

Communication On Progress

2010

CEO Statements

*“Energy is a crucial issue of our time. We are aware that the key to operate, for a major energy company like **eni**, is in the ability to build a trustworthy relationship with the society, represented by our people and customers, the hosting communities and the Countries we work with. We make a pact with them, undertaking to offer just as many opportunities as we were offered. Being an integrated company able to operate to the best in every condition helps us to understand the needs of the diverse contexts and meet their expectations, looking for solutions to local problems as part of a global sustainable development. We want to contribute to finding answers through our strategies, our operating models, and our dialogue capacity that has always been a hallmark for eni, working alongside institutions and international organisations. The best way for us to prove our commitment is to support Countries in making the best use of their resources bringing energy to people, businesses and communities. We provide investment, expertise and technologies to make energy reliable and sustainable, a real driving force for social and economic development.”*

“Those are the same choices that inspire us to participating, promoting and actively applying the principles of the Global Compact.”

“We have also enrolled in the new Global Compact LEAD Program of the United Nations, which will bring together global companies with excellent sustainability track records.”



Paolo Scaroni

Chief Executive Officer
and General Manager

Introduction to the Communication on Progress 2010

As part of the company's commitment to the Global Compact (GC) Principles, **eni** has elaborated the 2010 Communication On Progress. The document provides evidences of the progresses made in implementing the ten Principles through specific actions, future commitments and measurement of outcomes.

Furthermore, this year, **eni** qualifies for the Global Compact Advanced Level and has carried out a self assessment on the implementation of new 24 Criteria that GC has created as higher standards for corporate sustainability performance and disclosure.

The focus on the future commitments and the compliance to international developments on the issue highlight the company's determination to assure the integration of the GC ten Principles in **eni's** business strategy.

Specific references to public documents and to eni's website Sustainability section complete the Company's disclosure on the Global Compact Principles.

01. Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

In setting commitments and shaping actions to respect and promote human rights, **eni** is guided by relevant international conventions such as [the United Nations Universal Declaration of Human Rights](#).

Actions 2010

During 2010, **eni** continued [the implementation of the Human Rights Compliance Assessment \(HRCA\) \(page 5\)](#), with the support of the Danish Institute for Human Rights. One assessment has been carried out in Angola. The areas attracting greater attention were the same ones identified by previous assessments: security, procurement, diversity management and involvement of local communities.

In addition to the improvement plans started in the Countries where the assessments have been made, a communication and feedback plan on HRCAs was addressed to corporate functions. Several meetings led to the identification and implementation of specific improvement actions. Implementation and improvements of training modules on human rights for security personnel and integration of human rights clauses within supervisory contracts have been also made.

eni makes reference to the important work of the [UN Special Representative on Business and Human Rights](#) as a way to support his framework.

Throughout 2010 **eni** continued to integrate [new clauses on the respect of human rights](#) in its procurement and in the supply chain management as well as to train employees, security personnel, and third parties on human rights related issues.

eni maintains an open dialogue with a lot of [international organisms](#) which are key actors in the international scene of business and human rights such as “Human Rights Watch”, “Business for human rights”, the “Global Compact”, “The Danish Institute for Human Rights”, “IPIECA”, “Amnesty International”.

In January 2010 **eni** participated in the road-testing process of the Guide to [Human Rights Impact Assessment and Management \(HRIA\)](#).

Transparency in Community Relations

eni informs and engages [local communities](#) involved in its business activities, promoting dialogue in all phases of operational projects.

A consultation activity with [indigenous people](#) has been carried out in Ecuador.

Social Baseline Analysis

East Timor

The company has established an integrated local socio-economic development project that includes initiatives for the protection of mother and infant healthcare, projects in other healthcare areas and integrated agricultural development, as well as education and training and the development of a fresh water network.

Republic of the Congo

In 2010 a Social and Health Baseline Analysis (SHBA) was completed by an international NGO (AVSI), together with the relative Social and Health Impact Assessment (SHIA), regarding the potential impact of current and future operations in the M'Boundi area.

India

eni and a local non-government association, UNNATI, worked together to carry out the first Social Baseline Analysis (SBA), which began in 2009 and was completed in January 2010.

Cooperation Agreements

Considering the importance of enhancing the skills of the people and businesses in the territories, alongside the facilitation of the transfer of knowledge and professional skills, the company operates by defining long-term cooperation agreements with governments and joint ventures with national oil companies.

Since 2008 the HSE management system has been integrated with a standard Environmental and Social Impact Assessment (ESIA), which is applied to all new projects making it possible to have a more accurate socio-economic and cultural picture in the analysis of impacts. **eni** is also adopting a new ESHIA standard that includes, for each project, an integrated and joint evaluation of environmental, social and health impacts.

eni promotes the maximisation of local content starting from an evaluation of the local potential of the countries where it is about to begin operations.

eni's commitment is to support Countries in making the best use of their resources bringing energy to people, businesses and communities [Access to energy].

Future commitments

In order to further advance the process of integration of the HRCA results into the company practices, last May **eni** established a Human Rights Working Group aimed at implementing Prof. Ruggie's Framework. Being human rights a cross cutting issue, the group involves the participation of people coming from the functions most directly impacted by human rights issues, namely Community Relations, HSE, Procurement, Security, Legal and Human Resources. The Working Group will carry out two important activities whose results will inform its strategy and activities: 1) a Workshop for the Community Relationship Managers of subsidiaries which had hosted HRCAs. This event will help us to share common improvement areas and actions taken and define an agenda for future steps, jointly evaluating the common themes

and priority areas; 2) a Follow-Up to the HRCA which took place in the Head-Quarters in 2008, where the functional areas have been asked to evaluate progress in addressing identified human rights areas for improvement and to identify and prioritise the activities of the newly established Human Rights Working Group.

eni is in the process of implementing [Human Rights due diligence as introduced by Prof. Ruggie](#). In this regard, eni welcomed the UN Guiding Principles.

Future commitments on the issue are available on [2011-2014 objectives table \(page 5\)](#).

Measurement of outcomes

Human Rights indicators and Economic Performance indicators are included into the [Sustainability Performance 2010 \(pages 18-19 and pages 10-11\)](#).

Information on the Activities of the team for the promotion of the Code of ethics and innovation to Model are available on the [Annual Report 2010 \(ref. to page 113\)](#).

Datas and figures on People safety and on the activities on Human Rights are published on the [Annual Report 2010 \(ref to page 115\)](#).

Information on the results achieved in the prevention of Human Rights abuses in the supply chain is included in the [Annual Report 2010 \(ref to pages 122-123\)](#).

02. Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

eni works to guarantee labour rights, as defined by the [ILO Declaration on Fundamental Principles and Rights at Work](#), in its operations and in the value chain and to train employees and management on labour principles.

Actions 2010

The company has also adopted tools to support the assessment of [people](#), their involvement, their professional development, also through international placements, which make it possible to build development and training paths that are both consistent and effective for the business.

Specific actions are also contained in Section on Principle 1 and 2 on Human Rights and in the Section on the Criterion on Value Chain of this document.

[Diversity Management](#)

eni is a kaleidoscope of diversity. The encouragement of diversity and the protection of equal opportunities are explicitly addressed in eni's Code of Ethics and are at the heart of the company's Sustainability Model, effectively contributing to the creation of value for all the company's stakeholders.

[Knowledge Management](#): safeguarding and growing knowledge

Knowledge management is a key element of the company's intangible assets that enables the effective use of the knowledge existing inside the company and the professional development of the people involved.

[Training](#)

Training continues to be for eni an organisational learning lever that supports three important objectives:

- the development of managerial leadership competences and resources management;
- the development of initiatives in support of business processes;
- the diffusion of a culture oriented towards values that are strategic for eni: people's health and safety and high impact issues such as normative compliance.

People's Wellbeing

The Welfare Project, started in 2007, allowed to carry out a number of initiatives to support our staff, on the basis of a study aimed at understanding **eni**'s people needs and expectations for what concerns work - life conciliation services.

Future commitments

Future commitments on the issue are available on [2011-2014 objectives table \(page 4\)](#).

Measurement of outcomes

Specific indicators on the issues are included into the [Sustainability Performance 2010 \(pages 2-3; 16 -19;22,24,26,28,30\)](#) and the [eni for Development \(pages 26-30\)](#).

03. Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Inspired by the [Rio Declaration on Environment and Development and the UN Convention on Climate change and Biological Diversity](#), **eni** is deeply committed to ensuring the environmental sustainability of its operations.

Actions 2010

Single management system

eni has defined and constantly updates a single management system model which represents the point of reference for all operating units and includes cyclical application of HSE integrated audits.

Certification plans

Programmed certification plans currently foresee that almost all of the management systems of the most significant operating units will be certified according to international ISO 14001 standards. The main production units in Europe have already begun the process of EMAS registration, while numerous foreign subsidiaries, petrochemical plants and gas pipeline networks have obtained integrated certification with safety management systems (OHSAS 18001) or quality systems (ISO 9000) or both (certificates of excellence).

Water Management

The growing areas that are susceptible to desertification, the demographic increase and the pollution of the water needed by entire communities and territories have determined a different approach toward water resources. In 2010, **eni** obtained a reduction in total water consumption of 2%.

In 2010, **eni** developed a new approach to water resources that led to the identification of plants where there is a water stress. Furthermore **eni** has also conducted in site-specific evaluation using the Global Water Tool that also provides forecasts on the impact of climate change on water available by 2025 and 2050.

Air Quality Protection

eni is committed to implementing the best available techniques and the best procedure standards for the reduction of emissions and the control of main pollutants (e.g. nitrous oxides, sulphur oxides, particulate, carbon monoxide and aromatics). In addition, following the issue of the integrated environmental authorizations, some plants located in sensitive areas applied measures to control and contain dusts and their precursors, as well as smelling emissions.

Soil Protection

In line with the increasing international attention on Green remediation, **eni** is committed to implementing the sustainable Remediation principle by supporting initiatives related to both environmental issues and value creation for the local communities.

Oil Spill

In 2010 the number of oil spills caused by accidents and corrosion (excluding sabotages) has slightly increased, whereas the spilled quantity significantly decreased (down 39%).

Waste Management

eni waste management process is implemented through a process of traceability and control of all the operating chain. Since 2007, **eni** has been working on a project aimed at monitoring and controlling the entire cycle of waste produced with the objective of ensuring sound waste management and identifying opportunities for minimizing waste production. The implementation of the SISTRI system strengthened and extended the management systems of more sites.

Climate Change

eni developed a Carbon Management strategy that combines operational and management initiatives with the development of research into innovative technology.

The most important information about the current strategy and on the results of risk and opportunities analysis carried out by the company are published on the [Carbon Disclosure Project \(CDP\) questionnaire 2011](#).

Responses on Climate change strategies and GHG emissions reduction activities on the [CDP questionnaire 2011](#).

Energy Efficiency

In 2010 the ongoing initiatives included all areas of business from production to transport and from energy conversion to final uses.

Biodiversity and Ecosystems

eni considers the conservation of biodiversity and ecosystems an essential component of the way it manages its activities.

Operations in Extreme Environments

Developing technology to explore and produce hydrocarbons in extreme environments means increasing the availability of resources to satisfy the planet's energy demand as well as stimulating the oil industry to widen the range of energy options and technological solutions.

Total Conversion of the Barrel

The volumes of non conventional oil which can be technically extracted are huge. Non conventional oil reserves that are technically recoverable - oil sands and heavy and extra

heavy crude oil – are estimated to be about 1,300 billion barrels, a figure that is higher than the conventional oil proved reserves.

[Access to Energy](#)

eni is the first IOC to invest in power generation from associated gas, tackling climate change while combating energy poverty.

[The EST project at the Sannazzaro refinery](#)

A case study related to environmental issue is the EST project at the Sannazzaro refinery.

Future commitments

Relevant information about the eni strategy and future commitments on the climate change related issue are published on the [Carbon Disclosure Project questionnaire 2011](#).

Future commitments on the issue are available on [2011-2014 objectives table \(pages 4-5\)](#).

Measurement of outcomes

Environmental indicators are included into the following documents:

- [Sustainability Performance 2010 \(pages 12-15\)](#)
- [Annual Report 2010 \(page 124-130\)](#)
- [eni for Development \(pages 2-23\)](#)

Furthermore, the 2010 greenhouse gas emissions trends, the reduction activities and other measurement information are detailed on the [CDP questionnaire 2011](#).

04. Anticorruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

By adhering to the Global Compact, particularly to its 10th Principle, **eni** is committed to respecting the principles of the United Nation Convention against Corruption, of the OECD Convention on preventing the corruption of foreign public officials involved in international economic transactions and of the Business Principles for Countering Bribery issued by Transparency International. Also **eni** continues in its activities in support of the EITI initiative.

Actions 2010

Transparency as governance tool

[The Anti-Corruption Legal Support and Internal Control System Unit](#), established in January 2010, within **eni**'s Legal Affairs Department continued with the preparation and dissemination of Anti-Corruption Ancillary Procedures.

These new policies deal specifically with non-profit initiatives, sponsorship agreements and entertainment expenses, authorization and control of real estate sales and authorization and control of sale, acquisition and lease of assets and going concerns. Specific provisions related to human resources recruiting have also been included.

eni adopted the [reporting criteria on the 10th principle](#) and its commitment now continues in the context of [the GC Anticorruption Working Group](#).

Furthermore **eni** manages all [reports of violation](#) directly or indirectly received, also confidentially or anonymously, for the company and its subsidiaries.

Transparency as operative tool

[Publication of payments](#) in Nigeria, Congo, Timor, Kazakhstan, Mozambique, Norway continued in compliance with EITI requirements.

Future commitments

Future commitments on the issue are available on [2011-2014 objectives table \[pag 4\]](#).

eni, in addition to the activity within the Anti-Corruption Working Group, is committed to strengthening the activity of [stakeholder engagement on the issue \[pages 44-48\]](#).

Furthermore an important [research on the Anti-corruption](#) issue will be conducted by **eni** and five academic institutions coordinated by ISPAC (International Scientific and Professional Advisory Council).

Measurement of outcomes

The reporting on the issue is managed by the [Reporting on 10th Principle](#) (for qualitative data) and by [specific analitic indicators](#) (society performance indicators, SO3 indicator).

Additional areas introduced for the Global Compact Advanced Level

For what concerns the compliance with the 24 Criteria for the Advanced Level, the company has completed a self assessment covering the content of the COP and assessing company's coverage of the criteria and associated best practices.

The 24 criteria framework includes four additional areas: Strategy, Governance and Engagement, UN Goals and Issues, Value Chain Implementation, Transparency and Verification.

Strategy, Governance and Engagement

Criteria on the discussion of strategic aspects of GC implementation at the C-suite and Board levels and the decision making process and system of governance:

eni Board of Directors [pages 4, 8] has been assigned a central role in defining the Sustainability policies and strategies and in approving the Sustainability Report. The Board of Directors approves both the so-called "CEO Guidelines", containing the priority operations and objectives as well as the Strategic Plan, including a Sustainability Section. The Sustainability Section of **eni**'s Strategic Plan represents **eni**'s concrete commitment to Sustainability and contains the Company's objectives for [sustainable development \(pages II-IV\)](#), the [Areas for Improvement](#), the specific Sustainability projects and those which have an impact on Sustainability.

Criterion on stakeholder engagement:

eni believes that broad participation encourages both consensus and trust, improves the decision-making process and reduces conflict between different stakeholders. The company's strategy for managing [its relations with stakeholders](#) is based on early identification of potential critical areas, systematic involvement of the key players in all phases of activities, promotion of shared principles, with the aim of consolidating a proactive approach towards legitimate interest holders and a greater incorporation of shared commitments, key factors for the growth of the company's reputation.

UN Goals and Issues

Criterion on actions taken in support of broader UN Goals and issues:

eni continued in its proactive strategy to set up stable long-term relationships and promote initiatives, [partnerships](#) and [networks for sustainable development \(pages 2 to 15\)](#). In 2010, **eni**'s activities were directed to strengthening and extending relations with the [United Nations System](#) NGOs, partnerships and foundations for sustainable development. Electricity generation projects in Nigeria and Congo are pioneering examples of actions taken to support achievement of [UN Goals](#).

[Eni Foundation](#) promotes and carries out solidarity initiatives both in Italy and abroad, in support of the disadvantaged and vulnerable, especially children and the elderly.

[For additional information on Global Compact see the sustainability web section.](#)

[For additional information on Rio +20 see the sustainability web section.](#)

Value Chain Implementation

Criterion on the implementation of the Global Compact principles in the value chain:

eni requires its [suppliers \(pages 5 and 18\)](#) to be compliant with specific [regulations and standards](#), including in the areas of the Global Compact principles. Suppliers are subject to qualification and audit procedures, inspection and expediting visits, and performance assessment processes along with controls of the identified corrective actions.

[For additional information on the supply chain see the Annual Report 2010 \(pag 122\)](#).

Transparency and Verification

Criterion on information on the company's profile and context of operation:

eni is a major integrated [energy company](#), committed to growth in the activities of finding, producing, transporting, transforming and marketing oil and gas. It employs about 80,000 people in 79 Countries all over the world.

Criteria on incorporation of high standards of transparency and disclosure and COP verification:

eni reporting fulfills the requirement of [GRI Application Level A+](#).

A [consistency table](#) reports the main Sustainability indicators divided into thematic areas in conformity with the Global Reporting Initiative (GRI) "Sustainability Reporting Guidelines".

All information available on [public documentation is verified by independent auditors](#) and against ISAE 3000 assurance standard. In addition, the GC local Network has been consulted during the preparation of the COP 2010.

