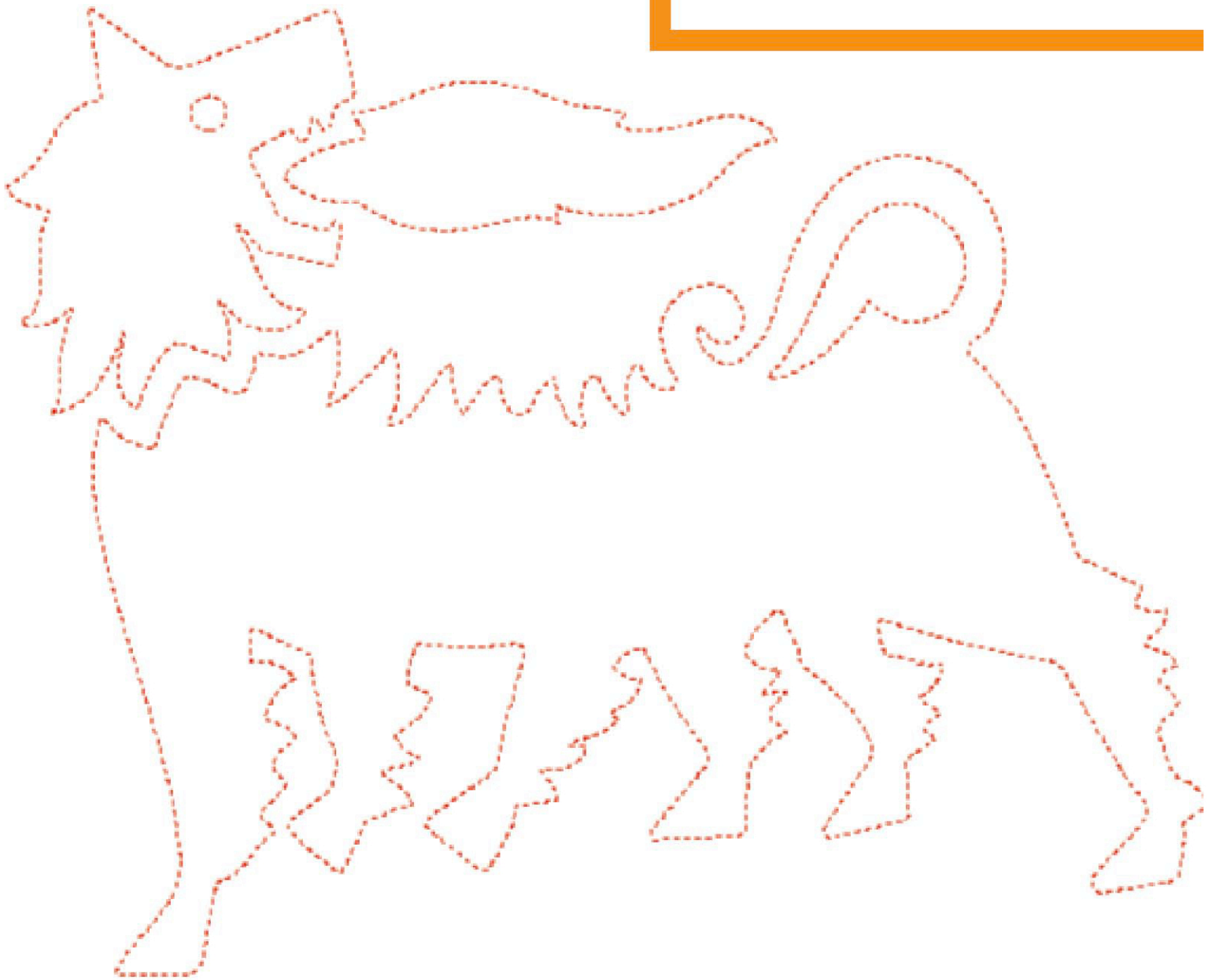




Sustainability Report 2007



MISSION

We are a major integrated energy company, committed to growth in the activities of finding, producing, transporting, transforming and marketing oil and gas. Eni men and women have a passion for challenges, continuous improvement, excellence and particularly value people, the environment and integrity.

Countries of activity

EUROPE

Austria, Belgium, Croatia, Czech Republic, Denmark, Faroe Islands, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom

CIS

Azerbaijan, Georgia, Kazakhstan, Russia, Turkmenistan

AFRICA

Algeria, Angola, Cameroon, Congo, Côte d'Ivoire, Egypt, Gabon, Libya, Mali, Morocco, Mozambique, Nigeria, Tunisia

MIDDLE EAST

Iran, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates

CENTRAL ASIA

India, Pakistan

SOUTH EAST ASIA AND OCEANIA

Australia, China, East Timor, Indonesia, Malaysia, Papua-New Guinea, Singapore, Thailand

AMERICAS

Argentina, Brazil, Canada, Dominican Republic, Ecuador, Mexico, Peru, Trinidad & Tobago, the United States, Venezuela



Sustainability Report 2007

Message from the Chief Executive Officer

In this second annual Sustainability Report Eni declares its commitments and goals, describes the actions undertaken and those which are planned, reports the achieved results.

The 2007 Sustainability Report has evolved following a process of listening to the expectations and information needs of Eni's stakeholders, who require the company to be transparent about its vision and strategy for sustainable and secure energy generation.

The reliability of the information contained in this report and on Eni's website is guaranteed by a reporting system which brings together corporate and operational functions, an independent mechanism that verifies the processes used to gather the information worldwide and testimonials from our project partners.

2007 has been an important year. Sustainability has become an integral part of corporate processes and has qualified Eni to enter the Dow Jones Sustainability World Index, the FTSE4Good Index and the Climate Disclosure Leadership Index.

The awareness that the results obtained are not a point of conclusion and the general scenario outlined in this Report have led us to identify the actions which are still to be taken, using dialogue and innovation capacity as a way to promote a sustainable development.



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Leadership Index

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Eni

Eni is an integrated energy company, which operates in 70 countries, in the activities of finding, producing, transporting, transforming and marketing oil and gas.

- Revenues: 87,256 € million
- Adjusted net profit: 10,094 € million
- Capital expenditure: 10,593 € million
- Staff: 75,862 employees

Exploration & Production

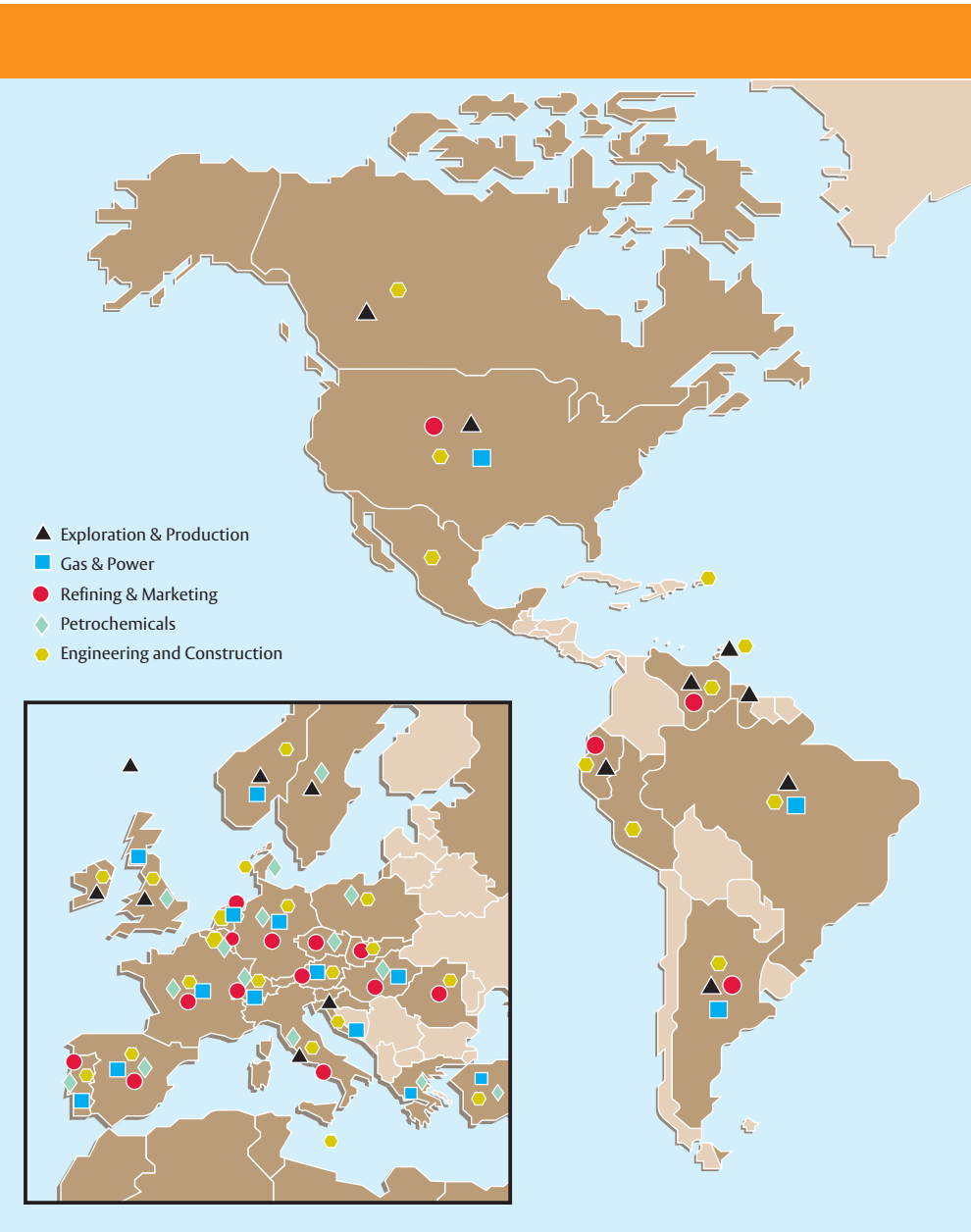
Eni operates in hydrocarbon exploration and production mainly in Italy, North Africa, West Africa, the Caspian Sea, the North Sea, the Gulf of Mexico and Alaska. Based on crude oil market values at the end of 2007, proved reserves stand at 6,37 billion boe, with an all sources replacement rate of 90% and a reserve life index of 10 years.

- Revenues: 27,278 € million
- Adjusted net profit: 6,491 € million
- Capital expenditure: 6,625 € million
- Staff: 9,334 employees
- Production: 1,736 boe/day

Gas & Power

The Gas & Power business covers all phases of the gas value chain - supply, transmission, distribution and sale - through a truly original and unique integrated business model. Eni is the leading supplier of gas in terms of sales on the European market. Its solid market positioning is underpinned by extensive gas supplies - both produced and imported under long-term agreements - its access to infrastructure, and its broad customer portfolio. Eni also operates in electricity generation and sale.

- Revenues: 27,633 € million
- Adjusted net profit: 2,936 € million
- Capital expenditure: 1,366 € million
- Staff: 11,582 employees
- Sales: 98.96 billion cu m of gas



Refining & Marketing

Eni is Italy's leading producer in oil refining and marketing, and is particularly strong in a number of other European markets. Eni's integrated system approach to the refining and marketing business is supported by key logistical assets able to maximize cost savings and generate favorable returns. In terms of distribution networks Eni is the leading distributor in Italy under the trading name Agip.

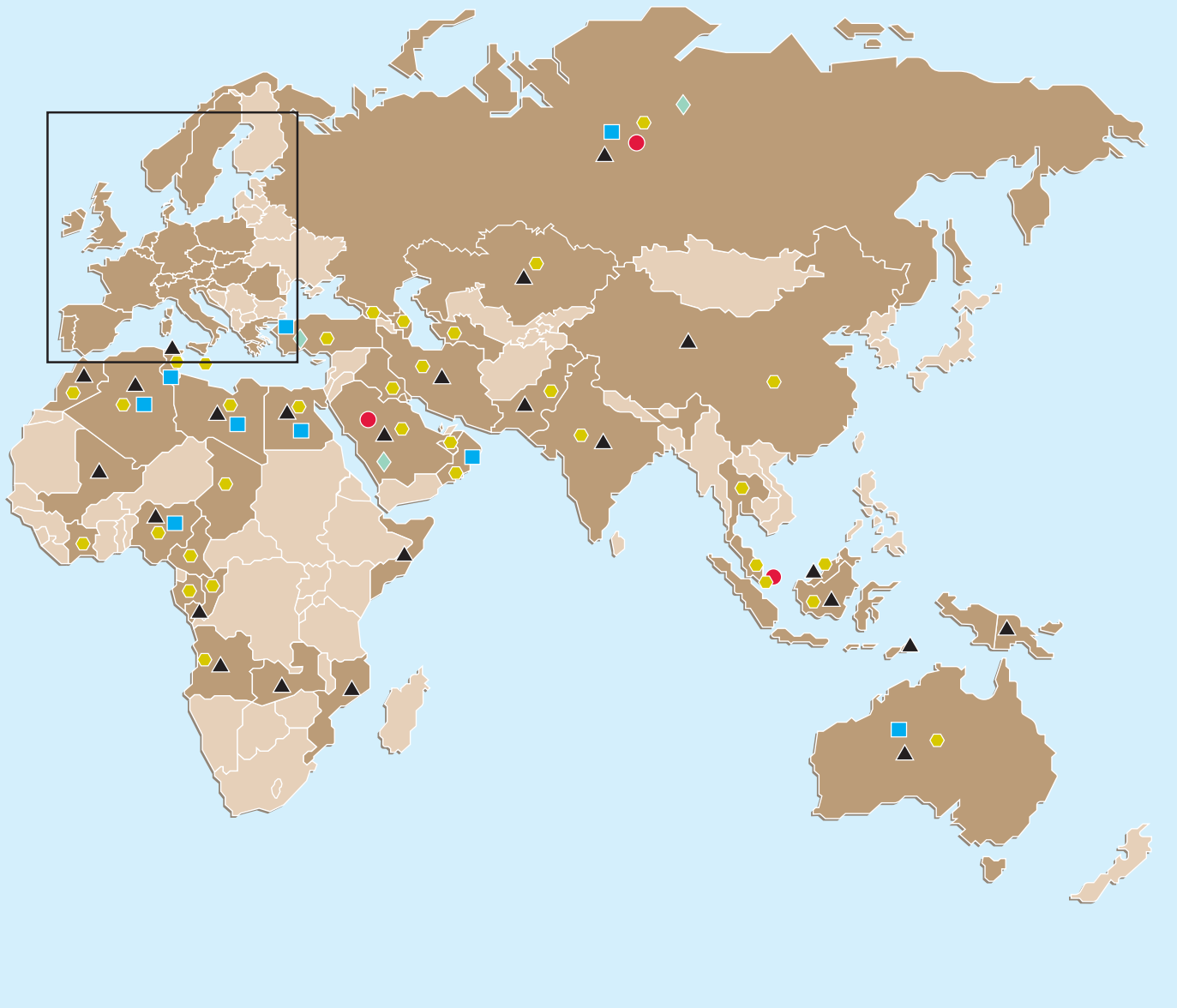
- Revenues: 36,401 € million
- Adjusted net profit: 319 € million
- Capital expenditure: 979 € million
- Staff: 9,428 employees
- Sales: 50.15 million thousand tons of refined products

Petrochemicals

Through its subsidiary Polimeri Europa, Eni is engaged in the production and sale of a broad portfolio of products, backed by its range of proprietary technologies, latest generation production plants, and an efficient, all-pervasive distribution network. The strategic business areas in the petrochemical sector are basic chemicals, plastics and synthetic rubbers.

- Revenues: 6,936 € million
- Adjusted net profit: 57 € million
- Capital expenditure: 145 € million
- Staff: 6,534 employees
- Production: 8,795 tons of petrochemical products

Countries of operational activities



Engineering and Construction

Eni's major operations in oil field services, construction and engineering are performed through its subsidiary Saipem. The distinctive technologies and expertise which Saipem provides Eni in the engineering and implementation of complex projects are a key element in Eni's growth and innovation strategies. The integration of Snamprogetti has further boosted the competitiveness of Saipem thanks to its complementary business portfolio, wide-ranging clientele, and extensive, worldwide presence.

- Revenues **8,678** € million
- Adjusted net profit **658** € million
- Capital expenditure **1,410** € million
- Staff **33,111** employees

Other Activities

Through its subsidiaries, Eni also operates in other industrial sectors for the environmental recovery of contaminated areas, the provision of a full array of offshore engineering services, and facility management services.

- Revenues **205** € million
- Adjusted net profit **-210** € million
- Capital expenditure **59** € million
- Staff **1,172** employees

Eni Corporate & Financial Companies

Eni Corporate and its subsidiaries operating in the financial sector take care of strategic planning, human resources management, training, group finance and its related financial services, administration, information technology, procurement, legal affairs, international affairs, corporate research and development and facility management.

- Revenues **1,313** € million
- Adjusted net profit **-157** € million
- Capital expenditure **109** € million
- Staff **4,701** employees

Commitment to sustainable development

Governance and Sustainability Model

Commitments	2007 Results	2008 Actions
Maintaining and improving a governance system that represents international best practice and is able to manage the complexity of the contexts in which Eni operates and the challenges of Sustainability	<ul style="list-style-type: none"> Inclusion of the Eni name in the main sustainability indexes: Dow Jones Sustainability Index and FTSE4Good; Revision of the Code of Practice; Issue of Guidelines on the protection and promotion of Human Rights and inclusion of clauses regarding human rights in the contractual supply standards; Drawing up and implementation of the Sustainability organizational model. 	<ul style="list-style-type: none"> Internal agreement on the new Code of Ethics; Introduction of a new Model 231 including health, safety and environmental risks; Creation of training initiatives for the Board of Directors and Board of Statutory Auditors; Testing in two foreign sites of an instrument to assess risks connected with Human Rights; Creation of training initiatives on human rights for security staff; Opening of dedicated structures in two new markets for supplier knowledge and qualification.
Adopting systematic forms of stakeholder engagement, extending the dialogue on the subject of Sustainability with legitimate stakeholders	<ul style="list-style-type: none"> GfK Eurisko survey for the definition of priority subjects of interest to stakeholders and for the identification of information to be provided within the reporting; Launching of the Intranet website dedicated to Sustainability and consultation of employees on the subjects contained in the Sustainability Report. 	<ul style="list-style-type: none"> Extension of the consultation above all to international bodies (international financial institutions and the European Union); Promotion of a constant dialogue on Corporate Governance with categories of shareholders involved in the issue.

People

Commitments	2007 Results	2008 Actions
Guaranteeing the safety of all Eni's people and of the local communities	<ul style="list-style-type: none"> Reduction in the injury frequency rate and in the injury severity rate; Creation of information and training initiatives in the associated company Agip KCO as part of Eni's plan on safe driving; Implementation of the Leadership in Safety program in Engineering and Construction. 	<ul style="list-style-type: none"> Plan for reducing road accidents by 4% in 2008; Creation of an action plan for safety in the G&P sector and of an improvement plan for contractors' safety in the Engineering and Construction as well as E&P sectors; Plan for achieving OHSAS certifications in all petrochemical sites within 2010.
Guaranteeing and promoting the health of Eni's people	<ul style="list-style-type: none"> Extension of telemedicine practices and creation of the MIOGATE Master; Start-up of the <i>Eni in Forma</i> project and launching of the Health Promotion Intranet site; Creation of the first edition of the Master Safety Management in the Oil & Gas Industry. 	<ul style="list-style-type: none"> Extension of the "health management system" to other countries where there are E&P activities given the total coverage expected in 2009; Implementation of actions envisaged in the <i>Eni in Forma</i> project; Creation of the Cardiovascular risk monitoring in remote areas project.
Creating a working environment of cooperation and participation to achieve the company's targets by improving organizational well-being and promoting Sustainability at all levels of the organization	<ul style="list-style-type: none"> Launching of the "Eni according to you" climate analysis; 80% of the 37,000 people involved answered the questionnaire; Start-up of the <i>Eni Welfare</i> project; Implementation of the Leadership and Sustainability managerial training cycle; Giorgio Sacerdoti award for excellence in the knowledge management system. 	<ul style="list-style-type: none"> Implementation of an action plan to respond to the results of the company climate analysis; Enrichment of the portfolio of people's services defined as priorities by the <i>Welfare</i> project; Creation of "cascade" communication initiatives involving Eni's people also with reference to Sustainability subjects.
Attracting, managing and motivating the best resources at national and international levels, creating clear-cut professional development and enhancing the potential of the company's staff while improving diversity	<ul style="list-style-type: none"> <i>Knowledge Owner</i> project and other management and development initiatives; <i>Feedback 360°</i> pilot project involving 100 Eni managers; Nationalization project of the management positions in Nigeria; Start-up of the <i>Diversità: struttura, prassi e cultura organizzativa</i> project. 	<ul style="list-style-type: none"> Initiatives for the development and retention of resources having strategic know-how; Extension of the Eni 360° Feedback methodology and of the managerial assessment process; Development of actions to encourage international mobility and redefinition project of the overseas recruitment model.

Environment

Commitments	2007 Results	2008 Actions
Improving the effectiveness of management, control and reporting systems	<ul style="list-style-type: none"> Start-up of "practice communities" to identify and disseminate the best practices among environmental specialists; Implementation of 41,379 training hours on environment and a 27% increase in environmental certifications. 	<ul style="list-style-type: none"> Extension of the EMAS registration number (EMAS coverage of all refineries and electric power plants within 2010); Extension to foreign associated companies and completion for all petrochemical sites of the ISO 14001 certifications; Completion of a centralized Eni environmental information system on PRTR sites.
Reducing the local environmental impact of operations by improving environmental performance and implementing initiatives for the conservation of biodiversity and for the recovery and reuse of resources	<ul style="list-style-type: none"> Conclusion of the <i>Biodiversity</i> project in Val d'Agri, start-up of projects in Ecuador and the Arctic Sea; 5.32% increase of recycled water and start-up of two water reuse plants in the R&M sector; Testing of new VeLoNox burners in the electrical sector; 29% decrease in the volume of oil spills. 	<ul style="list-style-type: none"> Installation of systems and technologies for a further reduction in fugitive emissions and nitrogen and sulphur oxides; Start-up of water recycling and reuse projects and completion of the water reuse project in the refining sector; Extension of the production water reinjection projects in Libya, Egypt and Nigeria; Implementation of actions envisaged in the waste management Plan for E&P's foreign associated companies; Development of a guideline for the safeguard of ecosystems and biodiversity and development of 6 research studies with international partners.

Climate change, energy efficiency and renewable sources

Commitments	2007 Results	2008 Actions
Contributing to the achievement of the objectives set forth under the Kyoto Protocol and adopting a policy of reducing global CO ₂ emissions	<ul style="list-style-type: none"> Inclusion in the CDP5 Climate Disclosure Leadership Index; Confirmation of the improvement trend of the energy efficiency index of refineries; Development of the gas flaring reduction plan in Russia on newly-acquired plants; Conclusion of the first stage of the Eni videoconference project (approximately 11,000 tons of CO₂ avoided in 2007). 	<ul style="list-style-type: none"> Development of flaring down projects in Nigeria, Congo, Algeria, Tunisia and Libya (investment expected for the 2008-2011 four-year period: 1.5 € billion) and resulting gas flaring emission reduction of over 50% within 2011; Development of energy saving projects in the refining sector (investment expected for the 2008-2011 four-year period: 65 € million); Implementation of new co-generation combined cycles within 2010 (total investment: 2.5 € billion); Extension of the videoconference system by 2011 in all the countries in which Eni operates.
Contributing to the reduction in climate change by investing in innovative technologies and biofuels, which can be used in the medium term on a wide scale and in an economically sustainable way	<ul style="list-style-type: none"> Start-up of experimental projects for CO₂ geological capture and biofixation and setting in motion of the Gela pilot plant for CO₂ biofixation; Development of photovoltaic cells made of organic materials; Start-up of a partnership with MIT for research on solar energy; Adoption of an owner technology for the production of ETBE starting from bioethanol and start-up of a production plant in South America. 	<ul style="list-style-type: none"> Implementation of feasibility studies for CO₂ geological sequestration and start-up of an experimental project; Development of new technologies for the use of solar energy and of biomasses for photovoltaic cells (investment expected for the 2008-2011 four-year period: 120 € million); Implementation of a feasibility study for a hybrid solar /natural gas electric power plant associated with a desalination plant in Africa; Development of new processes/products within styrenic and elastomeric polymers, with lesser energy consumption (investment expected for the 2008-2011 four-year period: 150 € million).

Territories and local communities

Commitments	2007 Results	2008 Actions
Defining a model for cooperation and development in the territory which includes the effectiveness measure of the investments in communities and business	<ul style="list-style-type: none"> Development of the <i>Missione di Comunità</i> in Val d'Agri project for the definition of a new cooperation model; Social Impact Assessments started up in Kazakhstan, Australia, India and Indonesia and Health Impact Assessments in Pakistan, Congo and Libya; Publication of payments to the Nigerian government according to the EITI. 	<ul style="list-style-type: none"> Development of Guidelines for a new investment management model in favor of the local communities; Extension of the SIA and HIA methodologies to all major projects; Promotion of the EITI in the countries in which Eni operates that are not yet members and commitment to set up Multistakeholder Working Groups in the countries that are already members.
Contributing to the local development through investments and projects for the community	<ul style="list-style-type: none"> Overall expenditure for the territory: 85.88 € million; Development of local content initiatives in Kazakhstan, Pakistan, Nigeria, India, Tunisia and Egypt; Microcredit initiatives implemented in Pakistan, Nigeria, Australia, Indonesia and Ecuador; Start-up of the first Eni Foundation project in Congo. 	<ul style="list-style-type: none"> Full integration of the local content objectives in the management of supplies and of contractual operations; Continuation of the actions for implementing the Guidelines on Human Rights; Extension of the microcredit instrument to other territorial areas in the local development projects.

Customers

2007 Commitments	2007 Results	2008 Actions
Giving our best in terms of quality of services and products	<ul style="list-style-type: none"> Development of service quality and courtesy standards for the R&M Division within the <i>Eccellenza Rete</i> project; Extension of the Dual Offer to the residential market; Launching of the efficiency and change management <i>Leader</i> project to improve the performance of the fuel distribution network. 	<ul style="list-style-type: none"> Continuation of the activities envisaged in the <i>Leader</i> project; Training to improve customer services; Improvement in the quality indexes of customer services.
Protecting the environment and the safety of customers and implementing actions for information and energy saving promotion with the final users	<ul style="list-style-type: none"> Creation of the first energy efficiency and saving promotion campaign dedicated to Italian families "Eni 30PERCENT"; Inauguration of the fourth Multienergy service station in Mantua as part of the <i>Zero Regio</i> project; Launching of the new BluDiesel Tech fuel which stands out for its cleaning properties in injectors as well as for its reduced sulphur content. 	<ul style="list-style-type: none"> Construction of new MultiEnergy stations in the next 3 years for the distribution of pure hydrogen as a zero emission fuel; Follow-up of the "Eni 30PERCENT" campaign and development of Eni's role as a catalyst in the debate on energy efficiency; Creation of fuels with an increasingly reduced environmental impact.

Responsible energy - Paolo Scaroni interviewed by Angela Wilkinson*



Why don't you start by giving me your view, and then I will step in when I've got a question. I am interested in trying to get to the man behind the messages in this report.

A few years ago I had the pleasure of meeting Sir Adrian Cadbury, who wrote a book about corporate governance in the early 1990's.

In Sir Adrian's view, the broadest way of defining social responsibility is to say that the continued existence of companies is based on an implicit agreement between business and society. A company is licensed by society to provide goods and services, and generate profits, only if it delivers economic and social benefits for the wider community in which it operates.

The essence of the contract between society and business is that companies are bound not to pursue their immediate profit objectives at the expense of the longer-term interests of the community. I like this definition because it spells out that the community will only accept you as long as the benefits it receives from your presence are greater than any negative impact you may cause. If you break this contract you will ultimately not be allowed to operate.

This is certainly true at the local level, but it can also be true at a global level if what you do goes against the interests of society. What I found convincing about this concept is that it explains why corporate social responsibility, or Sustainability if you prefer, is not an option but a necessity.

So your notion of Sustainability is about this social contract between business and society, but also about respecting the longer term interests of social development and progress?

Absolutely. Social development and environmental protection are part of the long-term benefits that companies provide to the communities in which they operate. This explains why Sustainability is so important. On the other hand, this approach also benefits companies. All these activities, as well as being necessary, also contribute to the efficient management of an organization. Another important aspect of value creation is the management

of people. I have worked in companies for many years, and I have long thought that the real secret of management is to be able to integrate very different people within the same organization. A company in which everyone has the same cultural and social background is weak. Diversity is a great asset. And Eni is certainly a very diverse organization.

There is also a third area where Sustainability leads to value creation. When a company deals with governments - which oil companies frequently do, because in oil-producing countries our ultimate counterparty is the government - it has to have the wider interests of the country at heart: the environment, the fulfilment of the local population's needs, economic development and the involvement of local enterprises.

I'd like you to look back a little. Twenty years ago the oil sector was not thinking about corporate responsibility or Sustainability. It was very concerned about environmental management. Since then, its outlook has broadened. Why has it changed?

Let me try to explain my view. When developing countries are rich in oil, there is a tendency for the oil industry to suck in a disproportionate amount of the country's skilled people. So when local governments want to develop initiatives that fall outside the oil sector, they often turn to us simply because we are a big organized presence in that country. Nowadays, our contracts generally include some social activities. These can range from rice cultivation in Nigeria to the development of a vaccination programme in the Congo. Oil companies are asked to give something back to the community. And we are asked to manage these initiatives - which fall outside our normal business - because we have an organization which is able to do so.

Let's talk about the relationship within the energy sector between international companies and national companies. This relationship seems to be changing. What are the implications?

In this area, I see a cyclical effect. When the oil price goes up, the power of oil-producing countries and of their national energy companies goes up too. This also has implications on what oil producing countries require in terms of local development, local employment and investment in activities which lie outside our core business. Broadly speaking, their requirements increase. And

* Director of "Scenario Planning and Futures Research" at the James Martin Institute for Science and Civilization of the Oxford University.

this is where Sustainability becomes a competitive advantage. Let me give you an example. In Africa, there is still a lot of gas flaring. Investing to capture and use associated gas to produce and sell electricity is the best thing one can do from the point of view of corporate social responsibility. It reduces gas flaring, which has negative impacts on the environment. Meanwhile, one also produces electricity. And electricity is life. When a community has access to electricity, everything changes. One can have telephones, computers, and industrial activities. It is very important. We have been developing this process, and have applied it in Nigeria, the Congo and Angola.

That's very clear. Let's turn to the global energy system. Climate change is going to be the world's big potential game-changer, according to the inter-governmental panel on climate change. It seems that, in the long term, we are committing ourselves to a set of unprecedented environmental conditions.

Regarding climate change, despite the ongoing debate we take the view that we should behave as though it were a conclusively proven phenomenon. What can we therefore do? We can reduce our CO₂ emissions as much as possible. And, looking at the longer term, we need to invest in the only form of alternative energy which really has the potential to meet our planet's energy needs: solar power. We are convinced that the sun is the only viable long-term alternative to hydrocarbons. On this front, we have signed an agreement with the Massachusetts Institute of Technology to develop research programmes on solar energy, and will invest \$50 million in the project. The objective is to replace silicon in the production of electricity, because silicon technology is 50 years old, expensive and very energy intensive. We believe that other materials, such as polymers, will provide the solution in future.

For me the role of business is to navigate and take on the challenges that society faces. What are the dilemmas and tensions you are facing?

Our sector faces a number of challenges. But our job is to overcome them with pragmatism and common sense. One example is the issue of gas supply security, which is widely debated in Europe. And no wonder. In Europe, two out of every three houses are heated using natural gas. Turning to electricity, 80% of the incremental capacity built in Europe over the last 15

years is gas-fired. Gas consumption continues to grow, while domestic production declines.

As a result, our gas imports will have to grow from the current 300 billion cubic meters a year to 600 billion cubic metres in 2020, and our continent will essentially depend on two suppliers - Russia and Algeria - which are not part of the EU.

This increasing dependence on a product as essential as gas gives rise to recurrent concerns on our continent. We at Eni have to do everything we can to contribute to Europe's gas supply security.

The priorities on which Eni will focus its efforts in terms of Sustainability - how did you choose those?

The target I set was gaining admittance to Sustainability indices such as the FTSE4Good and the Dow Jones Sustainability Index. That ensured we had a clear objective. And if one works to meet these indices' criteria, that usually means one is moving in the right direction. The other thing which I did in Eni, and which I had also done in Enel and in Pilkington, was to make the Sustainability metrics an integral part of the company's reporting system. This means that we can monitor our performance at regular intervals, ensuring we are meeting the targets that we have set ourselves.

You have come from a major energy user, Pilkington's glass-making business, to the energy-producing side. What's the main difference between the two?

In glass-making, energy is a crucial element of your overall costs - roughly the same as labour. That means that, in order to maximize efficiency, you have to minimize your energy consumption. But even looking at the issue from the point of view of those who produce energy, I still believe it is essential to tell our customers how to rationalize their energy consumption. That's why we have launched a campaign to educate Italian families about energy efficiency.

The campaign is called *Eni 30PERCENT* because it tells families how to reduce their expenses for energy consumption by 30%. By following our 24 simple suggestions, the average Italian family can save €1,600 a year without significantly altering their lifestyle.





Eni and the Future of Energy

- *Important strategic agreements have been reached to guarantee a solid organic long-term growth (Libya, Algeria and Kazakhstan)*
- *A memorandum of understanding has been signed with Gazprom for the creation of South Stream gas pipeline systems which allow the supply of huge volumes of gas to Europe from Russia*
- *Eni put technology at the centre of its strategic vision, planning an overall investment of 1.7 billion euros for innovation in the 2008-2011 period. An investment of 120 million euros is planned especially for the development of renewable sources (Along with Petroleum project)*
- *Eni's commitment in the carbon management strategy allowed the company access into the CDP5 Climate Disclosure Leadership Index (CDLI) in 2007*
- *In 2007 GHG emissions marked a 10.1% growth. In the last five years CO₂eq emission factors in E&P, G&P and R&M have been decreasing. Flaring Down projects will allow a 50% reduction in flaring emissions by 2011*
- *An agreement has been drawn up with the Massachusetts Institute of Technology (MIT) with the aim of rewarding and promoting scientific research and its innovative applications in the field of sustainable energy, especially solar energy*

The energy scenario and the challenges in the Oil & Gas sector

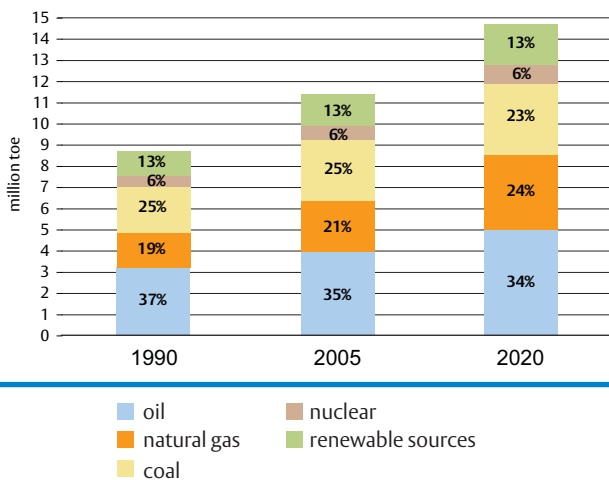
The Complexity of the Energy Scenario

Despite the presence of a scenario that already incorporates policies aimed at making the use of energy more efficient compared to the past, the **energy world needs** will grow by 29% between 2005 and 2020, with an annual growth rate of 1.7%. Fossil fuels will continue to represent the main energy sources due to their availability, flexibility and cost effectiveness. Oil will remain the most frequently used fuel, while natural gas will represent the fossil source with the highest growth. With the exception of hydroelectricity and biomass, the renewable source could only contribute marginally to the global energy requirement in the period considered. The current renewable source technologies used are actually limited in terms of high costs and low specific productivity. In this scenario, the subject of energy dependence on the importation of hydrocarbons will always be felt more on a global

level, especially in the energy-intensive countries/areas with falling and growing internal production dependence on importation (like Europe for natural gas) or in those with strong economic growth (such as China or India).

With regard to the offer, the business context is increasingly difficult and complex for international oil companies (IOC), which are subject to growing competitive pressures both from national oil companies (NOC), which win more space in all business segments, and also from the midstream and downstream operators, which show increasing aggression and a tendency to integrate themselves upstream in the energy sector. In particular, the NOC have increased their influence in the industry by the control exercised on cheaper mining resources and they can find the technologies and skills needed for their development on the market. This change has also been facilitated by restructuring processes undertaken in the last few decades by the IOC, which caused a weakening in the skills held, and the commitment to technological research and development that seem inadequate in terms of quality and quantity.

THE ENERGY DEMAND'S PROGRESS



The Main Challenges of the Oil & Gas Sector

In this scenario, the **Oil & Gas sector** finds itself having to tackle the following important challenges:

- **adopt new forms of partnerships between oil companies and producing countries**, designed on the needs of the latter. The role of the partnerships will be fundamental to put together the development of energy resources with the social and economic development of the host countries;
- **ensure greater availability of hydrocarbons on the market**, to satisfy the growing energy demand. The industry must satisfy these needs by the optimal use of the resources available, achieving excellence in the exploration, and the development of non-conventional hydrocarbons. The role of **innovation** and **human resources** will be central in these fields;
- **guarantee the security of gas supplies in Europe**. The

ENI AWARD

Eni set up the Eni Award in 2007 with the aim of acting as an incentive to innovative scientific research and its application on an international level in the field of sustainable energy, which is a fundamental element of the Eni strategy. The award includes three different types of recognitions in the following fields: Science and Technology, Research and the Environment, Research Debut. The "Science and Technology" award is aimed at those who have obtained significant results in the field of applied research on an international level in the development of technologies in the field of sources, transformations, devices and energy systems for a sustainable use of the resources. The "Research and Environment" award focuses on the scientific and

technological research on sources and energy transformations in the field of renewable energy. The "Research Debut" award aims to act as an incentive for the training of new generations of researchers through the award of two theses, discussed at Italian universities in the fields of energy and sustainability. The Eni Award benefits from the consolidated and prestigious network of scientists set up over the years by the Eni Italgas Award. The Scientific Commission, which is called upon to assess the applications and assign the awards at a very high level, includes famous researchers and scientists from the most advanced research institutes worldwide. The Eni Awards were assigned for the first time in February 2008.

sustained growth of the gas demand will require a considerable development of infrastructures (regasification terminals, new gas importation and interconnection pipelines and an enlargement of the storage capacity) and the consolidation of the cooperative relations with the countries that have gas reserves;

- **mitigate the impact on the environment**, especially reducing greenhouse gas emissions to counteract **climate change** with measures aimed at improving the energy efficiency, promoting the use of renewable sources on a large scale, and developing *Carbon Capture and storage (CCS)* projects.

In the light of these challenges, Eni believes that the achievement of technological discontinuities and the more rational use of resources are the fundamental levers to extend the availability of hydrocarbons, making the renewable sources more competitive and addressing the environmental issues.

The cooperation models with producer countries

With the passing of time, the contractual conditions have constantly been altered in favour of the governments of producer countries. Indeed, in the countries still accessible to the international companies, the contractual conditions are progressively becoming more restrictive, also as a result of the growing competition in the sector. The profits for the producer countries (Government Take) have reached average levels of more than 90% of the net proceeds (including the growing direct sharehold of the NOC) compared to 70-80% from just a few years ago. To accelerate the development of new mining resources, international oil companies should move towards new partnership models. It is essential that they are able to propose and then manage integrated projects (upstream, midstream and downstream) that not only include the development of hydrocarbons, but also the promotion of renewable energy

sources and the development of local issues, while simultaneously paying attention to the regional human resources, training initiatives and scholarships, and the improvement in the quality of life of the population. Eni has always been committed to sustaining the objectives of social progress of the country and territory through development projects, as displayed in Libya, Kazakhstan, Ecuador and Nigeria (see Chapter "Territories and local communities" and "Eni in Kazakhstan"). All this guarantees solid and stable relations with the host governments, thereby consolidating the distinctive path of Eni as a partner of reference for the producing countries.

The Main Agreements Signed in 2007

During the year, Eni signed many important strategic agreements that act as a basis for a solid organic long-term growth. As part of the strategic partnership with the NOC Libyan State Oil Company, in October 2007 a **high-capacity agreement** was drawn up that extended the contractual duration of the mining shares and defined Eni's commitment in carrying on with exploration and production activities of gas and LNG. Also in October 2007, **Eni** and the Algerian company **Sonatrach** signed an agreement for the renewal of the production and development licence of three reserves in **Algeria**. This confirms Eni's role as a leading strategic partner of the Algerian state company. In conclusion, in **Kazakhstan**, Eni has continued to define its shared commitments as part of the vast long-term global Kashagan project.

In June 2007, Eni signed an agreement with Gazprom for the creation of the **South Stream** gas pipeline system. The implementation of the agreement will allow Eni to further develop the recent acquisitions of the gas assets in Russia and will represent a determining step in the safety of the energy procurement in Europe. On 18 January 2008, Eni and Gazprom set up the company **South Stream AG** (50% Eni), which will aim to complete the feasibility study for the construction of the gas pipeline by the end of 2008.

THE MEMORANDUM OF UNDERSTANDING IN LIBYA

In the last few years, the development of exploration and production in Libya has taken on a strategic role in Eni's business. Thanks to the oil production in the traditional fields and the gas' one in the new fields Eni is the first foreign producer in Libya. The complexity of the context that, may represent a critical issue able to significantly influence the progress of the activities and Eni's ability to satisfy the commitments taken with the National Oil Company has made the requirement of redesigning the approach to the cooperations for Libya emerge on a corporate level. The new paradigm of the "technical assistance to the development" has been drawn up, which includes the creation and development of professionalism and local capacities among its significant elements. The strategic objective is to act within the country with the double function of Development Agency (for Sustainability) and Structural Fund (for

Sustainability) covering progressively a co-policy-maker role with the local governmental authorities, being constantly involved, through specific representative organizations, defining priorities and development objectives. The practical implementation of the new strategy is represented by the Memorandum Of Understanding signed between Eni, the Gaddafi Foundation and the National Oil Company (NOC) on 22 September 2006. This envisages a program of activities lasting for 8 years (from 2006 to 2014) worth \$150 million. It covers activities in the health, education and training sectors, as well as the recovery of local cultural heritage (for further details, refer to the Chapter "Territory and local communities"). The MOU also includes a pilot project in the Zwara area on the recovery of urban waste for which a feasibility study is underway, and which is also to be extended to industrial and sanitary wastes.

The production and access to hydrocarbon reserves

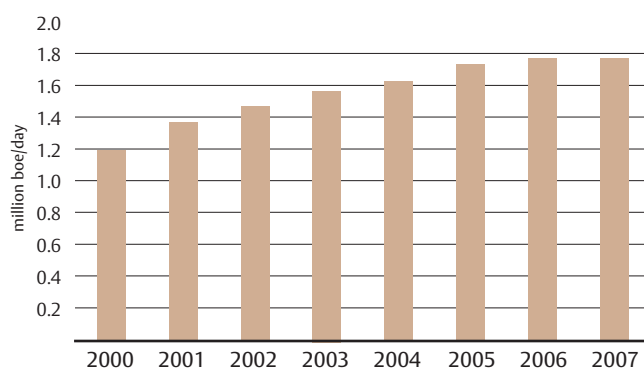
As well as the continual nationalisation process of the resources by the producer countries, the IOC found themselves having to tackle factors such as the movement of activities in frontier areas (unconventional oil and gas, ultra deep waters, GNL and GTL), the

Proved hydrocarbon reserves (mln boe)			
	2005	2006	2007
Oil and condensates	3,773	3,481	3,219
Natural gas	3,064	2,955	3,151
Total	6,837	6,436	6,370

In the three-year period considered, the quota of proved gas reserves has been strengthened, going from 44.8% to 49.5% of the total reserves.

The all sources reserve replacement ratio was 90% and the average reserve life index was 10 years.

HYDROCARBON PRODUCTION



lack of services and means (e.g. drilling rig), an increase in the prices of many raw materials (e.g. steel) and the lack of resources. Despite the complexity of the framework outlined, in the new millennium the production of Eni hydrocarbons has increased to an annual rate of 5.6%. The high influence of the PSA contracts

THE EST AND LCO TECHNOLOGY

Eni is the owner of the innovative **EST technology** (Eni Slurry Technology), which allows the full conversion (total conversion of the barrel) of the heaviest and richest fraction of the crude oil pollutants (in particular, the heavy and extra heavy oils or bitumen obtained from bituminous sands) in top-quality light products by zeroing the production of refining residuals, both liquids and solids. The technology is based on a catalytic hydro-conversion process in a slurry flexible phase that is adaptable to different contexts by type of loads, capacity, logistics, type and quality of products. The development of this process reached its demonstrative phase with the operation of the Taranto Plant (1,200 boe/day) where heavy loads with different origins were processed successfully (residuals from the empties of heavy crude oils, bitumen and visbroken tar). The results

(**Product Sharing Agreements**) in Eni's portfolio (which represents approximately 50% of the total) has affected and continues to affect production levels, as well as the organic growth of the reserve replacement ratio and the scenario of the growing prices which accelerates the recovery of the development costs (recovery is defined contractually according to monetary measure units and is not tangible) and reduces the amount of the production share and reserves. During 2007 Eni finalized important acquisitions of oilfield assets in the Gulf of Mexico, Russia, the Congo, Alaska, Angola and Turkmenistan in line with its strategy to strengthen its presence in the areas of interest. As a result of these acquisitions and new discoveries, Eni has added 5.1 billion boe of reserves to its portfolio.

Technological Innovation in Exploration and Production

Eni has placed technology at the centre of its strategic vision and has planned an investment in innovation of 1.7 billion euros for the period 2008-2011.

Up to now, Eni has obtained valid technological skills, which

Training Initiatives for talent attraction

Masters in "Oil Engineering"	Politecnico di Torino
Masters in "Planning of plants for the development of offshore oil fields"	Università di Bologna
Masters in "Oil and Gas, the law and economics"	Università Cattolica del Sacro Cuore
Masters in "Refining hydrocarbons: processes and reliability"	Università di Pavia
Masters in "Safety management in the oil and gas industry"	Università de L'Aquila
Bachelor's Degree in Energy Engineering "Specialisation in Energy Hydrocarbons"	Politecnico di Milano
Masters in "Underwater electro-acoustics"	Università di Pisa

obtained in 2007 allowed the pattern of the process to be simplified, as well as an increase in the capacity of the single conversion reactor. These developments will be included in the creation of the first industrial plant of 20,000 bpd at the Refinery of Sannazzaro by 2011. The **LCO project** is focused on developing the process for the conversion of selectively difficult gas oils up to an industrial scale (with high aromatic components obtained by catalytic cracking or Light Cycle Oil - LCO) in a diesel component with excellent qualities and a low content of poly-aromatic hydrocarbons (PAH) by using lower quantities of hydrogen compared to a conventional process. The first steps of the research are currently being carried out. At the end of that, the Basic Design Package will be developed for the creation of a prototype at the Gela refinery.

allow the company to **operate in extreme environments** (in deep waters, in the Arctic regions and in formations with high concentrations of sour gas, high pressures and temperatures) and to carry out effective **explorations in critical areas** (new geographical areas with complex geological structures or with weak hidden layers).

In order to optimise the use of reserves that are already available, Eni is developing two main technological platforms: **maximum recovery** and **total conversion of the barrel**.

The maximum recovery strategy envisages maximizing the production of the working reserves by increasing the recovery factor with upstream technologies. The total conversion of the barrel strategy aims to optimize the working processes through the complete conversion of the crude oil in high quality products. In this field, Eni has developed the innovative ownership EST technology.

The role of the human resources

The general problem of a lack of qualified human resources in the oil and gas industry is a significant limitation in medium-term development, as well as a loss in competition compared to the NOC. Eni is investing in policies to keep and develop those with strategic know-how in order to achieve the business' objectives. Eni has also organised Masters in disciplines specific to the Oil & Gas sector to form and attract talented individuals.

Security

In the expansion of its activities, Eni is constantly careful to evaluate the potential risks deriving from working in countries where the socio-political context could change and represent a threat for its corporate assets. In order to regulate all the aspects related to the protection of corporate assets, Eni prepared the Unique Text of the Security Rules and Provisions in 2007, in line with international standards and the sector's best practices, and issued the new Corporate Guidelines for

the Security activities, as well as a training plan and the involvement of its employees. Suitability checks were also carried out on the assets and risk assessments at a series of overseas businesses, including Eni's infrastructures in Angola, Nigeria, the Congo, Algeria, Great Britain and Mali. In full observance of Human Rights, Eni guarantees the maximum safety of its staff and minimises the external risks and threats which could impact upon the hydrocarbon production.

Eni's role in the security of gas supplies for Europe

Eni is a leader in the European natural gas market. Thanks to its many years of experience, it can depend on its distinctive skills in the gas sector. Directly or through shareholding companies, Eni actually operates in the transportation, distribution, storage and sale of natural gas. The company is significantly contributing to the increase and improvement of the safety of gas supply for Europe through the development of its ability to import gas from the traditional supplier areas, but also from new exporting countries. The most important stages were the creation of the **Blue Stream** gas pipeline that connects Russia to Turkey through the Black Sea in 2003 and the **Greenstream** gas pipeline that connects Libya with Italy in 2004.

Eni is currently committed to the strengthening of the **TTPC** gas pipelines (gas pipelines in Tunisia for the importation of Algerian gas into Italy) and the **TAG** gas pipeline (that connects the Italian market to the Austrian hub of Baumgarten).

In January 2007, Eni announced a new ambitious project that will allow the supply of increased volumes of Russian gas to Europe: the construction of the **South Stream** gas pipeline in partnership with Gazprom, whose route will also minimise the risk of transit. As well as the international transmission of gas by tube, Eni has been operating in **Liquefied Natural Gas (LNG)** since the 1970's.

OPERATING IN DIFFICULT CONDITIONS – NIGERIA AND PAKISTAN

The **Niger Delta** has been in the last years a difficult context for security conditions, with frequent attacks on plants and the kidnapping of employees of oil companies. The new President as soon as was elected in April 2007, established an effective conciliatory dialogue. Within this context Eni adopted all the needed measures in order to protect its personal and facilities, in collaboration with Federal and local authorities of Nigeria. Of the sixty cases of kidnapping that occurred or ended in 2007, three involved the Engineering and Construction Sector and two involved the Nigerian Agip Oil Company (NAOC), with a total of 19 Eni employees of different nationalities kidnapped. In particular, on 7 December 2006, 4 members of Eni staff, one Lebanese and three Italians were kidnapped in Brass from the Oil Terminal NAOC. They were held for 99 days after which the situation was finally resolved. All the kidnappings that took place were resolved positively thanks to the close cooperation

of the local Nigerian authorities and the Italian diplomatic representatives in Abuja and Lagos. In May, the Human Resources manager of NAOC was kidnapped, a Nigerian who was released after two weeks. During an attack inflicted by armed groups, a Colombian technician was regrettably killed. These conditions brought about the decision to withdraw almost all the expatriates from the more exposed sites and in particular from Port Harcourt by changing their placement to the city of Lagos. The worsening of the security situation in **Pakistan** following the latest political developments and, above all, the cruelty of the terrorist phenomenon that concerned the country in 2007 caused Eni to improve the corporate protection system. It initiated security measures that are both physical and logistical to ensure the safeguarding of both people and corporate assets from any possible risk, even though they did not represent a direct target of the terrorist actions.

In the last few years, Eni's portfolio of initiatives in LNG has been expanding significantly. Eni is involved in liquefaction projects in Egypt, Nigeria, the Oman, Australia and Indonesia (and with the new agreement signed in 2007 in Angola and Libya) and in regasification projects in Italy, Spain, Portugal and the USA. The development of the gas business by boat allows the improvement in the safety and flexibility of supplies for Europe, thereby increasing the number of possible sources of supplies and reducing the risk of transit.

In conclusion, on the national border the company Snam Rete Gas is committed to the continual adjustment and development of the transport network with a planned investment of 4 billion euros in the next four years. The company Stogit will increase the commercial storage capacity by 50% with investments of approximately 2 billion euros. Today, Stogit is the only European company mainly committed to the development of storage capacity through the use of innovative technologies (overpressured storage).

Innovative Technology for Gas Supply

The **role of innovation** is a determining factor to guarantee growing gas supplies. Eni owns a range of **technologies** for the development of natural gas reserves, such as **High Pressure Gas Transport (TAP)**, for the conversion process of gas into liquid products (**LPG**), which results in a reduction in the loss of gas during transportation, and for the conversion of synthetic gas into liquid products (**Syngas**).

Eni and climate change

The Carbon Management strategy

Eni's carbon management strategy combines operational and managerial activities with the development of lines of research in technological innovation. With regard to the **containment of emissions**, Eni has been carrying out the following initiatives:

- the reduction of gas flaring of projects through the implementation of natural gas recovery projects, also promoting their recognition as Clean Development Mechanisms - CDM and Joint Implementation - JI;
- the preferential use of low carbon content fuels in all the

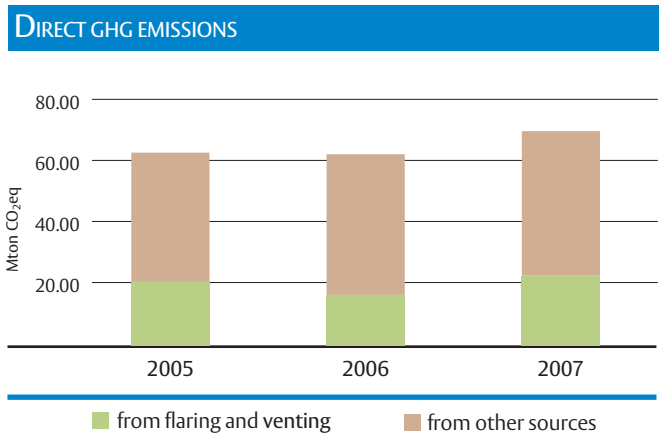
sectors (natural gas);

- the adoption of high energy efficiency technologies in the production plants and the promotion of energy saving practices (green server, video-conferences, VOIP).

As regards the **development of new technologies**, Eni continues its commitment for:

- the development of the efficiency in gas transportation over long distances;
- the use of solar energy on a large scale and in an economically sustainable way in the medium term;
- the more efficient and sustainable production and use of clean fuels, biofuels and hydrogen as a vector;
- the development of the CO₂ sequestration and CO₂ sequestration and biofixation.

In 2007, Eni's commitment resulted in its inclusion into the CDP5 Climate Disclosure Leadership Index (CDLI), an index that groups together the 68 best in class companies based on the answers to a questionnaire promoted by the *Carbon*



Disclosure Project (CDP). Eni also promotes the reduction of the final customer's emissions through the launch of "green" offers (production of more efficient fuels and the creation of offers of electrical energy produced from renewable sources and multi-energy service stations with distribution of hydrogen generated on site) and the creation of awareness campaigns on energy saving.

HIGH-PRESSURE GAS TRANSMISSION (TAP)

The development of significant reserves of natural gas sited in areas far away from the consumption markets requires new and advanced technological solutions aimed at reducing the cost of transmitting gas over long distances. The technologies which Eni is developing in the field of the TAP project (High Pressure Gas Transmission) will allow the transmission of large quantities of gas to be made economical (in the order of 20-30 billion cubic meters per year) over long distances (over 3,000 kilometers). The technology is based on

the use of high-resistance steel alloys that allow the gas pipelines to work at pressures up to 150 bar (about twice the amount compared to those normally used). According to Eni estimates, the TAP technology will allow a reduction in the use of gas consumed by the compressor stations from the current 7.5% to approximately 3% of the volume of gas transmitted. The development is currently underway and foresees a combination of activities of an experimental, engineering and creative nature.

GHG emissions in 2007 increased by 10.1% (from 61.35 to 67.55 mln tons CO₂eq). This increase is the result of the acquisition of new assets, the increase of production and temporary malfunctions as regards operations and technical matters. As regards the acquired assets, gas flaring reduction is already being implemented. As far as Russia (which accounts for 35% of the increase in GHG emissions from flaring), the complete recovery of the gas originally burned in flares was already achieved in the first few months of 2008. The emission figures in the main activity sectors however highlight a constant improvement in the last 5 years thanks to the energy efficiency measures.

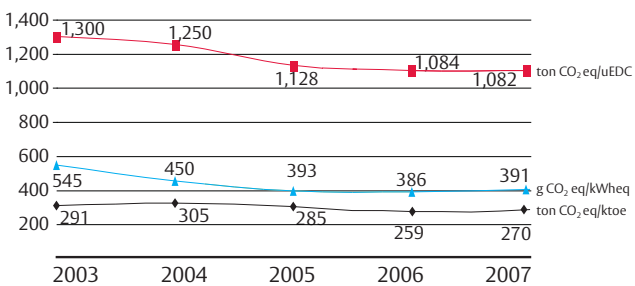
In 2007, CO₂ emissions from plants subject to Eni's Emission Trading, equal to 24,298,009 tons of CO₂, are lower than the amounts allocated, recording a surplus of 1.41 million tons

thanks to further increases in efficiency levels, especially in the cogeneration of electrical and steam energy with combined cycles in the electrical sector. In the period from 2008-2012, the estimates of CO₂ emissions from plants subject to Eni's Emission Trading (2nd stage) forecast a deficit position due to the cut amount applied to the National Allocation Plan (2008-2012) required by the European Commission to Italy.

The promotion of energy efficiency

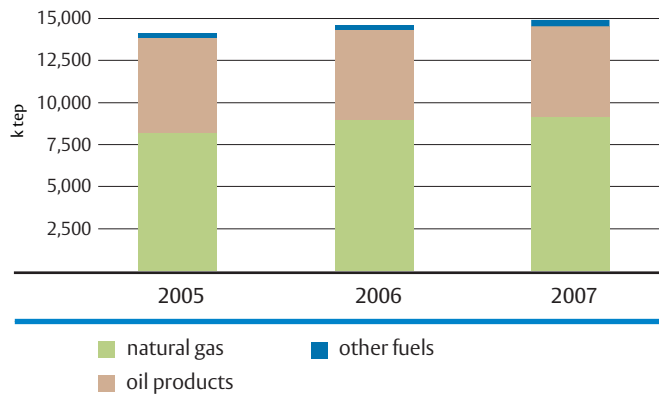
In the refining sector, the numerous energy saving measures have allowed reductions in the following: heat recovery, gas

CO₂ EQUIVALENT EMISSION FIGURES



- ◆ Exploration and Production (excluding new acquisitions 2007)
- Refining
- ▲ Electrical generation

NET CONSUMPTION OF PRIMARY ENERGY SOURCES



Fuel consumption in 2007 is in line with the figure from last year. The slight increase recorded in the G&P, Petrochemical and Engineering and Construction sectors follows the progress of the operational data. The predominant amount of the fuel mixture used continues to be represented by natural gas and is equivalent to 61.1%.



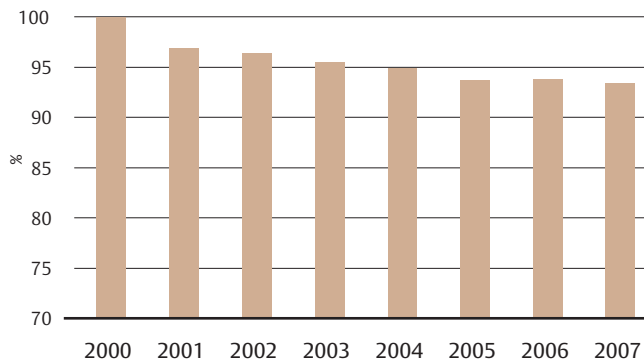
Ernest Moniz
Director of the MIT Energy Initiative

The new Eni - MIT partnership

We from Massachusetts Institute of Technology (MIT) are extremely satisfied with the partnership with Eni, a global energy company involved in a wide range of emerging and innovative technologies. We intend to work closely with our Eni colleagues, both within MIT and in Eni's laboratories, and manage the programmes through an Eni-MIT coordination group. In this way, our partnership will obtain the best results, benefiting from the research done by our students and Eni's strategic interests. Massachusetts Institute of Technology (MIT) and Eni announced an important agreement for the development of advanced energy technologies needed to tackle the great global challenges on 15 January 2008. The complementary nature of the skills and commitment shared between the two organisations will allow important results to be achieved. The joint Eni-MIT Solar Frontiers programme will analyse new generation solar advanced technologies by using the state-of-the-art skills in nanotechnology and biotechnology developed by MIT. In particular, the programme will focus on thin nanostructured photovoltaic films, luminescent solar concentrators, self-assembling photovoltaic materials, water fission, materials for

the capture and storage of solar energy, and the optimisation of the amount spent on invested capital for thermosolar systems. As part of its research portfolio as a Founding Member, Eni will also sustain the research on oil and gas projects associated with its own core business and the global energy sustainability, especially enhanced oil recovery, methane hydrates, transportation alternatives, global change, methodologies for the assessment of potential start-up business. The programme includes a share in the MITEI Energy Research Seed Fund, which solicits the production of innovative ideas by all the University's lecturers for the development of research in the energy field. Eni will be involved in the selection process that could cause new directions for research. In addition, every year, ten Eni-MIT Energy Fellowships study grants will be given to graduate students. The development of contacts between researchers and Eni managers and a vast group of young talented individuals will be an integral part of the MITEI Energy Fellows programme. The financing for each of the two programmes is 25 million dollars over 5 years.

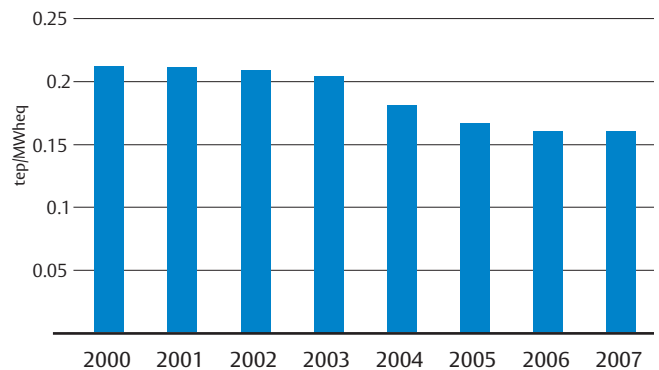


R&M - ENERGY EFFICIENCY INDICATOR ON EII BASES

The Energy Intensity Index (EII) registered a constant improvement (-6.6%) from 2000 to now, despite the fact that refining processes need more energy for producing fuels with less benzene and sulphur.

flaring, replacement of steam turbines with electric engines, advanced control systems/inference analysers. The energy savings made in 2007 in the refineries have reduced the GHG emissions by about 70,000 tonnes, given the processes in 2006. The 2008-2011 plan also includes interventions which will allow about 500 ktonnes/year of GHG emissions to be avoided (compared to 2007).

In the next four years, the energy saving and CO₂ reduction plan in the petrochemical sector, which aims at a progressive reduction of 250 ktonnes/year by 2011, will also be completed. Plans have been adopted to limit the energy consumption in gas transmission using the best available technologies and the installation of high yield turbines (up to 37%). In electrical generation, the investment in best available technologies, the use of natural gas and the cogeneration of thermal energy has allowed Eni plants to have the best performance in the Italian thermo-electrical sector by granting savings of about 6.6

G&P - ENERGY PERFORMANCE INDICATOR

The energy efficiency index of the electric power plants constantly improved from 2000 to now, allowing a decline of 24.65% in energy consumption required to produce a MWh.

million tons/year of CO₂. By 2010 Eni will complete the construction plan of 13 new cogeneration combined cycles powered by natural gas, a plan which began in 2001. Eni also has lines of research underway to develop advanced monitoring technologies of fugitive emissions. In 2007 it set up a specific community of practice with the aim of identifying research activities of shared interest, to check the application of the best available technologies and anticipate any future legal requirements.

In the managerial offices, Eni invests in more efficient communication technologies. In 2007, Eni saved almost 11 ktons of CO₂. At the same time, an energy efficiency plan was drawn up for the management buildings in Italy (more efficient lighting devices, photovoltaic panels and the promotion of energy saving practices). Eni also promoted an energy saving culture in Italy by setting up the Eni 30PERCENT campaign (see Chapter "Customers").

FLARING DOWN PROJECTS IN AFRICA

The main oil extraction and production activities are concentrated in Africa. They are responsible for the emissions due to the gas flaring practice. The use of gas associated to oil actually needs infrastructures for the use or transmission of gas whose creation is subject to the influence of external factors, such the social and political conditions of the areas involved.

The development projects of the associated gas generated in the assets recently acquired in the Congo and the activities in Nigeria are the most significant in terms of the entity and the number of implemented or planned activities.

In Congo gas development projects include the creation of a 450 MW electrical plant (which will be operational at the end of 2009), the enlargement of the existing plant, the creation of gas pipelines for the transport of gas, and the use of further gas for injection into the

reserve. The elimination of flaring in the country is planned for May 2012. The electricity production will solve the problem of the current energy need in the Congo and will allow future industrial development.

In Nigeria different projects for the use of associated gas are in the development stage. They involve the completion of the gas treatment stations to face the commitments towards N-LNG, industrial clients in the domestic market and internal consumptions the use of GNL technology allows the associated gas to be sold, instead of flared, and it will allow the elimination of flaring in the country by 2011.

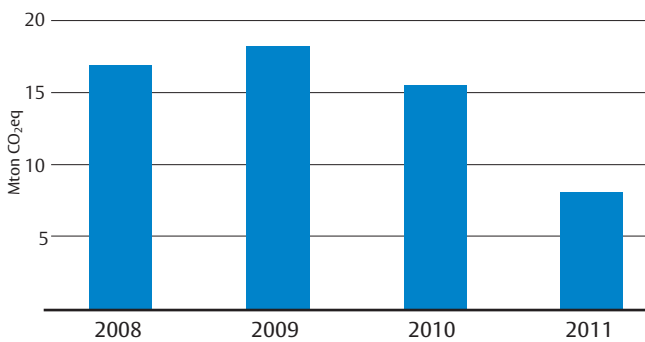
The *Bouri Gas Utilization* projects (Libya), *Gas du Sud* (Tunisia) and *Rom* (Algeria) will also allow these countries to drastically lower Eni's flaring emissions. You can find all the details of Eni's African projects on www.eni.it.

The gas flaring reduction

72% of the increase in GHG emissions in 2007 may be attributed to the increase in gas flaring coming from the recent acquisitions in the Congo and Russia, as well as from the temporary malfunctioning of a gas compression plant in Nigeria. To counteract this phenomenon, Eni has planned investments for the reduction of gas flaring, which produced significant results in the first few months of 2008. In Russia, at the plants acquired in April 2007, Eni has started a progressive reduction of the associated gas burned in flares that allowed the reduction of the 90% of gas flaring within the year, and the setting at zero in the first months of 2008. Russia in 2007 recorded the 35% of the total increase of Eni gas flaring emissions.

In Congo, Eni has already developed with the support of local authorities a wide range project that will allow the gas flaring reduction in the assets acquired in 2007. Eni has also undertaken projects for the reduction of gas flaring in other African countries. For some of these projects the certification as CDM will be proposed (see “Flaring-down projects in Africa”).

PREVISION OF DIRECT GHG EMISSIONS FROM FLARING



The emergent technologies

Eni is exploiting its own technologies for oil drilling and refining for the research and experimentation of projects aiming at the sequestration and the CO₂ biofixation.

The *Carbon Capture & Storage* projects cannot currently make an exception for the analysis of storage capacities and permanent retention of the CO₂ of geological sites: chemical or structural changes must guarantee the containment of the gas stored. The means used for the CO₂ separation from burning gas represent a further object of Eni’s experiments.

The CO₂ biofixation is particularly interesting among the technologies for the containment of the emissions affecting the climate. Eni currently has a project underway that aims at verifying the technological and economic feasibility of the CO₂ biofixation processes produced by the refineries through the use of micro-algae which are able to assimilate it and clean the waste water at the same time. The biomass produced can subsequently be converted into bio-diesel and/or other energy means such as bio-methane, pyrolytic oil, electric energy. Most of the experimental activities are carried out at the Gela refinery, where a small-scale pilot plant, made up of photo-bioreactors and open pools, has been operating since 2007.

In the petrochemical field, Eni is investing in the research of new polymeric materials (elastomers for pneumatics and styrenic materials with a higher heat insulation capacity), which will enable a significant reduction in CO₂eq emissions to be achieved.

In the energy transport sector, we remind you about the technology for the transport of natural gas in high pressure pipelines which will result in a reduction of 45% of the energy consumptions for transport and the connected greenhouse gases (see “High-Pressure Gas Transmission TAP”).

RESEARCH ON SOLAR ENERGY

The solar research projects started up with the support of partnerships with universities and centres of international excellence include the following:

- the development of photovoltaic cells created with organic materials. During 2007 the first original formulations were improved, for which an application for patent is already underway and they constitute the starting material for the creation of cells with performances in line with the best prototypes available today. We aim to exceed the economic limitations and availability of the raw material, which the use of silicon imposes on the most diffused current technologies. With this purpose in mind, a preparation and characterization activity is underway for different types of polymers, some of which are innovative. A scheme for the creation of polymeric solar cells has also been improved;
- the development of systems for the photo-production of hydrogen (direct production of hydrogen for dissociation of water using solar).

In 2007, having created new electrochemical laboratories, an initial semi-conductor material suitable for use as an anode in acidic solutions was synthesized;

- the study and development of materials able to increase the possibility of using solar radiation in an effective way to be applied both to photovoltaic and thermic or photochemical solar systems;
- the feasibility study of a hybrid solar concentration electrical plant;
- natural gas, associated with a seawater desalination plant for possible creation in African and Mediterranean countries. As a result of the feasibility study, the possibility of creating a demonstration plant of approximately 400 MW (of which 80-100 MW is solar) in a country of interest for Eni will be analysed. The creation cost is currently estimated at between 800 and 1,000 million euros. The option of creating a smaller sized plant is also being studied for a production site in Italy that uses the same processes.

The Renewable Sources

Eni has identified solar energy and biomass as the energy sources with the best potential to be used on a large scale and in an economically sustainable way in the medium term.

For this purpose, Eni has been promoting the *Along with Petroleum* project since 2007, which plans an expenditure of 120 million euros on 7 projects started up by the Eni Research Centres (Istituto Donegani and San Donato Milanese) from 2008-2012, with the support of universities and centres of international excellence.

To make photovoltaic energy competitive in the long term, Eni intends to reduce the cost of solar cells in the large scale production through the replacement, total or partial, of the traditional semi-conductors with either polymeric materials or with nanostructured combinations of organic and inorganic materials.

For this reason, Eni has undertaken an intense research programme on solar energy signing an agreement with the Massachusetts Institute of Technology (MIT) on the Solar Frontiers research programme.

Bio-fuels

Eni has contributed to the development of a Life Cycle Analysis model for the second generation bio-ethanol production systems (European project *NILE*) and is developing another model for the evaluation of the impact of the electrical energy production through the use of hydrogen produced by carbon and by biomasses. The experimental projects include:

- the production of bio-diesels starting from biomasses coming from micro-organisms (algae, phytoplankton). During 2007, some processes of conversion of the lignin-cellulose fraction were identified, for which the application for a patent was presented;
- the gasification of the biomasses and the Fischer-Tropsch synthesis for the production of second generation bio-fuels. The project is carried out in an international network where Eni will bring its technical and economic knowledge on the Fischer-Tropsch synthesis;
- the study of the crop cycle and the possibility to use plants with the sole energy use for the production of bio-fuels.
- ETBE (etil-ter-butil-etero): over 2007 the Engineering & Construction sector has applied successfully its own technology for the production of ETBE starting from bio-ethanol. ETBE meets the needs of the refineries. For this purpose, a production plant was started up in South America and some plants in Europe are under examination;
- green diesel: during 2007, the Basic Design for an industrial unit was developed, with the capacity of 250 ktonnes/year of green diesel obtained from soy and/or palm oil;
- biomass Nigeria: during 2007, in partnership with the Engineering & Construction sector, the Università di Verona and the local NGO, Eni started up the feasibility project for the use of the water hyacinth (an indigenous plant of the Niger Delta) in the production of renewable energy. The process combines environmental advantages with the possibility of social development.



Electricity and biomass fuels

In partnership with LEAP (Laboratory of Energy and the Environment, Piacenza)

Stefano Consonni
Professor of
Energy Systems,
Energy System
Department
Politecnico di Milano

In almost all cases, biofuels are now produced by bioconversion (ethanol) or extraction from oil (bio-diesel). The research underway at LEAP with the support of Eni is focused on the process of thermo-chemical conversion. The biomass is gasified at high pressure to generate a synthesis gas, which is converted into liquid fuel inside a catalytic reactor after the cooling and cleaning process. The residual syngas which process non converted after the generation process of synthetic fuel is used to generate of electricity. The research aims to understand a number of crucial questions regarding the design and opportunities of integrated systems for the co-production of electricity and fuels, particularly looking at the most convenient technologies for gasification and the gas depuration process, the type of fuel and the synthesis process, the energy and environmental performances, the economic return and the scale effects. The work developed in 2007 conducted a detailed simulation of the systems based on a Fischer-Tropsch (FT) iron-based synthesis. The 2008 works plan includes the FT modeling

based on cobalt, the production of DME and the cost assessment.

The research offers an extraordinary opportunity to reconcile the preoccupations of an international level company like Eni with the vision of a new yet tested research structure like LEAP. LEAP is a research laboratory that started in 2005 with six departments of the Politecnico di Milano, its mission is to follow the experimentation, research and technological transfer in the fields of energy and the environment. From the outset, LEAP has always benefited from the skills and experiences of the body of teaching staff at the Politecnico. The work conducted at LEAP combines the available modeling skills in the Department of Energy with the experiences on Gas-To-Liquid catalytic processes acquired by the Department of Chemical Engineering at the Politecnico. On its behalf, Eni is exploring new frontiers of synthesis processes originally conceived for fossil fuels, which could now be used to extend the role of renewable fuels. Redirecting the existing technologies for a use that is beneficial for the environment represents a fundamental step towards a sustainable economy. This research has the aim of contributing to this purpose and it is moving in the right direction, however small it may be.



The Cooperation Model in a Country of Historical Presence

After the years involved in the construction of a network of methane pipelines to realise the potential of the gas reserves found in the Valle Padana, Eni began its work as an international operator in Egypt in the 1950's. The contractual formula adopted was innovative for that time and included the participation of the State towards the national oil company EGPC in the drilling and development activities.

THEY SAID...

"The Minister for Industry for the Republic of the United Arab Emirates, Aziz Sidky, declared that the UAE Government will obtain 75% of the royalties from COPE (Compagnie Orientale des Pétroles d'Egypte) for the research rights in the new areas. He emphasised that this is the highest percentage that a Middle Eastern country had ever obtained in exchange for the use of the oil resources of its land."

Press release, 1959

"The partnership between Italians and Egyptians is intimate and cordial on all levels. The company is practically managed on a plan of equal division of the powers between the two groups of shareholders."

Note by Eni on the company COPE, 1959

"In the Sinai Desert, the following principle which Eni has been trialled, increasingly applying over the last few years: the desire that the producing country participates with its manpower and capital in the use of its oil resources."

Note by Eni on the company COPE, 1959

"The management of COPE is guaranteed by a board of directors made up of three Italians, elected by Eni, and three Egyptians, elected by the Egyptian Government, and two managing directors chosen by each of the two groups. The management is done in full agreement between the parties on a basis of mutual understanding and reciprocal respect."

Note by Eni on the company COPE, 1961

"We believe in the coming of Egypt and in its possibilities that should make it into a great oil and industry country. Naturally we will need to do a lot in a hurry: in my opinion, as I said to you, above all this is a fight against time."

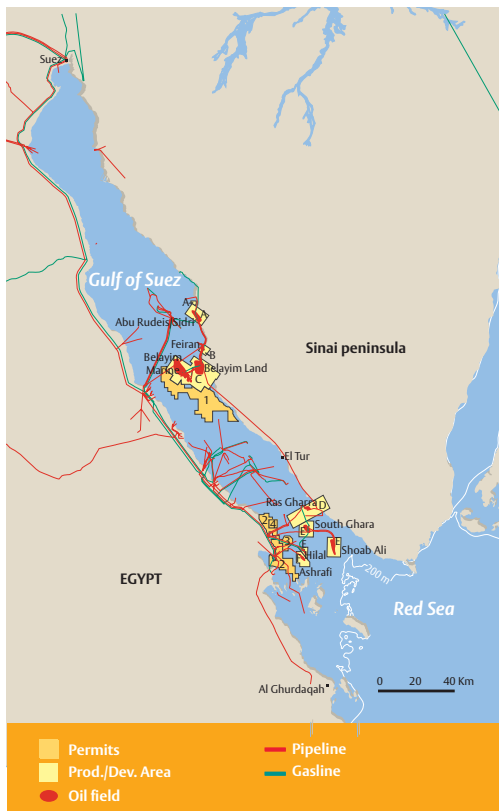
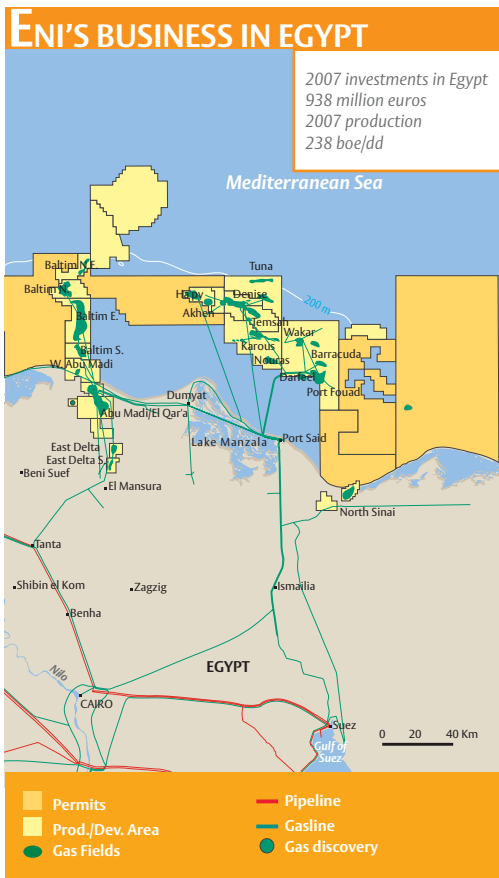
Words of Enrico Mattei written in a letter sent to the president of the United Arab Republic, Gamal Abdel Nasser, 1961



EXAMPLE OF A PSA

The **cost oil** is the part of production that is paid by the contractor as a recovery of the costs sustained for the drilling and production activities. In the Egyptian PSA the cost oil varies from 30 to 40%.

The **profit oil** is the part of production that is paid by the joint venture parties as regards the remuneration for the activity done and is calculated on the basis of the shareholding of each partners in the JV.



1954 Enrico Mattei visits Egypt and meets Nasser. Eni acquires 27% of the International Egyptian Oil Company (IEOC) from Petrofina.

1955 The production of oil begins in the Belaym concession (initially only onshore).

1957 The Compagnie Orientale des Pétroles d'Égypte - COPE is founded on 9 February (share 51% IEOC and 49% Egyptian State). The agreements involve a distribution of the profits with a percentage of 51% for the IEOC and 49% for the Egyptian State. The board of directors was made up of 3 Italians and 3 Egyptians. Two managing directors were elected. The Eni share in IEOC becomes equal to the Petrofina share.

1961 In partnership with the national oil company, Egyptian General Petroleum Oil Company (EGPC), there is the first important discovery of oil in the Belayim offshore concession. (This is still the largest field in the country.)

1967 Discovery of natural gas in the field of Abu Madi (still the most productive in the country today).

1978 The COPE contract is turned into PSA and the Petrobel was set up as the joint operating company.

1983 Discovery of a large-sized gas deposit Port Said in the Nile Delta.

1996 The discovery of 11 oil fields between the Gulf of Suez and the Western Desert.

1999 Agreement concluded for the acquisition of the shares for two production fields – Ashrafi (50%) and El Qar'a (25%) owned by the Marathon Oil Company.

2004 The liquefaction plant of natural gas at Damietta becomes operational with a capacity of 5 million tons of LNG equal to approximately 7 billion cubic metres of natural gas (in joint venture with Unión Fenosa).

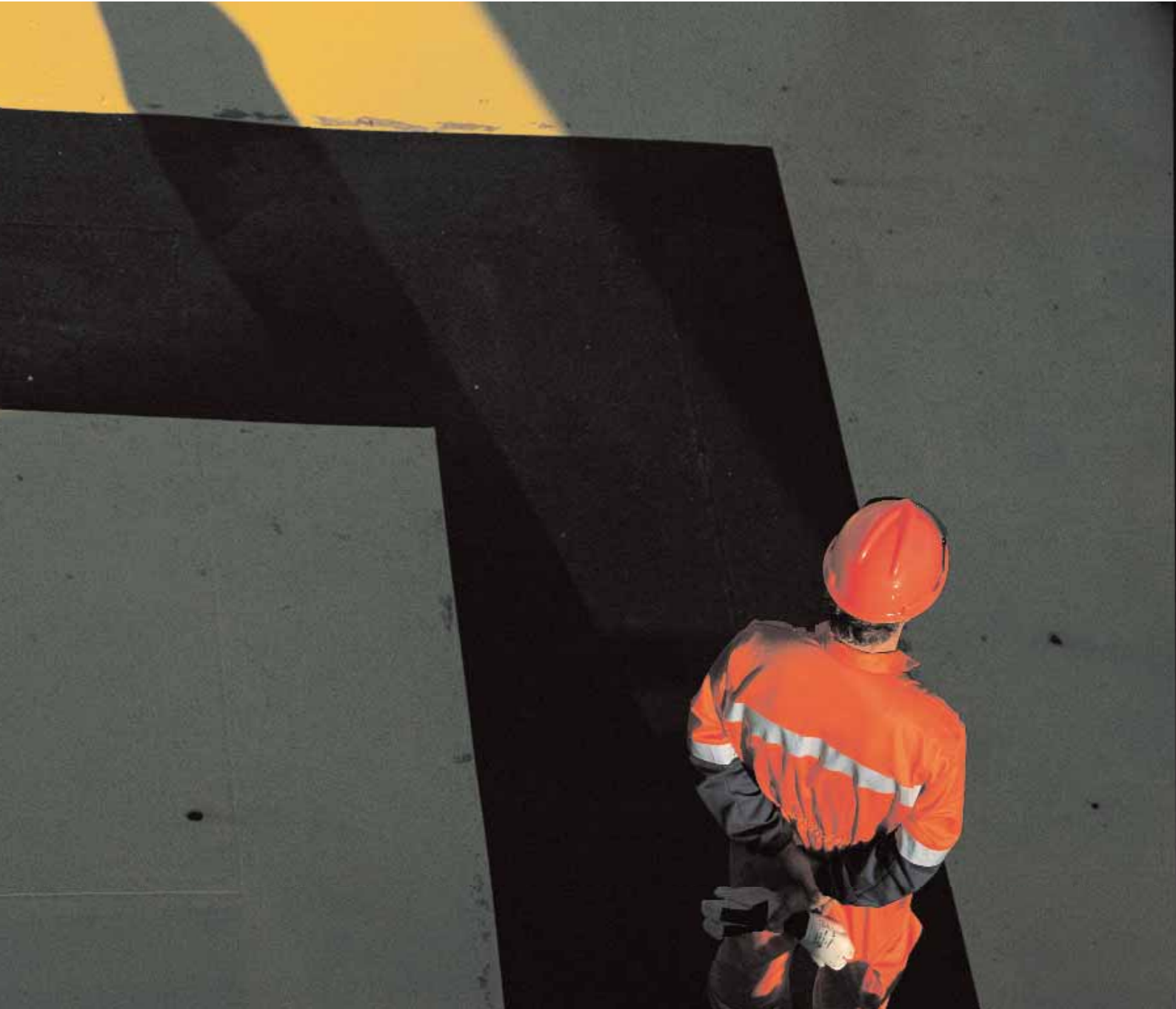
2005 The liquid separation plant from natural gas and the Port Said plant were set up (Eni shareholding of 33%), with a production of approximately 500,000 tons of propane and butane and 1.2 million/b of condensates.

In April of the same year, Saipem has acquired a contract for the drilling of four wells in the offshore from the IEOC.

2006 Agreement signed with the Egyptian government for the expansion of the plant for the construction of a second line aimed at increasing the production capacity to approximately 10 thousand tons per year (equal to approximately 14 billion cubic meters per year of natural gas). A contract was also signed for the expansion of the production system for the deposits of Scarab, Saffron and Simian situated in the Nile Delta.

2007 A contract was assigned to Saipemun for the installation of a pipeline that will connect the gas treatment plant at El Gamil to a platform situated in the Denise Pliocene gas field. A further contract was assigned regarding the use of a Scarabeo 4 submarine off the Egyptian coast for 28 months starting from the last quarter in 2007.

2008 Through the IEOC, Eni has made an important discovery of gas in the offshore of the Nile Delta, 50 kilometers north of Damietta. The discovery, which was made due to the drilling well Satis, is situated in the North El Burg concession, shared by BP (Operator with 50% share) and IEOC (50%).



The Model of Sustainability

- *In 2007, Eni was admitted into the main sustainability indexes: Dow Jones Sustainability Index and FTSE4Good*
- *Eni Guidelines on the themes of Sustainability were issued; they identify the roles and responsibilities of the Planning, Implementation, Control, Reporting, Communication and Stakeholder Engagement processes*
- *To spread a shared culture on Sustainability at all levels of the organisation, in May 2007 Eni realized the Sustainability site in MyEni Intranet portal addressed to all the company's people*
- *In 2007 Eni commissioned GfK Eurisko a survey on the opinions of a sample of relevant stakeholders and opinion leaders, with the aim of gathering contributions for the laying and publication of the Sustainability Report 2007*

The Governance of Sustainability

The Principles

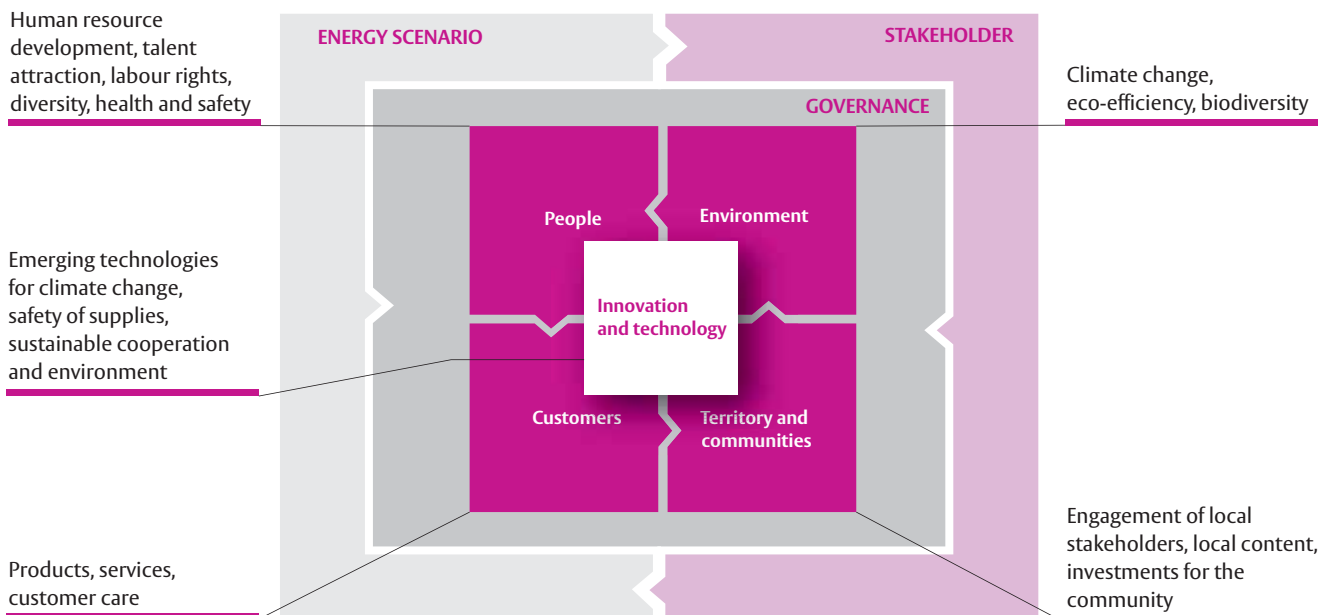
Eni operates in the reference framework of the Universal Declaration of Human Rights of the United Nations, the fundamental conventions of the International Labour Organization and the OCSE Guidelines for Multinational Enterprises. The company acknowledges and protects the dignity, liberty and equality of human beings, supports the protection of work and the freedom of trade unions and of health and safety. Eni rejects all forms of discrimination, corruption and forced or child labour. Eni promotes and protects Human Rights, is fully aware of its responsibilities towards its stakeholders, promotes transparency in its relations with the local communities. In its business relations, the Company is inspired by and complies with the principles of loyalty, fairness, transparency, efficiency and openness to the market. All practices implemented by Eni people are inspired by legitimacy, clarity and truthfulness of accounting documents in compliance with the laws in force and the internal procedures. The company is committed to sustaining a preventive and responsible approach towards environmental challenges, to developing technologies in the respect of the environment, to directing research and innovation towards energy efficiency, to reducing the environmental impact, to safeguarding health and safety of its stakeholders and generally to the Sustainability of activities. Eni pursues its success on the markets through the offer of quality products and services at competitive conditions. It is committed to respecting

consumers' rights and safeguarding their health and to promoting transparency of the products offered. The company trusts in giving value to individual skills and in the improvement people's quality of life. All of Eni's people are committed to observing these principles and ensuring that they are observed as part of their duties and responsibilities.

The Model of Sustainability

Sustainability is an integral part of Eni's history and culture and is the driving force behind the continuous and all-pervasive improvement process which guarantees the Sustainability of results over time and reinforces the process of development and improvement. Sustainability also contributes to the business risk management, to the improvement of performance and to the strengthening of reputation and intangible assets. Eni has adopted a conceptual sustainability model that includes the following issues: Governance and Corporate Ethics, Stakeholder Engagement, People (includes Health, Safety and Suppliers), Environment, Territory and Communities, Customers, Technological Innovation, Climate Change and Energy Efficiency. The model is the basis of the sustainability management system whose main processes are: Planning, Implementation, Control, Reporting, Communication and Stakeholder Engagement. For each of the themes identified, the Sustainability Unit, in collaboration with the other company structures identifies, through benchmarking activities, dialogue with the stakeholders and analysis of future energy scenarios, areas for improvement and relative actions to be undertaken.

THE CONCEPTUAL MODEL OF SUSTAINABILITY



Processes and responsibilities

On the basis of the conceptual model of Sustainability, an organisational model was realized starting from the following two assumptions:

- to guarantee the **maximum sharing** and collaboration between the different structures and business areas;
- to submit policies, plans, projects and results on Sustainability **to the approval of the highest decision-making functions.**

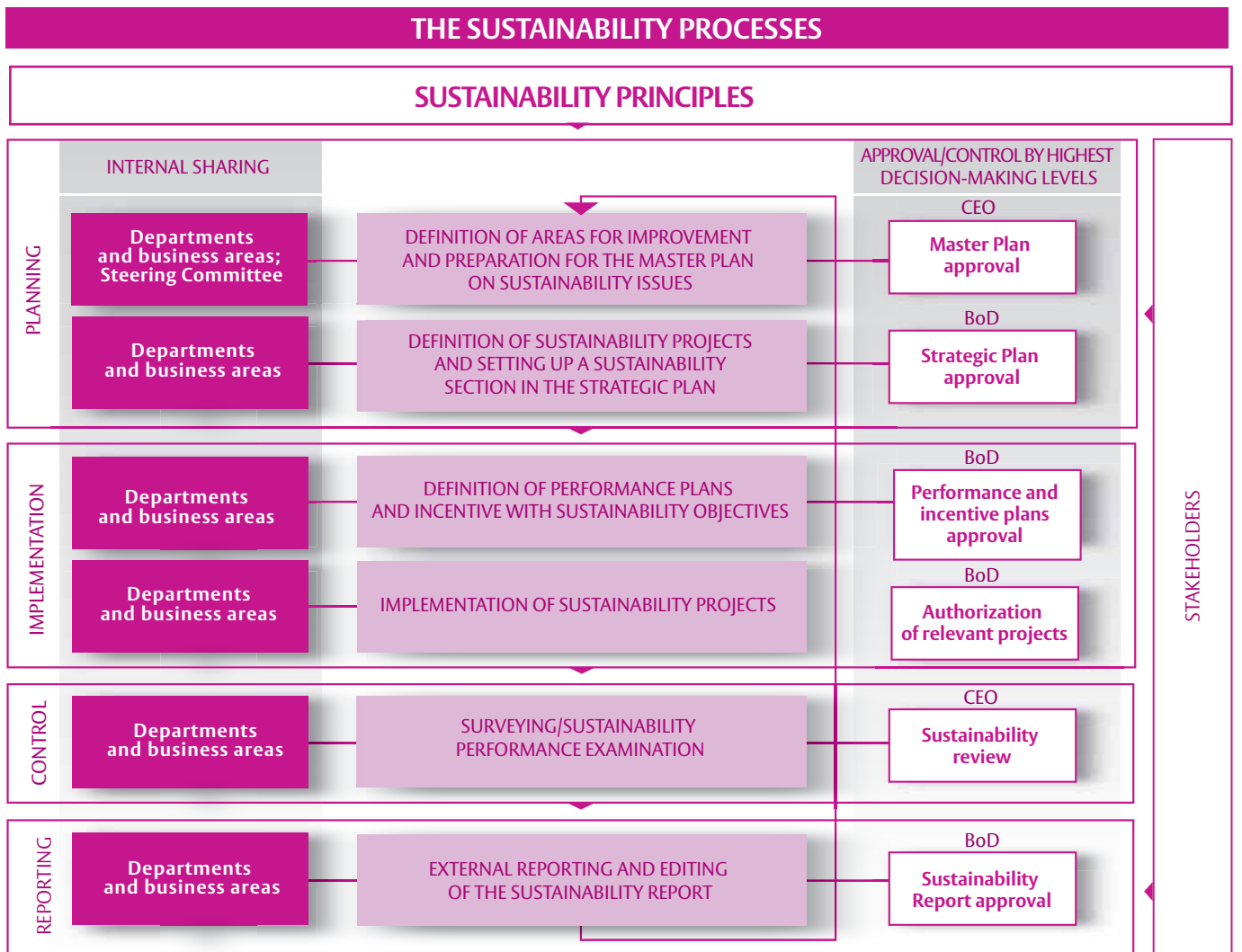
From this viewpoint, the Sustainability Unit represents the driving force behind these two principles and a structure supporting the divisions and the other company functions. To give more concreteness to this approach, in 2007 the Guidelines on Sustainability were issued in order to identify the roles and responsibilities of the planning, implementation, control and reporting, communication and stakeholder Engagement processes.

According to these Guidelines, the projects and initiatives on the various issues of Sustainability are integrated into the ordinary process of business **planning and control.** Therefore,

the Sustainability Master Plan, which lists the Eni Sustainability initiatives which are underway and identifies the areas for improvement, is at first submitted to the assessment of the Steering Committee, which examines its compliance with business strategies, and then to the attention of the CEO, who approves it and defines the directives to be followed for the drawing up of the four-year Strategic Plan.

The Strategic Plan, approved by the Board of Directors, includes a Sustainability section which contains Eni’s sustainable development objective and indications of the areas for improvement and of Sustainability projects.

For what concerns **implementation**, Eni has chosen an approach which envisages the maximum assumption of responsibility by the business units who select, within the limits imposed during the planning phase, those projects which offer the best value to stakeholders and which allow for a more effective risk control. The **control** on the implementation of Sustainability projects is ensured by the collection and processing of Sustainability performance indicators that are regularly collected in a



Sustainability Review and submitted to the attention of the Board of Directors and the CEO.

As an incentive to achieve Sustainability objectives, top managers receive, according to the Management by Objectives system (MBO), performance objectives in line with the achievement of Sustainability results.

Moreover, a central role is also given to the Board of Directors in the external communication of Sustainability since the Sustainability Report is approved by the Board of Directors, together with the Annual Report. Besides incentives, a fundamental role is played by training activities on Sustainability issues (see Chapter "People").

Spreading the Culture of Sustainability

To spread a shared culture of Sustainability at all levels of the organisation, in 2007 Eni carried out a number of specific initiatives. A training initiative on "Leadership and Sustainability" was addressed to senior managers (see the testimony "The Leadership and Sustainability Project"). A specific course, dedicated to Sustainability issues, was introduced into all the corporate training programmes addressed to young graduates working in Italy and overseas and to new managers. Finally, within the MyEni Intranet portal, the Sustainability site was launched in May 2007 addressed to all the company's people. The site uses diversified multimedia tools to offer information on Sustainability, also developing initiatives aimed at involving everybody in the company's progress.



Marella Caramazza
General Manager
ISTUD

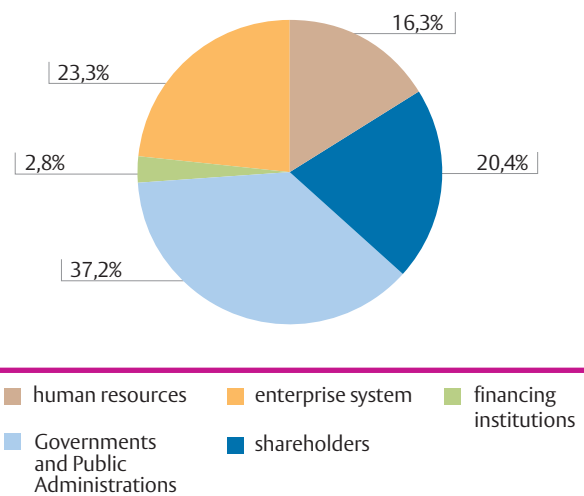
The Leadership and Sustainability Project

The Leadership and Sustainability Project, which the ISTUD Foundation realized in partnership with Eni Corporate University and Eni Sustainability Unit, has been an opportunity to get acquainted with Eni's culture in detail and to discover to what extent sensitivity and behaviours consistent with a responsible and sustainable approach to company management, are already rooted among senior managers. The project has been developed through 7 workshops held at the ISTUD training centre in Stresa, in November 2007. It involved 144 Eni senior managers, with the aim of outlining a shared vision of Sustainability and, in particular, of providing further information on the existing connection between Sustainability, decision-making process and managerial action. We have also involved in the project a colleague from Harvard Business School, who studies the relationship between Leadership and Accountability and fostered discussion on this issue. The Gela case, which Eni allowed us to deal with during the workshop, emphasised the ability to self-criticize and react in an event that was highly complex in social terms.

The relations with stakeholders

The respect and attention for its stakeholders' expectations is one of the fundamental values of Eni's business. The company is aware that the creation of value and its Sustainability over time also depend on the quality of relations with its stakeholders. In 2007, by performing its activities, Eni distributed to its stakeholders 24,763 million euros, equal to 28% of total revenues. Therefore Eni systematically consults its stakeholders on both a global

VALUE ADDED BREAKDOWN 2007



From our perspective, the project actually stimulated, among the participants, a reflection on the ethical component of the managerial process. It has been a unique and prestigious opportunity which had a high strategic impact for the company, as shown by the fact that the results of the workshops are still matter of discussion and in-depth analysis at the highest decision-making levels today. We have found that both among the customers and the participants, there was a great intellectual openness, a constructive and critical vision, and a strong pragmatism towards the issue. The project was inspired by the connection between Sustainability and managerial choices and practices. It has moreover, emphasised Sustainability as a determining factor for the company's ability to compete over time. In our opinion, the project has revealed a correct way of interpreting the issue of Sustainability within a multinational company which belongs to a sector exposed to environmental and social risks. Everybody has agreed that Sustainability is first and foremost a culture of management, which does not oppose and interfere with profit production, which through the responsibility of managers, increases the value of the company over time before the many different stakeholders.



and local level about the benefits and impacts of its activities and is committed to account for its performances, actions undertaken and industrial choices made. This is the way Eni intends to improve the social wellbeing and environmental conditions of the areas where it operates both in the short and long term.

The engagement of stakeholders on Sustainability issues is carried out in the respect of the principles of coherence, transparency and fairness and in compliance with the company procedures on external communication (traceability, checking, control). In recognition of this commitment, the activity of Stakeholder Engagement, for which Eni has adopted and circulated within the company a specific methodology, which is an integral part of the project management procedures, is implemented according to the requirements (recognised by the international AA1000 SES Accountability standard) of the following:

- knowledge of stakeholders and of their real expectations (*Principle of Relevance*);
- understanding of stakeholders' expectations, of their perspectives, needs and perceptions associated to real issue (*Principle of Completeness*);
- coherence of the company's responses with the expectations and real preoccupations expressed by stakeholders (*Principle of Compliance*).

The stakeholders engagement process is divided into the following phases:

- **designing and planning:** mapping stakeholders, defining relevant issues and objectives;
- **stakeholder engagement:** identification of the methods and tools of engagement, engagement actions;
- **response and monitoring:** assessment of results and subsequent redefinition of strategies and activities.

During 2007, Eni delivered an intense consultation activity based on this approach, giving priority to the major Sustainability issues related to its activities and projects, both direct and through specialised structures at the Corporate and operational levels (for the last, see Chapter "Territories and local communities").

Dialogue with the stakeholders

In 2007 Eni started a direct dialogue with national and international stakeholders interested in different aspects of Sustainability and corporate responsibility on specific issues of mutual interest.

The consultations which were carried out, listed by stakeholder categories, are summarized in the following table. In 2008 Eni intends to extend the engagement actions to other subjects.

CONSULTING STAKEHOLDERS ON THE ISSUES OF SUSTAINABILITY: THE GfK EURISKO SURVEY

In 2007, Eni commissioned GfK Eurisko a survey on the opinions of a sample of relevant stakeholders and internal and external opinion leaders with the aim of gathering contributions useful for the laying out and publication of the Sustainability Report 2007. The sample of stakeholders was consulted on:

- their knowledge of Eni's activities and their assessment of its role in the Italian and international social and economic scenarios;
- their assessment of Eni's past and current commitment to Sustainability.

The consultation was carried out according to the following methods:

- identification of a stakeholder target involved in the issues dealt with in the Sustainability Report, based on geographical areas, on the interests represented and on the competence of the opinion leaders expressed;
- structure of interviews;
- pre-consultation of stakeholder;
- collection and analysis of answers.

16 individual face-to-face interviews were held in Italy and 7 phone interviews were held overseas among the following stakeholder categories: financial analysts, CSR and communication experts, expert journalists on economic and/or social issues, managers of

environmental and consumer associations, opinion leaders considered as relevant by Eni.

As part of the Eurisko survey, employees in Italy and overseas were also consulted, through the setting up of focus groups and online forums, in order to involve people operating in all the company's geographical areas;

The issues on which a better communication by Eni is required are:

- Eni's main results;
- short and long term strategies;
- security of supplies;
- Eni's position towards climate change;
- investments for research and development of renewables;
- relations with and initiatives for territory and communities (with specific reference to training and local development initiatives);
- Eni's position on current events and country cases;
- attention towards customers.

Each of these issues has been dealt with in a dedicated section of the Sustainability Report 2007. In particular, short and long term strategies are represented in the table "Commitment, Results 2007, Actions 2008" and in Chapter "Eni and the future of energy".

Relations with the main categories of Eni's stakeholders at the Corporate level in 2007

Stakeholder	Issues dealt with	Developments or actions required
Associations and NGOs interested in Environment, Human Rights and Transparency	Eni's commitment and programs for environmental Sustainability	Further information on projects regarding biodiversity, CO ₂ sequestration, energy saving and renewables Collaboration for training activities on environmental issues
	Situation in Nigeria	Further information on Human Rights protection and promotion programs and Eni's commitment to inform also the operational units on the territory
	Presentation of the Eni anticorruption system and Law 231/2001	Compliance comparison between Business Principles on Countering Bribery and Eni's system (see Chapter "The System of Corporate Governance and Corporate Ethics" and website www.eni.it) Collaboration for training courses on ethics and prevention of corruption
	Survey on energy efficiency projects and Eni 30PERCENT campaign	Possible collaboration for school projects (also with Eni Enrico Mattei Foundation)
	Presentation of Eni commitment in the field of transparency of revenues (in particular EITI)	Requirement of Eni's commitment to support the EITI process in Congo
	International economic cooperation actions	
Consumer Associations	Information on the methods of fuel prices determination; enquiries on gas meters; antitrust	Partnerships in energy saving initiatives; transparency on meters controls
Trade unions	Annual survey on the activities and strategies of Eni within the Industrial Relations Protocol - Italy and the European Works Council Extension of EWC constitutional agreement	Further information on Eni's activities in specific countries Renewal of the Industrial Relations Protocol - Italy
Investors and financial analysts	Periodic results and four-year strategic plan	Indication of industrial and economic objectives for main business areas
Socially Responsible Investors	Governance, carbon management strategies, disclosure on environmental/social risks associated with activities in non-OECD countries	CO ₂ credit/debit position in the EU emission trading system Flaring reduction plans Protection plans for safety of workers and contractors Plans for efficient use of resources
		Plans for attraction and retention of qualified personnel Further information on activities in areas at greater risk, countries such as Nigeria and Kazakhstan
Rating agencies for Sustainability indexes DJSI and FTSE4Good	Carbon management strategy, management systems/policies for the mitigation of social risks, trend analysis and indication of eco-efficiency performance objectives	
Italian Parliament	Hearing of Eni's CEO at the Environmental Commission of the Chamber of Deputies on "Climate change, analysis, considerations and Eni activities"	Presentation on the state of the art and position of Eni on Kyoto and greenhouse gas reduction programs
	Illustration of the global hydrocarbons market, relations with producer countries and Eni's role	Illustration of the global hydrocarbons market, relations with producer countries and Eni's role
	Description of evolution of energy demand, storage, gas network separation, relations with producer countries	Description of evolution of energy demand, storage, gas network separation, relations with producer countries
Local authorities	Collaborations and consultations with municipal institutions in territories of activity	Signature of three-year agreement with Ravenna Municipality on sustainable development Agreement with Venice Municipality (Environmental Department) for information campaign on energy saving
Italian Antitrust Authority, European Commission, Federal Trade Commission USA, other national authorities	Adoption of a strict antitrust compliance program which involves, trains and raises awareness among Eni's employees who might violate antitrust laws	Analysis of the practices which involve or might involve critical issues concerning antitrust, also through preventive presentations, when possible, to the competent authorities
Italian Antitrust Authority	Eni's commitment to support pro-competition practices for the protection of consumers in the fuel market	Reduction of fuel price for self-service sales during station closure hours and guarantee of regular checks. Commitment for 1,000 plants and another 2,000 by 2009; contribution to promote self-service sales in Italy following European standards and as a boost to competition in the price formation mechanism
	Eni's commitment to support pro-competition practices for the protection of consumers in the fuel market	Commitment proposed by Eni of a gas release of 4 billion cu m (2 billion per year for two years representing over 2% of the Italian gas market) starting from 1 October 2007
People	Eni's programs for Sustainability Analysis of Company's climate	See Chapter "People"



The System of Corporate Governance and Corporate Ethics

- *A revision process of the Eni Code of Practice has been carried out*
- *Over 600 senior managers and managers participated in a training program on antitrust*
- *The Board of Directors nominated two new external and independent members for the Watch Structure*
- *A risk analysis project for the protection of Human Rights has been started. In 2008 it will be tested in two sites abroad*

Corporate Governance

Eni Corporate Governance is based on an articulated and homogeneous system of conduct rules related both to its internal organisational structure and to the relations with third parties. Such rules are in accordance with the highest Corporate Governance standards required by the market and recommended by regulators (including Borsa Italiana and the New York Stock Exchange - NYSE) and with national and international law. Complete information is given in the Annual Report and on the website www.eni.it in the Corporate Governance section.

Board of Directors 2007	
	2007
(number)	
Members of the Board of Directors	9
Independent	6
Non-executive	8
Meetings held over the year	25

Shareholder breakdown		
On the basis of nominal recalls of the receivers of Eni dividend at year-end 2006		
	Shares	%
Block shareholders	1,213,731,615	30.30
Institutional and professional investors	2,198,665,273	54.89
Retail investors	227,925,395	5.69
Own shares at the dividend date	336,892,397	8.41
Others (Shares whose nominal recalls were not received)	28,144,196	0.70
Share capital	4,005,358,876	100

The Corporate Governance Code

In December 2006, the Board of Directors voted to adopt the Corporate Governance Code for listed companies, in the version issued by Borsa Italiana in March 2006. The Corporate Governance Code adopted is based on the text proposed by Borsa Italiana, adapts its principles to the Eni reality and, in clarifying some provisions, raises the level of the company's governance. By adopting its own Corporate Governance Code, Eni's Board of Directors has explicitly put the interests of all the stakeholders, and not only the shareholders', as the reference criteria for company management and has also taken a central role in Sustainability policies. Moreover, in 2007, to foster Directors' involvement, an induction plan was designed and will be launched at the entry of the new Board. The self-assessment activity has continued, conducted by the Directors with the assistance of an external expert. The Corporate Governance Code is available among the documentation on the website www.eni.it.

From the Code of Practice to the Code of Ethics

In 2007, the Code of Practice underwent a revision process which led to the approval of a document renewed both in its form and in its content. The new denomination of Code of Ethics underlines even more strongly its nature as a document containing the company's fundamental values and principles. Among the major changes in the Code, there is the acknowledgement of sustainable development as a strategic objective for the company and as a key factor in the creation of value. The role of stakeholders is therefore strengthened – be they

ANTITRUST COMPLIANCE PROGRAM

Given the antitrust measures to which Eni has been subject during the last few years, an Antitrust Compliance Program was launched in 2006, aimed at strengthening the knowledge and awareness of the importance of the antitrust law among Eni's people. The risk assessment activity conducted in 2006 through interviews to people with a sensitive antitrust position led to the adoption of an Antitrust Code of Conduct in January 2007. The Code analyses the antitrust legislation, setting it in the specific context of Eni's activities and business sectors in order to allow Eni's staff to identify any critical issues, resolve and overcome them through the involvement of the competent company functions for the analysis of the case and the identification of corrective actions. Many discussion sessions were held throughout the year to examine the contents of the Code, with the involvement of over 600 senior managers and managers. These periodic training activities will continue in 2008, even more in the line of allowing limited groups of employees exposed to an antitrust risk, to examine in detail the specific issues related to their responsibilities and areas of business. With reference to the relevant events that have occurred throughout the year, Eni SpA and Polimeri Europa SpA were condemned to pay a fine of approximately 132

million euros for an agreement which limited competition in the elastomer sector, dating back to the 1993-2002 period. Eni SpA and Polimeri Europa SpA are applying to the EU Court of First Instance. The procedure conducted by the Italian Competition Authority in 2007 and concerning a presumed anti-competitive agreement among the main petroleum companies, aimed at reducing the competition in the automotive fuel distribution market, was closed without any assessment of illegal behaviour and without any fines. The procedure was completed through the commitments undertaken - each on its behalf - by Eni and the other petroleum companies, which dealt with promoting initiatives in favour of consumers and/or with a pro-competitive effect. Finally, in 2007 a procedure was concluded concerning an abuse of a dominant position which the Italian Competition Authority deemed Eni SpA, Snam Rete Gas SpA and GNL Italia SpA to have fulfilled in the management and use of regasification capacity. Given the commitments to release 4 billion cubic meters of gas - 2 billion per year for two years - from 1 October 2007, the procedure was closed without any assessment of illegal behaviour and without any fines.

communities where the company works, institutions, consumers or suppliers. The company does not only formally take into consideration their expectations, but stakeholders themselves are called upon to actively contribute to the implementation and development of the Code of Ethics. As for Eni's people the new document confirms the company's commitment to protect work in all its operational contexts, to counter mobbing practices, and to give value to intellectual assets. The Code's application system envisages that the Guarantor of the Code function is assigned to the Watch Structure, in order to achieve a more effective synergy among the different control processes. Finally, a new body has been established, the Team for the Promotion of the Code of Ethics. The Team will support the Guarantor in the promotion of the Code across the organization, fostering company's values and principles and gathering stakeholders' requests for improvement. The Code is available in the "Corporate Ethics" section of the website www.eni.it.

Fighting corruption

Eni strictly forbids corruption practices within its organisation, as well as illegitimate favours and any type of collusion, as declared in the Code of Practice. In Italy and overseas, Eni has adopted a specific "Organisation, Management and Control" model (Model 231) in application of this principle and in line with the national legislation (Legislative Decree No. 231/2001) and the highest international standards, including the OECD Convention on

Combating Bribery of Foreign Public Officials in International Business Transactions and Transparency International Business Principles for Countering Bribery. The Model 231 includes standards and control measures for the prevention of corruption, including the separation of the roles of executor, approver and controller, the existence of corporate regulations to guide company activities, adequate regulations for signing and authorising powers and the traceability of operations. The strength of the model is also the compulsory inclusion of dedicated clauses in contracts with subjects outside the company. A workshop was held in 2007 to spread the adoption of the Model among Eni subsidiaries in Italy and overseas, while training activities have continued throughout the year. In 2007, 98% of the employees whose training is compulsory under the Model were trained (senior managers, unit managers and key officers).

The Watch Structure

At the same time as the adoption of the Model, a Watch Structure was set up, provided with autonomous powers of initiative and control in all the fields currently related to Model 231. These include crimes against Public Authorities and against the public belief, corporate crimes, crimes associated with the subversion of public order and financing terrorism, offences against individuals, market abuse, crimes against the person and transnational offences. Such a structure is present in all the Group's companies provided with Model 231. In 2007, Eni's Board of Directors integrated the Watch Structure



Testimony of the President of the Watch Structure

Mario Cattaneo
Emeritus Professor
Università Cattolica
di Milano

I was called upon to participate in the Watch Structure of Eni SpA as an external member, as well as President, in June 2007. It seems to me, however, that it was much longer ago considering the amount of work done in these 6 months. Prof. Giovanni Maria Garegnani also joined the Structure with me as an external member. First of all, we found a functioning and effective structure. In these few months, the Structure got ready to respond to the growing commitment in the activities of receiving and assessing the flows of information, which originate from Eni's operative and control activities of which we are the recipients. With reference to this, in August 2007, a Technical Secretarial Service of the Watch Structure was set up. It acts as a support to the analysis and decisions of the Structure, manages their implementation and promotes communication and training activities on subjects associated with the Italian Legislative Decree of 8 June 2001, n. 231. Furthermore, the Structure has provided for the revision of its Functional Regulations, which was unanimously approved in October. The Structure has given considerable attention to the completion of the proposed update of Model 231. To this end, we have started an examination of the outcomes of the project for verification of coherence of Model 231 with the

recent evolutions of Eni's general organisational setup and the jurisprudence on the subject of the company's administrative responsibility. At the same time, we started to get ready to further update Model 231 in relation to the new types of offences related to the protection of health and safety in the workplace, receiving stolen goods, money laundering and the use of unlawful money, goods or benefits. In the framework of the proposed update of Model 231, we decided to participate in the revision process of the Code of Practice, not only for what concerns the discipline of conduct related to the activities of potential interest for the 231 issues, but also for the possible extension of the role of the Watch Structure in the guarantee system set out by the Code. In the last few months, I have found within Eni an awareness about the critical role of ethics in managing business, with a strong commitment towards sustainability that involves all structures. I have been able to appreciate how the assessment of ethical issues and integrity is deeply rooted into the elaboration process of the internal control measures which determines a good corporate management. I believe that the results achieved by Eni are a good testimony of the efforts made and the best incentive to continue along this path.



of Eni SpA with two external, independent members with proven experience, who collaborate with Eni's Internal Audit Manager, Legal Affairs Director and Organization Manager.

The control system

Whistleblowing

In application of the 2002 Sarbanes - Oxley Act requiring the Audit Committee and, therefore, for Eni, the Board of Statutory Auditors, to set up appropriate procedures in the field, it has been issued the Procedure n. 221 of 26 June 2006 "Reports (including anonymous ones) received by Eni and its Subsidiaries, directly and indirectly controlled". The Procedure provides for the set up of communication channels suitable to guarantee the receipt, analysis and treatment of reports related to problems of the internal control system, corporate disclosure, administrative responsibility of the company, fraud or other subjects, forwarded by employees, members of the company bodies or third parties also in a confidential or anonymous form. The outcomes of the investigations on reported cases are brought to the top management of the company, to the dedicated control bodies and to the other interested company functions, in full guarantee of the protection of whistleblowers. The increase in the number of reports received in the year through the communication channels set up according to the new procedure testifies to the even wider spread of the

procedure, with the consequent unified and structured processing of all reports received at Group level. On the basis of the investigations concluded in 2007 (some of which were started in 2006), 161 reports were closed in the year (gathered in 116 files): 74 reports (corresponding to 40 files) concerned the internal control system, whilst 87 reports (corresponding to 76 files) regarded the so-called "other subjects". In particular, with reference to the 40 files on the internal control system, 20 were found to be at least partially grounded, with consequent adoption of management actions towards employees/suppliers or corrective measures, 5 files were found to be groundless, but nevertheless led to the adoption of measures for the improvement of the control system, and 15 totally groundless. As for the files referring to the so-called "other subjects", 34 were found to be at least partially grounded, with the consequent adoption of disciplinary actions or measures for a better working environment, and 42 were found to be groundless.

The Internal Audit function

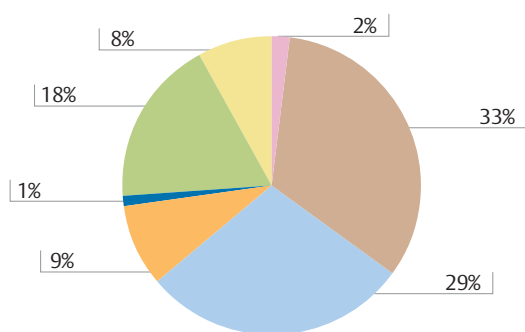
Eni SpA Internal Audit Function draws up an annual top down-risk based integrated audit plan. The plan focuses mainly on the corporate processes/areas at highest potential risk, with the greatest connection with the company's strategic objectives set out in the Eni strategic plan. The integrated audit plan is subject to the prior assessment of the Internal Control Committee and the Board of Statutory Auditors, as well as to the approval of the Board of Directors and of the Watch Structure, as far as Model 231 issues are concerned.

The integrated audit interventions aim at assessing the adequacy and effectiveness of the internal control system of the activities subject to the audit, with particular reference to compliance with internal and external regulations (compliance, with a specific focus to the issues related to Model 231) and to the effectiveness and efficiency of operations (operational). In particular, in 2007, 58 reports of integrated audit were issued. The outcomes of the audit activities are periodically communicated to the Control Bodies and to the company directors, together with the results of the corrective actions monitoring activities which are defined after the interventions. The internal auditing processes and the Internal Audit function of Eni SpA received the judgement of conformity to professional standards by a qualified and independent Auditor in March 2007.

Internal Control Committee

Furthermore, to guarantee the overall management of the control system, the Internal Control Committee is entrusted with advisory and consulting tasks in respect of the Board of Directors for issues related to the internal control system. Totally composed of independent members since June 2007, the Committee supports the Board of Directors in its task of

REPORTS RECEIVED BY THE INTERNAL AUDIT BY REPORTED AREA



- Code of Practice
- personnel management
- commercial functions
- issues not connected with the company
- other areas
- procurement
- legal affairs

In 2007, 202 reports were filed through this channel (aggregated in 148 files). The reports concerned the internal control system for about the 57% and, for the remaining part, the so-called "other subjects" (e.g. personnel management, mobbing).

drawing up the Guidelines for the internal control system. The main risks related to the company and its subsidiaries are therefore correctly identified, properly measured, managed and monitored and compatibility criteria are determined in compliance with a safe and correct management of the company. The Committee analyses the integrated audit plan and the outcomes of the audit reports produced by the Internal Audit function. Complete information on the Internal Control System, the main issues examined by the Committee during 2007 and the description of the Internal Audit function activities are available in the Eni Annual Report.

The protection of Human Rights

With the adoption of the Guidelines on Protection and Promotion of Human Rights in April 2007, Eni reinforced its commitment to Human Rights, improving their integration with corporate activities, and clarified its compulsory nature both within the company and towards its stakeholders. The text of the guidelines approved by the CEO is available in the Corporate Ethics section of the website www.eni.it.

Corporate Culture

To introduce the Guidelines and support the circulation of a culture for the protection of Human Rights, in 2007 a special section of the Sustainability intranet site was dedicated to this subject. Young graduates are invited to analyse concrete cases of the protection of Human Rights in business activities during the Introduction to Eni World days; while the planning of specific training on Human Rights has started for security operators. According to the fields of specific interest, representatives of the various functions are invited to participate alongside permanent members in the works of the Human Rights Task Force of IPIECA (International Petroleum Industry Environmental Conservation Association) and in the Human Rights workshops that it promotes.

Employees

Respecting workers' rights, in compliance with the ILO Fundamental Conventions, and the improvement of working conditions wherever Eni operates are a central objective for Eni. To this end, and with the aim of receiving feedback and opening

discussions, since 2002 Eni has set up a close relationship with the International Federation of Chemical, Energy, Mine and General Workers Union (ICEM), sanctioned by an "Agreement on Industrial Relations at the Transnational Level and on Corporate Social Responsibility". Through the agreement, also signed by the Italian trade unions and regularly renewed, Eni committed to guaranteeing the respect of workers' rights throughout in the world, to promote their protection amongst its partners and to maintain and reinforce the dialogue with workers' organizations.

Suppliers

From 2007, alongside the obligation to adhere to the Code of Practice and the Principles of Model 231, suppliers are required, in the invitation to tender, to commit to respecting Eni's Guidelines on Protection and Promotion of Human Rights. Furthermore, the respect of Human Rights has been introduced into the standard clauses set for contracts and incorrect practices in this field are strictly considered to be among the reasons that allow Eni to terminate contracts without any penalty. In 2008 the level of monitoring on the punctual implementation of the new clauses will be increased.

Security

Eni's security strategy is aimed at preventing threats and at limiting active actions of security forces through the creation of an environment of mutual respect among companies, workers and local communities. Since 2006, conduct clauses were introduced into contracts signed with security service suppliers in order to regulate, among other things, the use of force, in compliance with the United Nations Codes and with the Voluntary Principles on Security and Human Rights. In 2007, the planning of a training course on Human Rights addressed to security operators was started.

Indigenous peoples

In the areas where indigenous peoples live, specific policies have been adopted, to underline Eni's commitment to respect the rights of these populations and to integrate their expectations in the company's decisions. In particular, an Indigenous Peoples Policy was adopted in 2007 for Eni's operations in Australia. A similar document, discussed with the Saami populations, is in

BUILDING SECURITY THROUGH DIALOGUE

Eni started an activity of seismic exploration in the vast northern region of Mali, inhabited by more than 100 Tuareg tribes. With the aim of building a peaceful environment for the operations and, at the same time, of preventing the adoption of active protection measures, on 30 August, a meeting was held at the offices of the Regional Assembly of Timbuktu among Eni, local authorities and about 120

leaders of the Tuareg tribal groups who live in the areas affected by the seismic exploration activities.

As well as illustrating the means and ways of the ongoing activities, the meeting was an opportunity to listen to the concerns and expectations of the different tribal leaders and to set the basis for mutual trust, a key factor in Eni's security strategy.

force at Eni Norge. Further information on this issue is contained in Chapter "Territories and local communities".

Risk Assessment project

In order to identify a tool aimed at analysing the risks related to the violations of Human Rights associated with Eni's activities, a project for testing a Human Rights Compliance Assessment tool has been started, in partnership with the Danish Institute for Human Rights. The project includes an initial phase of adjustment of the tool to suit the needs of Eni, followed by a test phase, which will be carried out in two sites abroad during 2008. The test will also represent an opportunity to promote training and discussion on the subject of Human Rights and its implications for Eni's activities.

The application of Eni's principles to the supply chain

Eni fosters, among its suppliers, the commitment to follow the same principles which are at the basis of the management of its business, particularly the protection of Human Rights and of the environment, the compliance with health and safety standards and the fight against corruption and illegal conduct.

Qualification and control of suppliers

Eni adopts a structured and integrated qualification system for suppliers, which is based on the assessment of the economic, financial, technical and organisational capabilities of the potential suppliers by a multi-disciplinary team, but also on their compliance with the standards set by the ILO Fundamental Conventions and related to the main HSE issues. Once the qualification is obtained, suppliers are monitored through

Suppliers	World		
	World	Italy	Overseas
Procurement per year (€ million)	23,208	12,526	10,682
Suppliers used (n.)	26,270	13,928	13,810

The number of suppliers used on a global level does not coincide with the summation Italy plus Overseas because the same supplier can be used in different areas. The calculation of the procurement per year does not include procurement of raw materials and procurement performed by the individual functions.

feedback given by corporate functions either interacting or interested in suppliers performance. In 2007, the feedback system was strengthened and extended to other subsidiaries and associated companies, and a specific procedure was issued for the elaboration and management of feedbacks in cases of unlawful conduct. The monitoring activities, which followed the reporting of serious non-conformities and unlawful conduct, led to warnings for 170 suppliers, to 4 suspensions and to 1 revoked qualification, with the consequent prohibition to work for Eni. At the local level, with special reference to critical areas, the overseas subsidiaries are supported in the structuring of the qualification, development and control processes of local suppliers and sub-suppliers. In 2007, in Iran, the structuring of the qualification, feedback, inspection and expediting systems led to the completion of assessments for over 110 critical suppliers, the gathering of over 600 feedback reports and the management of 39 negative feedback reports. Moreover, in 2007, the Corporate Procurement Department set up a compliance assessment program for processes at the overseas sites. The program is aimed at verifying, through on-site visits, document examination and interviews, the congruence of the existing processes with the local laws, the agreements with partners and Eni regulations. Throughout the year, subsidiaries in Iran, Indonesia and Angola were assessed for the E&P Division and in Romania and Germany for the R&M Division.

Thanks to the consolidation of the qualification and control tools and through their implementation in some critical areas overseas, the percentage of procurement towards suppliers subject to qualification procedures has reached 83%.

Qualification Activities	2006	2007
Suppliers subject to qualification procedures including screening on Human Rights	4,703	5,784
Number of cycles	12,866	19,058
Percentage procured from suppliers subject to qualification procedures including screening on Human Rights	75%	83%

The number of suppliers subject to qualification procedures, including screening on Human Rights, increased by 23% over 2006. The procurement share towards suppliers subject to qualification procedures is only related to Eni and its foreign subsidiaries with structured qualification systems.

EMERGING COUNTRIES: AN OPPORTUNITY AND A CHALLENGE

The markets of China and India represent important opportunities for Eni supplies. In order to seize these opportunities and, at the same time, monitor and promote the compliance with Eni's standards for conduct, a project was started aimed at the opening of two new offices of the Procurement Department in New Delhi and Beijing.

Besides enhancing the knowledge of market operators in the areas of

reference and the implementation of development plans, the offices will also support verification activities on the compliance of local sub-suppliers of multinational companies already qualified by Eni with regard to protection of rights, environment and fair business conduct defined by Eni also within contracts. The first on-site assessments were carried out in November 2007 at some shipbuilding yards (Yantai and Qingdao).



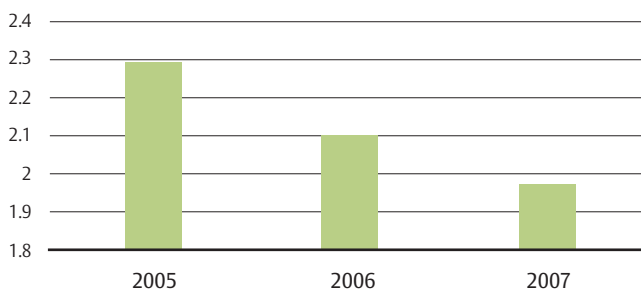
People

- *The injury frequency rate and the injury severity rate improved from 2006*
- *Eni's people in the world have increased by over 2,000 units compared to last year*
- *From 2005 to 2007 the number of women in Eni has grown by 4.5%. The increase mainly relates to managers*
- *In 2007 Eni started Eni secondo te (Eni according to you), the first climate analysis on a worldwide scale. Over 29,000 people, the 80% of people concerned, answered the questionnaire*

Safety

The parameters relating to Eni's safety performance in 2007 confirm the reduction trend reported in recent years as regards the injury frequency rate and the injury severity rate. As a matter of fact the latter went down further in 2007 both for employees and for contractors and some companies registered an extremely favourable trend. The frequency rate is more favourable if *in itinere* injuries, i.e. road accidents occurring during the home-work journeys, are discounted. Similarly to the frequency rate, the employees' severity rate, too, was unfavourably affected by *in itinere* injuries. In 2007, unfortunately, fatalities occurred and related to both employees and contractors. A total of 17 people died in fatalities while at work, of whom 2 were Eni employees who died in accidents in Nigeria and Angola and 15 were contractors.

INJURY FREQUENCY RATE – EMPLOYEES AND CONTRACTORS



The injury frequency rate improved in 2007 for all Eni's people: decreasing from 2.10 to 1.96 over 2006.

Furthermore, 3 more Eni's employees died as a result of *in itinere* road accidents (during the home-work journeys).

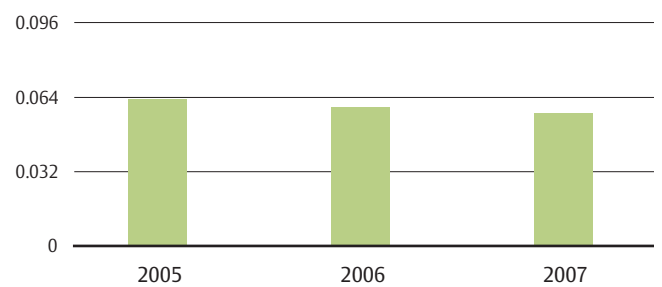
As you can tell from the fatality index, the data related to mortal accidents, and above all the one relating to contractors, call for the implementation of an intervention plan.

The Engineering and Construction sector, which has the highest number of contractors, in 2007 started the "Leadership in Safety" program (see the box "The Leadership in Safety" Training Program in Engineering and Construction).

Also in light of the global description given, in 2007 the new Managing System Model HSE was issued and a few important procedures and standardized good practices were introduced, in view of improving the operative standards and risk management, which regard particularly:

- Auditing procedures;
- Definition of Leading Indicator;
- Risk analysis techniques.

INJURY SEVERITY RATE – EMPLOYEES AND CONTRACTORS



Injuries' severity rate for employees improved from 0.061 to 0.057 over 2006.

DAMAGE THAT CREATED IMPROVEMENT OPPORTUNITIES

In August 2004 the Exploration and Production area was subject to a relevant accident in the Mediterranean area of Egypt (managed by the invested company Petrobel). The event occurred during an intervention over a well of the gas and condensers platform called Temsah NW and it entailed an escalation of various critical situations which, starting from an eruption of runaway water, because of seal losses, led to a gas leak with triggered a fire and the sinking of the drilling system and damage and loss of the platform. Throughout the entire sequence of events the emergency was managed putting at stake the best skills and avoiding all consequences, even the least, for people and the environment. Nevertheless, it has been acknowledged that the event could have been avoided if there had been a more effective integration between the positions involved, in particular Production/Maintenance and Engineering. Petrobel then decided to adopt a fully integrated Managing System ruled by company processes, with methodological and procedural references univocal and reported to everybody, from the top management to the operative personnel at stake. The project, which lasted 2 years and with a budget of 2 million euros, ended in April 2007

and produced some considerable results: 9 managing systems have been mapped (from the Directional ones to the Supporting ones) of which one was brand new, Asset Integrity & Quality Department, transversal to the Organization and entrusted with the control of all the projects and the operations in terms of HSE but also of "value" created for the business and for the image of the company; 50 management areas have been investigated and 192 processes have been mapped and optimized to make them consistent with managing Eni's standards. A new cultural behaviour has been reached that involved "middle management" and the supervisors, getting them used to the employment of the new techniques of risk assessment and of the proactive performance indicators in the current practice. The use of areas for storing materials and of the operative bases have been optimized especially in terms of quality of services and abandonment of the guard of "low energy" satellite platforms until now guarded for operative problems not solved by engineering. The model introduced in Petrobel will be checked during the first months of 2008 in order to obtain from it reference elements for an application extended to all operating companies.

Within risk reduction, in 2007 new projects also started, such as the new data bank on injuries, which improves the capability to identify dangers and risk analysis, extending surveys to the near miss and to possible standardized operating conditions. Again with regards to risk reduction the technical Guideline for safety in new border activities (extreme working conditions) was completed as well as the procedure relating to emergency management.

The oil refining sector in 2007 implemented a project for training internal experts in risks through Hazard and

Operability methodology. To date, 10 HazOp leaders have been trained. The oil refining sector also undertook, along with other oil companies, the LastFire project relating to storage in large atmospheric tanks.

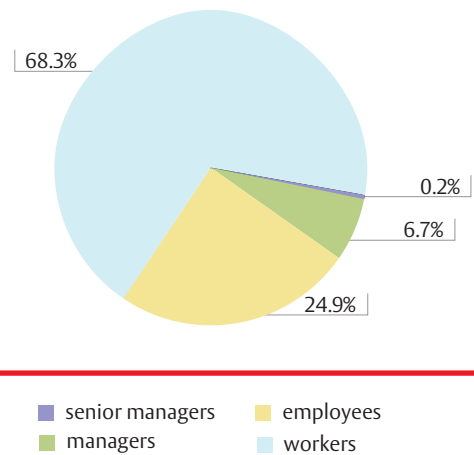
Within Exploration and Production, in 2007 an analysis was performed of risks connected to the operations of every associated company in the world, which led to the identification of a number of improvement actions. The main ones are described in the chart below.

FATALITY INDEX CHART



The fatality index, which compares the fatalities with the number of worked hours, in the case of employees improved by 9%, going from 1.09 to 1, whereas the one relating to contractors got worse, passing from 2.99 to 4.10.

TRAINING HOURS ON SAFETY 2007



In 2007 a total of 1,042,997 training hours were performed. This indicator includes Eni Consolidated, KPO and Agip KCO.

THE "LEADERSHIP IN SAFETY" TRAINING PROGRAM IN ENGINEERING AND CONSTRUCTION

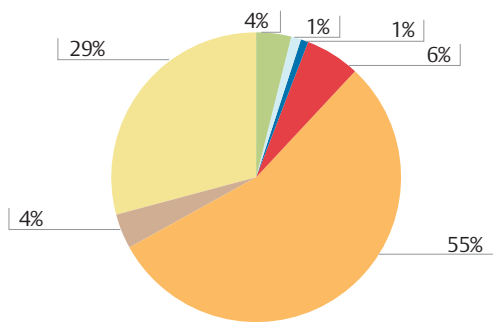
Eni's Engineering and Construction faces the new safety challenges with a new "Vision": "to be winners through passion for safety". The Safety Vision shows how a safer company is also a more efficient company in terms of business performance. Hence a number of workshops have been planned on Leadership in Safety (LiS), an innovative and interactive training program which aims at creating a stronger Safety culture inside the company, turning leaders into Safety Leaders. In this connection, some tools for an independent development have been provided, one of these is the Safety Leadership Profiler: a questionnaire available on the web, which allows the leader to become aware of the attention he personally attaches to the different aspects of safety leadership, thus enabling him to get a clear direction in the process of self development. These aspects of safety leadership have been identified as Safety Leadership

Expectations, translated into 69 behaviours and specific skills divided into seven key areas. Another tool that is part of the program is the Five Stars-Safety Intervention Tool, created as a guide to a structured and effective communication through which one can give a positive supporting feedback to safe behaviour or to take action in dangerous situations. Another key learning tool, created solely for the Workshop, is the film on Leadership in Safety entitled "The Safer, The Better". The same involves those who participate in the workshop in an interactive manner. The LiS program was officially presented on 26 July 2007 in Milan, with a special workshop involving Senior Managers. During this event the Top Management proposed the Saipem Safety Vision, which describes the objectives everybody must strive to reach – our commitment for a safer future.

Safety actions in the Exploration and Production sector

Country	Initiative
Tunisia	Introduction of a blanketing system for oil deposits, old and new
Egypt	Creation of an Asset Integrity Department Installation of control devices of speed on every vehicle
Nigeria	Displacement of the Control Room of Obiafu Obrikom in a secure place Revamping of ESD system in outlook of trains 4-5 in Ob-Ob
Libya	Displacement of the Control Room of Bu-Attifel in a secure place
Ecuador	General reassessment plan of fire-preventing system
Kazakhstan	Implementation of a system of intervention in the blowout-oil wells in H ₂ S Execution of projects in Karachaganak with approach based upon quantitative risk analysis Road Safety Awareness Training for Agip KCO personnel and contractors
Russia	Improvement of margins of safety of the facilities existent in Novy Urengoi

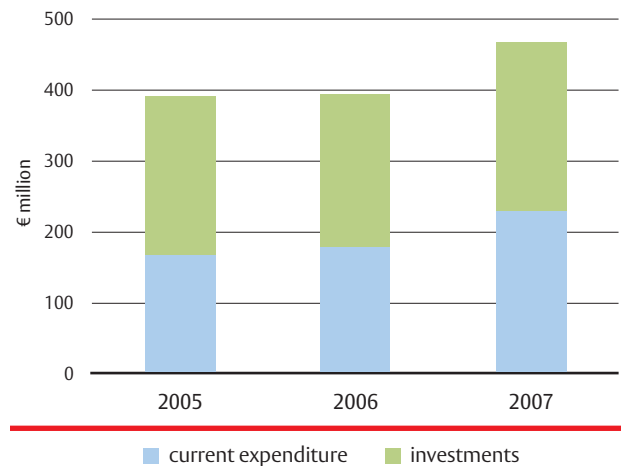
SAFETY EXPENDITURE BY TYPE 2007



- plants and equipment
- training
- safety management
- others
- individual protection devices (DPI)
- insurance
- legislative requirements

Total expenditure for safety in 2007 amounted to 467.59 € million, of which 255.89 for plants and equipment. Moreover, 133.45 € million were spent for safety management.

CURRENT SAFETY EXPENDITURES AND INVESTMENTS



The expenditure trend is positive and it grows by 19% compared to 2006. Current expenditures were 229.86 € million, while investments amounted to 237.73 € million.

Health

The health management system

Eni adopts an approach based upon the development of an integrated managing system HSE and consistent with the international rule OHSAS 18001 concerning health management and safety in the working places. In several contexts, requirements provided for by the rules OHSAS 18001 are detailed so as to make them more in line with Eni's specificity. It is the case of the methodology for the "verifications of application of the standards of industrial medicine and assistance" adopted within Exploration and Production.

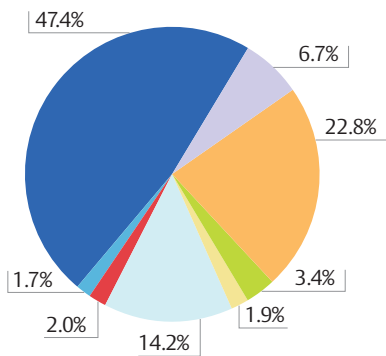
This approach allows to formulate an evaluation of the country's health profile and of the modalities of health management in the foreign Associated companies, not only considering the aspects of industrial medicine - as provided for by the law - but also of the health assistance systems and the management of medical emergencies.

In 2007 the Health Management System was further spread in the countries where the company operates. Moreover, the process of sites certification by external accredited institutions continues. As to health activities managed in 2007, particular attention was dedicated to the operation in critical and environmentally crucial operational areas.

Instruments to ensure health

The main instruments used to guarantee health in the countries where Eni works are the Industrial Medicine Program, which allows the foreign associated companies to improve their own health management system, and the Minimum health standards, which are the Guidelines to guarantee an homogeneous health level with respect to international parameters in every working context.

ENVIRONMENTAL SURVEYS BY TYPE 2007



- noise
- ionizing radiation
- non-ionizing radiation
- microclimate and light
- dust
- biological agent
- chemical agents
- ergonomics

In 2007 the number of environmental surveys increased in all sectors compared to 2006, from 4,870 in 2006 to 5,841 in 2007.

In 2007 Exploration and Production, Inspections of Work Medicine and health Assistance in 9 countries (Saudi Arabia, Croatia, Pakistan, Venezuela, Russia, India, USA e UK) were carried out, while the assessments in Angola and Algeria are still under way.

Health Risk Assessment was also performed in several countries among which Saudi Arabia, Croatia, Congo, Iran and Kazakhstan, while other studies are still being performed in Algeria, Libya, Mali, USA and Ecuador.

On the whole, local plans for health management in 21 countries were started. In addition to the development of work medicine plans, these activities also included strengthening of health assistance and emergency management in the most critical operating areas (Ecuador, Mali, Mozambique, Russia and India), reinforcement of hygienic-health inspections and the execution of specific training programs for health personnel.

Eni has obtained the OHSAS 18001 certification of many of its sites in Egypt, Nigeria, Ecuador, Indonesia, Pakistan and Kazakhstan (see Chapter "Eni in Kazakhstan").

Also in Engineering and Construction Eni started the implementation of the health-related risk assessment program Health Risk Assessment (HRA) on the projects developed in Nigeria, Egypt, Saudi Arabia, Angola. The health risk assessment program is executed through an *ad hoc* developed software.



The collaboration between Eni and the CERGAS of Università Bocconi, Milan

Professor Giovanni Fattore
 CERGAS and Master in International Healthcare Management and Policy
 Università Bocconi of Milan

We expect that an important company like Eni uses the human, technological and financial capital to create larger assets for the society, thus contributing to build a better world. This wider view of the social role of a big company is the ground upon which CERGAS-Bocconi and Eni started to cooperate in 2007. CERGAS, a research centre of the University Bocconi specialized in management and health policies, shares with Eni the commitment to contribute to a better health of people. Working in health at an international level is difficult and sometimes frustrating. Often visibility becomes more important than producing an actual impact and the lack of professionalism could transform the best expectations into failures. CERGAS and Eni are aware of these difficulties and share the guiding principles of a sustainable approach to health at an international level. This approach can be

summarized in 3 main principles.

The first one regards participation: to be effective, projects must involve national and local organizations. We believe that involving local communities raises success opportunities and assures that there is an actual creation of value.

The second principle is professionalism: to project and develop effective projects is so difficult that it requires appropriate skills in terms of management and policies for health. Only experience and specialization can assure that the best intentions are converted into real assets.

Lastly, we work to achieve a long-term impact on people's health. We work for health not only because it is a primary good (maybe the true fundamental one we have), but also because it contributes to the social and economic development.

In other words, we share with Eni the idea that a successful project on health improves today's wellness, but is also an investment for tomorrow.



Research activities

Eni has participated in a number of research programs at a European level with organizations and institutions of the scientific world. An example is the project *Analytical methods for chemical agents*, followed by the creation of the GESTIS data bank (www.hvbg.de/e/bia/gestis), containing the methodologies validated by the various EU members for the assessment and control of the risk of exposure to chemical agents in working places.

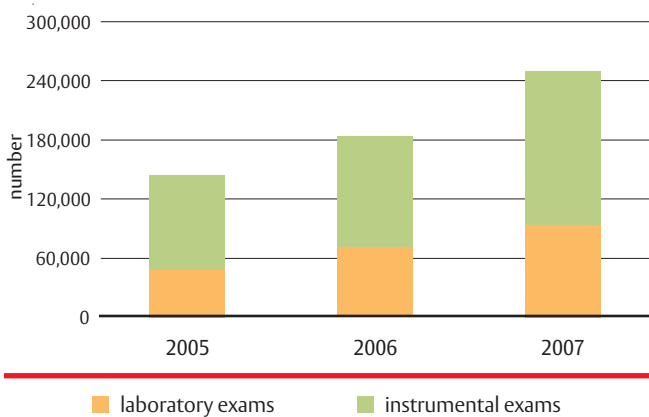
Again in collaboration with important research institutes in 2007 Eni also helped to organize courses on chemical risk in

the working places and on the chemical risks connected with hydrocarbon-originated emissions.

Moreover, Eni participates with other oil companies in research programs for the execution of the law REACH (Registration, Evaluation, Authorization and Restriction of Chemicals).

Finally, in Engineering and Construction, in collaboration with Università di Camerino, Eni has organized the post graduate Master Miogate (Master in Oil and Gas Telemedicine and Telepharmacy). This is the first master of this kind in the world which aims at training doctors who operate in the energy sector.

DIAGNOSTIC EXAMINATIONS BY TYPE

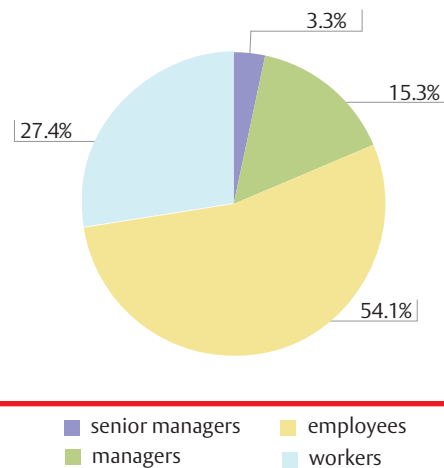


In 2007 94,236 laboratory exams have been realized in the world and 155,348 instrumental exams. Surveillance visits at a global level have been 53,478. The increasing number of exams is determined by the growing number of them realised in the Exploration and Production sector in Congo, Kazakhstan, Libya and Indonesia.

Activities to promote health

The program for the precocious diagnosis of neoplasias continued in 2007, in collaboration with the Italian League for the Battle against Cancer, Eni's partner in this project. Again in 2007, Eni economically and logistically supported the section of the Lega Tumori in Rome, in order to open its own

TRAINING HOURS ON HEALTH 2007



Training hours about health related themes have been 57,012. This indicator includes Eni Consolidated, KPO and Agip KCO.

diagnostic centre in close proximity to the corporate sites. As regards cardiovascular prevention, performed through the project for cardiac risk assessment, in 2007 new productive sites were reached through mobile health centres, joined by 6,500 workers. In 2007 Saipem started its own Program for reducing the cardiovascular risks.

THE ENI IN FORMA PROJECT

In 2007 the feasibility study of the *Eni in Forma* (Eni in good shape) project was carried out. The goal of the project is to evaluate the degree of stress and of the risk factors connected with it as well as the cardiovascular, metabolic and chronic diseases existing among Eni's people so as to implement a number of initiatives aimed at reducing their impact over those who have been most affected by them. This will make it possible to create an ever more effective, updated, homogeneous and synergistic health care system, which tends to improve the workers' psycho-physical feeling of wellness, thus contributing to reduce absenteeism and to increase productivity. The project will consist of a number of phases, which will provide for the definition of risk factors and of health profiles as

well as the implementation of programs and services useful to control stress and reduce the different risk factors, among which are included smoking, erroneous nutrition, lean physical activity. The first step to implement this project has been the launching of the Health Promotion Intranet site within the MyEni Portal, through which the project will be explained and described to Eni's people. However the Health Promotion site also has other goals, i.e.: to encourage the spreading of a culture of health and wellness inside the company and raise people's interest towards correct lifestyles; to improve all Eni initiatives on subjects relating to health; to become the only point of access to information and initiatives for health and medical issues existing within Eni.

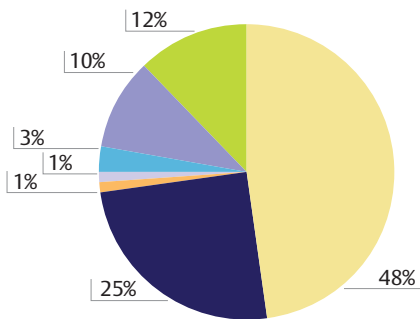
In November 2007 the site in Gela was also linked to the web of the Telemedicine project.

Eni's commitment for the promotion of health in all the countries of the world has been reinforced through the publication of some important corporate policies, including that concerning Eni's policy on the matter of HIV.

To promote health in most of the foreign countries, brochures have been published, edited in an illustrated format and made easily legible and are regularly distributed to every Eni person that is about to face travels abroad on the occasion of the

informative interview with the specialized doctor in the site. Mention should also be made of the making of the film "Guide for the International Traveller", where doctors operating in the various associated companies and the health specialists within E&P show the main hygienic-healthy norms with which one must comply during travels abroad.

HEALTH EXPENDITURE BY TYPE 2007



- equipment and tools
- environmental surveys
- health and hygiene management
- health controls
- training
- communication and promotion
- other

The health expenditure trend is positive. 53.76 € million in 2007 investments are growing from 1.43 € million to 5.08 € million.

Valuing and developing Eni's people

As an international company operating in a more and more globalized world, Eni aims at meeting the requests that are useful for the innovation and the development of key skills so as to reach its business goals, on the technical-specialistic side and on the relational and managerial side.

To this end a few lines of intervention have been developed, that will orientate actions for personnel and know how management and development in the near future. These lines of action are finalized to:

- protect, share and develop the strategic know how for business development;
- develop, within management, the leadership capacity and the capacity to read and interpret economic and financial phenomena;
- invest even more in young people, in terms of development and retention;
- improve the global effectiveness of people management and development, with particular attention to aspects related to the company's international character and to the comparison with the outer world;



Cardiac and vascular evaluation program

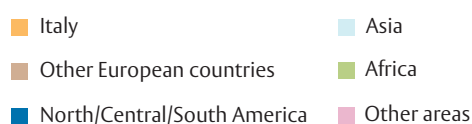
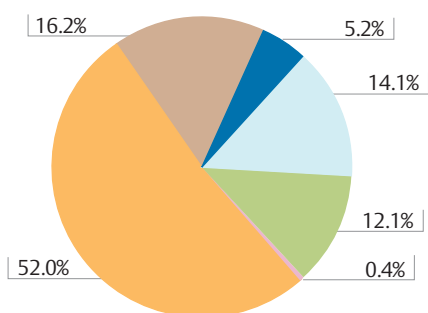
Professor Gianluca Polvani
Cardiology Unit
Monzino IRCCS

Eni's Exploration and Production sector, within its own health surveillance actions, has developed a protocol to control the cardiovascular risk among its employees. In order to assure health treatment in line with the highest standards, in 2004 a collaboration started with the Cardiology Unit of Monzino IRCCS, a reference institute at a national and European level for the research and treatment of cardiovascular pathologies. The purpose of this collaboration is to create a Cardiac and Vascular Evaluation Program (PVCV) in a population characterized by a high mobility abroad. The Program, worked out along with Eni's medical services, allows the precocious identification and subsequent treatment, in the cardiac compass, of coronary diseases, arrhythmic atrial and ventricular diseases, as well as acquired and congenital valvular diseases. In broader vascular compass, of the following diseases: carotid disease, aneurismal disease in charge of the thoracic and abdominal aorta and obstructing disease in charge of lower limbs. The program of the activities, thanks to the collaboration with the medicine services of Eni Services' work, envisaged a score system questionnaire to identify the risk class and the subsequent

arrangement of a number of checks (haematochemical and instrumental) aimed at identifying the pathology. In 40 months of activity over 600 employees have been evaluated and over 3,400 instrumental exams and 1,400 specialist visits have been made. In 1.7% of the population (the equivalent of 7 patients) an intense cardiovascular pathology under way has been found out. After undergoing treatment (PTCA - iliac femoral PTA - aortocoronaric By Pass - surgical treatment of the valvular pathology - defibrillator implant) all the patients, with following authorization by the Eni group's services of industrial medicine, could resume their working activity, thus avoiding intense mortality risk due to cardiovascular pathology. All patients were subdivided into different classes of risk in order to better control their clinical evolution and arrange the best and most timely treatment in case of appearance of intense pathology. The Monzino IRCCS Cardiology Unit has subsequently provided specialist consultation for Eni's Exploration and Production Division, supporting it in the management of a complex specialist pathology such as the cardiovascular one.



GEOGRAPHIC DISTRIBUTION OF EMPLOYEES 2007



Eni employees as of 31 December 2007 number 75,862, with an increase of over 2,000 units compared to last year. Employees working in Italy number 39,427, 36,435 are operative in the rest of the world. The main increase of personnel compared to 2006 was registered in Asia and Africa.

Employees by business sector

	World	Italy	Abroad
Eni Consolidated	75,862	39,427	36,435
Exploration & Production	9,334	5,535	3,799
Gas & Power	11,582	9,114	2,468
Refining & Marketing	9,428	7,101	2,327
Petrochemical	6,534	5,476	1,058
Engineering and Construction	33,111	6,618	26,493
Other activities	1,172	1,172	
Eni Corporate and Financial Companies	4,701	4,411	290

In Engineering and Construction, in 2007 number of personnel increased by 7.1% compared to 2006, while in Exploration and Production the increase was of 12%.

KNOWLEDGE OWNER PROJECT

Eni has launched a promotion policy specifically oriented towards expert non-managing personnel having a know-how that is particularly valuable for the company.

The Knowledge Owner project was started in 2007 through the definition of criteria to identify the field of resources upon which to perform, starting from the next year, ad hoc actions in terms of visibility and communication so as to guarantee also a retributive development free from traditional categories. People involved in the

- support employees' engagement, as an element correlated to the company's performances.

The search for new talents

The analysis of the need for new skills and expertise is at the core of Eni's organization and recruitment actions.

Personnel selection, in particular on the Italian market, is made by Eni Corporate University (ECU), according to a methodology renewed in 2007 in order to assure principles of transparency and tracking of the entire process. The main steps provided for by the methodology are:

- Preliminary Screening of CVs annually received by the website or through specific contest announcements;
- Assessment Centre or focused interview for identifying abilities, aptitudes and motivations;
- Individual interviews to assess technical knowledge.

At an international level the selection of people with high managerial and professional skills is guaranteed instead by Eni International Resources Ltd (EIRL) (see "People Management at an international level").

Number of hired people with open – end contracts 2007

	2007
Italy	1,906
Abroad	2,710
Worldwide	4,616

People hired in Italy in 2007 numbered 1,906, of whom 1,117 (58.6%) were graduates. Turnover in Italy, taken as the ratio between employees entering and leaving the company, in 2007 was 0.86. The rate of voluntary rotation in Italy, taken as the ratio between resignation and total number of personnel leaving the company, was 18.1%.

Both companies take care with particular attention the network made up of the main academic institutions in the world, in collaboration with which many projects are implemented to define graduate and post graduate training pathways (see the table "Training initiatives for attracting talents" in "Eni and the future of energy").

Project shall have precise, very selective peculiarities:

- To have an extremely valuable know how to support, directly or not, Eni's strategic objectives;
- To have excellent skills which will determine their professional authoritativeness within and outside Eni;
- To have skills with high acquisition times and that can be hardly found in the work market, inside and outside the company.

The activity of the Scuola Enrico Mattei, which every year looks after the organization of the Master MEDEA "Management and Economy of Energy and Environment", falls within Eni Corporate University. The 2007-2008 Academic Year has 83 students participating (33 Italians and 50 of other nationalities). Finally, the processes for identifying and checking the managerial potential, which are adopted for recent graduates after they have been employed by the company, make it possible to identify the people that can develop a managerial role through mobility paths and ad hoc training initiatives.

Making the best use of expertises

As to the professional areas with a higher know-how content, a description of the professional standards is given, broken down as follows:

- representation of professional roles in terms of technical and specialist skills required to cover the role;
- identification of paths for professional development;
- constant updating of standards taking into account the evolution of roles and of the strategic context in which these operate;
- verification of gaps existing between the roles and the skills included in the professional area;
- development of individual or collective training paths, training on the job, mobility for covering gaps. Definition of specific University projects for acquiring strategic skills.

The development of managerial skills

The implementation of processes of focused managing development in 2007 has allowed the acceleration of the dynamic growth of young managers towards positions of major interest.

An important process for the innovation and renewal of

managerial skills, particularly used in the international contexts the company operates in, is the so-called "nationalization of managerial positions", which aims at encouraging the professional growth of local resources, according to consistent and homogeneous methodologies, backing programs which aim at the gradual replacement of expatriate resources by local resources.

The first project of this kind was implemented within Exploration and Production in Nigeria during 2007. Thanks to the definition of succession plans for the Top Positions, 22 new local managers were appointed and 33 positions have been "nationalized". Moreover 13 assignment plans for positions abroad, in Italy and in other foreign subsidiaries have been determined, Assessment Centers for 48 graduates have been planned and education programmes in Italy for newly graduated students and young resources have been organized.

Employees by age group and professional category Italy				
age	senior managers	managers	employees	workers
18-28	0	6	1,592	1,342
29-40	121	1,930	5,854	2,571
41-55	987	5,684	10,780	4,037
Over 55	244	1,592	1,874	813

Today 10% of key managers is under 40 years old (2% in 2005). 21.5% of senior managers has an appointment seniority of less than 3 years. Petrochemical and Engineering and Construction have the highest number of senior managers and managers with an age under 40 years.

Performance assessment and incentives

In order to support and valorise the individual contributions for reaching corporate goals, since 2007 Eni has been using two specific systems for result assessment:

- MBO, mainly addressed to line managers;

ENI 360 GRADI PROJECT

Within Eni's commitment for making the best use of and developing people and for the continuous improvement of interpersonal relationships in the work place, in 2007 the Feedback 360° was tested which gives the opportunity to supplement the traditional source of assessment and company's feedback, given by the direct leader, with the self evaluation and evaluations and feedback offered by colleagues, co-workers and those with whom one normally interacts at work.

Such an approach, based upon the model of Emotive Intelligence, has allowed the participants to enrich the level of self consciousness and of the effects generated by their own behaviour in their working environment; to compete with individual and interpersonal dimensions relating to the knowledge and management of emotions; to encourage a leadership style based upon involvement and personal improvement.

This instrument is used to penetrate the dimensions which have the

greatest impact on relational capabilities and, in particular, on leadership capabilities.

The 2007 edition concerned about 100 Eni senior executives, who voluntarily agreed to the initiative. Each of them selected a group of people, among leaders, colleagues and co-workers, who filled out a web-based questionnaire. The process involved a total of about 1,400 people and registered a participation of 98%.

The results, given to the participants in an aggregate and anonymous way (with the exception of evaluations made by the leaders), allowed the participants to pick up useful ideas to define, with the support of the HR structures, their own training and development plan. In 2008 collective actions of communication and intervention on the managers will be performed, following the results obtained, and the opportunity will be assessed to permanently introduce this methodology among the institutional instruments for managing and developing Eni's people holding managerial positions.

- Performance assessment, mainly addressed to managers in staff positions and applied also to some typologies of resources such as young graduates, managers and in some cases also employees and workers.

In all assessment systems, a qualitative goal has been introduced, concerning the themes of Sustainability with a 10% burden. The objective is described in general terms and it is specified on the basis of the activity's area and of the operative context of the individual person assessed. In 2007, at a global level, 1,500 executives, the equivalent of 95%, have been covered by a system of performance assessment. In the managers' salary system, plans of long-term monetary and non monetary incentives are provided for, to encourage participation of the management in company's risk and

therefore in the creation of value. Moreover, in 2007 assessment of the positions continued, which led to an overall mapping of the managing roles in Italy and abroad, and allows Eni furthermore to grant salaries in line with the positions held. Mapping will be extended to other roles in 2008.

Training, knowledge management and people involvement

Training

In 2007 a training *Demand and Delivery Integration* project was implemented aimed at improving the effectiveness of the project and, above all, at establishing training actions more and more in line with the business' requirements.

Instruments for the development of managerial skills

Senior managers' individual assessment, made by external companies for:	<ul style="list-style-type: none"> - returning to the participants a feedback which allows to get the awareness of one's own areas of strength and improvement; - enacting plans of mobility and development aimed acquiring at significant experiences in short times; - implementing initiatives for excellent managerial training; - implementing projects of Personal and Executive Coaching.
Management Review	<p>It is carried out in the first half of the year mixing the results of management appraisal with the evaluation of the performances and allows to:</p> <ul style="list-style-type: none"> - identify manager of higher interest for the company; - gather information useful to define replacement tables of top and key managers.
Succession Planning	Structured system which allows to maintain constantly updated top and key managers' replacement tables

Among actions performed during the year, mention should be made of implementation of a 2nd level Masters in *general management* intended for young senior executives and produced in collaboration with SDA Bocconi and the Politecnico di Milano. The Masters is broken down over a period of 14 months with more than 50 days of lessons alternating with project work and reports made by corporate

representatives. Interculturalism is still being dealt with in specific courses in view of making the integration of the multiple cultures existing in the company easier. Among the most appreciated integration initiatives, mention should be made of the institutional training for Young Resources (Welcome Eni), in which young graduates from Italy and abroad participate, and that allows the creation and

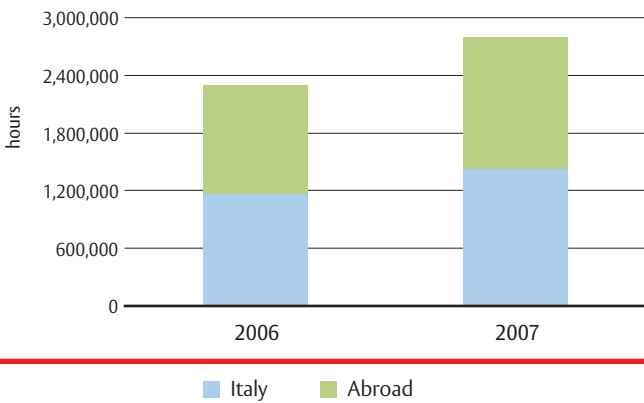
TRAINING IN NIGERIA – ENGINEERING AND CONSTRUCTION

Pursuing the willingness to develop the skills of the local employees and to improve their cultural differences, Eni has created in Nigeria a new local engineering company, which in 2007 organized a training plan relating to a first group of 28 young Nigerian engineers. The training was basically conceived as classroom lessons, taking place in Port Harcourt, and on-the-job programs, at Saipem France and SIPS India. The first module of the course provided a general introduction into the world of Engineering and Construction (particularly organization, people management, health and safety) in order to support the identification and the sense of affiliation to Eni. The subsequent part of the course regarded specific technical contents to make the bases of the different engineering disciplines of the participants uniform. Later on, the

theoretical part was supported by a practical one through the assignment of participants to the project units existing in Nigeria and abroad, to study in detail and implement concrete aspects of the job. The final part of the course was conceived upon a training on-the-job module which helped the participants to develop the technical skills required to work in the dedicated professional area. The training pathway modelled for the young local engineers has been a great success, thus allowing the creation of a team of managers who are experts on several problems, in order to fill the intercultural gaps created by a different professional background. This initiative can be considered as an important support to attract specific professions that cannot be found easily, and its success paved the way for a new session expected for 2008.

reinforcement of the “Eni identity” of the newly hired people. In 2007 the supply of training expressly addressed to the local resources of Exploration and Production continued, in view of supporting the homogenization of training through initiatives specifically dedicated to personnel belonging to the Associated Companies and the interchange between participants coming from different geographic areas.

TRAINING HOURS



In 2007 a relevant increase of the training activities carried out in Italy and abroad too has been recorded. In Italy, the extension index, taken as the ratio between number of participants and “in-role” personnel in 2007 has been equal to 63%.

Knowledge management

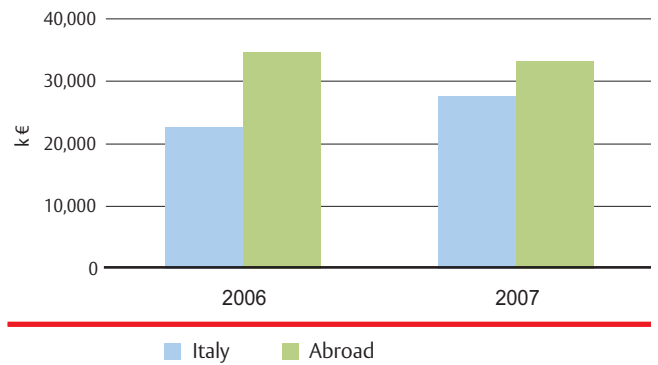
Eni’s knowledge management system includes 34 communities of practice and active networks of knowledge, with a total of 1,255 participants. Actions performed during 2007, in line with the Plan for developing Eni’s Knowledge System and aimed at supporting knowledge integrations among Business Areas, regarded the start-up of new practice communities in exploration and development, commercial downstream oil and in HSE and R&D Corporate. For its system of knowledge management in November 2007 Eni received the eminent “Giorgio Sacerdoti Award”, founded by the Università Cattolica del Sacro Cuore of Milan, the Fondazione Politecnico and AICA (the Italian Association for Informatics and Automatic Computation).

People involvement

In 2007 the first company’s internal climate analysis project was started, entitled *Eni secondo te (Your Eni)*. The climate analysis regards all people from Eni, from its associated companies and from the petrochemical area in Italy as well as the main foreign companies, for a total of some 37,000 people. About 80% of the people involved answered the questionnaire.

Another example is the activity of the training centre of Atyrau, in Kazakhstan (see Chapter “Eni in Kazakhstan”) and the case of Congo, where acquisition of the Maurel & Prom assets and the opening of the Pointe Noire training center caused a substantial increase in technical-professional initiatives, with favourable impacts in terms of people’s motivation.

TOTAL EXPENDITURE FOR TRAINING



The total expenditure for training is increased by € 2,191,000 compared to 2006. The main increase was registered in Engineering and Construction and in Gas & Power sectors.

The results of the analysis will make it easier to identify the areas where it will be possible to obtain effective improving results in terms of organization, management, development, communication and personnel training.

The survey, launched in January 2008, is based on the anonymous results in of a questionnaire consisting of about 60 questions, carried out both on the website and on paper in the various languages of the corporate people involved. Again in 2007, within the European Corporate Board (see the paragraph “Industrial relations and labour standards”), with the sharing of unions and of the local representatives, a survey on Organizational Wellness was performed at Eni Norge. The project was developed and implemented utilizing the multidimensional model of the Università La Sapienza of Rome. The results showed a company perceived as capable of posing clear goals, making quick decisions and assuring operative fluency, with a good level of psycho-physical wealth. As a matter of fact the company attaches great importance to the protection from professional risks and to health. Some critical points reported concern the best use and the development of people, as well as the involvement and integration between local personnel and Italian expatriates.

Eni's climate survey "Eni Secondo Te": questionnaire main themes

Direct working experience	Supervision
	Responsibility and involvement
	Collaboration and working relations
	Work – Life balance
	Compensation and benefits
General organizational management	Organizational excellence
	Communication
	Leadership
	Training and development
	Health and safety
	Client oriented approach and competitiveness
	Ethics
Diversity	

Internal communication

In 2007 the *Cascade* project was implemented, in order to spread Eni's strategy and clarify the connections between corporate goals and those of the organizational structure. The project involved 9,393 people, in 60 branches in the world and included the organization of 170 meetings.

All internal communication programs have a portal called MyEni which includes a unitary platform for information sharing, accessible for 26,000 of Eni's people. The Sustainability site, launched in May 2007, has been developed inside the portal (see Chapter "The Sustainability model").

The Welfare of Eni's people

In 2007 a strong element of innovation is represented by the launching of the *Welfare* project, a study to investigate in a focused manner requirements and expectations of Eni's people towards services that can help them improve work – life balance.

The areas taken into account are health and sport, i.e. services and activities which contribute to keep a good psycho-physical health condition; family and school, i.e. the support to family needs, particularly connected to the care of children; time & money saving, i.e. taking care of daily tasks that are burdensome in terms of time and money (purchases, laundry, bureaucratic practises); entertainment, i.e. services for the free time, connected to tourism and artistic-cultural activities. An initial phase of benchmarking over social activities and the most widespread and innovative initiatives for people has been propaedeutic, and big national and international

companies have been studied, including some competitors of Eni's and several best in class from other fields.

The working plan of the preliminary study "Welfare Eni" has been broken down in two phases. The first phase includes the analysis of the services existing at the moment, the social-demographic analysis of people and the mapping of needs and expected services. The second phase regards listening to people through interviews and focus groups over a big sample which is representative in terms of groups of ages, school attendance, gender and family situation of the employees, during which the needs and priorities of the people have been verified in detail. These phases will be followed by the definition of a program for the welfare of Eni's people, which will allow the implementation of concrete initiatives which have already started with the first semester of 2008, in line with the results of the climate analysis. Moreover, every year Eni has organized social activities for its own people and their families, with a budget of about 6.7 million euros.

Diversity as a resource

Personnel management at an international level

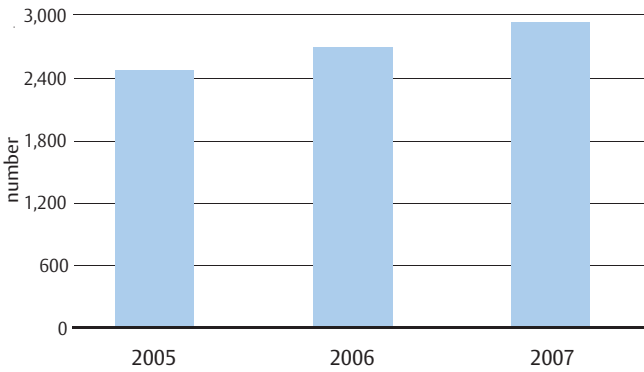
During 2007 Eni saw its international dimension growing further: today 39,375 people (local and employees in overseas posting) work for Eni in 70 countries.

With a view to strengthening Eni's capability to recruit at a global level Eni International Resources Ltd was enhanced (see the paragraph "The search for new talents").

New activities were also initiated to make the international mobility on a global scale easier and to coordinate the systems of management of the international resources, while the spreading of tools continued in view of supporting the development of local resources through programs for assessing the potential in each country (see also the paragraph "The development of managerial skills").

At the moment the majority of Eni's consolidated companies is involved in the International HR Management System program which allows a homogeneous management of Eni resources in compliance with the different requirements and laws of the countries where Eni operates.

ENI'S EMPLOYEES IN OVERSEAS POSTING



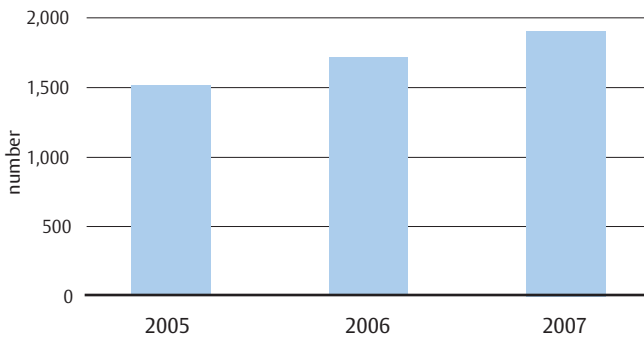
In 2007 Eni people in international mobility grew by 9% compared to 2006.

Increasing the value of diversity

Eni is a “kaleidoscope” of diversities. Its nature of an international company and the integration of businesses gives rise to the constant comparison with a plurality of different cultures and skills, which the company is committed to improve at its best. As regards gender differences, Eni’s women number 11,030, of whom 1,902 are managers.

In order to acquire the cognitive tools required to improve the management of diversities in Eni, in 2007 the company launched the project *Diversity: structure, practice and organizational culture* within the Workshop Armonia, a network of companies committed to the management of the themes of diversity set up at SDA Bocconi (see Maria Cristina Bombelli’s testimony), which aims at investigating the

WOMEN MANAGERS



From 2005 to 2007, female presence in Eni has grown by 4.5%. During the same period, the percentage of women managers on the total number of managers increased from 12% to 13.8%.

dimensions of diversity particularly taking into account gender diversity, cultural diversity and the so called age diversity. At an international level, Eni participates in the Project *WIST – Women in Science and Technology*, promoted by the European Union and aimed at supporting and implementing the presence of women in technical-scientific activities in the industry. Spheres of interest include the so called “Leaky Pipeline” (with reference to women dropping out of studies and technical occupations) and the Work Life Balance, a subject of great topical interest, which is more and more becoming an instrument of attraction and retention. Some European university researchers are part of the work team, and they will carry out surveys in the companies involved. The result will then be the subject of a publication by the European Commission.

	Employees by gender and by professional category			
	men		women	
	Italy	Abroad	Italy	Abroad
Senior managers	1,262	216	90	17
Managers	7,667	2,672	1,545	250
Employees	14,651	12,989	5,449	3,375
Workers	8,721	16,654	42	262
Total	64,832		11,030	

Abroad, the replacement rate taken as the ratio between employees entering and leaving the company, is 1.38. In Italy, while the workforce was reduced by 1%, the rate of substitution has been equal to 0.8 for men while for women it has been equal to 1.

Industrial relations and labour standards

Eni’s system of industrial relations is characterized by a consolidated relation of debate and confrontation with the workers’ organizations, expressed in a series of union agreements, based upon principles of preventative information, consultation and testing of new participation models. These agreements are developed along three territorial levels:

- at a national level a Protocol of International Relations is operative which was signed in 2001 with the main trade unions;
- at a European level the European Corporate Board has been operative since 1995. Its establishing agreement, already renewed in 2001 and 2004, was extended over a period of three years in the last months of 2007 (see “Changes in the agreement of the European Corporate Board”);
- at an international level the “Agreement on Industrial

Relations at Transnational Level and on Corporate Social Responsibility” is in force, which was signed with the International Federation of Chemical, Energy, Mine and General Workers Union (ICEM) and the Italian trade unions, and which extended at a global level the dialogue with the workers’ delegates.

On 13 November 2007 the annual meeting of Eni’s European Corporate Board (CAE) was held in Budapest.

The development of Eni’s activities and projects on a global level was illustrated with reference to the implementation of the Guidelines of the 2007-2010 strategic plan. Eni and the trade unions Filcem-Femca-Uilcem and Emcef signed the extension of the Agreement on the European Corporate Board for three more years.

Among the most important adjournments of the Agreement - that basically remains unchanged in its structure, thus confirming Eni’s traditional tendencies on the matter of Industrial Relations and of the social debate at an international level - mention should be made of the increase in the polls

assigned to the foreign representatives of CAE, introduced because of the increase in the number of countries entered in the European Community as members and also with the aim to represent more faithfully the change in Eni’s employment composition, whose foreign personnel, at a worldwide level, has by now exceeded 50% of the total number of people employed. At the moment, the new CAE is composed of 15 polls assigned to Italian workers and 15 to foreign workers. Also, the roles assigned to trade unions are confirmed.

Collective bargaining and trade union organizations’ membership in Italy

Number of collective bargaining signed	10
Employees covered by collective bargaining	36,923
Trade Union organizations’ membership	17,591

In 2007, 94% of employees in Italy were covered by collective bargaining, while 45% of employees are members of trade unions.



The Diversity: structure, practice and organizational culture project

Maria Cristina Bombelli
Head of the
Laboratorio Armonia
SDA Bocconi School
of Management

Sustainability issues are often considered as projects that run parallel to the ordinary organizational and managerial activities. The approach of the Workshop Armonia and that of Eni, instead, have in common the will to face these subjects in a way that is as much as possible integrated with management, with the objective to understand corporate culture in depth, and if necessary, undertake pathways of change. With this approach Eni and the Workshop Armonia have decided to face one of the pivotal themes of the future, that of diversity within the company.

Diversity is not a choice: it knocks at the door of the work place in the form of sometimes unexpected people. People coming from a country that is not the one where they work, the young woman who has attended an excellent course of study and expects a challenging career, the fifty-five-year-old man who still has several working years before him compared to the previous generation. Images that pick up the “being other than” compared with a standard that has

probably never existed and yet is present in everybody’s imagination. These people, who have skills but also different values and needs, can be simply ignored in their specificity, in the attempt to adjust them to univocal managerial systems, thus causing only a weakening of the harmony that should be established between the employer and his collaborators. This preamble shows that the so called Diversity Management first of all aims at finding out in a more pertinent and deeper way the subjective individualities, observing them in time, in order to create a psychological, more than juridical, contact, between people and the organization to which they belong. Eni’s project, developed in partnership with the Workshop Armonia of the SDA Bocconi, moves in this direction. It proposes to analyze in detail the operating modalities for the management of diversity, the cultures of exclusion/inclusion existing today within the group, with particular attention to the several organizational sub-systems of which the company’s complexity is made up. It also aims at performing strategies of a managerial and training nature, in order to improve the widespread awareness of diversity and how to face it in the best possible way.





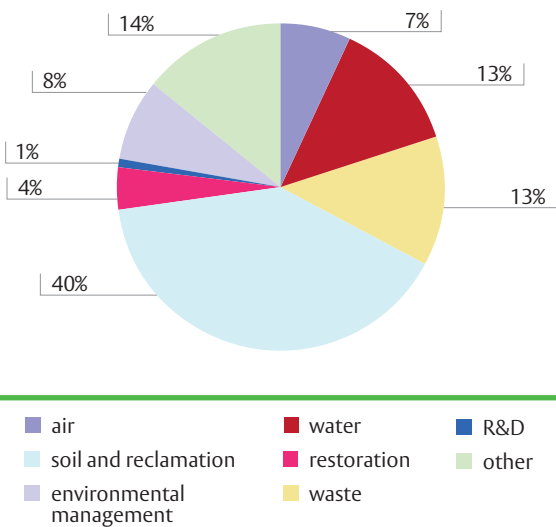
Environmental protection

- *In 2007 there was an increase of 27.08% in the number of environmental certifications, which went to 122 (9 EMAS). The environmental expenditure totalled 1,063 million euros*
- *The AgroBioDiversity project in Val d'Agri has been concluded. This involved a total expenditure of 1.7 million euros, contributing to define the operational standards of reference for biodiversity protection*
- *Water consumption marked a 6.6% growth, 93.5% of Eni's water consumption is seawater. Freshwater consumption remained fairly constant. Recycling increased by 5.3%*
- *Waste from production activities increased by 7.4%. However there was an improvement in quality as dangerous waste decreased by 14.3%*

Environmental management

Managing environmental problems in different production and territorial contexts located in all the continents is a complex challenge. In view of promoting an improvement in the environmental management and of homogenizing the identification, survey and assessment process of performance, Eni has created - and constantly updates (last review: January 2007) - a single model for a management system to which all production units make reference. In 2007 a total of 1,085 environmental and HSE and HSEQ integrated audits were carried out, an increase of 24.43% from 2006. In 2007 the frequency of reporting at the top of HSE performance consolidated in all business sectors doubled. Implementation of the knowledge management model on environmental problems continued and, more specifically, the practice community on reclamation was started up.

ENVIRONMENTAL EXPENDITURE BY TYPE 2007



Environmental expenditure totalled 1,063 € million, of which 378 € million was for investments. The main action area is the soil protection (40%).

THE PRTR PROJECT

With Regulation CE no.166/2006/CE, the European Union has established, starting from June 2009, the European Register of polluting emissions – PRTR Register – which obliges different plants categories among which are included refineries, petrochemical and electric power plants, to annually report air, water and soil environmental emissions and releases. No less than 91 pollutants are to comply with this obligation, should the emission levels exceed a certain threshold limit. In order to conform to the PRTR regulations and utilize an integrated environmental data bank, Eni has started a 4 million euros project extended not only to the 70 European installations (located in particular in Italy, France, Belgium, the UK, Portugal, Germany, Hungary), but also to foreign sites that do not comply with the regulations. The

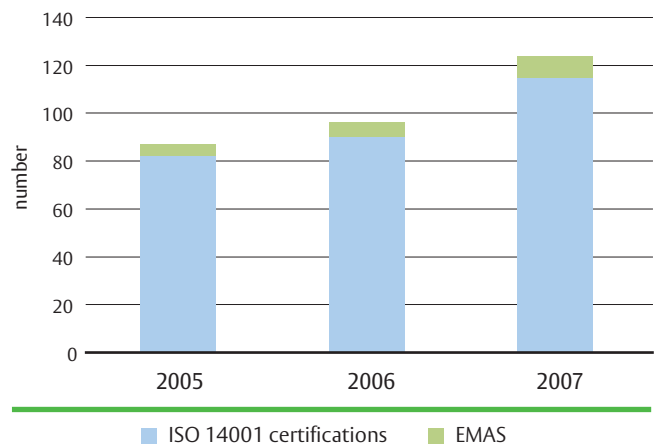
Certifications

Between 2006 and 2007 the environmental certifications went up by 27.08% due to the increase both in the EMAS (+50%) and in the ISO 14001 (+25.56%) certifications. The latter increase is mainly connected with the E&P and Engineering and Construction sectors.

Eni has already certified all the most important installations in refining and petrochemicals. Electric power plants, too, have obtained the environmental certification with the exception of newly-constructed plants. The certification of the foreign associated companies in the E&P sector is in progress (in 2007 17 associated companies out of 34 obtained the certification; for 3 other companies a few sites have been certified). Within 2008 all the refineries are expected to obtain the EMAS certification and E&P is expected to reach a 70% coverage for the ISO 14001 certification.

In 2007 LNG Shipping completed the adjustment of the whole fleet to the ruling norms (Marpol convention).

ENVIRONMENTAL CERTIFICATIONS



Certifications increased by 27.08% compared to 2006. In 2007 Eni totals 9 EMAS certifications and 113 ISO 14001 certifications.

main object of the PRTR project is the gathering and analysis of the environmental data and reception of all accounting and reporting requirements within the environmental context. The project, therefore, provides an integrated reporting system to gather and consolidate environmental data at various levels. (Operational site/Business Unit/Corporate). The system will be outlined according to international standards and guidelines and using a “specific site” approach that makes it possible to manage information within each individual installation. 2007 saw the conclusion of the first phase of the project relating to the gathering of registry data within the site which is required to outline the system; the project has been joined by representatives of all the Eni companies in specific working groups.

Operational activities and the environment

Exploration and Production

Projects

Safeguard of ecosystems and biodiversity

- AgriBioDiversity pilot project – Val d’Agri, Italy;
- VillanoBiodiversity project – Ecuador;
- Bioshore, Arctic BioDiversity and BioSea II projects – Mediterranean Sea and Arctic Ocean;
- Research project on Ice Seismic Acquisition and Processing Methodologies – Arctic Ocean; see www.eni.it for further details;
- Joint Industry Program “Sound and Marine Life” – all the offshore sites.

Water

- Water reinjection projects – Libya, Egypt, Nigeria and Kazakhstan;
- Stormwater Drainage project in Kazakhstan.

Atmospheric emissions

- Flaring down projects in Nigeria, Congo and Libya for the reduction of GHG, NO_x, COV and dust emissions.

Waste

- Adoption of the CleanCut system – Arctic Ocean;
- Drilling Cutting Injection Wells project – Kashagan;
- Installation of a waste incinerator – Libya;
- Construction of a Waste Management Complex with a liquid waste and permanent dump treatment system – Karachaganak.

Oil spills

- West and Central Africa Global Initiative – Africa;
- Oil Spill Preparedness Regional Initiative – Caspian Sea;
- Coastal Oil Spill Improvement Project (COSPIP) – Arctic Ocean;
- Long-term Weathering of Oil in Marine Environment project – Mediterranean Sea.

Reclamation

- Preliminary survey for reclamation – Novy Urengoi, Russia;
- Abu Rudeis pilot project – Egypt.

Certifications

- Certifications of 70% of the associated companies within 2008.

Refining, Petrochemicals and Marketing

Projects

Water

- Water reuse projects – Taranto, Leghorn, Gela, Sannazzaro de’ Burgondi and Priolo, Italy;
- Patenting of the En-Z-Lite process;
- Development of membrane reactors for water purification.

Atmospheric emissions

- Adoption of the best technologies for the de-sulphurization and de-nitrification plants;
- Adoption of the LDAR (Leak Detection and Repair) technology;
- Definition of the corporate protocol for fugitive emission monitoring in the petrochemical sector.

Waste

- Pilot testing of an organic mud optimization technology – Gela refinery, Italy
- Patenting of the Ensolvex technology.



Data

E&P

- Water taken: 201,102 cu km, of which 36,470 cu km of freshwater
- GHG emissions (*): 36.62 million tons CO₂eq
- SO₂ emissions: 21,696 tons
- Waste produced: 917,891 tons, of which 52,336 tons from reclamation
- Environmental expenditure: 257,702 k €
- Investments in projects on biodiversity: 9.89 € million
- Formation water extracted: 48,341 cu km
- Formation water reinjected into the field: 14,725 cu km
- Tons CO₂eq ktoe emissions/oil equiv. production: 270 (new acquisitions excluded)
- Number of oil spills: 368
- Gas re-injection: 10,771 million cu m
- Environmental certifications: 24 according to the ISO 14001 regulation

* See Chapter “Eni and the Future of Energy”.

Data

R&M

- Water taken: 1,001,584 cu km, of which 26,214 cu km of freshwater
- GHG emissions (*): 8.54 million tons CO₂eq
- SO₂ emissions: 26,191 tons
- Waste produced: 1,991,342 tons, of which 1,841,054 tons from reclamation
- Environmental expenditure: 223,607 k €
- Recycled water: 4,447 cu km
- Water taken/throughput: 36.25 Mln cu m/Mln tons
- SO₂ emissions/throughput: 942 ton SO₂/Mln tons
- Tons CO₂eq emissions/uEDC processed (R&M): 1,082
- Environmental certifications: 51

Oil spills

- Specific maintenance procedures for tankers' loading/unloading bays;

Reclamation

- Completion of the safety measures for ground water in the petrochemical plants; see www.eni.it for further details;
- Phytoremediation testing – Venice, Italy; see www.eni.it for further details;
- Pilot test for the applicability of ISCO (In Situ Chemical Oxidation) – Ravenna, Italy;
- Ground water treatment projects in petrochemical plants.

Certifications

- EMAS certification of all refineries within 2008;
- ISO 14001 registration of the Agip network trading areas.

Electricity production, gas distribution and transmission

Projects

Ecosystem protection and biodiversity

- Execution of environmental monitoring in the "Biviere e Macconi" natural reserve – Gela, Italy; see www.eni.it for further details;
- Reforestation of about 57,000 hectares in the Sao Paulo state – Brazil; see www.eni.it for further details;
- Biodiversity monitoring projects – Brindisi and Ferrara, Italy; see www.eni.it for further details.

Water

- Policy for minimizing freshwater consumption in electricity generation by adopting appropriate cooling systems;
- Installation of new systems of waste water treatment on LNG ships.

Atmospheric emissions

- Adoption of low-nitrogen-emission VeLoNOx burners in electricity generation – Brindisi and Mantua, Italy;
- Installation of low-emission combustion systems in gas transmission.

Reclamation

- Start-up of a plant for the phytoremediation of soil polluted by heavy metals and hydrocarbons – Brindisi, Italy.

Certifications

- Certification, under the International Air Pollution Prevention, of the whole LNG shipping fleet – Mediterranean Sea; see www.eni.it for further details.



PETROCHEMICAL

- Water taken: 1,348,777 cu km, of which 120,103 cu km of freshwater
- GHG emissions^(*): 5.65 million tons CO₂eq
- SO₂ emissions: 6,966 tons
- Waste produced: 1,596,349, of which 1,472,049 tons from reclamation
- Environmental expenditure: 116,845 k €
- Recycled water: 59,583 cu km
- Environmental certifications: 14

Data

G&P

- Water taken: 618,398 cu km, of which 16,384 cu km of freshwater
- GHG emissions^(*): 15.28 million tons CO₂eq
- SO₂ emissions: 5,139 tons
- Waste produced: 207,308 tons, of which 21,776 tons from reclamation
- Environmental expenditure: 94,053 k €
- Water taken/MWh produced (EniPower) 15.2 cu m/MWheq
- Tons CO₂eq emissions/MWh produced: 0.391
- Tons CO₂eq emissions/Mln cu m of transported gas: 7.2
- Tons CO₂eq emissions/Mln cu m of distributed gas: 96.29
- Tons SO₂ emissions of LNG shipping: 1,617 tons
- Tons CO₂eq/Miles run: 1.40
- Environmental certifications: 15

Ecosystem protection and biodiversity

Impact prevention policies

The biodiversity protection entails action in all of Eni's operational sectors, from exploration and production, where it is especially necessary to preserve the species and habitat of the eco-systems involved, to refining, petrochemicals and transport, where the primary objective is the sustainable use of resources and the restoration of the existing natural environment.

For exploration and production Eni has studied the influence of its own activities on biodiversity in three major contexts. The results of these studies have been included in specific Eni standards. The Guideline on the sector's Environmental and Social Impact Studies (ESIA) provides for the identification, assessment and mitigation of impacts on biodiversity and the restoration of the habitats affected by the activities.

For gas transmission, within the gas pipeline construction process, in selecting the course of the gas pipeline, account is also taken of the interaction of infrastructure with the environment. Therefore crossing of areas of particular natural or cultural value, geologically unstable areas and inhabited areas, or areas where new houses are expected to be built is avoided or reduced to the minimum.

Soil, subsoil, botanic species, faunal heritage and ecosystems, landscapes and agricultural activities, infrastructures, territorial planning and environmental constraints are carefully assessed. The ecosystem analyses performed during basic planning are also used for reforestation projects which envisage the use of indigenous species and of pioneer shrubby species.

Research projects and biodiversity protection

In 2007 Eni's commitment to biodiversity conservation continued by carrying out Biodiversity research, monitoring and mitigation projects.

The global expenditure totalled 10.4 million euros (+40% over 2006) and involved 90 people, 82% of whom were from research institutes. The activities involve international non-governmental organizations (NGOs) such as FFI (Fauna and Flora International) and IUCN (International Union for the conservation of Nature and Natural resources) as well as research institutes (Bologna and Lecce universities).

The projects relate to particularly sensitive environmental, terrestrial and marine eco-systems. In these sites Eni has adopted the EBI (Energy and Biodiversity Initiative) approach, subsequently supplemented by the IPIECA-OGP Guidelines.

The main projects are:

- *AgriBioDiversity* in Val d'Agri (Italy): biodiversity study, impact assessment and mitigation (see the Agribiodiversity project);
- *Biodiversity – Mediterranean sea*: study of the ecosystemic role of offshore platforms in various marine eco-systems;
- *VillanoBioDiversity* in Ecuador: survey on the impact of activities in sensitive eco-systems (i.e. rain forests) and identification of mitigation and restoration measures;
- *Arctic Biodiversity* and *BioSea II* in Norway: biodiversity study in sensitive eco-systems and eco-systems that have not been much altered by human activities (Arctic Ocean), and stakeholder involvement for the definition of best practice.

The approach utilized in the projects makes it possible to study, in a comprehensive way and right from the start, the area affected by the whole lifecycle of a development project.

Technology in the service of biodiversity

The commitment to the safeguard of eco-systems and of biodiversity has entailed the development of instruments for monitoring and minimizing impacts. Projects are currently in progress for:

- the assessment and reduction of impacts from seismic surveys performed in sensitive eco-systems such as the Arctic areas;

AGRIBIODIVERSITY

The *AgriBioDiversity* project, started in 2003 in Val d'Agri (Basilicata region) by Eni in partnership with Shell Italia E&P, the Basilicata University and FFI (Fauna & Flora International) as well as IUCN (the World Conservation Union), has enabled to perform a survey on the biodiversity state of the area and to assess the role of oil activities as well as of other anthropic pressures in causing the environmental changes occurred in Val d'Agri and in the areas next to it. More specifically, the project has studied the potential direct and indirect impacts of E&P on biodiversity, by analyzing the evolution of the use of soil and the biodiversity state under different circumstances of time and space.

As biological indicators wild and domestic floral and faunal species have been utilized, among which lichens, beeches, salamanders, wood-peckers, hymenopters and grazing animals, while as socio-economic indicators the ecological imprint of the population has

been assessed as well as the long-term trends in the use of environmental resources.

By supplementing the results of the ecological tests with those of the socio-economic studies it has been possible to identify and assess past and present impacts linked to E&P's actions and to distinguish them from those due to agricultural activities and farming, town planning and expansion of infrastructures which cause basic and long-term environmental changes in the same area.

The results of the R&S project, now completed, will be sent to the Val d'Agri Production District which will integrate them in the daily operations of the site. They will be the basis to define divisional best practice and to identify possible mitigation and restoration actions aimed at including biodiversity conservation in the environmental management system and in the international onshore and offshore operations.

- the characterization of the main bacterial classes contained in the sea deposits with a view to emphasizing the environmental stresses caused by residues in the refining wastewater.

Moreover, Eni has developed a proprietary technology for pipe laying in extremely shallow waters and subsequent backfilling, which makes it possible to avoid using means and equipment with a major environmental impact as well as digging and dredging great amounts of soil.

Investments in the main biodiversity projects			
Projects	Geographical area	Total investments to be borne by Eni (thousand euros)	Duration of the project
AgriBioDiversity (ABD)	Italy	1,750	2003-2007
Biodiversity Mediterranean sea	Italy	3,000	2003-2007
VillanoBioDiversity (VBD)	Ecuador	1,970	2006-2009
Arctic BioDiversity (ASBD)	Norway	500	2007-2010
BioSea II	Norway	1,470	2006-2009
Sound and Marine Life	All onshore sites	1,764	2006-2008
Monitoring of endemic species in the Caspian sea	Kazakhstan	2,000	2003-2010
Environmental monitoring of the "Biviere e Macconi" Natural Reserve (Gela)	Italy	150	2007-2011
Environmental monitoring of the Gela coastal landing	Italy	341.12	2007
Reforestation of São Paulo	Brazil	105.98	2007

The solutions adopted and used during years 2006 and 2007 enabled the laying of a total of 120 km of pipelines in a heavily protected sea-earth transaction environment characterized by a unique eco-system rich in endemic flora and fauna.

AN ENVIRONMENTAL DISPUTE

In March 2002, the public prosecutor of Siracusa started an investigation concerning the activity of the refinery of Priolo in order to ascertain whether infiltrations of refinery products into the deep water-bearing stratum used for human consumption purposes in the Priolo area had occurred. The Court entrusted a company that specializes in this field with the task of verifying the cause, origin and extension of the alleged infiltration. For protective purposes, remedial actions have been taken in order to: (i) create safety measures and clean-up of the polluted area; (ii) reallocate wells for drinking water in an area farther from and higher than the industrial site; and (iii) install a purification system for drinkable water. In September 2007 the judge for preliminary investigation filed a request to dismiss this proceeding. The Italian Ministry for the Environment with various administrative acts ordered companies running plants in the petrochemical site of Priolo to

Water management

Water consumption in 2007 totalled 3,375.83 million cu m, an increase of 6.6% over 2006. Seawater accounted for the main portion of water taken, i.e. the equivalent of 93.5%.

Freshwater used remained fairly constant.

The G&P sector registered an increase in water used of 27.82% because of a new Brindisi combined cycle which became operational and because of the increase in LNG Shipping, which utilizes seawater for cooling and for ballast. Water taken in E&P went up by 30.51% compared to 2006, above all in Libya due to the increase in production, to the feeding of a new injector well in Algeria and, to a smaller extent, to the thermal drive in the M'Boundi field in Congo.

The amounts of recycled water increased by 5.32%.

The petrochemical sector is a stand out in terms of water recycling. In 2007 purified water was 224.09 million cu m and the COD parameter was 8,435 tons.

Water resource protection technologies and projects

In exploration and production Eni has started a number of water injection projects (see the box "The water injection projects in the E&P sector"). In Congo (onshore activities at the M'Boundi field) the hydrogeological study of underground water resources is under way and the preliminary project for production and meteoric water management is being revised. In Kazakhstan the KPO Stormwater Drainage project aims at ensuring the storage of meteoric water and its reuse for agricultural purposes.

In 2007 reinjected water totalled 14.725 million cu m, accounting for 30% of production water.

In refining, the start up of the plants for treating and reusing refinery effluents and water drained for reclamation caused an increase of over 20% in recycled water against 2006. These plants are included in the Water reuse projects which are

perform safety and environmental remediation works in the Augusta harbor. Companies involved include Eni subsidiaries Polimeri Europa and Syndial. Pollution has been detected in this area primarily due to a high mercury concentration which is allegedly attributed to the industrial activity of the Priolo petrochemical site. Polimeri Europa opposed said administrative acts, objecting in particular the way by which remediation works have been designed and information on concentration of pollutants has been gathered. In July the Regional Administrative Court of Catania annulled the decision made by the Service Conference of the Ministry of the Environment concerning Priolo and the Augusta harbour. The Ministry and the municipalities of Augusta and Melilli filed a claim with the Administrative Court of the Sicily Region. In January 2008 the Regional Court of Catania accepted the two claims, while the decision of the Administrative Court of Lazio is still pending.

already working since 2007 in Gela and Taranto and are planned for the other R&M sites. In the electricity sector the industrial plan for the construction of all the Eni's electrical power plants is being completed. The plan, from the year 2000 to date, caused a decrease of 400% in the water consumed for each MWh produced by utilizing air cooling systems in the hinterland or continuous-cycle seawater in the coastal plants.

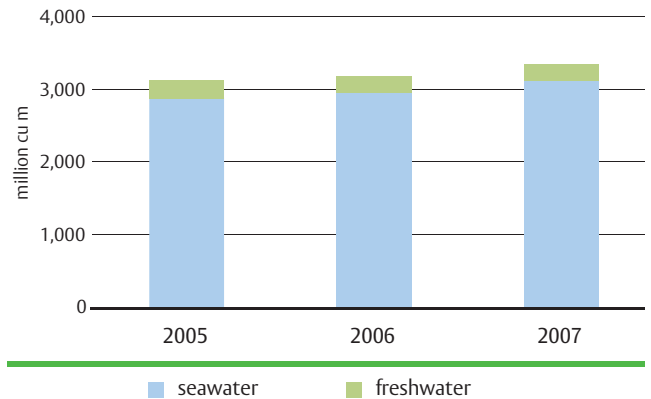
The innovative technologies for water treatment

Eni has filed the patent for the En-Z-Lite procedure which enables the effective removal of the organic pollutants from ground water in compliance with law restrictions and guaranteeing the delivery of water suitable for use in the plant, e.g. in the production of demineralized water. Furthermore, a procedure has been identified in the laboratory which utilizes membrane reactors for the reuse of water from petroleum activities. The procedure makes it possible to combine the secondary and tertiary water treatments so as to reach purification levels compatible with the reuse both in industrial sectors (fire prevention water, washing and process water) and in non-industrial sectors (hygiene water, road washing, irrigation of public areas and non-alimentary cultivations).

Air quality protection

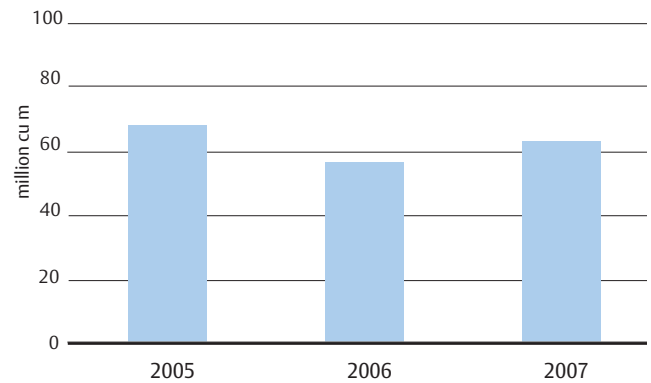
The atmospheric emissions of energy companies are mainly caused by combustion, therefore by the choice of fuels in the technologies adopted. The use of pipeline transportation technology limiting fugitive emissions is also important. As a general rule, Eni's strategy favors the use of natural gas as fuel and the construction of more and more efficient plants which will enable to improve, in the years to come, nitrogen, sulphur and

WATER WITHDRAWALS



Water consumption increased by 6.6% in 2007. 93.5% of water withdrawals are seawater. 59% of the total water withdrawals are used only for cooling.

RECYCLED WATER



Recycled water increased by 5.3%, more specifically by 19.7% in R&M and by 11.5% in G&P. The petrochemical sector is the sector with the highest water recycling.

E&P WATER INJECTION PROJECTS

The re-injection of production water into subsoil is a technology that allows maintenance of the pressure in the field, at the same time reducing the environmental impact, with regards to both the unloading of production water associated with oil, and the decrease in freshwater takings. This is especially important in sensitive areas such as the Libyan desert, where the availability of water resources is limited. In these areas Eni implements a resource safeguard strategy, identifying alternative solutions to replace freshwater consumption by seawater or brackish water consumption. To this end, a number of projects have started in Libya, Egypt (Belayim field), Nigeria (Ogbainbiri, Tebidaba and Ebocha fields) as well as Kazakhstan (Kashagan field). Two projects are in progress in Libya, in partnership with National Oil Corporation Libya, which aim to reduce water takings and eliminate the environmental impact caused by the unloading of production water into the sea and in the evaporation

basins. The total investment for the two projects amounts to approximately 30 million euros: the first project, in the Bouri offshore field, provides only for the re-injection of production water currently unloaded into the sea after being treated (it will become operative starting from the second half of 2008). The second project, in the Bu Attifel onshore field, consists of creating a new production water treatment system having a capacity of 100,000 barrels /day and of changing the current water injection system (it will become operative starting from 2009). This system, besides eliminating the current unloading of production water, will make it possible to progressively reduce freshwater takings. In Libya, the El Feel field, a water procurement system is expected to be developed, starting from a deep, brackish water system that cannot be directly utilized for agricultural and drinking purposes. This activity drastically reduces (or eliminates) freshwater takings.

CO₂ oxide emission indexes. In 2007 there was a slight increase in SO₂ emissions (4.3%). The refining sector contributed most to this increase. The electricity production and gas transmission sector registered a sharp decrease in SO₂ emissions (4.7%), thanks to a reduction in fuel consumption.

SO ₂ , NO _x , NMVOC and PST emission			
k tons	2005	2006	2007
SO ₂	76.69	61.85	64.48
NO _x	93.73	102.30	109.46
NMVOC	112.68	82.82	94.72
PST	4.58	4.32	4.92

In 2007 SO₂ emissions increased by 4.3% compared to 2006 due to changes in the fuel mix of the refining sector. NO_x and NMVOC emissions marked a growth of 7% and 14.37% mainly due to the increase of gas flaring in E&P.

Air quality protection technologies and projects

In the years to come Eni will achieve sharp reductions in gas flaring (see Chapter “Eni and the Future of Energy”) which will contribute to the decrease in CO, NO_x, COV and dusts. More specifically, in the thermoelectric sector, the use of the latest natural gas combustion technologies allows a sharp decrease in sulphur and nitrogen oxide emissions per unit of energy produced. Moreover, in 2007 testing with Ansaldo started up for the installation of “VeLoNOx” burners, in view of reducing even more nitrogen oxide emissions (see the box “The installation of VeLoNOx burners”). In refining, the production of fuels with a more greatly reduced sulphur content (see Chapter “Customers”) has called for an improvement in the efficiency of the production processes, for the adoption of fume desulphurization and denitrification plants in line with the best technologies available and for the definition of energy efficiency programs to contain the

subsequent increases in energy consumption (see Chapter “Eni and the Future of Energy”).

Within research on VOC fugitive emissions, advanced monitoring systems have been developed such as the “remote sensing FTIR” technologies, infra-red video cameras and the analytical methods based on mass spectrometry combined with gas chromatography to identify losses from storage tankers or sales outlets. The first applications of LDAR (Leak Detection And Repair) in refining and petrochemical plants as well as in oil and gas treatment plants have proved the potential of the technology.

Waste management

In 2007 waste increased by 19.2% compared to 2006. In particular, waste from reclamation, accounting for the greatest percentage (82%) of total waste produced, went up by 22.1% over 2006. Waste from production, accounting for the remaining 18% of total waste produced, increased by 7.4%. An improvement in the quality of waste from production was also registered with a 14.3% decrease in dangerous waste, especially thanks to the reduction in drilling in Kazakhstan. Waste from production went up mainly due to plant maintenance, expansion and testing. Improvement in the performance of waste production are estimated for the 2008-2010 period also thanks to interventions on plant technology aiming at streamlining waste management.

The new centralized information system that is being created will allow to enhance monitoring and reporting in the future years, and to pave the way for an exchange of information on third-party operators utilized. This will enable a coordinate management of waste flows among the various business sectors.

VELONOX BURNERS INSTALLATION

In the thermoelectric sector, natural gas combined cycles with cogeneration of steam and electricity so far are the best available technology as they enable to obtain reduced amounts of emissions per each KWh produced.

As a further improvement, EniPower, Eni's electricity company, utilizes specific low nitrogen emission burners (Dry Low NO_x), which so far have made it possible to attain the best sector performance (slightly higher than 0.3 grams per KWheq).

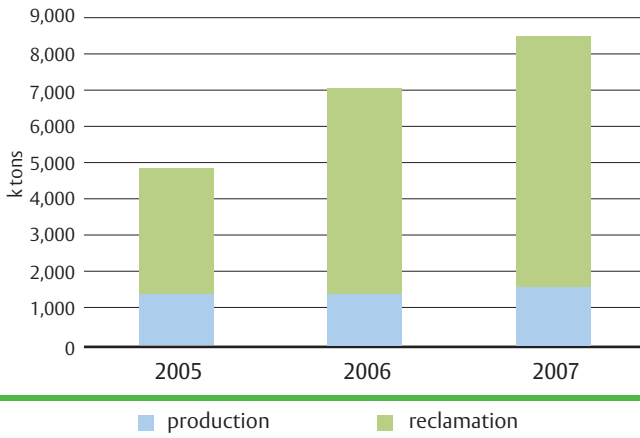
With an additional investment of 12 million euros EniPower proposes to further reduce the total amount of NO_x issued by installing Ultra

Low NO_x burners (“dry” burners with a specific low NO_x emission of the latest generation).

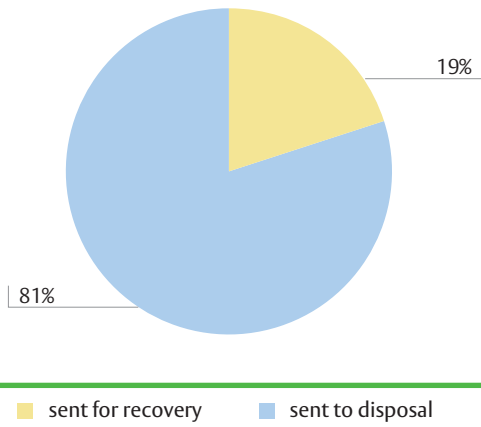
The project envisages a first experimental phase (in partnership with Ansaldo) of the new VeLoNOx burners in the Brindisi and Mantua electric power plants.

By 2011 the burners are expected to be introduced in all the 7 turbogas electric plants. The high quality performance of natural gas combustion obtained with this type of technology will allow a reduction in emission indexes of the other pollutants.

WASTE PRODUCED BY ORIGIN



WASTE PRODUCED BY DESTINATION 2007



Waste reduction and treatment projects

The projects developed in 2007 relate to the whole waste cycle, from the techniques for reducing the production of waste at source (such as the drilling residue re-injection systems) to waste treatment (construction of oil-based mud treatment plants), up to disposal and final recovery.

For example, the Drilling cutting injection well project in Kazakhstan aims at decreasing the amount of waste produced offshore in the Kashagan field with a corresponding reduction in land transportation and disposal. The activity involves re-injection into the subsoil, after an appropriate treatment, of the cuttings produced in the development well drilling phase and calls for a 29 million euros investment.

Eni technologies for waste production reduction

In 2007 an innovative system (CleanCut) was adopted for the first time on an offshore platform in the Adriatic Sea. The system allows the management of closed-circuit drilling

DANGEROUS WASTE BY ORIGIN



In the last three years dangerous waste from production decreased by 19.6%, whereas non-dangerous waste from production increased by 12.4%.

cuttings, thus avoiding the danger of oil spills and reducing to a great extent the risks of accidents due to handling. Again in 2007 pilot testing was performed at the Gela refinery for the optimization of the industrial biological mud production. This new technology patented by Eni enabled a reduction greater than 75% in the amount of mud to be disposed of and could also enable the enhancement of residues in the form of compost. In 2008 an industrial scale plant will be constructed at the Sicilian refinery. In 2007 Eni deposited a patent that enables the decontamination of soils and deposits from hydrocarbons (Ensolvex technology). This technology enables a further reduction in the production of hydrocarbon waste.

Soil protection

Impacting the quality of the soil and of groundwater can cause even irreversible damage to the functionality of an ecosystem. Bearing this in mind, Eni's commitment is focused upon preventive actions (infrastructure maintenance, monitoring technologies) and reclamation actions in large industrial complexes.

Oil spill volumes by cause (barrels)	2005	2006	2007
Oil spill volumes by accidents	6,908	6,151	6,731
Oil spill volumes by sabotage	1,810	7,014	2,608
Total	8,718	13,165	9,339

In 2007 there were 374 oil spills.

Each business unit utilizes internal systems to safeguard all the managerial and technical aspects relating to reclamation.

Oil spill management and prevention

During 2007, 374 oil spills occurred, for a total of 9,339 barrels of oil spilled (-29% over 2006). The volume of oil spilled due to sabotage decreased by 62.8% whereas the volume of oil spills due to accidents increased by 9.4%.

In order to prevent oil from spilling along the transport network, Eni has adopted technologies to manage the loading procedures of tankers and of tanks, while starting up projects to implement double capacity systems when considered necessary.

The loading/unloading bays of the tankers are located in waterproofed areas and are provided with systems and protective instruments designed to not impact subsoil. Eni endorses and partakes in initiatives which encourage the implementation of international conventions relating to oil spills improving the ability to react to oil spills through regional and national support (see box "The international collaboration in oil spill prevention").

With the aim of containing/preventing oil spills a number of research projects are in progress such as the Long-Term Weathering of Oil in Marine Environment which, in collaboration with IAMC (the Institute for Coastal Marine Environment) and ICRAM (the Central Institute for Scientific and Technological Research Applied to Sea), aims at assessing the downgrading speed of oil at sea and the toxicological aspects of this process.

In 2007 the analysis of a range of oils was completed and the information obtained was input in a forecast simulation model.

Reclamation and new technologies

The activities relating to reclamation are mainly located in areas where there are production plants (chemical plants and refineries). The careful analysis of proprietary areas has shown situations of contamination in most cases linked to sites acquired by Eni after their contamination.

To solve clean up of pollution in decommissioned sites the company Syndial was set up. It has been managing major reclamation actions on the national territory.

At present Syndial performs reclamation on some 45 sites: where as for 11% of them reclamation has been completed. Syndial's expenditure for environmental improvement in the 2000-2007 period were approximately 980 million euros, 70% of which for reclamation.

As regards reclamation abroad, in 2007 the preliminary survey of the soil and underground water started in Russia in the Novy Urengoi area to study possible reclamation actions following contamination due to past activities.

In Brindisi in 2007 a phytoremediation plant for soil contaminated by heavy metals and hydrocarbons began. It is the first experiment in Europe of an on site plant for the reclamation of contaminated soil through the cultivation of particular plant species.

To treat non-recoverable contaminated soil with conventional technologies (such as pump & treat, air sparging and Soil Vapor Extraction) a pilot test is being carried out at the former refinery of Ravenna to check the applicability of the ISCO (In Situ Chemical Oxidation) by working on the contaminating sources so as to obtain the mineralization of organic pollutants.

INTERNATIONAL COLLABORATION IN OIL SPILL PREVENTION

Eni adopts preventive measures in various territories and in sensitive areas such as the Mediterranean sea, the Caspian Sea and the Arctic Ocean as well as in technologically less advanced geographical areas such as Africa. In the Mediterranean Sea Eni is expanding the information system that supports emergencies at sea to facilitate the assessment and organization of response actions to be implemented in case of oil spills at sea due to accidents in transportation means or offshore platforms. In 2007 the strategic development and improvement/development of the anti oil spill equipment commenced in the Barents Sea through the *Coastal Oil Spill Improvement Program (COSPIP)* project, resulting from the collaboration between Eni Norge, Statoil-Hydro, DNV (Det Norske Veritas), NPS (Norwegian Petro

Services) and Sintef Materials and Chemistry. After the logistic phase of the project was completed, studies on the chemical-biological behaviour of oil along the coasts in the presence of ice were started up. In the Caspian Sea Eni collaborates to the Oil Spill Preparedness Regional Initiative (OSPRI) project started in 2004, which involves countries located around the Caspian Sea, the Black Sea, and Central Eurasia. In view of promoting the reaction capacity of the governments to oil spills. In the African continent Eni joins the Global Initiative West and Central Africa (GIWACAF), a project began in 2006 to encourage the governments in those areas to enter into regional mutual-aid agreements in the fight against hydrocarbon spills at sea, and to comply with the requirements of the international conventions.



Territories and local communities

- *In 2007 a total of 85.88 million euros was spent on local communities, 70% of which on social development initiatives*
- *Social Impact Assessment activities were carried out in Indonesia, Australia, India, Pakistan, and Kazakhstan*
- *Initiatives were developed to maximize local content in industrial projects in Pakistan, Kazakhstan, Nigeria, India, Tunisia and Egypt*
- *The Missione di comunità project was launched in Val d'Agri to experiment a new model of dialogue with local stakeholders and promote sustainable development projects*
- *The Eni Foundation is implementing its first child healthcare project in the Republic of Congo, with a commitment until the end of 2011. The overall cost of the project is estimated at 8.5 million euros*

Eni's policies and tools for territories

Eni respects the different social and cultural values, the traditions and the economic aspirations of the communities in which it operates and has developed tools to analyse its initiatives and evaluate potential partnerships. Acting in coherence with national programmes and in collaboration with the local authorities, Eni gives local communities a fundamental role in a process of dialogue, proposal and implementation of concrete actions.

Transparency of Payments

Eni is committed to increasing the transparency of its management system in the countries in which it operates by joining and promoting the Extractive Industries Transparency Initiative (EITI) and supporting the efforts of participating Governments.

In **Nigeria**, Eni subsidiary NAOC publishes data relating to royalties, profit taxes, and gas-flaring fees in line with the EITI reporting model. In **East Timor**, where the company is involved in exploration through Eni Australia Ltd. and Eni Timor Leste SpA, Eni is part of the EITI Multistakeholder Working Group, which has

EITI: payments for oil-related activities performed by NAOC for the Nigerian government (\$ million)

	2000	2001	2002	2003	2004	2005	2006	2007
Royalties	124	141	118	155	241	329	290	223
Profit Taxes	193	326	205	237	519	948	774	382
Gas flaring fees	2.09	3.16	2.31	2.55	2.11	2.24	1.6	1.27
Total	319	470	325	395	762	1,279	1,066	606

drawn up a 2007-2008 Work Plan for the promotion of the transparency initiative. The Working Group includes representatives from relevant government agencies, civil society and the petroleum industry. At the end of 2007, the EITI Terms of

Reference and the draft of the EITI Work Plan were made public via a local NGO on the company website and in the local press. In addition to its commitment to the EITI, Eni is also committed to publishing information on the royalties it pays in relation to the **Val d'Agri** project to the Basilicata Regional Authorities and to the local authorities affected by oil operations in accordance with the Memorandum of Understanding signed by Eni and Regional Authorities.

Royalties paid by Eni to Regional and Val d'Agri local authorities (€ million)

	2000	2001	2002	2003	2004	2005	2006	2007*
Basilicata Region	4.27	5.84	18.10	22.44	26.87	52.71	62.05	63.13
Local Authorities	0.75	1.03	3.19	3.96	4.74	9.30	10.95	11.14
Total	5.02	6.87	21.29	26.40	31.61	62.01	73.00	74.27

* Temporary data.

Human Rights: Application of Guidelines

Following the publication of the Eni's Guidelines on the Protection and Promotion of Human Rights in April 2007, Eni **Australia** has developed a specific policy on "Indigenous Peoples" to manage relationships with local communities. The policy is supplemented by consultation programs and programs to develop intercultural activities, and includes training for the *Blacktip* project's employees and contractors (see "Social Impact Assessment in Australia").

In **Pakistan**, the promotion of informal participative bodies called Village Development Organizations has led to an increasing level of engagement of local communities and the recognition of the groups as part of the local government system, with consequent access to government funds (see interview with Sono Khangharani).

In 2008, in order to ensure that operations are managed in line with International Conventions on Human Rights, a Human Rights Compliance Assessment will be carried out

SUSTAINABILITY POLICY AND HUMAN RIGHTS IN NIGERIA

In July 2007, the Nigerian subsidiaries adopted a Sustainability Policy that sets out the general sustainability principles Eni applies when carrying out its operations and expresses the company's commitment to operating in accordance with the needs of its relevant stakeholders. With regard to Human Rights, in 2005 the NAOC issued a Security Policy and Guidelines that extend the company's code of conduct to the security forces that protect company employees and property. To this end, clauses regarding the protection of Human Rights were

included in the contract with the international company that supervises security services in Nigeria, based on Eni's Human Rights Guidelines, the United Nations' Basic Principles on the Use of Force and Firearms by Law Enforcement Officials and the Voluntary Principles on Security and Human Rights.

The Security Policy also contains information of an organizational nature, such as the basic equipment to be used by security staff (for example, it establishes that NAOC security staff shall not be armed).

experimentally in **Nigeria** and in **Kazakhstan** in collaboration with the Danish Institute for Human Rights (see Chapter “The System of Corporate Governance and Corporate Ethics”).

Local Content

Eni promotes the development of local economies by giving preference to local products/services and local personnel and by developing ad hoc training programmes to increase the capabilities of the local labour force.

In **Pakistan**, Eni and its contractors’ operations provided employment to over 200 people in 2007 and contributed over US\$ 600,000 of goods and services to the local economy. In the subsidiaries in **India, Tunisia, Kazakhstan** and **Egypt**, the percentage of local suppliers and sub-suppliers used is monitored in the tender/contracting phase (see also “Eni in Kazakhstan”). In 2007, in Egypt, almost 80% of goods and services were procured from local suppliers, while in Tunisia the figure was over 70% and in Kazakhstan approximately 40%. In **India**, Eni India inserted a clause in its contract regarding the prerequisites for companies making bids (direct recruitment of personnel, use of goods and services of Indian origin, total percentage of local content). These requirements will become official in 2008 for procurement of the Eni exploration activities in Rajasthan and in 2009 in the Andaman Islands. The expected results of the new measure include the award of contracts for seismic exploration to Indian companies. Finally, all Eni subsidiaries in **Nigeria** are committed to promoting involvement of the local productive system in oil operations, in particular through the use and development of local personnel.

Evaluation of impact on the territory

Eni has adopted specific Guidelines and tools for assessing the impact of its operations on the areas and communities in which it is present.

Main initiatives in local content	
Country	Results 2007
Kazakhstan	40% of local procurement
Egypt	80% of local procurement
Tunisia	70% of local procurement
Pakistan	200 local employees 600,000 dollars in local goods and services

Integration of the **Social Impact Assessment (SIA)** as a specific tool used for the evaluation of the socio-economic impact of significant and strategic projects has continued. Its application is implemented in line with the highest international standards. In 2007, SIA activities were carried out in Indonesia, Australia, India, Pakistan, and Kazakhstan (see Chapter “Eni in Kazakhstan”).

Another fundamental tool for assessing the impact of operations is the **Health Impact Assessment (HIA)**. A HIA was carried out in the M’boundi–Mengo–Djeno area in **Congo** as part of a gas pipeline construction project, with the objective of reinforcing the local healthcare network, promoting better coordination between public and private stakeholders involved in the Congolese healthcare system and the definition of a model for the management of healthcare services that could be extended to other structures present in the area. A preliminary study was conducted and includes the typical elements of an HIA such as the identification, through a context analysis, of action priorities, the evaluation of potential impacts on the health of local communities and the definition of a plan for preventive actions.

SOCIAL IMPACT ASSESSMENT IN AUSTRALIA

The Social Impact Assessment conducted in Australia on the Blacktip project, connecting an offshore gas field through a pipeline which crosses the Thamarrur region, led to the production of a Social Impact Management Plan (SIMP) focusing on: society and culture, health of the local communities and security, economics and development, communication. In addition, a Social Impact Advisory Committee was set up composed of representatives of the key external stakeholders in the project (Australian Government, Northern Territory Government, Northern Land Council, Thamarrur Regional Council and the local community).

Eni Australia is carrying out consultations and assessments using methodologies that meet highest standards. Preliminary analyses have been completed and integrated with the results of an initial series of meetings with the aboriginal clans living in the region. Approximately 60 stakeholders have been identified, who are consulted on a regular basis and a series of partnerships are also being defined. The aim is to successfully unite Eni and local resources and to involve the community and the governmental and non-governmental organisations in the development of initiatives related to the industrial project.

An HIA was also carried out in **Pakistan**, with the direct support of one of the world's foremost experts on HIAs, Dr. Martin Birley (Health Consultant, International SOS). The first phase of the process involved consultation with the local population of Bhit, the area affected by the project, and conducting an epidemiological survey in order to develop specific indicators which in future will enable the monitoring of potential impacts of operations. Special attention was focused on identifying the main health risk factors for mother-child pairs, with the aim of developing specific prevention programs. Contact with the local population was made in collaboration with local NGOs, while social and health initiatives will be implemented as part of the Bhit Rural Support Program. In **Libya**, Eni North Africa, in collaboration with international experts, has been conducting in HIA related to communities in the Kufra and Murzuq area (mostly constituted by Tuareg people).

Relations with local stakeholders

The involvement of local stakeholders aims at reinforcing relationships in the areas where Eni operates. To achieve this, all the operating units of the various business sectors are involved in activities aimed at promoting dialogue, using different methods related to the local context.

These include:

- integration of the Stakeholder Engagement process within all significant projects and, where possible, the creation of consultative bodies formed by representatives of local authorities;
- communication with and involvement of local community relating to company activities by organising and promoting events and meetings;
- the reinforcement of skills and relationships through participation in local and international networks, the creation of special agreements with local actors and participation in local voluntary territorial management initiatives.

Principal characteristics of the impact assessment tools adopted by Eni

	Social Impact Assessment (SIA)	Health Impact Assessment (HIA)	Environmental Impact Assessment (EIA)	Environmental & Social Impact Assessment (ESIA)	Strategic Impact Assessment
References / Compliance	Voluntary tool adopted as an operational procedure	Voluntary tool recommended by: WHO, EU, World Bank, UNEP, ILO, FAO	Laws in the country concerned/operational procedure	Laws in the country concerned/operational procedure	Voluntary tool. At times, managed by the local governments
Field of application	Development projects	Development projects	Development projects	Development projects	Country/region of reference
Areas in which impacts are assessed	Socio-economic and value system of the local communities	State of health (physical, mental and social well-being) of the local communities	Environment (soil, air, water, waste, fauna, flora, human activities)	Environment and the local communities	Territorial and regional socio-economic system
Public Participation	Integral part of the process	Integral part of the process	Often regulated <i>ex lege</i>	Often regulated <i>ex lege</i>	Integral part of the process
Project phase interested by the assessment	Planning and development	Planning and development	Planning and development	Planning and development	Medium and long term planning

Examples of dialogue initiatives with stakeholders in the territories

Country	Programs/activities	2007 actions and main results
Italy	<ul style="list-style-type: none"> - Participation in local round tables - Communication events - Interviews and meetings - Missione di Comunità project in Val d'Agri 	<ul style="list-style-type: none"> - Participation in the joint HSE North Italy Commission - 10 open admittance days, 5 presentations of projects and activities to the local community, 5 theme-based events, 4 special agreements with local actors, 42 interviews with local stakeholders - Support and participation of GNL Italia (controlled via Snam Rete Gas that manages the Panigaglia regasification plant) in compiling the Porto Venere Territorial Sustainability Report
Ecuador	<ul style="list-style-type: none"> - Good Neighbour Forum - Technical Environmental Committee - Comitato di Vigilanza 	<ul style="list-style-type: none"> - Weekly meetings to monitor progress on projects based on agreements reached with local populations - Commission composed of: Agip Oil Ecuador, Petroecuador, the Ministry of Oil, indigenous organisations and local authorities to verify the correct use of the economic funds
Mali	<ul style="list-style-type: none"> - Consultation with relevant stakeholders 	<ul style="list-style-type: none"> - 10 stakeholders consulted including 3 NGOs - Meeting with local population in relation to operations (over 200 participants)
Norway	<ul style="list-style-type: none"> - Consultation with the Saami population - Stakeholders database management 	<ul style="list-style-type: none"> - Involving 30 principal stakeholders - Over 100 actions
East Timor	<ul style="list-style-type: none"> - Consultations to identify stakeholders 	<ul style="list-style-type: none"> - Presentation of the local content commitment to the NGO Forum (forum of local NGOs) - 10 one-to-one meetings with local and international NGOs
Australia	<ul style="list-style-type: none"> - Blacktip Stakeholder Management Plan 	<ul style="list-style-type: none"> - Monthly meetings with the representatives of Government Agencies and the Northern Land Council - 55 stakeholders identified in the revision of the SMP
Libya	<ul style="list-style-type: none"> - Memorandum of Understanding 	<ul style="list-style-type: none"> - Engaging institutional stakeholders; 4 resolutions signed between Eni North Africa BV, National Oil Company and Gaddafi Development Foundation (parts of a Steering Committee) regarding the future implementation of the initiatives for the communities
Pakistan	<ul style="list-style-type: none"> - Bhit Rural Support Program – Village Development Organisation 	<ul style="list-style-type: none"> - 50 villages involved in the Bhit and Badro valleys in the district of Jamshoro
Indonesia	<ul style="list-style-type: none"> - Community Development / Relation programme 	<ul style="list-style-type: none"> - Dialogue and meetings with local communities, NGOs and local authorities - Analysis of stakeholder satisfaction; social mapping carried out by a local external analyst
Nigeria	<ul style="list-style-type: none"> - Consultation of relevant stakeholders 	<ul style="list-style-type: none"> - Meetings with NDDC (Niger Delta Development Commission), with local communities and project partners



Missione di Comunità: Eni as a global player for local development

Aldo Bonomi
Director of the AASTER
Consortium

The Missione di Comunità (Community Mission) in Val d'Agri promoted by Eni and implemented on its behalf by AASTER since the end of 2007 represents an experiment that is part of a long tradition of encouraging local development. In keeping with its history and its Sustainability values, Eni is pursuing a policy of building and reinforcing ties in Basilicata in which local development constitutes an integral part of a strategy to increase the value of its presence in the area: an approach that derives from the knowledge that consensus cannot be exclusively managed through compensation mechanisms, but must instead be an integral element of a wider process of building ties with a view to creating the best possible operating conditions for the company.

It is this philosophy that forms the basis of the Missione di Comunità: to build a network of interactions based on stability and on a relationship of trust between Eni and local stakeholder in order to together plan development actions and initiatives of mutual benefit. As a result of a process of dialogue with local communities, specific tools (the Knowledge Pact, the Development Pact, and the Territorial Report) have been created with the objective of increasing cooperation among local

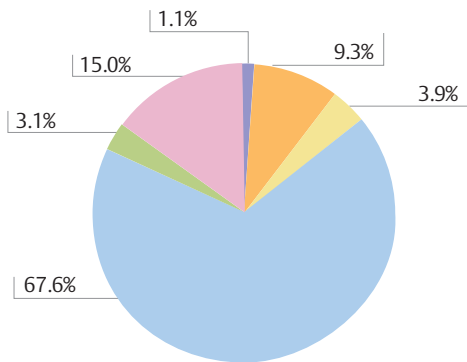
*stakeholders, promoting an "oil culture" and creating business initiatives for socio-economic growth in the Val d'Agri. The decision to open a direct channel of communication with the territory without abandoning one's own organisational culture or ethical code and whilst complying with institutional obligations, to my mind embodies the concept of corporate Sustainability, which is still too often today reduced to a question of mere compensation. The initiatives promoted in these first few months of the Missione di Comunità have contributed significantly to initiating the process of development "conscientization" (or awareness building) which represents the basis for the creation of an environment of local stakeholders possessing the cultural tools necessary to be able to read the significant socio-economic changes underway and the local impact of such global phenomena. And the translation of this conscientization into planned action, with the contribution of the Fondazione **Eni Enrico Mattei**, represents a further step towards a development model based on the "flow-place dynamic". As can be seen from our brief survey of local development and of the transformations underway (which are seeing a resurgence of activity by the major network players), there is ample fertile terrain for synergy between Corporate Sustainability and the culture of territory promoted by AASTER.*



Expenditure for territories and local communities

In 2007, expenditure for territories and local communities amounted to €85.88 million, of which €60.74 million were used in local community initiatives, €12.86 million on sponsorships, €0.94 million in contributions to associations engaged in sustainability and €11.34 million to the Fondazione Eni Enrico Mattei and Eni Foundation.

EXPENDITURE FOR THE TERRITORY BY TYPE 2007



- associational contributions
- contributions to Eni Foundation
- contributions to Fondazione Eni Enrico Mattei
- project investments
- short term investments and donations
- sponsorship

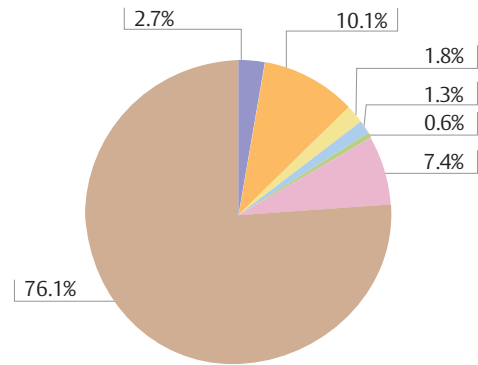
In 2007 the expenditure on territories amounted to €85.88 million, with an increase of 15% from 2006 and of 75% from 2005. More than 70% of the total expenditure was reinvested in initiatives for local communities.

Country initiatives

Eni considers its investments in support of the local communities in the countries where it is present as an integral part of the relationship with the territory and the conduct of business at a local level, based on the conviction that integrated development of the local communities is essential for achieving a sustainable presence. The objectives of Eni's approach are maximizing benefits for local communities, the integration of projects within national development programmes and establishing partnerships with communities and local organizations.

Eni is currently integrating its Community Investment management system to reflect its new Sustainability model and improvements in international standards. For information on the initiatives in Kazakhstan, see the dedicated section of this report.

COMMUNITY INVESTMENT BY SECTOR OF INTERVENTION 2007



- health
- training
- education
- professional training
- culture
- environment
- development of infrastructure and social actions

Community investments include project investments, short term investment and donations. In 2007, 76% of community investment was concentrated on development of infrastructure and social actions. The Engineering and Construction sector consolidates only the Corporate expenditures.

Supporting development and infrastructure

Eni contributes to socio-economic development by promoting actions to improve the provision of basic services and by supporting local economies.

Actions carried out in 2007 include projects to provide access to energy (electricity, gas) and water resources in communities where it was previously lacking and to improve the road network where necessary. In **Nigeria**, generators and transformers were installed, electrical lines were modernized and the road system was improved to facilitate connections and improve accessibility during the rainy seasons. In **Ecuador**, the community development programme supports indigenous communities by developing primary infrastructures such as water capture systems and small hydroelectric generation systems. In **Pakistan**, Eni created the important elevated road link at the Naing River and ensured water supply to 20 villages in the area of Badhara and Bhit. In Kai and Naig, projects to optimise the management of water resources for agriculture and livestock significantly improved the economic conditions of over 200 farmers, while in **Indonesia**, water purification plants, artesian wells and sewage systems were built through the VICO Indonesia consortium (a joint venture operated by Eni and BP). In the **Republic of the Congo**, the initiatives to support the local economy continued in the form of the ongoing project to help

Objectives and monitoring indicators by sector of intervention

Area of intervention	Specific objectives	Examples of monitoring indicators used (trend assessments)
Infrastructure development and social initiatives/actions	Access to water supply Access to energy Road and bridge construction Micro-credit, supporting local firms	number of consumers with water and/or energy supply km of roads number of local development committees number of micro-credit loans granted hours (or people involved, or number of courses) of specialist training
Education and professional training	Educational attainment Professional training	educational attainment by level and type of education number of pupils with access to schools number of schools built or renovated hours (or people involved, or number of courses) of specialist training courses taught to the local population (number, hours of training, by type of training) number of people involved
Health	Providing hospital structures Training Prevention campaigns	number of hospital structures built or renovated number of people involved in prevention and diagnostic healthcare actions health risk (mortality rate, morbidity rate, HIV infection) hours (or people involved, or number of courses) of specialist training to local healthcare personnel number of patients benefiting from health training initiatives
Environment	Maximizing the value of environmental heritage	number of structures created for environmental monitoring number of people involved in promoting environmental protection hours (or people involved, or number of courses) of specialist training
Culture	Maximizing the value of cultural heritage	number of conservation and renovation actions of sites, and/or objects and/or places with a high historic, architectural, artistic and/or ethno-anthropological value number of artistic events promoted

farmers reintroduce rice cultivation. In addition to the completion of the first application of rainfed rice cultivation on an industrial scale, tests continued on irrigated cultivation in a 2 hectare area different from the one originally identified. Finally, micro-credit and personal financial management initiatives were supported in Pakistan, Nigeria, Australia, Indonesia and Ecuador in 2007.

In **Nigeria**, part of the *Green River Project* (an integrated farming project started in 1987 in an area comprising the states of Bayels, Rivers, Delta and Imo) involves community micro-credit programmes in partnership with local communities, the NGO Centre for Corporate Study & strategic Research and NAOC. The programmes have involved around 600 women and pensioners. Other projects have led to the creation of agricultural, livestock and fishing cooperatives.

In **Ecuador**, micro-enterprise projects for women were set up based on cattle and pig farming. In 2007, 45 head of livestock were assigned to the communities of Atacapi, San Virgilio and Liquino (with a survival rate of from 76% to 93%) and pig farms were restored with a consequent increase in the number of animals. A sewing workshop is operated at the ASODIRA organisation offices in Puyo where women of the community of Santa Cecilia di Villano and others in the work area. In 2007,

as part of the *Iskay Yaku* project to increase tourist capacity, 15 local guides were trained and a restaurant was built that is expected to create work for 15 local people. In the first months of 2008 a small 25 kW hydroelectric plant is expected to be finished that will make the structure fully operational.

Education and training

In 2007, Eni carried out initiatives in three areas: basic education, training and professional skills training. The primary objective of the basic education initiatives in local communities is to increase educational attainment through the building of schools and supporting teaching activities.

Main microcredit and economic development initiatives 2007 (monitoring of results)

Country	Results 2007
Pakistan	1,175 families involved 10.2 million of pakistani rupies erogated (about 160,000 US\$) 200 farmers involved
Nigeria	600 women and retired people involved
Ecuador	45 head of cattle assigned 15 local guides trained 1 turistic structure realized 15 local units involved

In **Libya**, a programme is underway for the renovation of five school buildings situated in the rural areas of Zliten, Sirte, Zuara and Bengasi, two of which – the schools at Zliten and Bengasi – have already been inaugurated. The schools cater for a total of 3,500 pupils and more than 300 teachers and other personnel and were selected in conjunction with the Gaddafi Development Foundation in accordance with Libyan Ministry of Education plans. In **Libya**, the advanced specialist training programme (24-month duration from 2006) continued. During 2007, the programme, which is aimed at young Libyan graduates, led to the hiring of 40 new employees and the selection of another 20 who will begin their training course at the start of 2008.

With regard to professional skills training, in **Australia** an Indigenous Training and Employment Programme (pre-vocational course) began in July 2007 with the objective of involving the local communities in recruitment drives. Of the initial group of 23 participants on the 10-week course, 16 were hired, some in connection with the *Blacktip* project and, at the end of the year, 11 are still part of the staff.

In **Nigeria**, management-training projects for young people have been set up with the support of NAOC in partnership

with the NGO Community Development Partners. Eni launched the Nationalization Project that aims to speed up the development of local professional capabilities in areas such as exploration, reservoirs, production, and to substitute expatriate personnel with local staff. In 2007, a professional training centre for differently-abled people was set up in the state of Ondo. Furthermore, 1,797 grants were assigned to students with a total value of around US\$ 340,000. The company also supported the construction of primary and secondary schools.

Community healthcare

Eni supports projects and programmes to improve the health and quality of life of local populations through actions to provide primary health services, prevention and the promotion of professional skills, with a special focus on certain specific global health emergencies.

In the **Republic of the Congo** in 2007, the *Kento Muana* Project to prevent mother-to-child transmission of the HIV virus was further expanded to include the prevention of other mother-to-child transmitted infective pathologies, with the involvement of new suburban health centres, the enhancement of the laboratory's diagnostic capacity (viral load monitoring) and further training of local health personnel. The project extension has a target of 15,000 women and will see the official involvement of the *Conseil National de Lutte au SIDA* (the national body that coordinates the fight against HIV/AIDS). (See box "Eni Foundation in Congo").

In **Indonesia**, actions carried out included building and renovating rural health centres, the donation of instrumentation for malaria diagnosis, organising training courses for obstetricians and vaccination campaigns for children and pregnant women. Through the VICO Indonesia consortium, Eni also implemented a series of initiatives, principally in the East Kalimantan region, including the promotion of basic healthcare programmes such as

Main initiatives for education and training of local communities (Monitoring of Results)

Country	Results 2007
Libya	5 new schools 3,500 students involved 300 new local employees 40 people hired from training courses
Australia	16 people hired from training courses
Kazakhstan	6 new schools
Nigeria	1 school under construction 1 technical school completed 1 professional training centre completed 1,797 scholarships granted for a total amount of US\$ 340,000

THE ENISCUOLA PROJECT

Eniscuola is an Eni project started in 2000 in collaboration with the **Fondazione Eni Enrico Mattei** to provide young people with the information necessary to understand energy and the environment and to promote eco-sustainable behaviour through the use of multi-media technology, interactive tools and the Internet. Through both the regional education departments and direct contact with Italian primary and secondary schools, *Eniscuola* has become a solid point of reference for educational professionals thanks to its credibility and its tradition in the fields of energy and the environment. *Eniscuola* also participates in all of the most important Italian scientific and cultural events and enjoys the patronage and recognition of innumerable national and international

associations (including UNESCO and EU). Most of *Eniscuola's* activities are listed around its website (www.eniscuola.net), available in Italian and English, which contains documents with charts, tables and educational quizzes, video interviews with national and international experts, experiments and games to discover the world of energy and the environment (around 1,000 pages with text and images, 3 million charts and images and 140,000 reports).

In 2007, almost a million different visitors from more than one hundred countries visited approximately 4 million pages. Visitors included 15,000 students studying energy and the environmental matters via the e-learning platform.

campaigns to raise awareness of HIV/AIDS, drug addiction and blood donation, the supply of equipment to a public clinic and the construction of a medical centre.

In **Libya**, health projects include plans for two emergency healthcare structures in Zwara and Jalo, a specialist clinic for cardiology and heart surgery in Tripoli and a cardiology diagnostic centre in Zliten. In 2007, the feasibility study was completed for cardiology structures in Tripoli and Zliten. The Tripoli clinic will offer 100 beds plus 25 in intensive care and will have four or five operating theatres, laboratories and other services necessary for managing a modern clinic. The clinic in Zliten will have a diagnostic unit connected to the cardiology clinic in Tripoli, day hospital units, diagnostic instrumentation, and intensive care and angiography departments. Training courses are also planned to enable the clinics to be autonomously managed by the health authorities.

In **Ecuador**, health projects conducted in 2007 saw 2,110 medical exams in the communities of Santa Cecilia and Pitacocha and monthly consignments of medicines. A project to recover local herbal traditions was initiated in 2007, which led to the creation of botanical gardens containing medicinal plants in local communities. Eni also provides healthcare support to the 3,645 inhabitants of Block 10, specifically in the form of mobile medical teams, dentistry, gynaecology, and general medical services, vaccinations, supplies of medicines and equipment. Meanwhile the year saw the continuation of the anti-malaria campaign, which aims to eliminate the transmission vectors of the disease and which includes an air ambulance service for emergencies. Finally, a training programme for approximately 30 community health promoters was conducted.

In **Nigeria**, a project promoted by UNICEF and financed by Eni provided services for the prevention of mother-to-child HIV

transmission in the states of Rivers and Bayelsa. The objective is to involve at least 20% of the women attending prenatal clinics in four health centres: Omoku General Hospital and Braithewaite Memorial Hospital in Port Harcourt (Rivers), Okolobiri General Hospital and Ologoama Health Centre (Bayelsa). Recently the project was extended to also include Delta State. The Kwale General Hospital in the state has been selected for the implementation of the project and provided with the necessary instrumentation.

In **Egypt**, in the Matrouh area (East Obyed operational area with a population of 322,341 inhabitants) Eni has conducted an assessment in collaboration with the Department of Healthcare of Matrouh. Results showed the need for a laboratory for biochemicals and emathological analysis. Therefore, IEOC has conducted a study in order to identify the best equipment to order and it has planned a training activity for people employed in the laboratory (ongoing activities underway). In January 2008 the equipment was delivered to Matrouh Hospital. It is expected the laboratory will open in March.

Maximizing the value of cultural and environmental heritage

Eni promotes initiatives for the conservation and promotion of the identital, cultural and environmental heritage of the local communities in the countries in which it operates.

In **Italy**, Eni is currently supporting the project to restore the stone surface of the south face of Saint Peter's Basilica in Rome. The project started in May 2007 and will be completed in 2008. In relation to environmental heritage protection, Eni is conducting two biodiversity projects. The initiative in the Val d'Agri oil area has a duration of three years and aims to define a methodology for the characterization and monitoring of flora and fauna biodiversity which can then be

INITIATIVES FOR THE PROMOTION OF CULTURAL AND NATURAL HERITAGE IN LIBYA

In Libya, the programme of social projects includes cultural initiatives to promote and protect the archaeological sites at Sabratha and Leptis Magna (the latter is currently in the feasibility study phase). These projects also include plans to create new employment opportunities in the recovery and protection of archaeological finds and in the tourism sector, as well as promoting cultural tourism. The principal projects for Sabratha are conducted in line with agreements made with the Ministry of Tourism and the Libyan Department of Archaeology, while activities at the Leptis Magna site are being carried out with the support of the Università La Sapienza in Rome and include the restoration of the mosaics in the Uadi Lebda villa, the study for the modernisation of the Leptis Magna museum (a new pavilion will host the mosaics restored by the Istituto Centrale di

Restauro of Rome), and the feasibility study for the restoration of a Roman thermal complex.

Furthermore, Eni has launched the Wadi Protection Programme in the Murzuq basin, in south-west area of Libya characterised by the presence of relevant archaeological sites. The project started up as a pilot study in the operational area of El Feel (acquired by Lasmo) and it will be applied in other similar areas. It aims at protecting the area by the restoration of the ecosystem and the protection of the cultural heritage.

The project, of which a feasibility study was conducted in 2007, foresees a wide range of activities, including the restriction of the sites access (seven sites of intervention have been identified for the time being) and specific restoration actions with the creation of tourist pathways and endemic plants green areas.

tested in similar contexts and developed for immediate application. Meanwhile, the three-year project underway in the Adriatic relates to biodiversity and monitoring of the impact of offshore platforms on ecosystems. The objective is to define a methodology for characterising biodiversity, establish a protocol for carrying out analyses, and to discover the effects of recruitment produced by platforms.

In **Australia**, as part of the *Blacktip* Project, Eni has drawn up a plan for the protection of the local identity. The “Cultural Heritage Management Plan” regulates employee and supplier access to aboriginal territories. No impacts deriving from access to culturally significant aboriginal sites have been identified to date.

In **Nigeria**, NAOC promoted the *Water Hyacinth* project based on developing the biomass of the eicornia (a parasitic plant present in the freshwater Niger Delta) by converting it to renewable energy. The use of marsh plants to produce biogas, the development of cooperatives to produce biogas and fertilizers, the removal of the plants that infest the channels and the improvement of the ecological quality of the water and the related fishing activities will contribute to the socio-economic development of communities in the area. The construction of the pilot plant and the start of the connected micro-projects will follow the completion of the feasibility study started in 2007.

In **Algeria**, Eni Algeria signed an agreement on 7 December 2007 with the Sonatrach Tassili Foundation (whose mission it is to protect nature) to provide solar energy derived

electricity to four water wells to be built in 2008 in the National Park of Tassili (World Heritage Site since 1982 and Biosphere Reserve since 1986) in Djanet and Illizi and in an OPNT botanical garden. Environmental projects are also described in the Chapter “Environmental protection”.

Sponsorships

Eni sponsorships are selected on the basis of a number of criteria, such as consistency with corporate image and identity, ties with local communities, consistency with business objectives and high media visibility, as well as the common denominator of coherence with the company's Sustainability principles.

In **Italy**, Eni is a founding member of the musical foundations of the La Scala theatre in Milan, Teatro La Fenice in Venice, the Santa Cecilia National Academy in Rome and the Teatro Regio in Turin and sponsors the concert seasons at the Teatro dell'Opera in Rome, the Carlo Felice theatre in Genoa, the Teatro Comunale in Ferrara and the Teatro Comunale in Bologna, as well as the FAI concerts. Eni has also for many years promoted the Ravenna Festival, an event of great artistic value and international renown. A further demonstration of Eni's support for cultural activities is its sponsorship of MaratonArte, an initiative of the Ministry for Cultural Assets and Activities and the Department of Tourism that aims to raise funds for protecting and restoring cultural assets.



Development initiatives in Pakistan

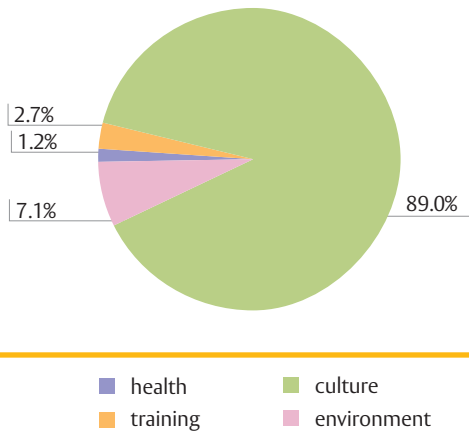
The “Bhit Rural Support Programme” (BRSP) can be considered an example of best practice for Sustainability projects in Pakistan due to its content and effectiveness. The programme was developed on the basis of the Memorandum of Understanding (MOU) signed in 2001 between the Thardeep Rural Development Programme (TRDP, a local NGO) and Eni Pakistan Ltd (at the time called LASMO Oils) to promote local development in the area of Bhit, situated in the remote district of Jamshoro. The area is characterised by demographic complexity and there is enormous poverty, the area lacks basic infrastructure and has an agro-pastoral economy dependent on the monsoon climate. TRDP's efforts to mobilise the local community and the creation of Community Organizations represent an effective model of community involvement in promoting development. The social interventions of the BRSP include the involvement of people and the transfer of expertise, the increase in awareness knowledge and the identification and the development of projects for community development.

Support was given to 140 Village Development Organisations (VDOs) consisting of 2,665 members; an initial capital of 1.5 million Pakistani rupees for the training of VDOs; micro-credit loans have been granted to 1,175 families to a total of 10.2 million Pakistani rupees, 3 suburban Community Health Centres (CHC) and a Mother & Child Healthcare Centre equipped with an ambulance and pathology laboratory have been opened; 14 primary schools, a women's training centre and a Computer Training Centre for children and young students set up and receiving support; a Village Base Nursery with 100,000 plants was created and 10,000 trees were planted in the areas of Bhit and Badro; allotments and micro-irrigation systems were created for an efficient management of water resources and pumping systems to increase the productivity of the land, reducing the dependency of the agricultural system upon the rainy season; finally, elevated roads were built to guarantee all year access to otherwise isolated mountainous areas.

Sono Khangharani
CEO of the Thardeep
Rural Development
Programme



2007 TERRITORY SPONSORSHIP BY SECTOR OF INTERVENTION



2007 territory sponsorship amounted to € 12.86 million. Data confirm culture as the favourite sector of intervention.

Contributions to Associations

Eni promotes Sustainability also supporting and participating at Associations and initiatives engaged in this field. Between them, Eni participates at UN Global Compact, at Extractive Industries Transparency Initiative (EITI, see paragraph “Transparency of payments” and Chapter “The System of Corporate Governance and Corporate Ethics”), supports the Global Reporting Initiative (GRI), the World Business Council for Sustainable Development (WBCSD), Business for Social Responsibility (BSR) and many national associations, as well as technical associations.

The Foundations

Fondazione Eni Enrico Mattei

Organizational Structure of FEEM
Director
Bernardo Bortolotti
Vice Director
Giancarlo Cepollaro
Board of Directors
Paolo Scaroni (President), Raffaella Leone, Stefano Lucchini, Leonardo Mageri, Alberto Meomartini, Roberto Poli, Daniela Viglione, Joaquín Navarro-Valls, Giulio Sapelli
Scientific Committee
Domenico Siniscalco (President), Geminello Alvi, Carlo Carraro, Ilvo Diamanti, Fabio Gobbo, Massimo Livi Bacci, Alberto Quadrio Curzio, Guido Tabellini

THE MARATONARTE INITIATIVE

MaratonArte is an initiative that was created to raise funds for protecting and increasing the awareness of Italy’s historic and artistic heritage. The initiative is promoted by The Ministry of Cultural Assets and Activities, and the Department of Tourism in collaboration with the RAI television network and supported by various companies, including Eni. Eni’s participation also involved the Agip network, which distributed information and raised funds through the sale of gift cards costing 3 euros each. A telethon was organised to raise funds within RAI’s television programmes. The event raised approximately €3 million. The seven historic sites identified by the MaratonArte Committee as its primary objectives are: the house of Augustus on the Palatine, the Punic Necropolis in Sulky, the Serre Reali in Racconigi Park, the San Michele castle in S. Maria del Cedro, the Museo Statale Tattile Omero (Omero Tactile Museum), the National Centre for the Restoration and Conservation of Musical Instruments and the Scuola di Alta Formazione

di Palazzo Pallavicino-Ariguzzi in Cremona, and the Siracusa-Modica-Ragusa Train Museum. The sites were selected according to various criteria, including the potential of initiatives to generate tourism and increase economic activity in the surrounding areas. The initiative saw the participation of seven artists who each made a short film (one per site) to illustrate the sites and the projects to save them. Once the preliminary planning phase has been completed, funds will be allocated and the work sites will be opened. This is expected to take place in three months to one year’s time, depending on the site. Francesco Rutelli, the former Minister for Cultural Assets and Activities, underlined “this is a precious and rare event with an important objective. We want to raise citizens’ awareness so that they feel that the immense cultural wealth of this country is our communal property and become protagonists in protecting and promoting our artistic and historical heritage”.

The Fondazione Eni Enrico Mattei (FEEM) is a non profit organization which aims to contribute, through studies, research, and training and information initiatives, to increasing awareness of issues relating to the economy, energy and environment at the global and the local scale. In pursuit of its mission, FEEM draws on experience from the scientific community, the corporate world and the institutions, in order to confirm Eni's commitment in the economic and cultural growth of the country. In 2007, FEEM conducted 69 international projects, mostly financed by third parties, and particularly by the European Union, carrying out an intensive research in Milan and Venice and involving a wide range of partners, including ministries, public agencies, international organizations, enterprises, research centres and universities.

In 2007, in Val d'Agri, a new headquarter for FEEM was inaugurated and the first phase of a project aimed at developing sustainable strategies for the territory was launched, integrating research studies with training activities and scientific support to local institutions.

Last year was a transitional year in FEEM's organisational structure. The new team of directors aims at defining a strategic plan for the development of forefront research on the new issues of global economy, starting from achieved results. Paying more attention to the dissemination and the discussion of research results, FEEM aims to make valuable contributions in the scientific and cultural debate.

"Consistent with the values, principles and experience that have always characterized Eni's approach, Eni Foundation promotes the protection of the rights of children and the elderly by carrying out

Eni Foundation

Organizational structure of Eni Foundation:

Secretary General

Vincenzo Boffi

Board of Directors

Paolo Scaroni (Chairman), Raffaella Leone (Deputy Chairman), Stefano Cao, Domenico Dispenza, Angelo Caridi, Stefano Lucchini

Scientific Committee

Pier Carlo Muzzio, Manuel Castello, Alessandro Lesma

Internal Auditors

Luigi Schiavello, Giuseppe Morrone, Pier Paolo Sganga

social initiatives aimed at encouraging their overall well-being and development" (Eni Foundation Mission, <http://www.eni.it/enifoundation/vision.html>).

The Eni Foundation, was created by Eni in 2006. Its mission is to promote and carry out solidarity initiatives both in Italy and abroad. In the first year of its activity it has decided to concentrate its efforts on children's health, in particular by focusing on the main endemic diseases and illnesses which affect children and hinder their growth and full development. To this end, it deals with some of the major health issues facing them, by supporting the efforts of the international community to reduce, within the framework of the United Nations' Millennium Development Goals, the incidence of the principal diseases, such as malaria, TB and HIV/AIDS. Based on this strategy, the Foundation started its first project in the Republic of Congo in the second half of 2007 and has a similar initiative planned in Angola in 2008.

ENI FOUNDATION IN CONGO

Eni Foundation is carrying out its first healthcare intervention to aid children in the Republic of the Congo. The project started in the second half of 2007 in collaboration with the local Ministry of Health and *Fondation Congo Assistance*. The primary goal of the project is to contribute to the improvement of children's health care in the rural areas of the country through epidemiological monitoring programmes and the implementation of effective vaccination programs aimed at reducing the incidence of the main childhood diseases. The project also pursues a series of specific objectives:

- strengthen the operational capacity of local primary healthcare facilities;
- promote awareness among the rural population of the importance of prevention;
- improve the skills and competence of local healthcare workers.

The initiative is in line with WHO guidelines and is consistent with the objectives of the Country's National Health Plan for 2007-2011. The project will be implemented at a regional level in the remote rural

districts, where the most disadvantaged communities live and where the vaccination rates are usually lower than the national average. The regions involved are Niari (south-west) and Cuvette (north), and the outlying areas of Pointe Noire, in Kouilou (south-west). The population will benefit a total estimated infant population of 200,000 children of 0-5 years, who represent around 30% of the country's children. In accordance with the specific objectives set, the project includes the complete and progressive renovation of a number of "peripheral health centres". For each of the 30 structures identified for the initiative, the interventions include the creation of healthcare spaces (clinics, maternal-infant health surgery and pre-natal medicine, delivery rooms and recovery rooms) and the supply of medical equipment, electric energy and potable water. Particular attention will be paid to the cold chain for the correct conservation of vaccines, which is often a critical factor. The project, at a total cost approximately by €8.5 million, will be implemented in line with annual plans and will be completed at a 2011.



Customers

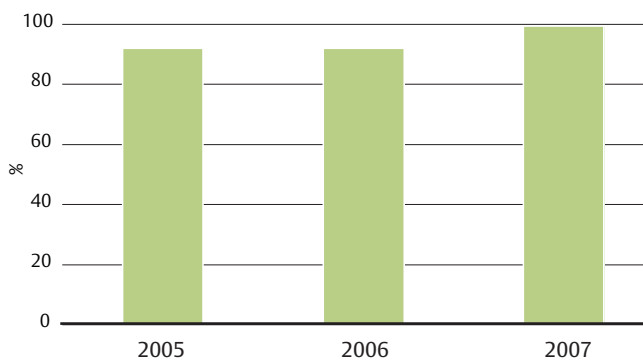
- *The 30PERCENT initiative, a training and social information campaign on energy efficiency, was launched in May*
- *In 2007 the fourth Multienergy service station for the promotion of clean energy such as hydrogen, methane and photovoltaic energy was inaugurated in Mantua*
- *The network's Customer Satisfaction Index remained fairly constant, going from 8.4 to 8.2 in connection with an increase in the monitored population, which from 2005 to 2007 has increased by 126%*
- *In 2007 the Dual Offer program was launched on the residential market through a national campaign. This project makes the joint supply of gas and electricity available*

The value of the Eni brand

Brand Management

The brand management of companies such as Eni and Agip requires careful analysis and meticulous monitoring. To reach these objectives, Eni implemented a number of surveys on image, communication and customer satisfaction during 2007.

BRAND AWARENESS REFINING & MARKETING



In 2007, on a 1 to 100 scale, the fame of the Agip brand in Italy increased by 7.6% over 2006.

Communication is constantly monitored with surveys that keep under control, for the various actors of the markets in which Eni operates, the following indicators:

- brand awareness;
- recalling, decoding and appreciation of advertising messages;
- tendency to purchase.

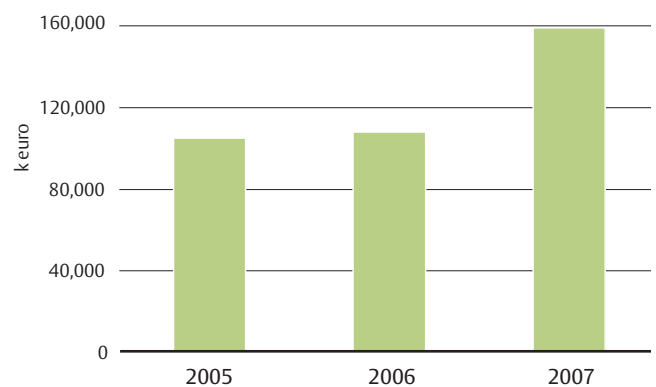
Monitoring aimed at assessing public perceptions of Eni as a “company aimed at Sustainability” has recently been started. To further improve the management of information,

a monitoring project of image and brand perception has been recently activated in the different markets of reference.

The Communication Strategy and the 30PERCENT Campaign

During 2007 the communication strategy was focused on Sustainability themes. More specifically, advertising campaigns have been developed on the joint distribution of gas and electricity, the You & Agip loyalty campaign and the campaign for BluDiesel Tech, a new more sustainable fuel. On the corporate front, the 30PERCENT initiative, a training and social information campaign on energy efficiency, was launched in May (see “The 30PERCENT campaign”).

EXPENDITURE FOR ADVERTISING, PROMOTION AND COMMUNICATION - RELATED ACTIVITIES



Expenditure for advertising, promotion and communication-related activities increased by 47% over 2006, reaching a total of 159 million euros in 2007.

THE 30PERCENT CAMPAIGN

Based on an Eni study on energy consumption trends of a typical Italian family made up of 4 people in the area of transport and domestic habits, the 30PERCENT campaign provides advice on how to reduce the costs of energy consumption up to 30%. With this campaign Eni also intends to propose itself as a catalyst for the debate on energy efficiency involving other leaders in the economic, industrial and social fields. Some of the partners that have joined the campaign so far are Coca Cola, HBC Italia, Compagnia delle Opere, the Venice Municipality, IBM, Pirelli Tyre, Powersafer, STM Microelectronics, Telecom Italia with the Alice portal, Touring Italia and Unicredit. The collaboration between Eni and the Osservatorio Permanente Giovani-Editori is also included in this framework. The latter will concentrate on the spreading of the energy efficiency culture among Italian teachers and, through them, among second level secondary school students in the country for the academic

years of 2007-2008 and 2008-2009.

Thanks to the collaboration with Eurisko, the first results of the campaign have emerged during the year: 40% of the interviewees already follow at least one of the 24 recommendations proposed by Eni and almost 90% are willing to follow others. A panel made up of 100 families that follow the 24 recommendations and 100 families that continue to behave in their usual way will be monitored constantly until May 2008 with the aim of comparing their energy consumption.

The Campaign's effectiveness is also linked to the great visibility that Eni has guaranteed to this initiative, above all through vast media coverage that includes television and cinema ads, bill posting on maxi systems, Internet sites with a total of 506,624,980 hits (impressions), booklets, radio transmissions, articles in daily newspapers and magazines, as well as the circulation of many promotional items.



Eni and the Consumer Associations

Eni has created a dedicated office to increase and reinforce relations with consumer associations and to promote dialogue through effective and timely communication. Workshops, congresses, conferences and seminars organized on a national and international level are an opportunity to propose topics of both general and special interest for the Italian consumers, allowing the company to make comparisons and interact on problems and critical issues of common interest.

In 2007 an Internet area dedicated to Consumer Associations was created in the Customers portal, which contains information, services and details. The initiative, which was started at the end of 2007 as a trial in Piedmont, has already been met with success by the associations involved, which have appreciated the initiative and recognised the usefulness of this service. Eni has also done a presentation tour of the service in order to train the operators of the associations in using the online services available. An extension of the initiative to all the associations involved nationally has been planned for 2008.

In 2007 Eni also met consumers in order to promote dialogue as regards some important subjects, including:

- **Venturi meters:** Eni met with consumer associations for clarifications on the presumed irregularities in gas measurement. The technical aspects of gas distribution were explained by the foremost experts of the companies involved, as well as how consumption upstream and downstream from the plant are measured. The associations have asked for more clarity as regards the outcomes and the audit procedures, as well as particular attention to both

direct and indirect damages possibly suffered by the end users.

- **Fuels:** in February 2007, as in 2006 with other associations, a meeting took place between Eni and Federconsumatori for clarification on recent increases in fuel prices. Current factors were assessed, such as the mechanisms with which variations in fuel prices occur and the reasons for the differences between the prices exercised in Italy and the rest of Europe. Eni has also contributed to the Enerbuilding Project organized by Adiconsum (see "The Enerbuilding project").

Our fuels

Sales and low-environmental-impact products

In 2007, the network's sales were 12.65 million tons, a fairly constant trend in the last three years.

In 2007, as part of the Blu fuels family, the BluDiesel Tech was

Volumes sold by the Europe Agip network			
mln tons	2005	2006	2007
Volumes sold by the Europe Agip network	12.42	12.48	12.65

In 2007 sales volumes of the Agip network remained fairly constant compared to previous years.

launched which, besides guaranteeing a sulphur content that is under 10 ppM as for all the family's fuels, stands out for its new cleaning properties, i.e. the product's ability to clean up the injectors that are worn from the continual use of traditional fuels. As well as its excellent cleaning properties,

THE ENERBUILDING PROJECT

In 2007 Eni has contributed to the Enerbuilding project organized by Adiconsum, to which the European Commission has entrusted the coordination with the collaboration of foreign partners (Spain, France, Portugal) and the contribution of external companies. This project promotes energy efficiency and the development of renewable sources in non-industrial buildings. Since the development of investments in this field goes through strengthening the end users' knowledge and awareness, the project offers information and services which generate that understanding, thus contributing to overcome barriers obstructing investments in this sector.

The tools used in this initiative are:

- a detailed information campaign to overcome the lack of knowledge and improve the final customer's awareness;
- an assistance and advice service which is technically qualified and independent from the interests of the company and of the energy distributors.

In fact the project is intended to:

- provide end users, and families in particular, with the necessary

information and assistance about the available technologies and systems that can be used in their houses;

- provide local authorities with the knowledge and the tools aimed at an efficient energy management of public buildings (schools, swimming pools, elderly centres, etc.);
- raise the awareness of young students to energy and environmental issues, thus proposing technical solutions aimed at saving energy and protecting the environment.

Eni's support has concerned the information campaign on energy saving and the development of renewable sources in non-industrial buildings, to achieve:

- 4 guides aimed at the different living situations (condominiums, detached houses, new and public buildings);
- a call center (tel. 800 985 280) to give assistance and advice on improving energy efficiency in one's own home;
- downloadable software from the website www.enerbuilding.eu for a diagnosis of the energy efficiency in one's own home.

BluDiesel Tech has dispelling and disemulsifying properties in accordance with European specifications.

At the Assago Ovest (MI) Agip sales point the distribution of the ADBLue (AdvancedDiesel - aqueous solution of urea at 32.5%) product, a gas oil that has a minimal impact on the environment, has continued for demonstration purposes. ADBLue can be used to eliminate nitrogen oxides (NO_x) from waste gas in commercial diesels equipped with a Selective Catalytic Reactor for the selective reduction of NO_x.

In the lubricants field, Eni has updated the Agip Sint line with a

Volumes sold through the fidelity card

mln liters	2005	2006	2007
Volumes sold through the fidelity card	4,648	5,044	5,557

Within the three years considered, fuel volumes sold through the fidelity card increased by 20%.

Service Stations by type

number	2005	2006	2007
Total	6,282	6,294	6,441
Blu Diesel	4,041	4,242	4,357
Blu Super	1,747	2,325	2,589
LPG/methane	476	490	538
MultiEnergy	1	3	4
With self service (Italy)	3,501	3,528	3,561

2007 saw a general increase in the number of service stations. Service stations delivering blue fuels and selling LPG and methane increased substantially.

Mixed Biofuels - volumes sold

thousand tons	2006	2007	Ch. %
Biodiesel	160	210	31%
Biogasoline	30	33	10%

new lubricant, Agip Sint Evolution, which is included in the already numerous product range for cars. Its characteristic is the optimization of the viscosity to obtain a reduction in energy consumption and internal friction.

The promotion of methane and hydrogen

Eni promotes **automotive methane**, which is a low-environmental-impact fuel. In particular, Eni has promoted a study that identifies the advantages, both economic and environmental, of methane used as automotive fuel. Furthermore, with the purpose of disseminating information regarding automotive methane as an alternative to traditional liquid fuels, mini ads were broadcasted on the radio in January and February 2007 in partnership with RAI - Radio Due through the radio transmission Caterpillar.

As regards hydrogen, a project is currently underway that aims at developing a portfolio of technologies for its production from a range of primary energy sources at competitive costs, also in medium to small sized plants. In this context a pilot system was set up at the Milazzo Research Centre for the production of hydrogen, which may be powered with both low-quality liquid hydrocarbons and gaseous hydrocarbons by using a new type of reformer.

Among the methane and hydrogen promotion activities there are also the Multienergy Stations (see paragraph "The ecoefficient stations in fuel distribution").

Attention to customers and the Eccellenza Rete project

The *Eccellenza Rete* project (*Network Excellence*) engages, with considerable organizational efforts, the whole company.

Among the project's activities mention should be made of the Training Van Program, which has the objective of helping the owners and employees to correctly apply quality standards and



Testimony from Pirelli Tyre

The partnership between Pirelli Tyre and Eni comes from a shared commitment to protect the environment and to sustainable development, which translates into concrete actions within products, production processes and working environment for both businesses. In accordance with this commitment, Pirelli Tyre, as leading partner, has chosen to accept Eni's invitation to join the campaign "ENI 30PERCENT, CONSUME LESS, LIVE BETTER" by making customers aware both of the type of product to choose and the correct maintenance of tyres. With the support of an extended advertising campaign from July to September 2007, Pirelli Tyre has promoted a free check of tyre pressure and the distribution of ENI 30PERCENT postcards containing recommendations 20 and 21 at 400

Driver sales points. Pirelli Tyre actually advises that the tyre pressure is checked at least once a year (recommendation 20) and to choose fuel saver tyres (recommendation 21) to optimize resources and reduce consumption. Tyres at the correct pressure and with the suitable chemical and structural components allow a savings in fuel and money from 3 to 5%. Eni has also purchased and equipped its sales points with K-PRESSURE OPTIC sensor kits, developed with Pirelli technology. These sensors when assembled instead of tyre valve stops allow the tyre pressure to be checked with a simple observation. The joint campaign continued in 2008 with the initiative on the "Cinturato" products, which reduce the rolling resistance by 20%, ensuring the reduction in fuel consumption up to 4%, while maintaining excellent safety and driving performance.



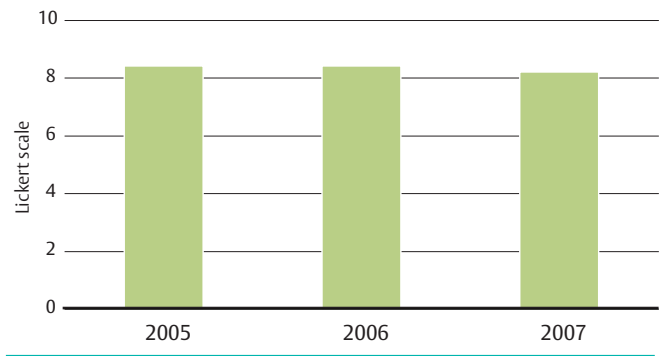
service courtesy. The program involves the movement of 22 vans from all sales points in the network and of 44 trainers, to which 100 sales points and 200 visits are assigned per year. Furthermore, with the aim of supplying the appropriate information to the owners of service stations, a professional "Know Agip" guide has been created according to the best European service standards, which is divided into 4 areas: Company, Customers, Sales Point and Outside World. In 2007, a number of customer loyalty initiatives have been set up, including:

- *Loyalty You & Agip*: started on 3 March 2007, this is the points collection program that allows points to be accumulated at Agip service stations and at the commercial partners of this initiative;
- *Iperself*: in view of meeting the different customers' needs, in May 2007, Agip started another means of refuelling in a wide and diversified way that offers a discount of 4 cents per litre of fuel distributed. According to this method, customers can use the self-service equipment with a pre-payment system.

Communication with Agip customers takes place through an appropriate Contact Center that responds to the free phone number 800 101 290 in Italy, and through other available channels (e-mail, fax, outgoing text messages). 300,741 issues were managed by the contact center from 1 January to 30 December 2007, of which 213,687 were resolved with the initial contact.

To constantly monitor the level of satisfaction of its customers, Eni outsources the job of conducting interviews throughout

CUSTOMER SATISFACTION RATE - R&M



CUSTOMERS INVOLVED IN SATISFACTION SURVEYS - R&M



The customer satisfaction rate decreased slightly, from 8.4 to 8.2 against an increase in the population monitored which from 2005 to 2007 went up by 126%.

SPREADING INFORMATION ON METHANE VEHICLES



The information documents on Methane for Automotive use produced by Eni and the dedicated mini website are portrayed in an environmental way, representing the possibility to move freely without constraints.

the entire Italian network to a third-party company, with the aim of measuring the perceived quality. Surveys on the quality offered are also performed on Agip stations (Mystery Shopping). The customer satisfaction surveys are also the starting point for planning loyalty strategies.

Ecoefficient stations in fuel distribution

In 2007 the fourth Multienergy service station that supplies hydrogen was opened in Mantua. The plant was created as part of the Zero Regio project, which was set up at the end of 2004 and co-financed by the European Commission, with the objective of developing integrated sustainable mobility systems. The project, which has been joined by 16 partners, belonging to 4 European countries, is coordinated in Italy by the Lombardy Region. The Region launched an office notice for the creation of two more service stations within the next two years. An interregional partnership project is underway that involves Fiat for the supply of Hyper Panda fuelled with a mixture of methane and hydrogen to some regions in Italy for the development of public low-emission mini fleets.

As part of the Eni 30PERCENT initiative, interventions aimed at reducing consumption in sales points have also been carried out, such as high-efficiency lighting, automatic lighting flow regulators for shelters, lighting towers and lanes, air conditioning for the summer and central heating for the winter in buildings with electric heating pumps (where possible, using gas), automatic button water taps and photocell rinsing services.

In view of making the network stations more environmentally efficient, the installation of approximately 500 photovoltaic panels in new and existing plants is planned in the 2008-2011 period, which will reduce CO₂ emissions by approximately 5.5 kton/year and consume less energy from conventional sources.

Gas and electricity sales

In 2007 natural gas sales totalled 98.96 billion cubic meters, an increase compared to 2006.

The installed power of electricity was 4.9 GW.

THE LEADER PROGRAM

Launched in November 2006, the Leader program concentrates on efficiency and change management and aims at quickly and significantly improving the operational performances of all the core activities of the R&M business and the quality of customer service, in line with the international best practice.

The objectives of the individual business areas are:

- *Network*: improvement of the network in terms of customer service excellence, and enrichment of supply with non-oil products;
- *Extranetwork*: integration of the activities and optimization of sales channels through a focus on major customers and intermediaries;
- *Primary logistics*: integration of the chain by creating a remote control model of processes and infrastructure based on five logistical hubs;
- *Secondary logistics*: introduction of an integrated delivery model that involves the centralized planning of orders and deliveries to sales points, joint deliveries of standard and Blu Diesel products as well as night-time deliveries;
- *Refining*: energy efficiency recovery and emission reduction; optimization of operational and maintenance costs, revision of stop strategies; optimization of warehouses and of materials purchased.

As part of the secondary logistics, in particular, the new integrated delivery model sees an overall reduction in the fleet and in the daily movement of tank trucks, distances and peaks in fuel demand (typical on Tuesdays and Fridays), with subsequent advantages in terms of lowering emissions and smoothing the road traffic. In the Rho hinterland alone, where the pilot stage of the project is currently ongoing, 10,000 less tank

truck journeys are expected during daylight hours every day and 0.2 kton/year of less CO₂ emissions. The model will be repeated in other areas of the country during 2008. An initial rough estimate of benefits (end of 2008) extended to the whole country is 90,700 less journeys of tank trucks during daylight hours every year and 2.5 kton/year less CO₂ emissions. As regards the extension of the joint transport of standard and special fuels with the same tank truck, a total of 1.6 kton/year less CO₂ emissions are expected. Within refining, the Energy Saving actions are aimed at improved energy efficiency and to the reduction of emissions from thermal recovery, flaring gas, replacement of steam turbines by electric engines, advanced control systems/inference analysers. The energy saving achieved in 2007 in the Eni refineries (including Gela and Milazzo) have allowed a reduction of approximately 70 kton/year of GHG emissions compared to 2006. The 2008-2011 plan involves improvement actions which will reduce the GHG emissions by approximately 515 kton/year compared to 2007.

Moreover, systems for the treatment and reuse of refinery effluents and groundwater pumped for reclamation have become operative or are being studied, so as to be able to reduce the withdrawal of water resources for process uses (Water Reuse projects). Other actions aim at the recovery of efficiency in the waste water and groundwater treatment plants, at the optimization of waste disposal and at the optimization of the disposal of catalysts through preliminary treatment actions.

G&P - Main operational data			
	2005	2006	2007
Natural gas sales (billion cu m)	94.21	98.1	98.96
Volume of third party (billion cu m)	30.22	30.9	30.89
Electricity sales (TWh)	27.56	31.03	33.19

The Dual Offer Program

In 2007 the Dual Offer program was launched on the residential market with a national campaign. The program makes available joint supply of gas and electricity. Strong growth is expected in the joint offer with a target of over 1 million customers in 2010.

As well as offering discounts on the product, the program provides for the simplification of the administration management for customers and the offer of energy from renewable sources. Customers who have signed the contract on the web have also received a free MP3 solar-powered mobile phone charger. Over 90,000 fluorescent energy-saving bulbs were also distributed as part of the campaign.

Starting with its current tariff option, the customer can choose between two alternative formulas:

- **365 hours:** discount on the supply costs of electricity (Eni can intervene directly on this) which is equal to one hour of free supply per day;
- **SOLOVERDE:** supply of electricity produced entirely by plants that use renewable sources, or natural energy sources that do not pollute and are reusable, at the same procurement cost expected for energy in the established tariff. SOLOVERDE is 100% generated by renewable sources. This is verified by DNV, an independent certification body whose attestation can be downloaded from the site <http://www.enifamiglia.it/offerte/svambiente.html>.

As regards tariffs, Eni takes as a reference the established tariff which the customer would pay if it did not change supplier. This occurs regardless of the established tariff applied to the customer by the distributor, based on what is set forth by the law for the domestic market.

Electric Efficiency Services

Eni supports the middle customers (tertiary, hospitals, large condominiums and public sector) of gas and electricity in the optimization of consumption, providing consultancy and facilitated financing for the installation of cogeneration plants and photovoltaic panels.

In supplying gas, Eni accompanies the middle customer in an efficiency course through the **Energy Consultancy** service in the areas of cogeneration, energy analysis, air conditioning, thermal plants, gas quality and regulation and measurement systems. Through the Energy Consultancy service, Eni helps the customer to identify the energy rationalization actions, to check the conformity of the systems to safety regulations and to best manage the regulation and measurement systems. Courses are also held to train the customer's staff in the standards, safety and domestic and industrial energy saving.

Energy Management is another service for the promotion of energy saving. The service consists of the transformation of plants from other fuels to gas or the restructuring of existing gas thermal plants. The service also includes energy analysis, technical audits, financing of the necessary work, ordinary and extraordinary maintenance of the thermal plant, guarantee of environmental comfort with remote control and technical assistance. At the moment, the service has involved more than 1,500 systems all over Italy and various types of customers. Finally, in 2007, the "Safe Stove" and "Change Your Boiler" initiatives have continued to promote energy efficiency for families.

MEASURING GAS

In May 2007 three companies of the Eni group (Eni SpA, Snam Rete Gas and Italgas) were subject to a document seizure measure, together with other companies in the sector, as part of a survey set up in 2006 by the Milan Public Prosecutor's office on the measurement tools of natural gas distribution and transmission that are used in Italy by the sector's companies.

The investigation studied the use of gas measurement tools, the corresponding payment of the excises and the invoicing of customers, as well as relations with the Supervisory Authorities.

With reference to the breaches charged, inter alia, to the type of offence set out by the Italian Legislative Decree of June 8, 2001, n. 231,

which sees the company's administrative responsibility for the offences committed by its employees in the interest or to the advantage of the company itself, the corresponding guarantee information was also notified to the five top managers in the Group, including the Managing Director Paolo Scaroni, in the capacity of the legal representative of Eni SpA.

The tools under investigation, the so-called Venturi meters, have been used for decades in Italy and overseas in line with the "downstream measurement" mechanisms adopted in foreign countries and do not affect the measurements relating to the customers' bills.

The Quality of Relations with customers

The adoption of the CRM platform has not only suggested a new organisational setup that is able to best reach the needs of customers, but also the retraining of staff and new Change Management strategies that involve training on methodologies and processes, sales tests (services and portals), case studies and seminars on the international best practice, E-business training and technical training on software applications.

The main management channel of customer interactions is given by the Contact Center, which has the duty to meet the requests for information by customers on every question regarding the supply of services.

The CRM platform is joined by more than 200 stores of the network in franchising that are the point of reference in the area for customers. To meet the needs of energy services for customers the network also offers a series of turn-key energy products (boilers, bath heaters, installation and support maintenance plans for stoves).

The Customer Portal offers personalized services to its

customers, as well as the possibility to ask for a gas and electricity supply contract and information on the energy market. It is a work tool for business customers to display the administrative documents and to monitor the energy performance.

The Gas & Power Customer Satisfaction survey performed in 2007 related to the world of business customers (about 3,250) and not the world of mass market customers (about 7 million). The survey on the mass-market customers will be carried out in the first semester of 2008.

G&P Complaints Management

	2007
Calls to call center that have asked to speak with an operator and have received an answer	2,171,572
Calls to call center that have asked to speak with an operator and ended with the caller hanging up	237,134
Percentage of answers to written complaints or requests for information within the maximum time set by the AEEG	77.63%

CUSTOMER SATISFACTION REGARDING GAS SUPPLIES

The satisfaction and expectations of customers as to gas supply is measured by the Customer Satisfaction research, an integrated system that has been developed in-house aimed at examining customer satisfaction through research (qualitative and quantitative) and follow-up analyses (as regards service performance on specific aspects) and the results of which are brought to the knowledge of the company's staff and the customers.

In 2007, the results of the survey done in 2006 were circulated to all the staff involved with customer relations.

The following surveys were also done in 2007:

- **Quantitative survey "Customer Satisfaction of Industrial and Tertiary Customers":** 420 personal interviews representing the Industrial and Business Tertiary customers of the Eni Gas & Power Div. to test the satisfaction of the target customers which on a 1-10 Likert scale, was 7.2.
- **Qualitative survey "Lost and Found":** 40 interviews with economic operators, customers and prospective customers in the Industrial and Business Tertiary sectors to examine the reasons for leaving and returning of target customers.

- **Quantitative Survey "Pre and Post Casah24 Pilot Offer Stage Loyalty":** 4,000 phone interviews representing all the Eni residential customers in the test areas of the Casah24 Pilot Offer, with the aim of testing customer satisfaction, their tendency to switch and the level of loyalty to the free offer of the Casah24 artisan ready intervention policy.
- **Quali/Quantitative Survey "Concept Test UNA":** 2 Focus Groups and 600 phone interviews representing residential customers with consumption lower than 100 cu m/year and an annual cost of less than 100 € to check the interest in signing a gas contract.
- **Demo Quantitative survey Post Advertising Test "Mailing Casah24":** 1,000 phone interviews representing the target population of the Casah24 Pilot Offer to test the effectiveness of the Casah24 communication.

The next survey aimed at mass-market customers will take place in the first quarter of 2008. This will also collect the opinions of customers who opted for the dual offer.

Eni in Kazakhstan

THE KASHAGAN AND KARACHAGANAK PROJECTS

The Kashagan Project

The discovery of the Kashagan oil field in 2000 is regarded as the most important in the last thirty years, for which it has been estimated a maximum production plateau of 1.5 million boe/day. Eni is the sole operator of the Agip KCO consortium for the North Caspian Sea Production Sharing Agreement (PSA), whose other partners are Exxon Mobil, Shell, Total, ConocoPhillips, Inpex and the Kazakh national oil and gas company KazMunaiGas. Taking gas into consideration, the Eni share of the reserves amounts to approximately 1.9 billion boe. Eni's currently employs 8,000 workers in the region, 6,000 of which are Kazakh nationals. A gradual increase in the workforce is expected until 2013, when the volume of construction activities will peak, with a total of 13,000 employees.

The Karachaganak Project

The other large-scale Eni project in Kazakhstan, the Karachaganak gas condensate field, is managed by the Kazakhstan Petroleum Operating Company (KPO), in which Eni and BG Group are operators with 32.5%. Chevron (20%) and Lukoil (15%) also have stakes in the consortium. In 1997, the 40-year Production Sharing Agreement (FPSA) was signed with the Republic of Kazakhstan. Eni's presence in terms of employment in the city of Aksai, the operating base of Karachaganak, is 200 employees, the majority Kazakh nationals, out of a workforce of 4,000 people. In 2007, the Eni share of production was maintained at an average level of 70,114 boe/day of liquids and 2.3 billion cubic metres/year of natural gas for a total of 111,600 boe/day. In June 2007, KPO and the KazRosGaz joint venture (KazMunaiGaz and Gazprom) signed the Gas Sale Agreement (GSA) which, as approved by the Consortium's partners, will allow the total volume of raw gas sold from Karachaganak to be increased up to 16 billion cubic meters/year from 2012.

SUSTAINABILITY ASPECTS

Technological challenges in extreme conditions

The advanced technology that enabled the exploitation of the Karachaganak field (at a depth of 5,000 meters), which uses compressors that are extremely reliable despite the conditions found in the field (i.e. high pressure, presence of H₂S), will also be used in other projects such as Kashagan, in order to reduce the risks and the production of greenhouse gas emissions to a minimum.

Assessment of the impacts

For Kashagan, Agip KCO launched a Social Impact Assessment (SIA), in consultation with the local community, which is expected to be completed by 2009 and whose objective is the assessment of the impact of the Full Field Development phase. With regard to Karachaganak, KPO is conducting an Environmental and Social Impact Assessment (ESIA) that will enable an impact management plan for phase 3 of the project to be prepared, in consultation with the stakeholders.

Safety in the workplace

For the Kashagan project, Agip KCO achieved OHSAS Certification in 2006. With regard to the HSE management system, the company adopted a policy that ensures compliance with local legislation and international best practices, and identified areas for improvement and a health protection and promotion plan with special attention to managing emergencies and contractors. Meanwhile, the Lost Time Injury Frequency index (LTIF) dropped in 2007 to 0.75% for Kashagan, representing a 31% decrease from 2005.

In order to make a safe transport system available to employees between the city of Atyrau and the Bolashak plants, a rail connection has been created, which also has the benefit of reducing the volume of

Lost Time Injury Frequency index (LTIF) (frequency per million manhours)			
	2005	2006	2007
Karachaganak Project	0.45	0.37	0.05
Kashagan Project	1.09	0.84	0.40



road traffic and the risk of accidents.

For the Karachaganak project, the LTIF index dropped in 2007 to 0.05%, with a decrease of 89% from 2005.

Protecting the environment

Eni's activities in Kazakhstan represent a difficult environmental challenge. At Karachaganak, following the reclamation and restoration of the steppe (which involved an area of 53 ha) and the cleaning of the field from industrial waste due to previous activities, KPO identified an effective technological solution for managing the associated gas involving its purification and reinjection into the field. A sophisticated monitoring system also checks the main environmental receptors of scrap and waste water. State-of-the-art technologies have been adopted for the treatment of drilling waste (incinerators and thermal desorption units) and the management of industrial water, as well as for the reforestation of the area. In the period 1998-2007, 120 million US dollars were spent on environmental protection. In 2005 KPO signed a Memorandum of Understanding (MOU) with the Kazakh Ministry of the Environment for the enhancement of environmental performance. The commitments undertaken (which are valued at approximately €30 million) will contribute to the achievement of environmental certification of KPO's activities. With regard to flaring, the percentage use of gas at Karachaganak is 99.65% in 2007, with an improvement compared to 99.4% of 2006.

The Kashagan project has involved even greater technological challenges. The field is located in the North Caspian Sea, whose ecosystem is characterised by shallow waters and habitats partly populated with protected endemic species such as the Caspian Seal and the sturgeon. For this purpose, Agip KCO has conducted numerous studies both on and offshore to determine the existing chemical and biological conditions (see also Chapter "Environmental Protection", table "Investments in the main biodiversity projects"). At the current time, careful management of pre-production activities has ensured there have not been any significant impacts, while biodiversity studies are underway with the aim of minimising the impact of future production activities. For example, since 1989, Agip KCO has contributed to the study of the seal population in collaboration with the Caspian International Seal Survey project. Some deaths have been recorded in the last 10 years and they seem due to the Canine Distemper Virus, an illness specific to sea mammals. Agip KCO's commitment to environmental research was rewarded with the "Best ecological programme" prize at the Gold Prometheus awards organized in Kazakhstan in 2006. With regard to future operating activities, a number of important projects are currently underway, such as:

- Full Field Sulphur Management Studies, for the development of sulphur management techniques to keep SO₂ emissions to a minimum together with air quality monitoring activities through automated stations;
- Drilling Cutting Injection Wells project, to minimise and manage waste produced offshore. The Oil Spill Response group (OSR) was set up for the management of any spills.

Local development

Agip KCO and KPO are both committed to maximising local content through a system which promotes the use of Kazakh companies that satisfy requirements in the supply chain. Since 2002, Agip KCO's department for local content development has assisted 1,414 local

companies in relation to the health, safety and environment qualification requirements, participation in joint ventures and certification for international standards. The Atyrau Training Center also enables local workers to gain international qualifications. Thanks to the Aksai Business Center/Incubator in the Karachaganak area, 17 entrepreneurs from 5 rural districts obtained loans for a total of 200,000 US dollars to either set up or continue the operation of small businesses.

Consultation of local stakeholders

An Assessment Report published in 2005 by the Office of the Compliance Advisor/Ombudsman (a body of the International Finance Corporation - IFC/World Bank, which deals with complaints regarding projects financed by the IFC, who in this specific case financed Lukoil) recommended improving the transparency and credibility of the environmental monitoring initiatives. To improve dialogue with the local communities, KPO therefore set up the Village Councils (22 consultations carried out in 2007), which have approved and implemented programs to improve the electrical and irrigation systems in four rural villages adjacent to the Karachaganak field. A large number of consultations has been carried out with local stakeholders by Agip KCO with a regard to the environmental aspects of Kashagan project.

Main local community initiatives

Eni's initiatives to improve the quality of life in the Kazakh communities (see table) are an important part of the North Caspian PSA, which has seen Agip KCO involved since 1998 with a plan of large-scale investment called Social Infrastructure Projects. In the Karachaganak area, the projects agreed with local institutions involve investments for a total of 10 million USD per year. For example, with regard to community health initiatives, work is underway in the Atyrau region as part of the Kashagan project, for the construction of a Regional Blood Center, a laboratory for the regional Epidemiological Health Center and a regional hospital for infectious diseases (180 beds) and health equipment worth almost 5 million USD has been supplied. In the Karachaganak area, the treatment and surgical departments of Uralsk Hospital have been renovated. In terms of education, many schools have been renovated both in the Atyrau region and in the Karachaganak area. Finally, infrastructure projects include the Uralsk Gas Pipeline project approved in November 2007, which will involve the construction of a gas pipeline from the Karachaganak field to the city of Uralsk to supply low cost gas to the local population. In addition, the water and gas distribution networks have been improved in the cities and villages in the regions of Atyrau and Mangistau in the Kashagan area.

Investments for the communities in Kazakhstan (€ thousands)

	2005	2006	2007
Karachaganak Project	3,614	4,459	8,578
of which infrastructures and social development	3,510	4,120	7,474
Kashagan Project	1,742	5,103	7,062
of which infrastructures and social development	1,687	5,103	4,395

Key Sustainability indicators

	2005	2006	2007	Unit of measurement
Eni and the Future of Energy				
Proved oil and condensates reserves	3,773	3,481	3,219	million boe
Proved natural gas reserves	3,064	2,955	3,151	million boe
Direct GHG emissions	61.85	61.35	67.55	million tons CO ₂ eq
CO ₂ eq emissions - E&P (excluding new acquisitions 2007)	285	259	270	ton CO ₂ eq/ktEP
CO ₂ eq emissions - R&M	1,128	1,084	1,082	ton CO ₂ eq/uEDC
CO ₂ eq emissions - G&P	393	386	391	gCO ₂ eq/kWheq
Net consumption of natural gas	8,173	9,031	9,099	ktep
Net consumption of oil products	5,674	5,394	5,398	ktep
Net consumption of other fuels	262	240	299	ktep
Electricity plant energy performance index	0.166	0.159	0.159	tep/MWheq
Refinery energy performance index (100% = year 2000)	93.68	93.83	93.40	%
The System of Corporate Governance and Corporate Ethics				
Whistleblowings	n/a	n/a	194	n
Percentage of whistleblowing files closed with corrective actions	n/a	n/a	46	%
Procurement	n/a	19,693	23,208	million euros
Suppliers used	n/a	25,788	26,270	n
Suppliers subject to qualification procedures including screening on Human Rights	n/a	4,703	5,784	n
Number of qualification cycles	n/a	12,866	19,058	n
Percentage procured from suppliers subject to qualification procedures including screening on Human Rights	n/a	75	83	%
Percentage procured in Extra European countries	n/a	n/a	30	n
People				
Employees' and contractors injury frequency rate	2.28	2.10	1.96	
Employees' and contractors injury severity rate	0.063	0.061	0.057	
Employees' fatality index	2.74	1.09	1.00	
Contractors' fatality index	3.81	2.99	4.10	
Security expenditure	391	394	468	million euros
Environmental surveys	3,846	4,870	5,841	n
Diagnostic exams	143,610	184,027	249,584	n
Health expenditure per person	553	652	709	euros
Employees	72,258	73,572	75,862	n
Employees in non-OECD countries	23,108	24,775	26,091	n
Employees with open-end contracts	55,537	51,550	62,635	n
Training hours	n/a	2,299,163	2,796,717	n
Training expenditure	n/a	57.15	59.34	million euros
Employees on overseas postings	2,480	2,697	2,940	n
Female employees	10,555	10,784	11,030	n
Women managers (senior managers and managers)	1,514	1,715	1,902	n
Managers (senior managers and managers)	12,533	13,102	13,719	n

	2005	2006	2007	Unit of measurement
Territories and local communities				
Total expenditure for the territory	49.0	74.7	85.9	million euros
Contributions to the Associations	n/a	0.7	0.9	million euros
Contributions to Eni Foundations	n/a	5.0	11.3	million euros
Investments to benefit local communities	n/a	59.9	60.8	million euros
Sponsorships for the territory	n/a	9.1	12.9	million euros
Customers				
Rete Agip volumes sold	12.42	12.48	12.65	million tons
Sales of oil products	51.63	51.13	50.15	million tons
Service stations	6,282	6,294	6,441	n
Blu Diesel supplying service stations	4,041	4,242	4,357	n
Blu Super supplying service stations	1,747	2,325	2,589	n
GPL/methane supplying service stations	476	490	538	n
Mixed Biofuels volumes sold - biodiesel	n/a	160	210	k tons
Mixed Biofuels volumes sold - biogasoline	n/a	30	33	k tons
Customer satisfaction index - R&M	8.43	8.42	8.22	Likert scale (1-10)
Customers involved in satisfaction surveys - R&M	14,908	20,954	33,692	n
Natural gas sales	94.21	98.10	98.96	billion cu m
Electricity sales	27.56	31.03	33.19	TWh
Environmental protection				
Environmental expenditure and investments	1,080	1,160	1,063	million euros
Environmental certifications	87	96	122	n
Water consumption – seawater	2,869	2,960	3,155	million cu m
Water consumption – freshwater	256	208	220	million cu m
Recycled water	74.72	62.78	66.13	million cu m
Purified water	232.00	224.65	224.09	million cu m
COD water drains	9.59	7.69	8.43	k tons
SO ₂ emissions	76.69	61.85	64.48	k tons
NO _x emissions	93.73	102.30	109.46	k tons
NMVO _C emissions	112.68	82.82	94.72	k tons
PST emissions	4.58	4.32	4.92	k tons
Hazardous waste	2,172,233	2,310,490	2,829,658	tons
Non-hazardous waste	2,656,124	4,736,572	5,568,931	tons
Hazardous waste by production activities	507,993	476,750	408,406	tons
Non-hazardous waste by production activities	988,555	938,564	1,111,325	tons
Oil spill volume	8,718	13,165	9,339	barrels

Methodology note

Consolidation area

The Sustainability Report, drawn up on a yearly basis, contains information and data on Eni SpA and its consolidated subsidiaries during the 2005-2007 period. The consolidation area is the one considered in the Annual Report, unless otherwise specified in the text and for exceptions concerning health, safety, and environment data. More specifically, the criterion that defines the reference dominion for health, safety and environment data is not the one considered for equity shares, according to which the emissions associated with a plant represent Eni's share of economic interest in the specific plant, but is the one based on operational control. According to this approach, the accounted emissions are 100% of all emissions produced by a plant operated by Eni.

Planning

This Report is the result of a reasoned analysis of major topics for Sustainability, backed by a sharing and discussion process that has involved Eni at all corporate levels and has resorted to the Fondazione Eni Enrico Mattei's contribution.

The social, economic, and environmental characteristics of the energy sector in which Eni operates were first identified to contextualize the analysis of the aspects that are important for Sustainability. A subsequent analysis framework was based on key international standards, sector guidelines and Sustainability indexes, such as, for example, the GRI (Global Reporting Initiative), IPIECA (International Petroleum Industry Environmental Conservation Association), the DJSI (Dow Jones Sustainability World Indexes), the FTSE4Good (an index published both by the Financial Times and by the London Stock Exchange). A third analysis framework concerned the common practices and best practices adopted by the main competitors in Sustainability communications. Lastly, the

interests and expectations of stakeholders both inside and outside the Company were registered.

Stakeholder engagement in report drafting

Many corporate individuals were involved in the data and information defining and collecting process; besides, the project was also given visibility in the MyEni Intranet system.

During the Report's initial drafting phase, GfK Eurisko was requested to conduct a survey on the opinions of a sample of relevant stakeholders and internal and external opinion leaders with the aim of gathering contributions useful for the laying and publication of the Sustainability Report 2007. The issues on which a better communication by Eni was required were: Eni's main results, short and long term strategies, security of supplies, Eni's position towards climate change, investments for research and development of renewables, relations with and initiatives for territory and communities (with specific reference to training and local development initiatives), Eni's position on current events and country cases, and attention towards customers. Each of these has been dealt with in the Sustainability Report.

Reporting System

The Sustainability Report's drawing up phase was backed by a structured information and data seeking process, essential for the correct acquisition of them.

The information system ("Sustainability"), enhancing information flow reliability and ensuring a precise monitoring, has been used.

Contact persons were involved following an early phase to assess their relevance and information possessed and their respective key performance indicators (which were defined during the analysis phase) and, secondary, a phase to share the contents and data reported in the Sustainability

Report. The Sustainability system makes use of Eni's many existing databanks and is directly filled in by data owners. In each annual reporting cycle the last three years are verified.

Calculation methods

The details of calculation methods and trend explanations are reported along with the corresponding graphs. Described below are those related to the value added, the safety performance of staff, the Energy Intensity Index and the CO₂ emissions indexes.

The value added, i.e. the wealth generated by the Company in performing its business, is calculated with the principles listed by the Study Group for the Social Report as the difference between the production value and the associated intermediate costs. This Report's layout is based on the Global Value Added net of depreciation. The Net Global Value Added is then divided among the various beneficiaries as follows: employees (direct payment, i.e., salaries, wages and retirement allowance, and indirect payment, i.e., social burdens); public administration (income tax); financing institutions (interest paid on borrowed capital); shareholders (distributed dividends); company (reinvested profits).

As to the safety performance, this Report publishes the total Injury Frequency and Severity Indexes which include employees and for contractors. The Frequency Index is the ratio between the number of injuries causing absence of over one day (including fatalities) and millions of worked hours; severity is instead the ratio between days of injury-related absence (excluding fatalities) and thousands of worked hours. The Fatality Index, is calculated for employees and contractors, and is the ratio between fatalities and 100 millions of worked hours.

The Energy Intensity Index (EII) is the overall value of the energy actually used in a given year in the various refineries' processing plants, compared to the corresponding value calculated on the basis of each processing plant's previously established standard consumption. The data collected in 2000 were considered as a landmark (100%) in the comparison of the EII (%) data over the years.

In order to represent the CO₂ emissions trends in the exploration and production, refinery and power generation sectors, three indexes are published. These indexes take into account the different operating conditions over years.

The refining index is the ratio between GHG annual emissions and the Unit of equivalent Distillation Capacity defined by Solomon (tonnesCO₂eq/uEDC). The E&P index is the ratio between annual GHG emissions and the production of hydrocarbons (tonnes CO₂eq/ktoc), the

electric power generation index is the ratio between annual GHG emissions and the production of Enipower (gCO₂eq/kWheq).

Report drafting postulates

This Sustainability Report refers Eni's achievements, weak points and improvement prospects. Indeed the data reported were collected to draft a **clear balanced** analysis of corporate actions and features.

Moreover, the information and quantitative data collection process was organized to guarantee data **comparison** over an extensive period to ensure that information was correctly interpreted and all stakeholders concerned were provided with an overall view of the progress of Eni's performance. The process implementation and Report publication times were aligned with those of the Annual Report to ensure a **quick** grasp of Eni's performance in the economic, financial, social and environmental frameworks. The Company's internal and external stakeholders were consulted during both the analysis and the report closing phases to also guarantee the **comprehension** and **completeness** of the information reported. The complex, structured report planning phase (i.e., benchmarking, internal assessment, analysis of international guidelines and requests made by financial analysts and investors) was designed to define Eni's topics and **Sustainability context**, hence, to provide the criteria required to exhaustively define and represent significant information. To enhance the Company's **reliability** and commitment in the Report contents, the document was submitted for approval to the Steering Committee and Eni's Board of Directors. The report was also audited by an independent company, which acted as sole certifier of both the Annual Report and the Sustainability Report to check compliance with drafting and reference guidelines, economic and financial data consistency with other Eni documents and data and information consistency with the internal documentation.

Additional information and details on the topics proposed can be found on the website www.eni.it, "Sustainability" section.

The GfK Eurisko Survey on the Eni Sustainability Report 2007



Between October and December 2007 GfK Eurisko consulted – through interviews, focus groups and online forums - a selected sample of both Italian and foreign stakeholders as well as opinion leaders to obtain suggestions that would be useful in preparing and producing Eni's 2007 Sustainability Report.

The survey results have - in the view of GfK Eurisko – been fed into the second edition of the Report. Indeed there a number of notable improvements on the 2006 Sustainability Report.

The following are particularly in line with stakeholders' expectations:

- detailed description (at the beginning) of the energy market and the challenges facing the oil & gas sector in the key areas related to the sustainability challenge (co-operation with producing countries, ensuring energy supplies, climate change);
- the effective citation of a case history of cooperation (Egypt) which provides the chance to make reference to Eni's historical dimension, which we know is a founding characteristic of Eni's identity, mission and guiding values;
- clear and succinct presentation of the "sustainability model" which responds to an explicit request on the part of the majority of stakeholders;
- description of Eni's Code of Ethics alongside its Corporate Governance system testifying to the practical importance of the values which drive Eni;
- the greater concreteness of the section devoted to persons which focuses more on aspects that are perceived as priorities, particularly by internal stakeholders (health, safety, well-being, recognition of the value of employees);
- more detailed and better organised section devoted to territories and focus on policies, reference to transparency of payments and as well as the case of Kazakhstan;
- description – in the section devoted to customers of two initiatives that clearly illustrate Eni's customer orientation (the "30per cento" campaign and the "Eccellenza Rete" scheme).

As regards the form of the document, stakeholders particularly appreciated the reduction in size, the clearer layout as a result of the elimination of the "figures column", and the inclusion of "introductory outline" at the beginning of each chapter.

Stakeholders proposed improvements in three areas, which we believe are worth considering. They are: greater focus on problems and critical issues, inclusion of references to precise deadlines in the case of major areas of commitment and inclusion of references to other sources of information (particularly the website) for stakeholders interested in finding out more on specific issues.

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Assurance Statement



Advisory

ASSURANCE STATEMENT

To the Shareholders of
ENI SpA

- 1 We have carried out some testing and analysis of compliance of the Sustainability Report 2007 (hereinafter "Report") of ENI Group (hereinafter "ENI") as of 31 December 2007 following the procedures summarized in paragraph 3 of the present document.
- 2 Our work has been conducted in accordance with the principles and guidelines established by the "International Standard on Assurance Engagements 3000" (ISAE3000) as presented by the International Auditing and Assurance Standards Board (IAASB), applicable to this engagement. Our work has been performed with the aim of verifying, in accordance with limited assurance engagement principles, the Board of Directors' statement included in the paragraph "Methodological note". This paragraph states that the Report has been drawn up in respect of the postulates and the planning activity described in it. The Board of Directors of ENI is fully responsible for the contents of the Report completed in accordance with the above mentioned postulates and planning activity, our responsibility is attesting compliance to these postulates and planning activity.
- 3 In order to evaluate the Board of Directors' statement mentioned in paragraph 2, we performed the following verification procedures:
 - adherence and correspondence of economic and financial information to those reported in the ENI Group consolidated Financial Statements as of 31 December 2007;
 - analysis of the methodology of obtaining data and management of quantitative and qualitative data, through:
 - meetings with management representatives from the department responsible of drawing up the Report, in order to achieve a general understanding of the process developed and of the information system (named "Sostenibilità") used for information and data collection and analysis;
 - meetings with management representatives from ENI Corporate and from ENI Divisions, in order to achieve a general understanding of procedures supporting the collection, the consolidation and the subsequent management of data transmitted to the department responsible for drawing up the Report;
 - on-site verification of the Livorno refinery (Refining & Marketing

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- Sector), of the Ravenna Enipower power station (Gas & Power Sector) and of the controlled companies Eni North Africa BV and leoc Production B.V. (Exploration & Production Sector);
- on-site verification of El Gamil and Abu Madi plants owned by the affiliated company Petrobel Belayim Petroleum Company, of Bouri Platform owned by the affiliated company ENI Oil Co. and of Mellitah Complex plant owned by the affiliated company Mellitah Gas BV (Exploration & Production Sector);
 - analysis, on a sample basis, of the documentation supporting the Report in order to confirm the reliability of data and information collected through meetings, interviews and on-site verification and to confirm they were properly managed;
 - analysis on the completeness and internal consistency of the qualitative information included in the Report;
 - verification of the dialogue activities with Stakeholders, with reference to the methodology used and to the analysis and correspondence of internal minutes with the information included in the Report;
 - obtaining a representation letter signed by the legal representative of ENI SpA relating to the completeness and reliability of the Report and of the information and data included in it, as well as to the compliance with postulates and planning activity performed;
 - regarding the comparative data relating to the 2006 Sustainability Report reference should be made to our assurance statement dated 15 May 2007.
- 4 Based on the procedures carried out, nothing has come to our attention that causes us to believe that the Sustainability Report 2007 as of 31 December 2007 is not in compliance with postulates and with the planning activity stated in the paragraphs "Methodological note". The economic and financial data included in the Report correspond to those reported in the ENI Group consolidated financial statements and the other data and information are consistent with the internal documentation provided.

Milan, 14 April 2008

PricewaterhouseCoopers Advisory Srl

Signed by
Paolo Bersani
(Partner)

This report has been translated from the original, which was issued in Italian.
We have not performed any control on the Sustainability Report 2007 translation.

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Publications

Financial Statement prepared in accordance with Legislative Decree No. 127 of April 9, 1991 (in Italian)
Annual Report
Annual Report on Form 20-F
for the Securities and Exchange Commission
Sustainability Report
(in Italian and English)
Fact Book (in Italian and English)
Eni in 2007 (in English)
Report on the First, the Second and the Third Quarter
(in Italian and English)
Report on the First Half
prepared in accordance with Art. 2428 of Italian Civil Code
(in Italian)
Report on the First Half
(in English)

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Design: Opera

Cover: Grafica Internazionale - Rome - Italy

Layout and supervision: Korus Srl - Rome - Italy

Digital printing: Marchesi Grafiche Editoriali SpA - Rome

Printed on environment friendly paper: Fedrigoni Symbol
Freelife Satin and Freelife Vellum



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