excellent “Zero injuries” objective.

The work site was completed in May 2010 and led to the construction of a plant capable of guaranteeing the supply of hydrogen used at the refinery to improve the quality of the diesel fuel. Hydrogen is already present in a con-

siderable percentage in the ISAB Energy syngas obtained by partial oxidation of the asphalt coming from the ISAB Refinery. Some of this hydrogen must therefore be separated from the other gases that make up the syngas (mainly carbon monoxide and carbon dioxide) and purified.

This result obtained due to the two subsystems making up the new plant, that is, the membrane unit, in which the preliminary separation of the hydrogen present in the syngas takes place and the PSA (Pressure Swing Adsorption) unit whose function is to purify the gas obtained previously, reaching a degree of purity of over 99%.

Before it can be used, the syngas must have the appropriate chemical characteristics and is therefore treated inside the acid gas separation unit: the flow necessary to supply the hydrogen production plant is thus washed further with a view to eliminating all possible traces of solid particles and drops of solvent from it.



“Corporate Governance in change”

Company control and governance

In order to ensure lasting sustainability the governance system of an entity as complex as a company must fulfil two fundamental criteria: solidity and flexibility. The first is ensured by identifying clear rules and procedures, the balanced breakdown of powers and delegations and the implementation of process monitoring and control mechanisms.

Flexibility enables an organisation to evolve responding quickly and effectively to the need for change typical in modern economies. Solidity and flexibility in ERG are ensured through Corporate Governance capabilities and activities including statutory bodies and board committees that adhere to formalised procedures when performing their duties.

The **Statutory Bodies** are:

- the Board of Directors, 12 members, 1 Chairman, 2 Deputy Chairmen, 1 Chief Executive Officer and 8 Directors, of which 4 are independent and 1 is non-executive. There is also an Honorary Chairman;
- the Board of Statutory Auditors, 1 Chairman, 2 regular members and 3 substitute members;
- the Shareholder's Meeting.

The **Board Committees** include:

- the Internal Control Committee, 1 Chairman and 2 members;

- the Nominations and Remuneration Committee, 1 Chairman and 2 members;
- the Strategic Committee, 1 Chairman and 5 members.

In accordance with the Articles of Association, **directors are appointed** based on lists presented by shareholders which, in addition to information on the personal and professional characteristics of the candidates and a declaration of whether they meet the independence requirements, must be filed at the company's registered office at least 15 days prior to the Shareholder's Meeting. The Board of Directors meets at least once a quarter to inform the Board of Statutory Auditors on the Group's activities and on the most important business, financial and capital transactions undertaken by the company or its subsidiaries and particularly those where there may be a potential conflict of interest. During the 2010 financial year the Board of Directors held 9 meetings.

The **Internal Control Committee** advises and issues recommendations to the Board of Directors and fulfils the role and responsibilities indicated in the Corporate Governance Code. The members have adequate experience

in accounting and finance; the Chairman of the Board of Statutory Auditors or another Statutory Auditor contribute to the Committee's work. Depending on the topics covered at any given time, Group management representatives, the CEO and the Chairman of the Board of Directors may also take part. During the 2010 financial year the Committee held 13 meetings.

The **Nominations and Remuneration Committee** makes recommendations to the Board regarding the remuneration of the CEO and executive directors, as well as recommendations, at the CEO's request, concerning the pay policies for the company's senior management and the Group's management incentive schemes. During the 2010 financial year the Committee held 7 meetings.

The **Strategic Committee** advises and issues recommendations to the Boards of Directors of the holding and operating companies. It operates, within strategies and policies approved by the Board of Directors, by defining strategic business and portfolio guidelines as well as guidelines and policies on strategic finance and individual finance operations, monitoring the progress of their implementation over time.

Board of Directors						Internal Control Committee		Nominations and Remuneration Committee		
Role	Members	Executive	Non-executive	Independent	% participation ⁽¹⁾	Number by other positions ⁽²⁾	⁽³⁾	⁽¹⁾	⁽³⁾	⁽¹⁾
Chairman	Edoardo Garrone	yes			100%	2				
Deputy Chairman	Pietro Giordano	yes			89%	1				
Deputy Chairman	Giovanni Mondini	yes			100%	–				
CEO	Alessandro Garrone	yes			100%	2				
Director	Massimo Belcredi			yes	100%	1	yes	100%	yes	100%
Director	Luca Bettonte	yes			100%	1				
Director	Lino Cardarelli			yes	89%	1			yes	71%
Director	Aldo Garozzo		yes		100%	–				
Director	Giuseppe Gatti	yes			100%	1				
Director	Antonio Guastoni			yes	100%	5	yes	100%		
Director	Paolo Francesco Lanzoni			yes	89%	–	yes	100%	yes	100%
Director	Graziella Merello	yes			100%	–				
NUMBER OF MEETINGS HELD DURING THE FINANCIAL YEAR UNDER REVIEW		BOARDS OF DIRECTORS 9				INTERNAL CONTROL COMMITTEE 13		NOMINATIONS AND REMUNERATIONS COMMITTEE 7		

* The presence of an asterisk indicates if the Director was appointed via minority shareholder lists.

1) This column indicates the percentage of participation by Directors in the meetings of the BoD and Committees respectively.

2) This column indicates the number of Director or Auditor positions held by the relative subject in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance companies of significant size. Positions are indicated in full in the Corporate Governance Report.

3) This column indicates participation by a member of the BoD in the Committee.



MANAGEMENT INCENTIVE PLANS

When the ERG's shares were first listed on the stock exchange, it introduced a new compensation plan designed to align the interests of the management with those of the company and its shareholders and strengthen their relationship, also in terms of continuity over time.

In 2004 and 2005 the Nominations and Remuneration Committee noted the need to subject the plan to a general review aimed at evaluating its adequacy with reference both to the new company structure and the change in the market's sensitivity to the most frequently-used management incentive tools: a new scheme of short and long-term incentives was thus introduced, which included the allocation, using different methods for directors and top management, of annual bonuses calculated on the basis of company performance and achievement of personal objectives.

SHORT-TERM INCENTIVE SCHEME

The short-term incentive scheme is based on certain key objectives that can be summarised as follows:

- introduction of a single incentive system including both company and individual performance;
- definition of a market-related benchmark bonus for each participant;
- measurement of individual performance

according to a consistent system of goals and indicators;

- evaluation of company performance in terms of value created;
- definition of a variability range for bonuses.

An individual benchmark bonus is defined for each participant in the scheme. This is the gross amount that the person will receive if both individual goals and company objectives are fully achieved.

For each business area a distinct bonus pool is created. The pool is the sum of the individual bonuses of the executives belonging to each area, so as to use performance indicators specific to the different areas.

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

- corporate area: 100% economic profit (value creation) for the Group;
- coastal refining area, 70% divisional EBITDA (Gross Operating Margin) and 30% of the economic profit of the Group;
- integrated downstream area, 70% divisional EBITDA and 30% of the Group's economic profit;
- thermoelectric area, 70% divisional EBITDA and 30% of the Group's economic profit;
- renewable energy area, 70% division-

al EBITDA and 30% of the Group's economic profit.

A distinction is also made between top management and executives, so as to assign different risk profiles and enhance the degree of sensitivity to the results achieved by the system's participants vis-à-vis top management.

Other characteristic elements of the system are:

- setting of a floor for bonuses actually paid, corresponding to 200% of the individual benchmark bonus;
- setting of a floor for bonuses actually paid, corresponding to 25% of the individual benchmark bonus;
- the allocation of executives to five merit ranges.

The Nominations and Remuneration Committee takes part in the process of implementing the scheme by defining the annual Group economic profit target, checking operating companies' EBITDA objectives and determining whether economic profit is actually achieved.

LONG-TERM INCENTIVE SCHEME

The long-term incentive scheme based on subscription rights for company shares has the principal objectives of:

- encouraging decisions that ensure sustainable, enduring value creation;
- avoiding risks of "under-investment";

– increasing the retention of key persons.

The scheme also establishes that these rights have a 3-year vesting period. On 1 October 2010 the period for the second

allocation expired without any participants exercising the relative rights.

The Nominations and Remuneration Committee began a study of a general remuneration policy for executive directors,

other directors holding specific roles and executives with strategic responsibilities, as well as a possible future incentive plan (Long-Term Incentive Plan) for Group management.

Emoluments paid by ERG S.p.A. and subsidiaries in 2010 to Directors, Statutory Auditors, General Managers and key management.

SUBJECT Name and Surname	Position held	DESCRIPTION OF POSITION		Expiry of position	Emoluments for position	REMUNERATION		
		Period for which the position was held				Non monetary benefits	Bonuses and other incentives	Other remuneration
Edoardo Garrone	Chairman	1/1/10 – 31/12/2010	30 April 2012	791,086.89	8,913.11	125,000.00 ⁽¹⁾	–	–
Pietro Giordano	Deputy Chairman	1/1/10 – 31/12/2010	30 April 2012	604,158.75	15,847.58	3,300,000.00 ^{(1) (2)}	291,666.67 ⁽³⁾	–
Giovanni Mondini	Deputy Chairman	1/1/10 – 31/12/2010	30 April 2012	110,833.84	9,311.04	30,000.00 ⁽¹⁾	259,233.00 ⁽⁴⁾	–
Alessandro Garrone	CEO	1/1/10 – 31/12/2010	30 April 2012	992,313.90	13,547.86	200,000.00 ⁽¹⁾	8,330.48 ⁽⁵⁾	–
Massimo Belcredi	Director	1/1/10 – 31/12/2010	30 April 2012	47,416.00	2,584.00	–	–	–
	Chairman of Internal Control Committee			40,000.00				
	Member of Nominations and Remuneration Committee			25,000.00				
Luca Bettonte	Director	1/1/10 – 31/12/2010	30 April 2012	50,000.00	14,756.78	75,000.00 ⁽¹⁾	1,011,639.00 ^{(4) (14)}	–
Lino Cardarelli	Director	1/1/10 – 31/12/2010	30 April 2012	50,000.00	–	–	–	–
	Member of Nominations and Remuneration Committee			25,000.00				
Aldo Garozzo	Director	1/1/10 – 31/12/2010	30 April 2012	43,907.00	7,072.20	–	–	–
Giuseppe Gatti	Director	1/1/10 – 31/12/2010	30 April 2012	100,000.00	3,290.40	–	7,843.33 ⁽⁶⁾	–
Antonio Guastoni	Director	1/1/10 – 31/12/2010	30 April 2012	50,000.00	–	–	–	–
	Member of Internal Control Committee			40,000.00				
Paolo Francesco Lanzoni	Director	1/1/10 – 31/12/2010	30 April 2012	44,782.07	5,217.93	–	37,250.00 ⁽⁷⁾	–
	Chairman of Nominations and Remuneration Committee			25,000.00				
	Member of Internal Control Committee			40,000.00				
Graziella Merello	Director	1/1/10 – 31/12/2010	30 April 2012	293,072.00	6,928.00	–	–	–
Mario Pacciani	Chairman of the Board of Statutory Auditors	1/1/10 – 31/12/2010	30 April 2013	60,000.00	–	–	50,205.16 ⁽⁸⁾	–
Lelio Fornabaio	Auditor	15/4/10 – 31/12/2010	30 April 2013	28,646.84	–	–	96,322.67 ⁽⁹⁾	–
Paolo Fasce	Auditor	1/1/10 – 31/12/2010	30 April 2013	40,000.00	–	–	18,706.23 ⁽¹⁰⁾	–
Andrea Manzitti	Auditor	1/1/10 – 14/4/2010	–	11,353.16	–	–	45,000.00 ⁽¹¹⁾	–
Strategic Managers ⁽¹³⁾	Chief Executive Officer and Department managers	–	–	–	25,843.70	142,000.00 ⁽¹⁾	2,121,659.00 ⁽¹²⁾	–

(1) Bonus relating to 2010, which will be awarded by ERG S.p.A. in May 2011.

(2) Extraordinary bonus of EUR 3,000,000.00 awarded in 2010 for extraordinary transactions.

(3) Emoluments for the Chairman of ERG Petroli S.p.A. and ERG Renew S.p.A.

(4) Employee compensation by ERG S.p.A.

(5) Remuneration for Directors in I-Faber S.p.A.

(6) Remuneration for Directors in ERG Nuove Centrali S.p.A. and ISAB Energy Services S.r.l.

(7) Remuneration for the Chairman of the Supervisory Committee in

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.

(8) Remuneration for the Chairman of the Board of Statutory Auditors in ERG Petroli S.p.A., ERG Power & Gas S.p.A., TotalERG S.p.A. and Auditors in ERG Oil Sicilia S.r.l., ISAB Energy S.r.l. and Raffineria di Roma S.p.A.

(9) Remuneration for the Chairman of the Board of Statutory Auditors in ERG Renew S.p.A., ERG Nuove Centrali S.p.A., ERG Power S.r.l. and Auditors in Ionio Gas S.r.l., ISAB S.r.l., ERG Eolica Italia S.r.l., ERG Power & Gas S.p.A. and ERG Raffinerie Mediterranee S.p.A.

(10) Remuneration for the Chairman of the Board of Statutory

Auditors in I-Faber S.p.A. and Auditors in ERG Power & Gas and Ionio Gas S.r.l.

(11) Remuneration for Auditors in ERG Renew S.p.A. and ISAB S.r.l.

(12) Compensation for employees in ERG S.p.A. and remuneration for Chief Executive Officers in subsidiaries net of emoluments received directly from the relative company. Includes extraordinary bonuses of EUR 320,000.00 awarded in 2010 for extraordinary transactions.

(13) Includes 5 Executives.

(14) Extraordinary bonuses of EUR 450,000.00 awarded in 2010 for extraordinary transactions.



“ Effective risk management ”

THE INTERNAL CONTROL SYSTEM

Support the company in achieving its strategic and operational objectives; prevent or limit the consequences on company performance due to unexpected events, using suitable strategies for identifying and managing risks and opportunities; check that acceptable risk levels defined during planning are not exceeded; ensure compliance of company activities with current laws and regulations; ensure the correctness and transparency of information within the company and as concerns third parties.

These are, in a nutshell, the objectives of the Internal Control System (ICS), the totality of the activities performed by all subjects who, throughout the various levels of the organisation, help to ensure business management is sound, appropriate and consistent with objectives, thus offering the maximum lasting value for each company.

The activities relative to the Internal Control System are thus not entrusted to an independent and specific department but are coordinated by different company departments, primarily the Internal Audit and Risk Office.

In addition to the Board of Directors and the Internal Control Committee, the prin-

cipal players in the Internal Control System are two figures: the Executive Director in charge of overseeing the Internal Control System and who coordinates the activities of the relative departments dedicated to identifying the principal company risks, periodically subjected to examination by the Board of Directors and Head of Internal Control.

Considering the relevant changes within with the organisational and corporate structure during the 2010 financial year, ERG launched an important project aimed at updating the members of the Internal Control System (guidelines, roles and responsibilities, information flow, process model, regulatory and procedural system, etc.) with a focus on best practices and the objective of making these easily understandable by the entire corporate population.

ADMINISTRATIVE RESPONSIBILITY

As concerns the administrative responsibility of entities (former Legislative Decree 231/2001), the company follows a Code of Ethics and an Organisation and Management Model – which are periodically updated in order to ensure compliance with regulatory, company and organisational modifications – and appointed a Supervi-

sory Body including an Independent Director in the role of Chairman, an Internal Audit Director and a Risk Office Manager.

This body is responsible for verifying compliance with the Code of Ethics, monitoring the correct and effective operation of the so-called “Model 231” and coordinating updating operations.

In completing its activities, the Supervisory Body prepares an annual plan that takes into account the “231 criminal risks”, audit activities performed in the past and current control protocols. This plan is presented to the Board of Directors by 31 December of each year, before the Risk Office and Internal Audit department put it into effect. The Supervisory Body for ERG's parent company is also responsible for guiding and coordinating Supervisory Bodies appointed by other Group companies, as concerns the methodologies they should use.

As part of the optimisation and improvement process for activities aimed at managing “231 compliance”, during the 2010 financial year the Supervisory Body launched a project coordinated on a Group level that aimed to develop an integrated IT system for managing Models and the communication flows included in these.

A NEW MODEL FOR MANAGING FINANCIAL INFORMATION

ERG adopted an Accounting Administration Organisation Model consistent with the "Savings Law" (Italian Law no. 262/2005) and the relative best practices. The Model – which is updated yearly and assessed by the Internal Control Committee – aims to ensure the faithful presentation, reliability, accuracy and timeliness of financial disclosures and requires that all company structures comply with it. The Manager responsible for preparing the company's financial reports is responsible for implementing administrative-accounting procedures, monitoring their application and, together with the CEO issuing legal attestations.

The work method introduced by the Model includes:

- annual risk assessments aimed at identifying:
 - the companies within the Group consolidation scope to include in the analysis;
 - the risks at the level of the selected operating Company/Group relating to the general corporate context of the Internal Control System;
 - the general risks for the information systems supporting the related processes;

- the processes that generate, with inherent risk, the accounts of the consolidated financial statements for each company selected;
- the specific risks for each relevant process concerning financial information, with particular reference to the so-called "assertion" of the financial statements;
- the mapping of controls needed to handle identified risks, on a Group and process level;
- the evaluation of controls and the management of a monitoring process, both in terms of design and operations and effectiveness, with the aim of reducing risks to a level considered "acceptable" (information flows, gap management, plan for remedial action, reporting system, etc.), based on an annual plan approved by the Internal Control Committee.

EVOLUTION UNDERWAY: THE ENTERPRISE RISK MANAGEMENT APPROACH

The fundamental principal on which the "cultural" change that takes place within the Group is based is the consolidation of a "modern" conception of risk, no longer considered exclusively as a potential "threat", but also as a possible op-

portunity to identify, evaluate and eventually exploit.

This evolution is consistent with the fact that ERG has always identified and evaluated the risks associated with its activities, adopting appropriate risk management methodologies, with the double objective of managing these in the best way (conscious acceptance, elimination, reduction, transfer) and safeguarding shareholder value.

In line with the evolving complexity of the competitive context in which it operates, beginning in 2009 ERG began to develop an integrated risk management model based on the internationally shared principals of Enterprise Risk Management (ERM), referencing in particular the CoSO framework (promoted by "The Committee of Sponsoring Organizations of the Treadway Commission"). From an operational point of view the development of this model was slowed down in 2010 with the goal of ensuring that the modification to the organizational and corporate structure were better outlined during the year. It is useful to recall the principal motivations that encouraged our Group to adopt an Enterprise Risk Management model:

- competitive context – ERG operates in a context characterised by an in-



creasing demand for effective risk management (e.g. risks concerning health, safety and the environment);

- evolution in business sectors – the Group is experiencing an evolution in its strategy, characterised by an increasing diversification of its portfolio of activities and an entrance into new businesses (e.g. renewable energy sources), with a consequential transformation of the company-organisational structure;
- events that reveal possible deficiencies in the risk management system – when faced with internal accidents or those at other Groups operating in the same business sectors, ERG deemed it necessary to develop a centralised process for managing various types of risk;
- the existence on the market of indicators that award the adoption of an integrated risk management system.

With the goal of linking the risk management process to planning and budgeting and normal business activities, ERG has thus defined the methodological criteria for mapping and evaluating risks, identifying roles and involved subjects and analysing the timeframes and mechanisms for coordination and reporting. In this way it is possible to assign a cor-

rect hierarchy for risks based on: evaluating potential impact, the probability of an occurrence and the level of control.

FINANCIAL, CREDIT AND LIQUIDITY RISKS

The new *modus operandi* – which over the medium term will enable the generation of value through a more conscious, structured and integrated risk management process – is based on an entrepreneurial vision, in keeping with the history of the Group, whose goal is to minimise financial, credit and liquidity risks; in line with this approach, in the management of financial and market risks, ERG uses derivatives such as options, forwards, futures and swaps, but solely for hedging and not speculative purposes.

RISK MANAGEMENT IN THE SAFETY PROJECT

In 2010, the ERG Group also placed particular emphasis on the management of risks connected with health, safety and the environment and launched activities relative to the Safety Project, through a formalised and detailed process of analysis for the current situation, identifying areas for improvement and the management of a structured training and investment programme.

Transactions with related parties

In March 2010 the National Commission for Companies and the Stock Exchange (CONSOB) adopted a “Regulation” aimed at improving the essential transparency and correctness of the methods with which listed companies manage their transactions with related parties.

ERG S.p.A. quickly launched a special analysis operation performed by a dedicated work group, which transverses all company departments and, in November the Board of Directors adopted, as specified in CONSOB regulations, a specific “Procedure for related-party transactions”.

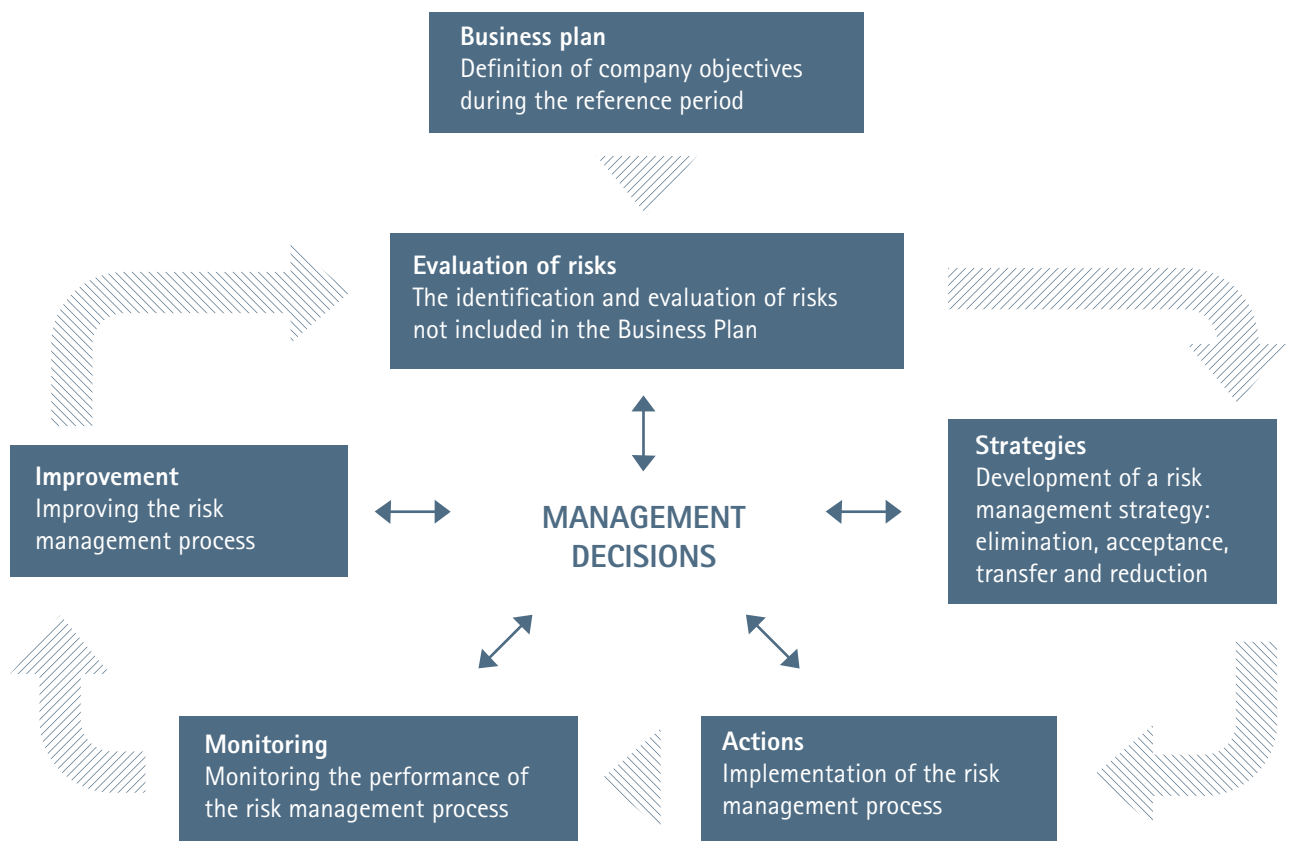
231 training

In 2010, the company, under the management of the Supervisory Body, prepared a training course on the principles of the administrative responsibility of bodies with a special focus on the contents of the Organisation and Control Models in former Legislative Decree 231/01. The training programme, which included about an hour of e-learning sessions and two hours in the classroom, involved the entire company population.

Enterprise Risk Management

Enterprise Risk Management is a process that concerns the entire company beginning with the development of strategy and is designed to proactively identify and manage potential events that could compromise the achievement of company objectives or constitute possible opportunities.

The adoption of an ERM model, based on the continual, systematic and pervasive monitoring of the company's risk profile, which requires the adoption of organisational solutions and operational standards that make risk reporting and the protection of company assets a consolidated practice, represents the passage from a approach focused on verification and compliance to one focused on the identification of potential events that could affect the company, with the goal of providing, through integrated management, reasonable assurances concerning the achievement of company objectives.



“The dialogue with institutional stakeholders”

A relationship defined by transparency

Protecting the legitimate interests of the Group, through a continual dialogue with bodies and institutions, monitoring evolving trends and the requests emerging from the political, administrative and social framework so as to anticipate and direct strategic company choices in its business sectors.

These are the main objectives that ERG uses to maintain relations with institutional stakeholders on various levels, actively collaborating with all of them and making available the company's know-how and specific skills.

ERG effectively oversees the activities of entrepreneurial trade associations, locally, nationally and on a European level (Confindustria, Assoelettrica, Concauwe, Unione Petrolifera etc.), through representatives in statutory bodies and participation in specific commissions or round tables.

These relations are focused on discussing specific topics of interest and transparently and exhaustively representing their positions. In compliance with the Code of Ethics and the Organisational Model (for-

mer Legislative Decree 231/01), it should be noted that ERG makes no direct or indirect contributions, in any form, to political or trade parties, movements, committees or organisations, nor to their representatives or candidates, save cases due to specific current regulations.

CONCAWE

CONCAWE ("Conservation of Clean Air and Water in Europe"), established in 1963 by several companies in the oil sector, focuses on research and activities connected to environmental, safety and product quality topics typical of the oil sector. ERG, like many other large companies, participates in these activities and the issues covered range from reducing atmospheric emissions to protecting water, the recovery of contaminated top soil, waste management, protecting the safety and health of workers and the quality of the environment and commercial products. All this is performed through the work of scientific, economic and technical work groups and collaborations that actively partner with international authorities (the European community in particular).

“The Group's Code of Ethics”

The values of a tradition

The values contained in the Code of Ethics are the same that have inspired ERG's conduct from the beginning, organised in a structured way and clearly and transparently explained in a document that also details the relative principles of behaviour.

The Group's Code of Ethics is a sign of continuity, a desire to incisively confirm the company's commitment to adopting its principles and values on ethical-social business responsibility and environmental sustainability in all its activities.

With this goal, the code should promote the achievement of two important objectives: on one side, stimulating and strengthening a sense of bonding and belonging, harmonising everyone's behaviour; on the other, contributing to strengthening and expanding the company's image, ensuring the correct structure for relations with those in all roles who come into contact with our Group.

The key values that serve as a basis for the conduct of all persons, at the various levels of responsibility, and contribute

to the completion of all of ERG's activities, including consultants and other external collaborators, however they may be classified, are:

- moral integrity, personal honesty and correctness in internal and external relations;
- transparency in relations with shareholders, the market and other stakeholders, or those categories of individuals, groups or institutions whose interests are influenced directly or indirectly by company activities;
- responsibility toward the community that, even indirectly, can be influenced economically and socially by ERG's activities;
- sustainable completion of activities and the protection of health, safety and the environment;
- respect for employees and a commitment to enhancing professional abilities;
- social commitment;

and, more in general, the elimination of any behaviour that, though it may aim toward an outcome consistent with ERG's interests, displays features that are not compatible with an organisational and managerial model characterised by total

compliance with the behavioural and procedural regulations in force within ERG.

ERG is thus committed to monitoring compliance with the Code of Ethics, developing suitable information, prevention and control instruments and intervening, where necessary, with suitable corrective actions.

The Code of Ethics integrates and completes the behavioural standards already defined by ERG for specific activities or categories of subjects, including:

- the Code of Conduct for Directors in Group companies;
- the procedure for distributing statements and information to the public;
- directions on handling sensitive and confidential information;
- the Code of Conduct for transactions concerning financial instruments issued by Group companies and completed by so-called “relevant persons”;
- the code for internal dealings;
- the procedure for transactions with related parties.



Sustainability: a business choice

The Social Responsibility Forum

The topic of Corporate Social Responsibility is becoming increasingly relevant: this is the topic of many conferences and numerous university courses (and even some high school courses) and new awards are being organised to encourage good practices developed by businesses.

Even though this increase in the visibility of the issue has not yet been accompanied by a significant increase in the number of businesses committed to concrete activities, the journey toward Social Responsibility has definitely begun and – as many experts say – there's no turning back.

Many of the organisations that, like ERG, have made Corporate Social Responsibility (CSR) part of their business culture, met in Milan on 28 and 29 September 2010 for the sixth edition of the Social Responsibility Forum.

As of today, "Dal Dire al Fare" (From Saying to Doing) is the only event in Italy where these organisations have the opportunity to compare their experiences and actively participate in the discussion on CSR, thus contributing to the growth a shared culture on the topic.

In 2010, ERG participated in the Forum as a main sponsor, confirming its commitment and recalling that sustainability and responsibility are not just a tactical but also a strategic choice for the company. A choice that is also realised through an ability to transparently manage its relationships with stakeholders and promote a continuing dialogue with various interlocutors.

Topics such as the commitment to safe-

ty in the workplace, the contribution to the sustainable development of the community and the strengthening of community-based initiatives were included on the agenda throughout the two days of the Forum, during which ERG lead a dialogue not only involving other businesses but also numerous third sector organisations and many young people who crowded the spaces provided by Bocconi University.



At the top in web reputation

RENEWABLES

Online communication

REFINING & MARKETING

Within the context of the continual evolution of the web, ERG's website has become an irreplaceable point of reference in company communications. The company uses its corporate website to spread timely and updated information on its business, organisation, development strategies, vision and values while, at the same time, a "two-way" dialogue enables contact with stakeholders and continually collected feedback useful for guiding its actions.

The multiple new potentials of the internet, together with the needs of a public that is increasingly "competent" in requesting and obtaining information, make the internet an increasingly strategic tool in the mix of communication methods used by companies.

Beyond the need to distribute regulated information on the stock exchange listing, ERG's has always been committed to placing itself at the centre of a transparent flow of communication that is increasingly capable of establishing a dialogue with stakeholders, aiming to collect their requests within the context of a sustainable business model. Following the best practices proposed

on an international level and the continual proliferation of opportunities while, at the same time, respecting the distinctive features of its "genetic" code and ethics, ERG continues along its developmental path in the field of web communications recognizing a wide-reaching promotional and social value.

Webranking

HALVARSSON & HALVARSSON

This year ERG was once again included in the "Hallvarsson & Halvarsson Webranking 2010 Italia Top 100" classification: the study is one of the most extensive analysis tools in Europe for the evaluation of online financial and institutional communication and a fundamental tool for comparisons with competitors (and other players) on a national and international level. The study evaluated the English version of the corporate website, using criteria updated yearly based on user requests (buy and sell-side analysts and business journalists). In the beginning of November, the results of the ninth edition of the study were published in CorriereEconomia, a supplement in the Corriere della Sera. The clas-

sification reported ERG's website in 20th place with 57.5/100 points. Despite continual improvements made to the site, ERG lost two positions as compared with the 2009 classification due to the greater competitiveness in the upper part of the classification. For the 2010 edition, the research was based on 127 criteria organised in 10 sections for a total of 100 points; the sections dedicated to financial information and Social Responsibility became more important in the protocol; of particular importance for users was the "concreteness" of the information present, specifically sensitive information linked to risk management and the company's future growth prospects.

The introduction of a new section dedicated entirely to the presence in social networks (certainly the most significant change within the research criteria) had a significant impact on evaluations: we are experiencing a change in the role of the corporate website, which is no longer a single source of information on a company but is increasingly becoming a "crossroads" where the voices of the web converge and can shape the reputation of a company.



RENEWABLES

REFINING & MARKETING

The 2010 CSR Online Awards Italy, founded by Lundquist in collaboration with Il Sole 24 Ore, monitored the use of the corporate website in communicating the CSR policies of the 50 largest listed Italian companies and evaluated how these companies use the website to communicate their CSR policies and dialogue with stakeholders, analysing the structure and information present in the section of the site dedicated to sustainability. The study revealed that in general companies appear to be stuck "in a mentality of annual reporting" and are not exploiting

the opportunities the internet offers for continual, personalised, involving communications. The ranking was published by the Corriere della Sera in October: for the first time, the third edition included ERG in the ranking in an excellent 16th place with 46.5 points out of 100.

This year, the research awarded companies capable of communicating the concreteness of sustainability objectives, correlated with transparent information on results achieved and management policies implemented.



Who they are

Hallvarsson & Halvarsson is a prestigious Swedish consultancy company that focuses in particular on online communication. Its Webranking study, performed globally, compares the websites of the principal listed companies aiming to evaluate the appropriateness and effectiveness of the online communication of the companies, responding to stakeholders needs: 900 companies were evaluated globally this year.

Lundquist is a strategic consultancy company with offices in Milan and specialises in online corporate communications representing the Swedish company Hallvarsson & Halvarsson in Italy, Austria and Switzerland.

The research programmes are dedicated to online financial communication, the use of a corporate website and social media: in addition to the cited studies relative to Employer Branding and online CSR in Italy, the company also follows the same projects focused on research in other European countries, such as Austria, Switzerland, Germany and Great Britain. With regard to the Italian corporate landscape, studies are currently underway on the presence on Wikipedia ("Wikipedia Research Italy") and Twitter ("Corporate Twitter Research Italy").

The study does not include the contents of the Sustainability Report, but exclusively the Italian version of the CSR section on the website: the goal is to focus all attention on the use of the institutional website in conveying information related to CSR, monitoring the space dedicated to events and initiatives, going "beyond" the contents of the Report. The site serves as a principal point of reference for stakeholders interested in measuring the company's commitment to Social Responsibility.

The evaluation protocol of 77 criteria was defined based on research Lundquist performs yearly, which this year involved the participation of 250 CSR experts from 30 countries, also involved through social networks such as LinkedIn and Facebook.



Today, the internet is the main source of information for people in search of new jobs and it is thus essential that companies know how to convey their values and make them appealing in the eyes of potential employees in order to attract the top talents. It is also crucial to communicate with current resources, valuing and involving them and putting them in charge of the growth process so as to keep the circle of company values alive.

Employer branding is the way a company can promote and present itself as a desirable place to work where employees make full use of their talents and develop and strengthen their skills: successful employer branding is essential for a competitive and successful company that believes in its future. Today, visiting a

company's website is the first step of a potential candidate.

Last but not least, Lundquist's research included a study focused on employer branding: the results published in January 2011 are relative to the first study in Italy where ERG achieved 23rd place with 42 points out of 100. In general, the analysis reveals that companies only partially exploit the potential of their corporate websites in conveying brand value, even though this is essential to maintaining competitiveness, particularly during crisis periods like the one we are

currently experiencing.

Normally, the highest scores are awarded based on the structure of the site rather than its contents. According to Lundquist there are 5 pillars on which the good communication of employer branding is based: the completeness of information present, integration between the different sections of the website, intuitive and user friendly navigation, the attractiveness and concreteness of information present, possibly supported by the accounts of employees who are proud to be a part of the organisation.

ERG is a finalist in the 2010 "Oscar di Bilancio" Special Award for Corporate Governance



ERG once again participated in the "Oscar di Bilancio", an award organised and promoted by the FERPI (Italian Federation of Public Relations) and was chosen as one of the finalists for the Special Award for Corporate Governance (with Saipem S.p.A. – announced as the winner - and UBI Banca S.p.A.), a deserving company *"that has developed excellent and well-balanced governance models, also managing to communicate them effectively."*

The "Oscar di Bilancio", which includes the participation of the President of the Republic, *"is an advanced workshop on Italian financial statements that analyses and anticipates the most progressive trends in reporting, also drawing from international indicators such as those provided by the Global Reporting Initiative."*



“Green IT”

*A few words with Massimo Rama,
IT technology manager*

Q. The ERG Group has recently launched an important company reorganisation programme, signing agreements with leading international partners, including: LUKOIL and TOTAL. What did this reorganisation mean for the Information Technology Area?

A. The extraordinary transactions made it necessary to define a new IT strategy over the medium term with the goal, on one side, of supporting the current transformation (the launch of the joint ventures ISAB and TotalErg, the launch of the NewCo ERG Oil Sicilia and the merger of the operating companies within the Holding) and, on the other, defining a lasting operational model in compliance with the "leading practices" of reference, thus decreasing operating costs through rationalisation.

Q. How is this new strategy structured, in concrete terms?

A. The implementation of the new IT

strategy led to the adoption – through outsourcing – of cloud computing solutions aimed at limiting IT operating costs and also taking the opportunity to simultaneously reduce energy consumption and CO₂ emissions.

Q. What do we mean by cloud computing?

A. Cloud computing is an extended IT infrastructure, not localised specifically within the community but shared with other users and available via internet; it enables the "on-demand" use of hardware and/or software resources while maintaining reliability, flexibility and rapid scalability.

Q. What are the advantages of this new infrastructure?

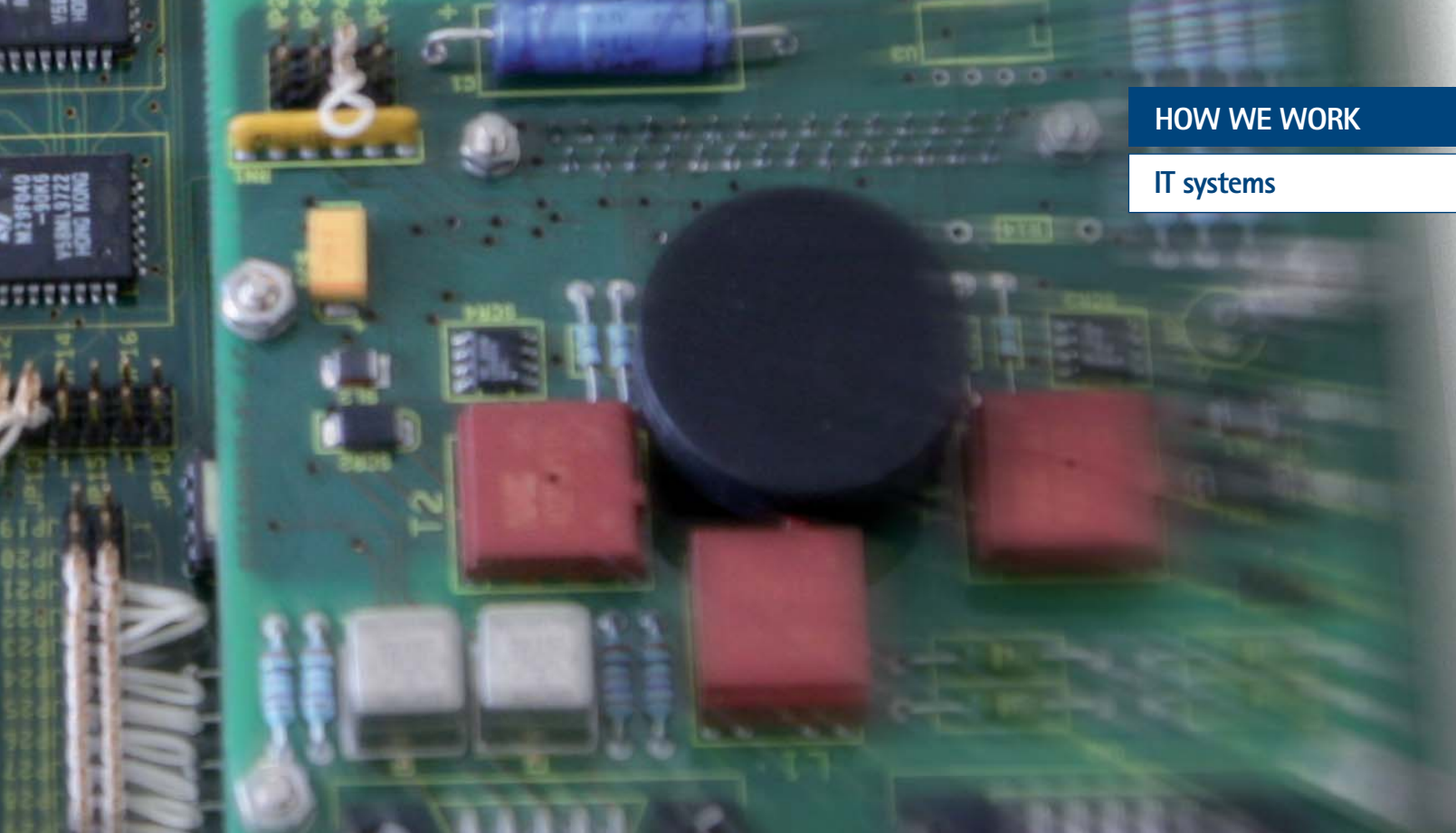
A. As compared with local, on-site management of infrastructure, due to their nature, "cloud" solutions use efficiencies and economies of scale that reflect

both a reduction in operational costs and limited environmental impact connected to IT Services. In particular, the adoption of the cloud in ERG favours a reduction in operating costs and its "IT carbon footprint", based on two principal levers: "dynamic procurement" and the "sharing, virtualisation and optimisation" of energy consumption.

Q. Tell us about "Dynamic procurement".

A. The optimisation of costs and energy consumption connected to IT infrastructure takes place by correctly sizing the same infrastructure.

The need for reliable applications, the high priority required by the business and the need to quickly handle the possible need for increased computing capacity often result in the selection, particularly for local infrastructure, of an over-sized system with a proportional negative effect on costs.



Instead, the infrastructure cloud allows for a system of a more accurately size, as in one without waste, both in terms of flexibility which can be increased/reduced and the capacity of the service suppliers to reallocate any unused resources.

Q. What do we mean by Sharing, Virtualization and Optimisation of energy consumption?

A. The cloud architecture makes it possible to simultaneously and safely serve different company bodies on the same infrastructure, reducing energy consumption and thus polluting emissions.

The "sharing" of infrastructure is made possible through the adoption of virtualization techniques that, through the network, enable remote operation irrespective of the underlying physical level. Different virtual machines, which are independent from one another, share the same physical infrastructure and opti-

mally fulfil processing requests. Processing demands and relative peaks are more easily manageable in this wider context. In addition, as compared with that observed on average in on-premise infrastructure, the cloud optimizes the processing capacity of machines, serving a high number of requests with a reduced number of servers. And this consequently allows for a decrease in energy consumption: sector studies highlight that cloud data centres, through innovation and economies of scale (with particular reference to "non IT" equipment such as air conditioning, lighting, etc.), provide an energy efficiency of approximately 35% more than on-premise data centres.

Q. Can you give us an example of the use of the so-called Software-as-a-Service (SaaS).

A. ERG recently provided "on-demand" Customer Relationship Management (CRM) services via web. The adoption of

this solution has enabled the fulfilment in a short time of the functional requirements of the CRM area and the possibility of using the application without the need to acquire, configure and then manage hardware and software. All this is consistent with the guidelines for reducing operating costs and the externalisation of infrastructure.

Q. Tell us about the centralized management of printing processes.

A. Environmental awareness and a constant focus on operating costs have lead ERG to define specific internal procedures for regulating and monitoring printing processes. The result has been an evolution towards the centralized and monitored management of printing (accessed through personal authentication codes) where each user is made aware of sustainability topics, principally in terms of limiting the use of consumables and minimizing "avoidable" printing.

ERG Group performance data and indicators*

Group economic-financial results

		2010	2009	2008
Total revenues ⁽¹⁾	EUR million	7,899	6,237	11,563
EBITDA	EUR million	238	229	117
EBITDA at replacement cost ⁽²⁾	EUR million	213	22	536
EBITDA at adjusted replacement cost ⁽³⁾	EUR million	305	92	540
EBIT at replacement cost ⁽²⁾	EUR million	59	(115)	335
EBIT at adjusted replacement cost ⁽³⁾	EUR million	86	(92)	336
Net Profit	EUR million	43	45	649
of which Group Net Profit	EUR million	10	7	646
Group Net Profit at replacement cost ⁽⁴⁾	EUR million	(20)	(80)	84
Cash flow from operations	EUR million	119	93	216
Net invested capital	EUR million	2,614	2,591	2,299
Investments ⁽⁵⁾	EUR million	201	347	351
Financial leverage	%	28	26	12

For the definition and reconciliation of results at adjusted replacement cost, please refer to the chapter "Alternative performance indicators".

(1) net of excise taxes;

(2) not including inventory gains (losses) and non-recurring items;

(3) these also include the contribution of ISAB S.r.l. (a joint venture with LUKOIL) and TotalErg (joint venture with TOTAL) results, for the portion owned by ERG (51%);

(4) does not include inventory gains (losses), non-recurring items and related applicable theoretical taxes. The values also correspond to adjusted values;

(5) investments in tangible and intangible fixed assets.

Net invested capital in 2010 includes EUR 4.5 million from grants provided by Public Administration to ERG Renew for plants.

Total revenues in 2010 include EUR 140 thousand in grants from Public Administration or the European Community for employee training activities.

The activities of the ERG Group do not include loans to political parties.

ERG Shares

		2010	2009	2008
Year-end reference price	EUR	10.45	9.68	8.51
Maximum price (06/04/2010) ⁽¹⁾	EUR	10.83	12.3	16.9
Minimum price (12/02/2010) ⁽¹⁾	EUR	8.96	8.43	8.4
Average price	EUR	9.92	10.01	12.25
Average volume	no.	344,063	513,808	1,343,497

(1) understood as minimum and maximum prices recorded during day trading and thus do not coincide with official and reference prices for the same date.

Suppliers

		2010	2009	2008
Qualified suppliers	no.	2,140	2,071	1,972
which have registered offices or a billing address in Sicily	no.	388	424	637
Average qualification time	days	206	191	160
Active suppliers (at least one order)	no.	2,541	2,722	3,257
Percentage of calls for tender	%	67	78	68
Age of ships				
> 20 years	%	0	0	0
between 10 and 20 years	%	15	16	23
< 10 years	%	85	84	77
Ships rejected by screening process	%	13	9.1	9.9

* Data reported here refer to the reporting boundary as it is defined in the Methodological Note on page 14.

Customers

		2010	2009	2008
Call centre efficiency – calls answered within 30 seconds	%	>75.0%	n.a.	n.a.
Back office efficiency – compliance with response time for customer's written claims	%	99.2%	n.a.	n.a.

n.a. = not applicable

Operating data and indicators

		2010	2009	2008
Total electricity production from renewable energy sources	GWh GWh	6,688 453	3,009 322	5,189 272
Market share of domestic power generation	%	2.3	1.2	1.4
Sale of electricity	GWh	7,502	⁽¹⁾ 4,459	4,560

Environment and Community

		2010	2009 rest	2009	2008
Energy consumption (primary sources)	ktoe	1,231	852	1,665	2,054
Natural Gas	ktoe	546	125	345	246
Indirect energy consumption	ktoe	56	75	493	411
Thermoelectric installation efficiency	toe/MWheq	0.215	0.239	0.239	0.266
Direct CO ₂ emissions	ktonnes	3,998	3,406	⁽¹⁾ 5,882	6,434
Indirect CO ₂ emissions (imported energy)	ktonnes	65.6	163.6	⁽¹⁾ 166.2	⁽¹⁾ 122.7
CO ₂ avoided through renewable energy sources	ktonnes	197.0	146.5	146.5	125.1
NO _x emissions	tonnes	1,505	2,317	4,053	4,806
SO ₂ emissions	tonnes	1,336	4,449	10,544	13,228
Particulate emissions	tonnes	62	215	318	391
Thermoelectric CO ₂ Index	tonnes/GWheq	0.59	0.73	0.73	0.83
Thermoelectric NO _x Index	tonnes/GWheq	0.22	0.42	0.42	0.56
Thermoelectric SO ₂ Index	tonnes/GWheq	0.20	1.00	1.00	1.40
Thermoelectric Particulate Index	tonnes/GWheq	0.009	0.040	0.040	0.060
Water withdrawals	Millions of m ³	306	223	509	454
seawater	Millions of m ³	298	214	496	441
fresh water	Millions of m ³	8	9	13	13
Water returned to the natural cycle	% of withdrawals	87.2	91.0	70.3	94.0
Water discharge – Oils	tonnes	0	5	16	18
Waste produced	ktonnes	14	22	615	729
in site reclamation and new constructions	%	15	24	89	92
sent for recycling	%	28	70	9	10
non-hazardous	%	83	90	6	13
Petroleum product leakage	no. events	0	3	16	10
Petroleum product leakage	m ³	0	1	56	517

The 2009 rest column shows the values for 2009 net of data on ISAB S.r.l.

(1) Correction of erroneous data from the 2009 Report

Personnel, work and industrial relations organisation

		2010	2009	2008
Employees at 31/12	no.	714	1,579	1,580
Genoa location	%	43	n.d.	n.d.
Syracuse location	%	49	n.d.	n.d.
Managers	no.	56	98	91
Genoa location	%	75	n.d.	n.d.
Supervisors	no.	168	290	274
Clerical staff	no.	383	953	901
Factory staff	no.	107	238	314
University graduates	%	44.1	43.2	41.2
Holders of upper secondary school diploma	%	48.9	47.4	47.1
Average employee age	years	41.8	42.1	41.9
Female employment	%	20.9	28.1	28.8
Turnover	%	13.3	47.5	31.6
Absenteeism rate	%	2.7	2.2	3.0
Percentage of part time employment	%	2.6	2.2	3.2
Percentage of overtime working	%	10.5	7.6	10.0
Unionisation rate	%	33.5	15.3	24.7
Ongoing labour disputes	n.	8	8	13

n.d. = not available

Training

		2010	2009	2008
Total training	hours	28,423	33,971	58,974
Managerial	hours	2,764	2,906	7,925
Index of average training per employee	days/emp	5.1	2.7	2.8

HSE economic and operational resources

		2010	2009 rest	2009	2008
Total HSE expenses	EUR million	25	57	128	140
of which investments	EUR million	5	13	44	44
of which current expenses	EUR million	20	44	84	96
HSE equivalent staff as % of Group total	%	16.1	9.7	12.9	14.6
Level of ISO 14001 and OHSAS 18001 certification of industrial sites	%	64	78	85	79
HSE Audit	no.	68	64	81	64

Safety

		2010	2009 rest	2009	2008
Total accidents	no.	4	11	17	14
Near misses	no.	14	48	422	227
Frequency index		3.4	4.5	3.6	3.1
no. accidents per million hours worked					
Severity index		0.03	0.06	0.07	0.05
no. of total days lost per thousand hours worked					
Frequency index – industrial area		5.7	1.6	1.1	1.8
no. accidents per million hours worked					
Severity index – industrial area		0.044	0.013	0.050	0.040
no. of total days lost per thousand hours worked					

The 2009 rest column displays the values for 2009 net of data on ISAB S.r.l.

“Company profile”

Since its establishment the ISAB Refinery has been distinguished by the advanced technology it uses that has enabled it to satisfy the growing demand for products with a low environmental impact such as green gasoline, diesel and fuel oils with a low sulphur content. Technological evolution at processing plants has always been focused on safeguarding environmental aspects.

The south plants of the refinery went into operation in 1975 with a capacity of 11 million tonnes of crude oil, which was increased to 12 million tonnes in 1997. The north plants, built during the mid 50's and originally called SINCAT (Società Industriale Catanese) went into operation around 1960 with a processing capacity of over 17 million tonnes. After various sales, the last of which went to AGIP, the ERG Group acquired the site in 2002 creating, together with the south plants, an integrated "super-site" refinery called the "ISAB Refinery" that was managed by the subsidiary ERG Raffinerie Mediterranee.

Thanks to the construction of interconnection pipelines in 2006, the south and north plants can be considered a single refinery. The two original production facilities dif-

fer by the type of conversion and crude oil blend processed. In particular, the south plants, essentially equipped with thermal conversion processes, are focused on the production of average distillates and, with a significant desulphurization capacity are able to work prevalently with medium-heavy crude oils that have a high sulphur content. The north plants, as these are equipped with catalytic conversion, are structured to produce higher quantities of light distillates using a balanced quantity of medium-heavy and light crude oils.

Today, the ISAB Refinery transports 90% of raw materials and oil products through three piers, one of which is located in the Santa Panagia Bay approximately 3 km from the south plants and the other two, the "Superpetroliere" Pier and the pier for liquids, are located at the north plants inside the port complex in Augusta.

The piers are built with cranes that include mooring platforms for oil tankers from 1,000 to 600 thousand tonnes and loading platforms and cranes used depending on the type of product to transfer, which are entirely managed during all loading and unloading phases via a remote command system that minimizes risks for operators.

Today the Refinery is the result of continuing technological evolution that, through the construction of new plants and the optimisation of existing structures, is able to respond to the demands of the market, improve the quality of products and ensure the greatest environmental compatibility.

As proof of this, the Refinery has achieved ISO 14001 certifications for its Environmental Management System and OHSAS 18001 for the Management System for Health and Safety in the workplace.

The shareholding structure underwent a significant transformation on 1 December 2008 with the joint venture that ERG finalised with LUKOIL, after which ERG Raffinerie Mediterranee S.p.A. transferred all the assets of the ISAB Refinery to ISAB S.r.l., then transferring 49% of the share capital of ISAB to LUKOIL and allowing, over the next four years, the possibility of applying a put option on the remaining share.

On 31 January 2011 ERG's Board of Directors approved the put option for a quota of 11% of the share capital held in ISAB. Thus, since 1 April 2011, the company's share capital has been held 60% by LUKOIL and 40% by ERG. Governance is joint and based on the shareholder's agreements.

“Environment and safety for sustainable development”

“Zero Accidents” achieved in 2010

In accordance with its company policies, ISAB has always been committed to operating within a context of sustainable development, aiming to ensure the health and safety of its employees and the community, as well as respecting and safeguarding the environment where it operates.

The commitments adopted in relation to its stakeholders are categorised within each activity through the adoption of an Integrated Management System for Health, Safety and the Environment, inspired by voluntary, recognised and accredited international use standards: the ISO 14001 and OHSAS 18001 standards.

Worker safety, environmental protection and the complete integration of activities and production assets within the community are high priority topics for ISAB, notwithstanding the results achieved; the analysis and integration of processes is the first step toward suitable risk management.

By adopting management systems aimed at protecting health, safety and the environment within its strategies, ISAB wanted to take the opportunity to transpose legal provisions and interpreted this as an opportunity for growth.

The principal objectives are “Zero Incidents” and “Zero Accidents” and are

based on the prevention of risks associated with organisational processes, continuing to decrease the impacts of company operations on the environment and operating staff.

This goal was pursued in three areas:

- promotion of a culture of safety (with a focus on behavioural safety);
- new applications of analysis methods (with a focus on process safety);
- reduction of risks and interventions in critical sectors (with a focus on evaluating the risks of operational tasks).

In 2010 the actions and efforts undertaken enabled the achievement of the planned safety and environment objectives.

- as concerns the Safety Management System, the frequency index for employee accidents was zero, as was the severity index: the “Zero Accidents” objective was thus achieved;
- with reference to reducing impacts on the environment and safety, the systematic application of management systems was confirmed by the trends in data relative to undesirable events, which revealed an improvement over the previous year: the numbers were nearly cut in half, particularly for accidents and emergencies.

In addition, the increasingly efficient integration of the processes and proce-

dures in existing management systems improved their effectiveness: the integrated and synergetic approach to managing safety and environmental issues did, in fact, allow for improved governance of activities, minimizing risks.

It was on this path toward development and integration that the need to balance document management criteria arose. In 2010 the new WebDoc system was thus released for the management of ISAB company procedures.

Through a web interface it became possible for the entire company population to search, perform advanced research and comment on documents and procedures.

The application is also a useful and exceptional training tool: it does, in fact, enable all workers to sign in via web at any time and complete “test questionnaires” aimed at evaluating their level of learning.

A culture focused on health, safety and the environment as an “absolute value” for workers and their needs (present and future), which ensures the achievement of environmental and economic performance, is, in fact, ISAB’s solution for continuing sustainable growth.

Safety, ISAB's vision

ISAB has made its approach to Safety quite clear: not only is this an obligation but also a conscious, consistent and responsible behaviour.

This led to the definition, through special sessions that involved a good part of the company population and were approved by the Guidance Committee for the Safety Project, of Safety Vision:

"Safety, Health and the Environment guaranteeing our future".

"We want to be and be recognised as an industrial company that sees safety, health and the environment as guiding values in completing its activities, consistently and responsibly safeguarding human and industrial heritage and involving the entire company population, businesses and the community".

ISAB's Safety Vision thus represents what the company wants and aspires to be over the medium-long term and moti-

vates all the people in the organisation as they complete their work.

The Safety Vision defines the direction for the coming years and is a declaration of the commitment that takes a practical form in the application of the regulations and procedures, monitoring whether these are complied with inside and outside of ISAB, effectively communicating and spreading a culture focused on safety and the environment.

Safety project: second phase

2010 saw the completion of important investments aimed at increasing the level of safety for workers and the plants where they work; special attention was also dedicated to the Safety Project, focusing the efforts of work groups on the "human factor" that constitutes a determining element in risk management.

The project aims to promote a broad and gradual process of revision and improve existing procedures in terms of

safety, with a strict application by the staff that works within production facilities, through the use of training programmes as well.

Following the conclusion of the first phase of the project, which consisted in an analysis of the Safety Management System, an evaluation of conduct and the identification of areas for improvement, 2010 saw the launch of the second phase with the goal of strengthening a culture of safety within the

company through awareness and involvement on all levels of the organisation.

The commitment demonstrated by the entire company population in following safety management procedures implemented by work groups in various company departments revealed an awareness of the importance of these actions and a widespread sense of responsibility. Classroom training programmes and field training involved company management, managers and all operational staff.

ISAB S.r.l. performance data and indicators

Economic performance *

		2010	2009
Total revenues	EUR million	1,939	1,411
EBITDA	EUR million	140	123
EBIT	EUR million	53	45

* Values calculated according to Italian accounting principles.

Operating data and indicators

		2010	2009
Refinery processing for third parties	Thousand barrels/day	269	247
Refinery processing	ktonnes	13,464	12,373
Inventories of raw materials and products	ktonnes	746	746

Environment and Community

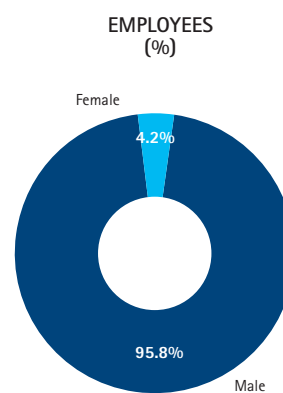
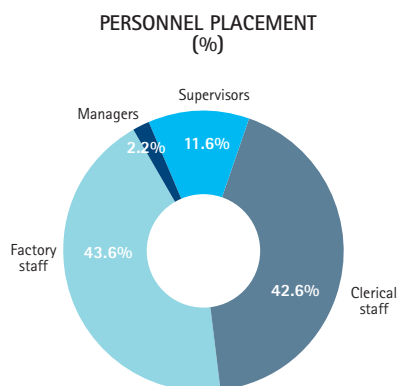
		2010	2009
Energy consumption (primary sources)	ktoe	819	813
Natural Gas	ktoe	226	220
Refinery Energy Intensity Index (baseline 2006 = 100%)	%	96.7	96.9
Direct CO ₂ emissions	ktonnes	2,636	2,475
Indirect CO ₂ emissions (imported energy)	ktonnes	647	531
CO ₂ Refining Index	tonnes/processed in ktonnes	80.9	95.8
NO _x emissions	tonnes	1,942	1,736
SO ₂ emissions	tonnes	7,358	6,096
Particulate Emissions	tonnes	118	103
Water withdrawals	Millions of m ³	269	285
seawater	Millions of m ³	264	281
fresh water	Millions of m ³	5	4
Water returned to the natural cycle	% of withdrawals	98.5	86.7
Water discharge - Oils	tonnes	16	9
Waste produced	ktonnes	568	593
in site reclamation and new constructions	%	93	91
sent for recycling	%	4	6
non-hazardous	%	4	3
Petroleum product leakage	no. events	6	13
Petroleum product leakage	m ³	615	55

Personnel, work organisation

		2010	2009
Employees at 31/12	no.	1,101	1,080
Managers	no.	24	25
Supervisors	no.	128	125
Clerical staff	no.	469	484
Factory staff	no.	480	446
Female employment	%	4.2	3.7
Turnover	%	14.2	8.1

Safety

		2010	2009
Total accidents	no.	0	3
Frequency index no. accidents per million hours worked		0.00	1.58
Severity index no. of total days lost per thousand hours worked	no.	0.00	0.12
Frequency index – outside firms no. accidents per million hours worked		1.87	1.21
Severity index – outside firms no. of total days lost per thousand hours worked	no.	0.02	0.03
Certification level ISO 14001 and OHSAS 18001	%	100	100
HSE Training	hours	23,415	20,836



“Health, safety, environment and quality in TotalErg”

Clear and defined principals

When it was established TotalErg defined its ethical principles and rules of conduct, reporting these in a Code of Conduct, a tool of security and reliability used to protect the company's assets and reputation.

The Code is destined for social bodies, employees on any level and third parties involved in any role (agents, proxies, business agent, advisors, dealers, subsidiaries and suppliers...). The Health, Safety, Environment and Quality Policy, the foundation for defining the approach to these topics, is an integral part of the Code of Conduct and is thus a demonstration of the highest level of commitment in dealing with these issues.

HEALTH AND SAFETY

Within the context of health, safety and the environment (HSE) TotalErg has defined tasks and responsibilities, equipping itself with a formalised system of delegation in this field that is also applicable to subsidiaries. In parallel, the company has developed emergency management procedures – which are continually updated – aimed at being able to react as quickly as possible if circumstances require. For the most serious events, a crisis committee was created

(CMT: Crisis Management Team) to manage the most critical situations from the point of view of the possible impact on the media. Executives were sensitised and trained using simulations.

TotalErg has also defined the flow of communications, both those within the company and those originating from subsidiaries, which are suitable for monitoring parameters and HSE performance indicators, selecting a software platform for facilitating information collection, an accident analysis and the adoption of corrective actions.

Finally, the company launched a process aimed at the positive exchange of experiences on health, safety and the environment between colleagues within the various organisations in TotalErg. Within this context, it was decided that for important events, such as the emergency simulations conducted periodically at sites, operating managers from other Group companies would be invited to participate. The first of these events took place at the Costal Depot in Savona. The DNV renewed its level 3 certification for the International Safety Rating System (ISRS) protocol on GPL Totalgaz de-

posits in Viterbo, Alannogas in Alanno and Folignogas.

In addition, the company and our client – British Petroleum – performed a QHSE audit at the plant in Savona, awarding a score of 37/38.

The accident indices, despite extensive efforts, have demonstrated performance that is below expectations, with a low or moderate severity of accidents, due in the majority of cases to inappropriate behaviour or a lack of attention (slipping, stumbling).

ENVIRONMENT

TotalErg is equipped with adequate monitoring and intervention plans for managing potential environmental emergencies. In order to ensure a suitable response, even in the case of sea leakages, TotalErg has become an Associated Member of OSRL, a consortium of the major oil companies, which provides their own methods and highly specialised personnel to members involved in managing serious hydrocarbon leakages. The company's more than twenty years of experience, with serious environmental accidents at sea, serves as an additional guarantee for TotalErg in environmental

protection. In 2010, the company continued its efforts to comply with new regulations, particularly with the transposition of the European Directive on waste and the Computer-based waste tracking system (SISTRI). This activity takes place through the updating of internal operational procedures and the redefinition of roles and responsibilities and also through the issue of specific delegations.

As regards the Raffineria di Roma, a preliminary investigation on Integrated Environmental Authorisation (AIA) was completed in 2010 and in December the Ministry for the Environment signed the relative decree.

As concerns remediation interventions the activities related to the creation of a physical and hydraulic barrier systems continued. The municipality of Fiumicino was also authorised to implement the definitive project for the reclamation of contaminated sand.

MANAGEMENT AND CERTIFICATION SYSTEMS

TotalErg combined all cultural, experiential and performance results that TOTAL Italia, ERG Petroli and the respective

parent companies have consolidated on topics relative to the protection of health and safety, environmental protection and quality. Paying constant attention to multiple aspects, handling these in an appropriate, innovative and integrated manner and minimizing risks connected to business and its operations are essential conditions to ensure that TotalErg can grow within the market combining positive performance, effectiveness, efficiency and recognition.

The organisational conditions deriving from the implementation of management systems, inspired by internationally recognised standards and focused on continual improvement, contribute significantly to the achievement of the aforementioned business objectives. The agenda for 2011, which strengthened the integration process, finds plenty of space for the harmonisation of existing management models, aimed at creating a strong, recognisable identity for TotalErg. An important step towards balanced management is the creation of a Model of an Integrated System for health, safety and the environment that, in accordance with Legislative Decree 231/01 and with different degrees of responsibility specified within the organisation,

concretely expresses the contents of the Code of Conduct. This Model promotes a process of continual and widespread responsabilisation as it involves multiple players called, on various levels, to actively and critically participate in the creation and implementation of the rules that, are, first of all expressions of a culture that is conscious of health, safety and environment topics. Guidelines, Operating Procedures, Limitations and Recommendations complete the Model imbuing it with a functional identity.

On 31 December 2010 the key plants on the TotalErg circuit, the Raffineria di Roma and the annexed Shared Depot (De.Co.) and the depots in Trecate and Savona, were certified by ISO 14001 (Environmental Management Systems) and OHSAS 18001 (Health and Safety Management Systems). Almost all activities and operational sites within the consolidation scope of TotalErg also benefit from ISO 9001 certified Quality Management Systems.

QUALITY OF PRODUCTS AND SERVICES

TotalErg believes that the quality of products and services provided represents a value that offers credibility and reliability.



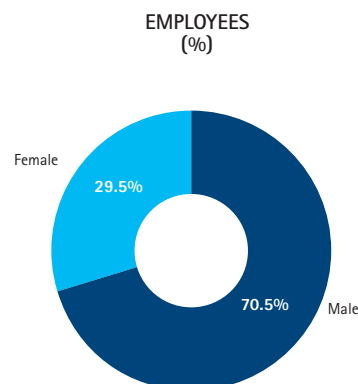
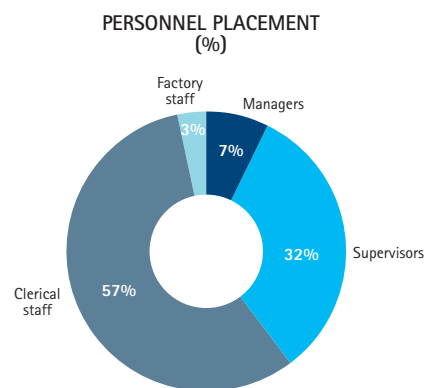
ty to customer relations, also based on the improvement of organisations' internal processes. TotalErg thus focuses on fulfilling customer expectations, ensuring their satisfaction and identifying new sales opportunities. Within this context, an improvement project was launched at the end of 2010 that aims to enhance the monitoring and satisfaction of internal and external customers, integrated with that specified in the ISO 9001 certification.

In developing new products TotalErg applies innovation criteria that view the improvement of energy efficiency and environmental impact as two key elements. Excellium diesel, a commercial product available at over 2,000 stores within the TotalErg network and which includes a specific additive package that prevents the formation of deposits within injection systems, favours complete combustion and, as compared with an additive free diesel, improves atmospheric emissions.

The line of actions for improving the quality of products from an environmental point of view also followed national and EU guidelines on biofuels. In the last quarter of 2010 TotalErg consumed over 40 thousand tonnes in consumables and biodiesel in particular. Today, blended up to 7% in volume with fossil diesel, or biodiesel, through its life-cycle, it contributes to the reduction of greenhouse gas emissions.

The production of bitumen for road use was focused on the development of products that improve comfort and safety during driving.

Beginning in 2011 all bitumen produced by TotalErg bore a CE mark, which denotes the excellence of the production control system. The achievement of this certification is facilitated by the presence and application at industrial sites of the Quality Management System, in compliance with ISO 9001.



TotalErg S.p.A. performance data and indicators

Economic results *

		2010
Total revenues	EUR million	10,676
EBITDA	EUR million	145
EBIT	EUR million	73

* Values calculated according to Italian accounting principles.

Sales

		2010
Total sales	ktonnes	9,100
supplies	ktonnes	2,620
domestic Retail Market	ktonnes	3,459
domestic Wholesale and Specialties Market	ktonnes	2,517
export Wholesale Market	ktonnes	92
Aviation	ktonnes	412

Stores

		2010
Retail stores	no.	3,322
Market quota (gasoline + diesel)	%	12,0
Average domestic Retail throughput	m³/store at end of period	1,247
Cleaning plants	no.	77
Cleaning plant equipped with total or partial water recycling**	%	58

Processing

		2010
Refinery processing	ktonnes	4,846
Refinery processing	thousand barrels/day	97

Environment and community

		2010
Waste produced**	ktonnes	11.4
by site reclamation and new constructions	%	59
sent for recycling	%	37
non-hazardous	%	88
Petroleum product leakage	no. events	5
Petroleum product leakage	m³	21.5

Safety

		2010
Total accidents	no.	16
Frequency index	no.	6.806
no. accidents per million hours worked		
Severity index	no.	0.226
no. of total days lost per thousand hours worked		
HSE Training	hours	7,791

** Data only referring to proprietary and directly managed plants.

Raffineria di Roma S.p.A. performance data and indicators

Processing

		2010	2009
Refinery processing	ktonnes	3,581	3,298

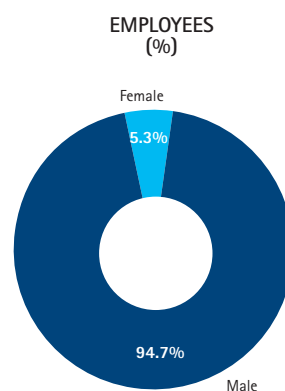
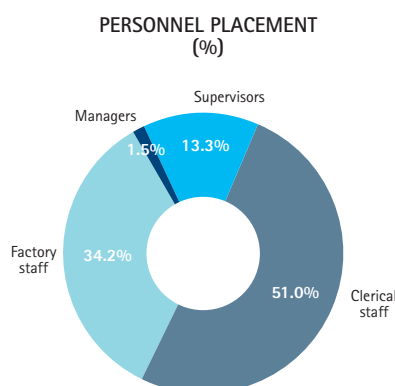
Environment and community

		2010	2009
Energy consumption (primary sources)	ktoe	157.3	165.4
Natural Gas	ktoe	122.1	124.8
Direct CO ₂ emissions	ktonnes	411	457
NO _x emissions	tonnes	459	530
SO ₂ emissions	tonnes	2,043	2,670
Particulate Emissions	tonnes	5	3
Water withdrawals	thousands m ³	1,715	1,596
Water returned to the natural cycle	%	15	16
Waste produced	ktonnes	1,930	4,487
by site reclamation and new constructions	%	0	0
sent for recycling	%	31	28
non-hazardous	%	26	51
Petroleum product leakage	no. events	9	0
Petroleum product leakage	m ³	27.5	0
Certification level ISO 14001*	%	100	100

Safety

		2010	2009
Total accidents	n.	2	1
Frequency index no. accidents per million hours worked	n.	4,25	2,19
Severity index no. of total days lost per thousand hours worked	n.	0,087	1,315
HSE Training	ore	2.960	3.544

* OHSAS 18001 was again achieved in 2011.





GRI APPLICATION LEVEL

GRI application level

	In accordance with the 2006 guidelines	C	C+	B	B+	A	A+
Mandatory	Company self-check		Report verified		Report verified	✓	Report verified
Optional	Checked by an independent third party					✓	
	Checked by GRI						

GRI/G3 indicators

Total ●

Partial ●

n.a.: not applicable

n.d.: not available

	Cover	References	Comments
1 STRATEGY AND ANALYSIS			
1.1 Declaration of the highest authority involved in the decision-making process on the importance of sustainability for the organisation and its strategy.	●	4-5	
1.2 Description of main impacts, risks and opportunities.	●	4-5; 17, 19	
2 ORGANISATIONAL PROFILE			
2.1 Name of the organisation.	●	6	
2.2 Primary brands, products, and/or services	●	6-7	
2.3 Organisational structure, including the main divisions, operating companies, subsidiaries and joint ventures.	●	6-7; 9	
2.4 Location of organisation's headquarters.	●		A full list of ERG sites is available for consultation in the "Contacts" section of the company web site www.erg.it
2.5 Number of countries where the organisation operates, name of the countries in which the organisation carries out most of its operations.	●	6-7; 16	
2.6 Ownership structure and legal form.	●	12; 20-21	See also the "Shareholders" section of the company web site www.erg.it
2.7 Markets served (including geographical analysis, sectors served, type of consumers/beneficiaries).	●	6-7; 9; 72	
2.8 Scale of the reporting organisation, including: number of employees; net sales (for private organisations) or net revenue (for public organisations); total capitalization broken down into debentures/debts and shares (for private organisations); quantity of products or services provided.	●	8	
2.9 Significant changes during the reporting period regarding size, structure, or ownership, including: location or changes in activities, including the opening, closure or expansion of plants; changes in share capital structure and other capital issue, maintenance and modification operations (for companies).	●	6-7; 10-13	
2.10 Awards received in the reporting period.	●	22; 89-91	
EU1 Installed capacity, broken down by primary energy source and by regulatory regime.	●	16; 27	
EU2 Net energy output broken down by primary energy source and by regulatory regime.	●	16; 27	
EU3 Number of residential, industrial, institutional and commercial customer accounts.	●	72-73	Further information is available on the web site www.ergpg.it

	Cover	References	Comments
EU4 Length of above and underground transmission and distribution lines by regulatory regime.	n.a.	n.a.	ERG does not manage electricity transmission activities.
EU5 Allocation of CO ₂ emissions allowances or equivalent, broken down by carbon trading framework.	●	16	
3 REPORT OBJECTIVES AND PARAMETERS			
Profile			
3.1 Reporting period for the information provided (for example, tax year, calendar year).	●	14-15	
3.2 Date of publication of the latest Sustainability Report.	●	14-15	Since 2007, the ERG Sustainability Report has been published every year in the month of June.
3.3 Reporting frequency (yearly, two-yearly, etc.).	●	14-15	Since 2007, the ERG Sustainability Report has been published every year in the month of June.
3.4 Contact point for questions regarding the report or its contents.	●		See the "Contacts" section of the company web site www.erg.it
Report scope and boundary			
3.5 Reporting process, including: determination of materiality; reporting priority, identification of the stakeholders for whom the report was drawn up.	●	14-15; 17-19	
3.6 Reporting boundary (for example countries, divisions, subsidiaries, leased facilities, joint ventures and vendors).	●	14-15	
3.7 Declaration of any specific limitation of the aim or boundary of the report.	●	14-15	
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that may significantly influence the comparability between periods and/or organisations.	●	6-7; 10; 12; 14-15	
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying the estimates applied to the calculation of the indicators and compilation of the other information in the report.	●	14-15	
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	●	14-15	
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	14-15	
GRI contents			
3.12 Table identifying the location of the Standard Disclosures in the report.	●	108-115	
Assurance			
3.13 Policy and current practice with regard to seeking external assurance for the report.	n.a.	n.a.	
4 GOVERNANCE, COMMITMENT AND ENGAGEMENT			
Governance			
4.1 Governance structure of the organisation, including the committees that respond directly to the highest governance authority, responsible for specific tasks such as elaborating strategies or controlling the organisation.	●	78-81	
4.2 Indicate whether the Chairman is an executive officer.	●	78-81	
4.3 For organisations that have a unitary governance body, indicate the number of independent and/or non-executive members. Indicate how the organisation defines the concept of independent and/or non-executive.	●	78-81	

	Cover	References	Comments
4.4 Mechanisms by which shareholders and employees may make recommendations to governance bodies.	●	78-81	See also the "Meeting Regulation" on the company web site www.erg.it
4.5 Linkage between compensation of the members of the highest governance body, senior managers and executives (including severance pay) and the company's results (including social and environmental performance).	●	78-81	
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	78-82	
4.7 Process 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 aspects.	●	78-81	See also the "Bibliographical notes" in the "The Company" section of the company web site www.erg.it
4.8 Missions, values and code of conduct, principles relevant for economic, environmental and social performance, developed in house and state of progress of their implementation.	●	4-5; 10-11; 87	See also the Code of Ethics available for consultation on the company web site www.erg.it
4.9 Procedures adopted by the highest governance body for the management of economic, environmental and social performance of the organisation, including the significant risks and opportunities found and conformance with the international standards, the ethics codes and declared principles. Include the frequency with which the highest governance body assesses sustainability performance.	●	82-85; 87	
4.10 Process for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	78-81	
Commitment in external initiatives			
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	●	4-5; 70-71; 78-81	
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	●	10-11; 78-84; 87	
4.13 Membership of national and/or international trade associations in which the organisation occupies a position at the governance bodies; takes part in projects and committees; provides considerable loans in addition to the membership fee; considers participation as strategic.	●	86	
Stakeholder Engagement			
4.14 List of stakeholder groups engaged by the organisation.	●	4-5; 10-11; 18	
4.15 Basis for identification and selection of stakeholders with whom to engage.	●	10-11; 18	
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	◐	10-11; 18; 21; 49-52; 54-65; 68-69; 72-75	
4.17 Key topics and critical problems emerging from stakeholder engagement and how the organisation reacted to the critical problems, also in reference to the indications given in the report.	◐	18	
ECONOMIC PERFORMANCE			
Management and verification policies and systems.	●	21	
EU6 Management approach to ensure short and long-term electricity availability and reliability.	●	26-29	
EU7 Demand-side management programs including residential, commercial, institutional and industrial programs.	●	72-73	
EU8 Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development.	●	76-77	
EU9 Provisions for decommissioning of nuclear power sites.	n.a.	n.a.	
EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	20	

		Cover	References	Comments
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	●	26-27	
EC3	Coverage of the organisation's defined benefit plan obligations.	n.a.	n.a.	ERG does not support any independent company pension scheme.
EC4	Significant financial assistance received from government.	●	94	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	●		Subject regulated by the National Collective Labour Agreement and supplementary agreements.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	●	94	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	●	96	ERG Group ensures Equal Opportunities during the selection activities.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or probono engagement.	●	52-62	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	52-53; 64	
EU10	Planned capacity against projected electricity demand over the long-term, broken down by energy source and regulatory regime.	●	16	
EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime.	●	28-29; 95	
EU12	Transmission and distribution losses as a percentage of total energy.	n.a.	n.a.	ERG does not handle electricity transmission activities.
ENVIRONMENTAL PERFORMANCE				
	Management and verification policies and systems	●	26	
EN1	Materials used by weight or volume.	●	95	
EN2	Percentage of materials used that are recycled input materials.	n.a.	n.a.	After an in-house analysis, the indicator is not considered significant in terms of quantity.
EN3	Direct energy consumption by primary energy source.	●	95	
EN4	Indirect energy consumption by primary source.	●		Only the mix from purchase contracts within the group is known for electricity. For the remaining part, purchased on the free market, reference should be made to the latest calculations made by GSE-Terna
EN5	Energy saved due to conservation and efficiency improvements.	●	28-29	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	●	26-29; 72-73	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	●	26-29; 72-73	
EN8	Total water withdrawal by source.	●	95	
EN9	Water sources significantly affected by withdrawal of water.	●	95	
EN10	Percentage and total volume of water recycled and reused.	●	95	The water drawn is mainly sea water used to cool the plants and equipment. After use, the water is returned to the collection tank, having checked its quality.
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	n.a.	n.a.	ERG neither possesses nor manages land in natural environments with a high degree of biodiversity.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	●	30-35	

		Cover	References	Comments
EU13	Biodiversity of offset habitats compared to biodiversity of the affected areas.	●	30-33	
EN13	Habitats protected or restored.	●	30-33	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	●	30-35	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	n.a.	n.a.	
EN16	Total direct and indirect greenhouse gas emissions by weight.	●	95	
EN17	Other relevant indirect greenhouse gas emissions by weight.	n.a.	n.a.	Other indirect emissions that come from the company's operational activities are not significant.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	26-29; 72-73	
EN19	Emissions of ozone-depleting substances by weight.	n.a.	n.a.	No ozone depleting substances are emitted in its ERG's industrial activities.
EN20	NO _x , SO _x and other significant air emissions by type and weight.	●	28; 95	
EN21	Total water discharged by quality and destination.	●	95	
EN22	Total weight of waste by type and disposal method.	●	95	
EN23	Total number and volume of significant spills.	●	95	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention and percentage of transported waste shipped Internationally.	●	95	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	●	30-35	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●	28-29; 34-35; 41	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	n.a.	n.a.	ERG's fuels are sold mainly as bulk products. The products sold in a package are lubricants, which, at the end of their lives (used oil), are delivered by the Managers of Consorzio Obbligatorio degli Oli Usati (Mandatory Consortium for Used Oils) (www.coou.it).
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●		No penalties have been applied due to failure to respect the environmental laws and regulations.
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	n.a.	n.a.	This indicator is not considered to be significant for the activities carried out by the Group.
EN30	Total environmental protection expenditures and investments by type.	●	52-53; 96	
WORKING PRACTICE PERFORMANCE				
	Management and verification policies and systems.	●	45	
EU14	Programs and processes to ensure the availability of a skilled workforce.	●	44-48; 96	
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	●	44-45; 96	See also the National Collective Labour Agreement.
EU16	Policies and requirements regarding health and safety of employees and employees of the Group, contractors and subcontractors.	●	36-37; 40-41; 43	
LA1	Total workforce by employment type, employment contract, and region.	●	44-45; 96	
LA2	Total number and rate of employee turnover by age group, gender, and region.	●	44-45; 96	The breakdown of the indicator by category is in progress.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major production sites.	n.a.	n.a.	
EU17	Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities.	n.d.	n.d.	ERG is preparing to calculate this indicator.

		Cover	References	Comments
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	●	40-41	
LA4	Percentage of employees covered by collective bargaining agreements.	●		The regulatory and remuneration aspects conform to the National Collective Labour Agreement.
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	●		The regulatory and remuneration aspects conform to the National Collective Labour Agreement.
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	●	96	
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work related fatalities by region.	●	41; 96	
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	●	40-43	
LA9	Health and safety topics covered in formal agreements with trade unions.	●		In respect of the conditions laid down in the National Collective Labour Agreement for Energy and Oil.
LA10	Average hours of training per year per employee by employee category.	●	46-48; 96	The breakdown of the indicator by category is in progress.
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	46-48	
LA12	Percentage of employees receiving regular performance and career development reviews.	●	80-81	All employees, middle managers and top managers are subjected to a yearly assessment.
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	●	44-45; 78-79; 96	
LA14	Ratio of basic salary of men to women by employee category.	●		The remuneration aspects are regulated by the National Collective Labour Agreement for Energy and Oil and the Code of Ethics , which prohibits all discrimination.
HUMAN RIGHTS				
	Management and verification policies and systems.	●	46	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	n.a.	n.a.	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	n.a.	n.a.	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	n.a.	n.a.	
HR4	Total number of incidents of discrimination and actions taken.	●		No incidents occurred in 2010.
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, actions taken to support these rights.	n.a.	n.a.	ERG conducts its business in Italy and European countries where these aspects are protected by the law.
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	n.a.	n.a.	ERG conducts its business in Italy and European countries where these aspects are protected by the law.
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	n.a.	n.a.	ERG conducts its business in Italy and European countries where these aspects are protected by the law.

		Cover	References	Comments
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	n.a.	n.a.	ERG conducts its business in Italy and European countries where these aspects are protected by the law.
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●	n.a.	No violations were recorded in 2010.
SOCIAL PERFORMANCE				
	Management and verification policies and systems.	●	30-35; 52-67; 82-85	
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development.	●	52-57	
EU20	Approach to managing the impacts of displacement.	n.a.	n.a.	No staff was displaced in 2010.
EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans.	●	40-43	
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	●	52-57	ERG makes investments on the basis of permitting procedures (environmental impact assessments and other environmental authorizations) laid down by the laws in force.
EU22	Number of people physically or economically displaced and compensation, broken down by type of project and type of impact.	●	n.a.	No staff was displaced in 2010.
S02	Percentage and total number of business units analyzed for risks related to corruption.	●	82-85	
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures.	●	82-85	
S04	Actions taken in response to incidents of corruption.	●	82-85; 87	
S05	Public policy positions and participation in public policy development and lobbying.	●	86	
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	●		The ERG Group's activities do not include financing political parties.
S07	Total number of legal actions for anticompetitive behaviour, anti-trust, and monopoly practices and their outcomes.	●		No cases were recorded in 2010.
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●		No penalties were recorded in 2010.
PRODUCT RESPONSIBILITY				
	Management and verification policies and systems.	●	72-75	
EU23	Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services.	n.a.	n.a.	ERG does not distribute energy.
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.	n.a.	n.a.	ERG's customers are mainly business customers.
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	●	72-73	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	●		No incidents of non-compliance were reported in 2010.
EU25	Number of injuries and fatalities to the public involving company assets including legal judgments, settlements and pending legal cases of diseases.	n.d.	n.d.	ERG is preparing to calculate this indicator.
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	n.a.	n.a.	ERG sells mainly bulk products in compliance with the laws in force.
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	●		No incidents of non-compliance were reported in 2010.

		Cover	References	Comments
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	●	74-75	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	●	72-75	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	●	74-75	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	●		No complaints were recorded in 2010.
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	●		No penalties were recorded in 2010.
EU26	Percentage of population unserved in licensed distribution or service areas.	n.a.	n.a.	ERG does not distribute energy.
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.	n.a.	n.a.	ERG does not serve residential customers.
EU28	Power outage frequency.	n.a.	n.a.	ERG does not distribute energy.
EU29	Average power outage duration.	n.a.	n.a.	ERG does not distribute energy.
EU30	Average plant availability factor by energy source and by regulatory regime.	n.d.	n.d.	ERG is preparing to calculate this indicator.



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Milan, 12th May 2011

To the Board of Directors of ERG S.p.A.

Deloitte, as independent third party, has been involved by the management of ERG S.p.A. in the process of verifying the application level of the “*Sustainability Reporting Guidelines*” issued in 2006 by GRI - *Global Reporting Initiative*, of the Sustainability Report as of December 31st 2010, as stated in the methodological note included in the paragraph “2010 Sustainability Report”.

Based on the procedures performed we state that the Sustainability Report of the ERG Group as of 31st December 2010 fulfills the requirements of Application Level “A” as requested by the GRI-G3 guidelines.

This document does not provide an opinion or represent a review report on the information included in the Sustainability Report of the ERG Group as of 31st December 2010 or a positive advice on the sustainability performance of the Group.

DELOITTE ERS – ENTERPRISE RISK SERVICES S.r.l.

Franco Amelio
Partner

This document has been translated into the English language solely for the convenience of international readers.

Bologna Milano Roma Torino Padova

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 17.449,00 i.v.
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Partita IVA: IT 05059250158

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ATTESTATO di ritiro permanente

Il CE.Si.S.P. – Centro per lo Sviluppo della Sostenibilità dei Prodotti,
Gestore del Registro eCO₂care

ATTESTA CHE

ERG S.p.A.

Torre WTC, via De Marini 1 - 16149 Genova

ha annullato **7** crediti VER (t CO₂) dall'**Account IT-0002**, generati dal
progetto:

**“Trattamento biogas delle discariche del Torrione, di Colletterto Giacosa
e di Bairo situate nella Provincia di Torino della Regione Piemonte,
Italia”**

Di tali crediti non è permessa alcuna ulteriore vendita/transazione.

Certificato n. 04/2011-R

Genova, 05 maggio 2011



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