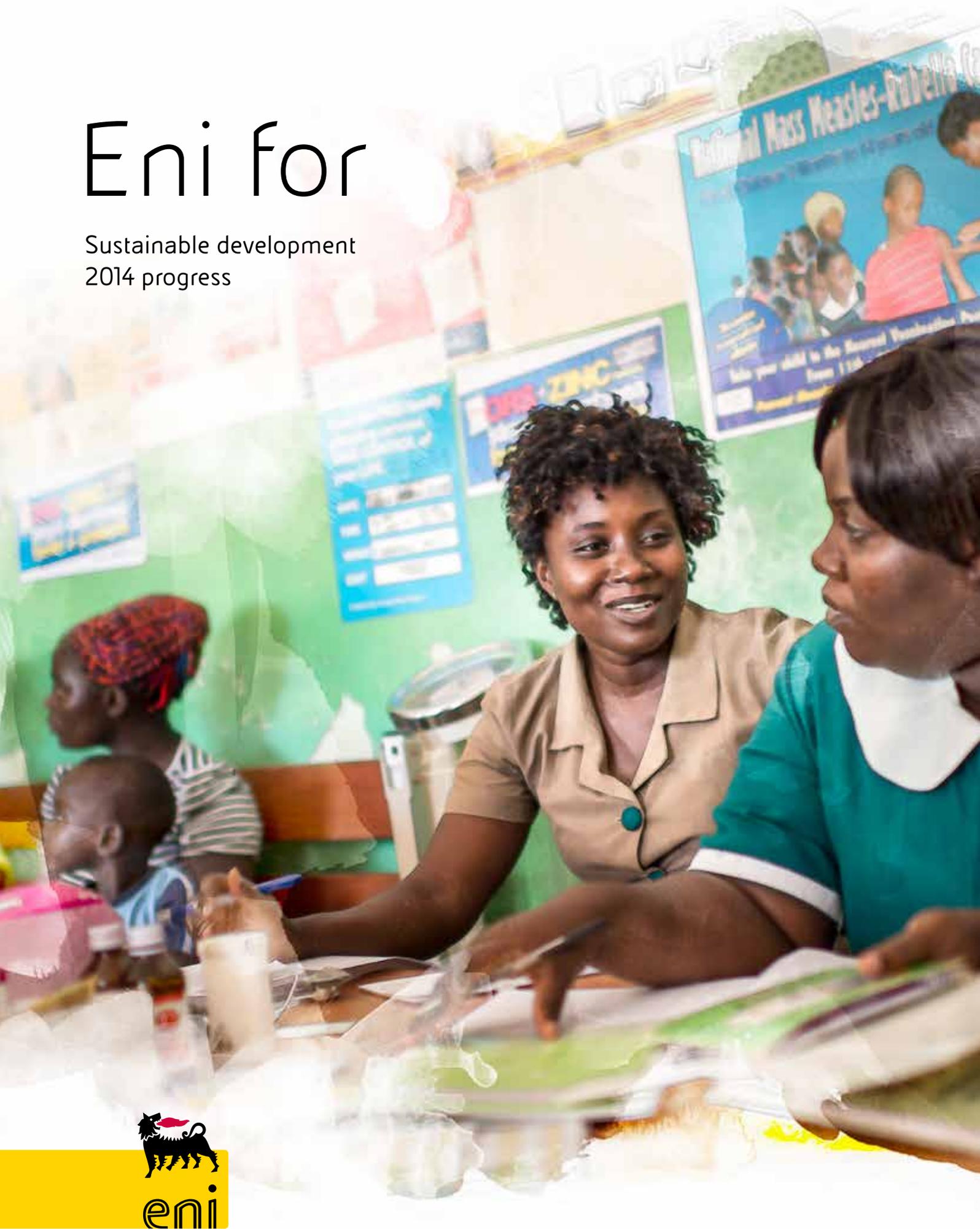


# Eni for

Sustainable development  
2014 progress



# 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.

# Eni for

## Sustainable development 2014 progress

Eni confirms its inclusion in the main sustainability indices



# Message to our stakeholders

The last year has been one of significant change for our company. We began a profound process of transformation in order to strengthen the company and make it able to create long term value.

The first step in this process was the company's reorganization from a divisional to a completely integrated model, which is simpler and more compact, in order to improve flexibility and efficiency. This reorganization brought immediate benefits in terms of processes speed and costs reductions.

During this transformation, sustainability has played an even more central role in the Strategic Plan. The important internal debate and the institution of the Sustainability and Scenarios Committee at Board of Directors level is the evidence to this commitment. The Sustainability and Scenarios Committee is the first of its kind in the Oil & Gas industry and has a particular role to play: it supports the Board of Directors in the implementation and continuous improvement of strategies, focusing on integrated sustainability scenarios.

In addition to focusing on continuous energy efficiency improvement, which is already in line with the best global standards, Eni is working on a long-term strategy to redefine the production mix and to promote access to energy, in compliance with the environmental safety requirements related to combatting climate change in the long term.

Following the approach that Eni has always adopted, we continue to promote cooperation and dialogue with local communities, respect for the environment and workers' rights, and the development of sustainable resources.

In the Countries where we operate, we promote a dialogue based on transparency and integrity employing concrete actions for the transfer of know-how, support for the development of local content, investments in social projects and above all a contribution to the development of local

infrastructure projects to enable access to energy.

Eni's approach is symbolized by the "dual flag": our flag alongside the local flag, not only at operational plants and fields, but also in the towns and villages where the development projects, which will eventually belong to the host Country, are implemented. The outlook is long term and is aimed at directly involving the Countries and local communities in the projects by sharing technological know-how and investing in infrastructure projects, such as those providing access to energy.

Eni was the first among the IOCs to invest in electricity generation capacity in Africa, making it possible for the natural gas produced to be used locally.

The access to energy programmes are part of a wider programme of initiatives aimed at benefitting local communities that also cover primary health care and support policies that facilitate the population's access to health services and infrastructure. We also support education and training and help with the introduction of new management practices of local cultivation to promote economic development.

A fundamental aspect of sustainability is the protection of the environment throughout the initial planning and design stages. This approach is a distinct hallmark of our *modus operandi*. We conduct our operations in compliance with international standards and agreements, as well as with national laws, regulations and policies. Environmental management is based on prevention, protection, information and participation criteria and its aim is to adopt the best technologies, mitigate the environmental impacts and protect biodiversity.

Within Eni, we are committed to the growth of our human resources, developing skills, expertise and a strong sense of belonging, which are at the root of our company's success.

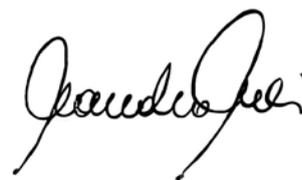
Our strategies are not focused solely on short-term goals, but rather look towards a more profound business transformation that is in line with the European 2030-2050 objectives, promoting the use of gas and the development of renewable resources.

The promotion of the use of natural gas is a key factor to meet the demand for energy in the developed Countries and the growing ones in developing Countries. The use of gas, along with improved energy efficiency and the continuous reduction of emissions, is our response to climate change which will lead us towards a low carbon future.

Furthermore, we are using technological innovation to support a green strategy that, in the field of green chemistry and bio-refining, promotes new entrepreneurship locally.

Our projects and initiatives demonstrate that it is possible to implement innovative solutions that convert traditional production cycles into a form of production that is sustainable and has greater value added, even in sectors that are currently experiencing difficulties.

Our history, our achievements, the energy of our people, together with our technical, technological and operational know-how, demonstrate that Eni can make a great contribution to find solutions to the new sustainable development challenges.



Claudio Descalzi  
*Chief Executive Officer*



# 1

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**“Eni strives to be a leader in innovating corporate communication and promoting awareness of future energy issues, in order to share this knowledge with our stakeholders and with the public opinion.”**

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CEO Claudio Descalzi



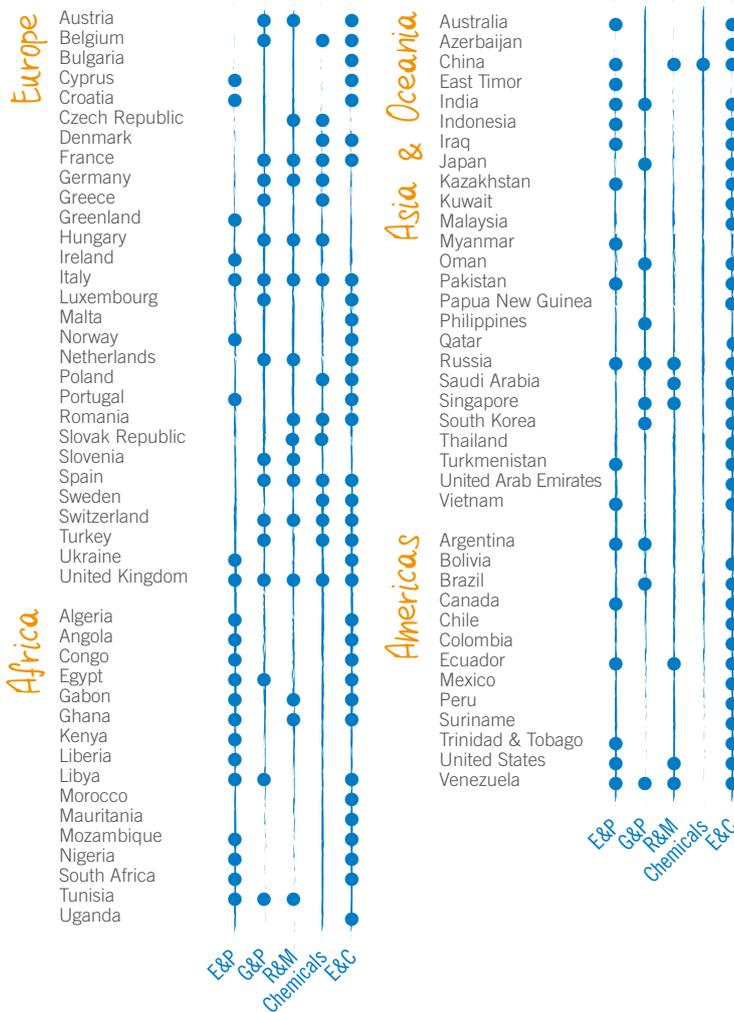
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**Eni in the world > 8**  
**Sustainability objectives and results > 10**  
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**Materiality > 21**

# 1.1 Eni in the world

Eni is an integrated energy company employing more than 83,000 people in 83 Countries around the world. It is a major player in the exploration and production of oil and natural gas, the refining and sale of oil products, the generation and marketing of electricity, chemicals and engineering and construction.

## Activities worldwide



## Main indicators

**83,599**

People\*, of which:

**13,650**

Women

**45,864**

Local employees abroad

**0.31**

Workforce injury frequency rate (injuries/million of worked hours)

**30.10%**

Shareholding (held directly and indirectly by the Italian State)

**3,707**

Adjusted net profit (million euro)

**15,110**

Net cash provided by operating activities (million euro)

**42.8**

Total procurement (billion euro)

**199**

R&D expenditures (million euro)

**13,957**

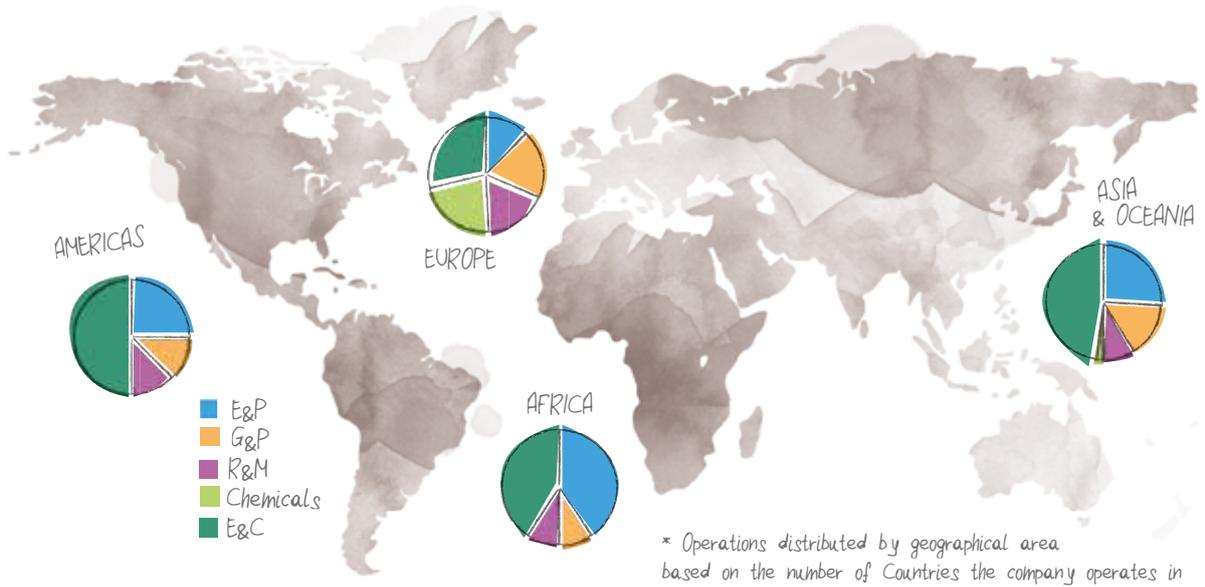
Net value added (million euro)

**42.93**

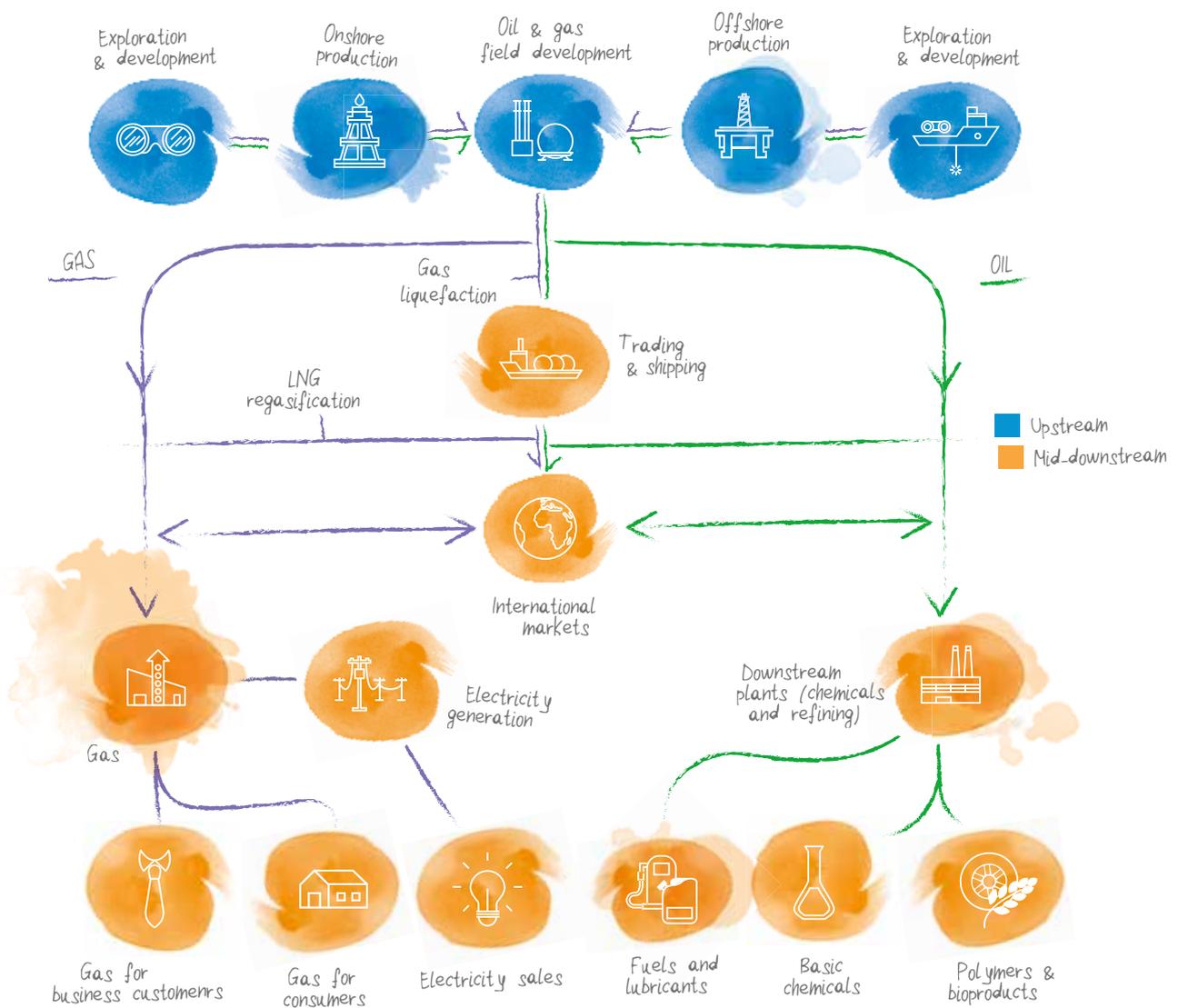
Total direct GHG emissions (million tonnes CO<sub>2</sub>eq)

\* The figure doesn't include the employees of consolidated companies by proportional method as mentioned in Integrated Annual Report 2014

### Geographic presence\*



### The production cycle



# 1.2 Sustainability objectives and results

The company is able to build long-term success by integrating sustainability objectives with economic and financial ones. Each year, Eni defines its sustainability goals and strategies and monitors their progress.

	COMMITMENTS	PROGRESS AS AT 2014	OBJECTIVES FOR 2018
<b>Governance and Business Ethics</b>	<b>Online and classroom-based Anti-Corruption training</b>	1,430 people have received Anti-Corruption training through e-learning and 2,480 people (employees and contractors) have been trained in the classroom in Italy and abroad.	Implementation of the Anti-Corruption training programme (e-learning, workshops, job-specific training and other classroom-based training).
	<b>Dissemination of the integrity culture</b>	Since November 2013, 11 "1 <sup>st</sup> level" workshops have been delivered to senior managers with significant corporate responsibilities (involving 186 people) and 41 "2 <sup>nd</sup> level" workshops have been delivered to the other managers (600 participants). 167 senior managers received web-based training along with 121 procurement staff members (pilot initiative in view of the extension of the initiative to middle management).	Introduction of references to integrity issues in all the training initiatives directed at senior and middle management as well as new recruits. Extension of web-based training to all levels, worldwide.
	<b>Increase the number of women in the Boards of Directors (BoD) and the Boards of Statutory Auditors in Italy and abroad</b>	Guidance and monitoring activities were implemented resulting in 34.4% of the positions on Boards of Directors in Italy being occupied by women rising to 39.1% in the case of positions on Boards of Statutory Auditors (only Eni appointments). With regard to foreign subsidiaries, the reshuffle of the Boards of Directors reflected the achieved target of 1/5 of the Board positions being occupied by women.	Taking as the minimum threshold for female representation at least 1/3 of the total, the aim is to gradually increase this to 40% for the appointments pertaining solely to Eni. With regard to governing bodies in foreign subsidiaries, the aim is to arrive at 1/4 of the board positions being occupied by women, provided there are no regulatory constraints or other local impediments.
	<b>Alignment of internal processes with the United Nations Guiding Principles on Business and Human Rights</b>	Preliminary assessment of the potential impacts on human rights in Mozambique. Initiation of planning for a training programme on human rights.	Consolidation of a management system for the respect of human rights.
	<b>Formalization of the land acquisition procedure</b>	Development of an operating instruction for managing land acquisition and resettlement cases in Mozambique, in line with international standards.	Formalization of the procedure in line with international standards and application in all the Countries in which Eni operates.

## People

### COMMITMENTS

#### Training on human rights and security

### PROGRESS AS AT 2014

Training session in Mozambique delivered to around 120 participants including private security firms, institutions and civil society.

### OBJECTIVES FOR 2018

Continued delivery of training courses abroad and implementation of a comprehensive information and training plan.

#### Suppliers audits

SA8000 audit carried out on 8 suppliers / sub-suppliers in Mozambique, Indonesia, Pakistan and Angola and 12 follow-ups on SA8000 audits carried out in 2013 in Congo, Ecuador, East Timor and Pakistan.

Definition and implementation of a supply chain audit plan based on risk criteria relating to human rights.

### COMMITMENTS

#### Reduction in the number of employee and contractor injuries as a result of initiatives to tackle incorrect behaviour

### PROGRESS AS AT 2014

Reduction in the number of injuries for the 10<sup>th</sup> consecutive year (LTIF: 0.31 and TRIR: 0.89).

### OBJECTIVES FOR 2018

Continuation of the projects “zero fatalities”, “Eni in safety”, HSE feedback on suppliers, and “Innovative systems for the prevention of road accidents” (Italian abbreviation: SIPIS). Adoption of methods and corrective actions to guarantee the highest standards of safety and asset integrity.

#### Monitoring the application of the ILO labour standards with regard to fundamental rights at work in the main Countries in which the company operates and issuing of operating instructions on maternity

Completion of the “Maternity Protection” survey (ILO 183) on local regulations and preparation of the proposed implementation procedures. Distribution of a webinar on non-discrimination for HR and managerial roles. Identification of the ILO 140 and 142 standards on vocational training and paid leave for training in order to initiate monitoring activities. Renewal of the agreement on the European Works Council, improving its efficiency and effectiveness.

Renewal with Industrial Global Union of the international Agreement on Industrial Relations and Corporate Social Responsibility. Preparation and implementation of a plan for the application of the ILO 140 and 142 standards on vocational training and paid leave for training. Extension of the specialist course on non-discrimination to middle-management level.

### COMMITMENTS

#### Increase in the reinjection of produced waters as an alternative to treatment

### PROGRESS AS AT 2014

Amount reinjected: 56%.

### OBJECTIVES FOR 2018

Increase the amount reinjected to 70% by 2018 and assess alternatives to reinjection.

#### ISO 14001 and OHSAS 18001 certification of the activities with a significant HSE risk profile

Upstream 86%, Midstream 100%, Downstream oil 92%, Subsidiaries 100%.

Achieve 100% by 2015.

#### Mapping of the areas of potential impact on biodiversity and ecosystems and implementation of action plans

Completion of mapping and conclusion of phase 2 of the Biodiversity project in Ecuador. Continuation of projects in the Arctic, Kazakhstan, Congo and Alaska.

Definition by 2017 of integrated action plans for biodiversity and ecosystemic services in 20% of the Assessment Units (AU) exposed to biodiversity risk in 2012.

## Environment

## Local development

### COMMITMENTS

#### Monitoring and evaluation system for community investments

### PROGRESS AS AT 2014

Development of management tools in line with international standards and trials in 5 pilot Countries. Initiation of collaboration with the Earth Institute (Columbia University) in order to monitor and evaluate the interventions in relation to the Hinda Project in Congo (PIH).

### OBJECTIVES FOR 2018

Systematization of the management tools, including the system for monitoring and evaluating community investments, and roll out of the system to all the geographical units. Conclusion of the project to monitor and evaluate the interventions in relation to the Hinda Project (PIH) in Congo.

#### Development of the Integrated Hinda Project (PIH) in Congo which envisages various intervention sectors (access to drinking water, health, education, agriculture)

80% achieved.

100% of the planned actions.

#### Continuous commitment on access to energy in Sub-Saharan Africa

Studies on proposed off-grid systems in rural areas of the Cabo Delgado province in Mozambique. Agreement for the supply of gas to electricity power plants in Ghana. Study on possible solutions regarding access to energy and management of drinking water in Angola. Electrification of villages on the outskirts of operational areas in Nigeria.

Development of new access to energy projects in Sub-Saharan Africa through innovative solutions.

## Energy and climate

### COMMITMENTS

#### Elimination of routine flaring activities

### PROGRESS AS AT 2014

75% reduction in the volume of gas flared compared with 2007 (due to investments of more than 2 billion €).

### OBJECTIVES FOR 2018

22% reduction of the volume of hydrocarbons flared in 2014-2018 period.

#### Reduction in energy consumption through continuous efficiency improvements

Savings in the 2008-2014 period of around 400 ktoe / year (of which 240 in R&M and 110 in Petrochemicals) amounting to a reduction of approximately 1 million tonnes of CO<sub>2</sub>.

Implementation by 2017 of energy efficiency initiatives that are able to achieve savings of 400 ktoe / year compared with those of 2010.

#### Use of renewable energy sources for fuels

Launch of the first biorefinery plant in Italy for green diesel production (Ecofining™ owned technology for high performance product): 90 kton produced with a maximum capacity production of 330 kton/year.

Construction of Green Diesel production plants able to satisfy Eni's demand for Green Diesel (1Mton/year) in accordance with European regulations and taking into account the 2<sup>nd</sup> generation feedstock requirements (drain oil, manufacturing scrap, etc).

# 1.3 Scenario

The political, economic and social scenario, stakeholders' main requirements and the evolution of the institutional and regulatory framework identify which emerging elements attention should be focused on. These aspects guide Sustainability directions on which Eni defines its strategies.

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## Scenario and competitive context

Over the last year the energy sector witnessed a series of important changes that have highlighted the need to develop the capacity to react quickly to address the dynamics in play.

Outside of Eni the enormous development of unconventional resources in the United States, together with the slowdown in the growth of demand for hydrocarbons, has had an impact on the global oil market, creating a surplus, drastically reducing prices in the second half of the year and leading to more structural changes in the market flow of crude oil.

At the same time, rising tensions in North Africa and the Middle East, where geopolitical risk increased, as well as international sanctions on important oil-producing Countries such as Iran and Russia, mean that there continues to be a high level of market instability.

To address these issues, Eni has decided to focus on simplifying its projects in order to reduce the executive risk and exposure, and to maximize the value of the portfolio by promptly implementing projects and ensuring the early monetization of discoveries. This is all made possible due to the availability of an ample supply of conventional resources, the high level of technical expertise associated with a new model for managing development projects with integrated control throughout all the

In order to address these complex dynamics, in 2014 Eni decided to focus on simplifying its projects and maximizing the value of its portfolio.



We are creating a stronger and more flexible company, able to achieve continued growth and create value in spite of the deterioration of the market scenario.

CEO Claudio Descalzi

phases (from engineering to execution to commissioning), and a strong technological leadership that makes use of the professional resources located within Eni.

To address structural changes in the refinery market, in 2014 Eni accelerated the process of resizing its refining capacity, particularly in Europe, by rationalizing and restructuring its business. By taking advantage of technological and industrial developments, Eni has been able to launch projects to convert traditional refineries into bio-refineries in certain important locations in Italy such as Porto Marghera and Gela.

The gas market, which in Europe is characterized by a continuous contraction of demand, has seen the volumes exchanged on the spot market increase and has required continued renegotiations of take or pay contracts.

Added to this is the growth of renewables in the energy mix, stimulated by European energy policies providing privileged access to substantial subsidies, and the expansion of coal due to the supply of large quantities at low cost, particularly in the United States. All of these dynamics have fundamentally transformed the mid and downstream business in Europe.

Eni, one of the leading operators at European level, still believes that gas is the ideal solution to offset the inconsistency of supply that is typical of solar and wind power and is in line with an energy policy that combines development, environmental protection and energy security.

Yet another strategic action in progress is the consolidation of the company's

**Technological innovation and environmental sustainability are some of the levers used by Eni to relaunch its industrial activities in Italy.**

presence in Africa, where important oil and gas projects are pending. Capacity building, local content, and projects that benefit local communities are key to sustaining local development, which is often a decisive factor in critical situations for producing Countries. The success model implemented in Africa is now being replicated in Asia where Eni is seeking to widen its presence.

## Agenda for sustainable development

2015 is an important year for the definition of the international agenda for sustainable development. The United Nations General Assembly proposes to approve the new Sustainable Development Goals (SDGs), which will provide Countries, international organizations, companies and associations with an indication of the priorities for implementing a more equitable and inclusive development strategy that respects the limitations of the planet's resources. In addition, the United Nations International Conference on Financing for Development to be held in Addis Abeba aims to define an agreement on the instruments to be used to finance the achievement of the above development goals. Finally, with the 21<sup>st</sup> Conference of the Parties (COP21) of the United Nations Framework Convention

on Climate Change (UNFCCC), it is hoped that there will be a new climate agreement for the post-2020 era, the year in which the second period of the Kyoto protocol is due to expire. Eni plays an active role in the preparation for these events, since it considers that the private sector can and must contribute to a shared assumption of responsibility. In particular, Eni has contributed to the drafting of the Synthesis Report of the Secretary-General of the United Nations through its role as co-chair of the working group on the Post-2015 Development Agenda, which is part of the Global Compact LEAD programme of the UN. Eni participates in this dialogue also through the UN Sustainable Development Solutions Network (SDSN), which is directed by Professor J.D. Sachs and involves academia, civil society and

international organizations, and which is engaged in the definition of a proposal of indicators and targets to measure progress with respect to the Sustainable Development Goals.

In the various contexts in which the company operates, Eni promotes the development of targets and indicators for measuring the contribution made by companies, as well as Countries, to the achievement of the Sustainable Development Goals. In this context, Eni has contributed right from the start to the joint efforts undertaken by the Global Compact, the World Business Council for Sustainable Development (WBCSD) and the Global Reporting Initiative (GRI), in order to equip the private sector with an organic set of management, planning and measuring tools suited to the new development agenda.

### Eni's partnerships

Combining equitable growth with respect for the environment is a complex challenge that requires the cooperation of various players to achieve a common goal at both the local and global levels. On access to energy, in 2014 Eni worked with The Earth Institute at Columbia University on research into new solutions to address the issue of energy poverty in Sub-Saharan Africa, in line with Eni's commitment to support

Sustainable Energy for All.

At the international conference "Regional Use of East Africa's Natural Gas" held in Ethiopia in 2014, a paper was presented on the use of gas for the internal African market.

In conjunction with The Earth Institute at Columbia University, work began on setting up systems for evaluating and monitoring the projects aimed at helping communities.

**Eni works in partnership with the academic world, civil society, international organizations and other companies to achieve equitable local and global development.**

Furthermore, on access to energy, Eni is the Official Partner for Sustainability Initiatives in African Countries at Expo Milano 2015 and is one of the founders of “World Access to Modern Energy & Expo 2015”, an association created through the alliance between eight large Italian and European energy companies and Expo 2015 SpA with the common goal of promoting the theme of access to energy at the Expo 2015 event. In relation to the theme of human rights, Eni is cooperating with the Danish Institute for Human Rights and has carried out a project aimed at identifying the impact on human rights of business activities in Mozambique. With regard to the efficient management of natural resources for a more inclusive development, Eni is involved in the OECD Policy Dialogue on Natural Resource-based Development, which promotes the sharing of best practices and the definition of policies including the producing member Countries of the OECD and partner Countries.

Within the context of IPIECA (global oil and gas industry association for environmental and social issues) and the WBCSD (World Business Council for Sustainable Development), which counts among its members companies in various sectors, Eni participates in

discussions on sustainability issues (biodiversity, local content, community development, reporting, human rights). Eni is still in the Steering Committee of the Global Compact LEAD programme and participates in the various workstreams, including the UN Post-2015 Development Agenda and the Realizing Long Term Value for Companies and Investors project.

Eni also participates in the Sustainable Stock Exchange initiative, which is aimed at introducing sustainability and transparency criteria to the requirements for accessing stock markets. Furthermore, Eni was one of only six companies in the world to take part in the pilot phase of the LEAD Board Programme, aimed at reinforcing awareness on sustainability issues to the Boards of Directors (more details are given in the Governance chapter).

With regard to transparency in the extractive sector, the company has confirmed its support to the Extractive Industries Transparency Initiative (EITI) and has actively sought to increase awareness in the Countries in which it operates. The publication of the Integrated Annual Report is evidence of the company’s transparency on communication. In this regard, the company has been a member of the International Integrated Reporting

Council’s business network since 2010. With regard to climate change, during 2014 Eni joined the Climate and Clean Air Coalition Oil & Gas Methane Partnership, which is aimed at reducing methane emissions, and also endorsed the “Zero Routine Flaring by 2030” initiative, which seeks to eliminate routine flaring by 2030.

Furthermore, Eni has contributed to the creation of the Oil & Gas Climate Initiative, which is a voluntary initiative of the Oil & Gas industry aimed at identifying common standards for the implementation of and reporting on activities that have an impact on climate change. This initiative, which was launched at the United Nations Climate Summit in New York in September 2014 in the presence of heads of state and international leaders, was enthusiastically received and is evidence of Eni’s continuous efforts to find effective means of collaboration in order to achieve the goal of sustainable development.

Research represents for Eni one of the levers used to tackle climate change. Over recent years Eni has been collaborating with the MIT in order to carry out scientific research in the solar energy field thus enabling the current limitations on renewable sources to be overcome and the achievement of optimal results.

# Stakeholder engagement

## Eni people

### METHOD OF ENGAGEMENT

- MyEni Portal and MyEni International
- Cascade Programme
- Moka (company's social network)
- Cascade e-mailing for relevant business projects
- Workshops (e.g. "idea-generation" projects)

### TOPICS OF INTEREST

- Health and safety at work
- Integrity - compliance
- Sustainability
- Professional development and sharing of know-how

### ACTIONS IN 2014

- HR ambassador project
- "Well done" web campaign
- Launch of the new version of MyEni
- Sustainability communication plan
- Brand activation initiatives
- "Idea generation" projects focusing on business and efficiency

## Financial community

### METHOD OF ENGAGEMENT

- Dialogue through the Investor Relations function and eni.com
- Conference call on the quarterly results
- Collective live presentations
- One-to-one meetings with financial analysts and portfolio managers
- Participation in thematic conferences

### TOPICS OF INTEREST

- Quarterly and annual results
- Further development of strategies and projects
- Sustainability performance and strategy
- Corporate Governance/shareholders' meeting agenda
- Risk management

### ACTIONS IN 2014

- Quarterly presentations and strategy 2014-2017
- Meetings with the SRI on the risk management model and on compliance, Country and operational risks
- Road-show on corporate governance in London and Paris
- Meetings with institutional investors and the main proxy advisors

## Local communities

### METHOD OF ENGAGEMENT

- Workshops/seminars
- Public meetings/consultations with communities
- Channels of communication
- Formal instruments for managing complaints (grievance mechanism)
- Partnership agreements for the implementation of social projects
- Formal instruments for participatory management of social projects

### TOPICS OF INTEREST

- Transparency of and information on business activities
- Assessment, mitigation and management of the environmental, social, health and human rights impacts
- Local content
- Grievance management (e.g. compensation, land use, potential impact on the local economy)
- Long-term strategy and participatory management of social projects

### ACTIONS IN 2014

- Publication of the 2<sup>nd</sup> edition of "Eni in Basilicata" and updating of the website; workshop to present the Basilicata Local Report to stakeholders
- Starting the project of mapping of key stakeholders in six pilot Countries: Angola, Congo, Kazakhstan, Mozambique, Nigeria, Pakistan
- Public consultation forums on business activities in Nigeria, Kenya, Mozambique, Norway, Italy and Russia
- Updating and continuation of the mechanisms for collecting and managing grievance in six pilot Countries
- Multi-stakeholder committees for the planning, management and implementation of social projects
- Drafting of Memorandums of Understanding (MOU) with local communities and other local partners for the implementation of social projects
- Updating of the dedicated websites (Naoc, Norway, KPO)

Eni believes that the participation and involvement of its stakeholders in business decisions are fundamental elements for the Countries' development.

## Suppliers

### METHOD OF ENGAGEMENT

- Meetings about and involvement in specific projects
- Local content development plans

### TOPICS OF INTEREST

- Supplier qualification and auditing
- Feedback on contract performance
- Audit SA8000
- Increasing awareness of the issues related to climate change/emissions
- Involvement of local businesses in Eni's supply chain

### ACTIONS IN 2014

- Development of supplier with regard to organizational and technical skills, quality, HSE and respect for human rights
- Support in making improvements following the negative outcome of an audit
- Human rights audit
- Invitation sent to specific suppliers to participate in the Carbon Disclosure Supply Chain
- Issuing of the procedure for the management of local content in the procurement process
- Energy efficiency project: qualification of suppliers for technical assessment services at plants in Italy/outside Italy
- Development plans for Local Content in Norway, Italy, Angola, Mozambique, Nigeria, Ghana, Kazakhstan, Congo

## National and local organizations and regulatory bodies

### METHOD OF ENGAGEMENT

- Institutional meetings, technical talks and hearings
- Responses to consultations, position papers, one-to-one meetings

### TOPICS OF INTEREST

- Development and enhancement projects linked to the different activities
- Regional development
- Support for renewable sources
- Regulation of tariffs for selling to protected markets
- Exploration activities in Italy
- Regulation of G&P business activities
- Supply chain security
- Green economy
- Environment (e.g. environmental remediation)
- International cooperation

### ACTIONS IN 2014

- Information and awareness initiatives, further study of technical and procedural aspects
- Site visits and surveys
- Participation in the work of the National ANCI (National Association of Italian Municipalities) and in Cinsedo (Interregional Studies and Documents Centre) activities
- Production site visits and surveys
- Active participation in energy efficiency matters and in discussions on energy sustainability in the future in Italy and Europe
- Participation in the work of the inter-institutional forum on Cooperation and Development
- Collaboration with the ministry for Foreign Affairs and International Cooperation on the "Italy-Africa" and "Arctic, climate change and eco-system" initiatives

## Business associations and Confindustria

### METHOD OF ENGAGEMENT

- Meetings, workshops, and participation in technical committees/commissions and associated roles

### TOPICS OF INTEREST

- Regional workshops to illustrate to Confindustria companies the qualification process for Eni supplier
- Discussion with Confindustria regarding the application of the aggregate "Business Network" model to Major Customers
- Meetings and discussions with the local branches of Confindustria in order to exchange information that is useful for Eni and the local area
- Issues relating to energy, sustainability and safety

### ACTIONS IN 2014

- Periodic meetings with the heads of Confindustria and the businesses associated with the system
- Delivery of workshops

## European institutions and international organizations

### METHOD OF ENGAGEMENT

- One-to-one meetings, technical talks, roundtables, answers to consultations, Corporate Advisory Panel
- Participation in industry associations, institutional working groups and public events and/or hearings at the European Parliament
- Collaboration with the OECD National Contact Points and participation in specific initiatives

### TOPICS OF INTEREST

- European energy policy
- Environment and fiscal policy
- Regulation of the financial markets for raw materials
- Regulation of the internal gas market
- Transparency of payments in the extractive industry
- Access to energy projects
- Issues related to the refinery industry
- Dissemination and application of the OECD Guidelines directed at multinational companies

### ACTIONS IN 2014

- Presence on the related coordinating body in order to support Italian participation in the work of the Arctic Council
- Contribution to realization and presentation of the publication "Africa Energy Outlook" by the International Energy Agency
- Contribution to the consultations of the European Commission
- Participation in the Policy Dialogue on Natural Resource-based Development organized by the OECD

## United Nations System

### METHOD OF ENGAGEMENT

- Inclusion in the Global Compact LEAD programme and presence on the relative Steering Committee
- Active participation in the activities promoted by Global Compact and its LEAD programme
- Presence on the Leadership Council of the United Nations Sustainable Development Solutions Network

### TOPICS OF INTEREST

- Sustainable development goals
- Human rights and business
- Decent work
- Anti-Corruption
- Transparency
- Environment
- Access to Energy
- Training of the Board on sustainability matters
- Investors and sustainability

### ACTIONS IN 2014

- Participation in the debate between the United Nations and business (Private Sector Focal Points Meeting; Private Sector Forum, Annual Forum on Business and Human Rights)
- Participation in the UN Climate Summit and the 1<sup>st</sup> Sustainable Energy For All Forum
- Management of the initiative "Energy for All in Sub-Saharan Africa" and participation in the "Regional Use of East Africa's Natural Gas" conference
- Contribution to the work of the Thematic Group on Good Governance of Extractive and Land Resources
- Participation in the pilot LEAD Board Programme for training the Board of Directors on sustainability issues
- Participation in the Global Compact Anti-Corruption working groups at the national and international levels
- Adhesion to the UN Global Compact Call to Action: Anti-Corruption and the Global Development Agenda and participation in the 10<sup>th</sup> anniversary of the 10<sup>th</sup> Principle of the Global Compact fight against corruption

## Other organizations in the field of Sustainability

### METHOD OF ENGAGEMENT

- Adhesion to and participation in WBCSD, Business for Social Responsibility, World Economic Forum, GGFR (Global Gas Flaring Reduction Initiative), Oil & Gas Climate Initiative (OGCI) and Climate and Clean Air Coalition Gas Methane Partnership, EITI (Extractive Industries Transparency Initiative), PACI (Partnering Against Corruption Initiative), B20 and IPIECA
- Adhesion to GRI (Global Reporting Initiative) and IIRC (International Integrated Reporting Council)
- Eni is an EXPO partner and a founding member of WAME

### TOPICS OF INTEREST

- Access to energy
- Environmental and social impact assessment
- Transparency and reporting
- Integrated reporting and value creation
- Human rights
- Climate change and reduction of emissions

### ACTIONS IN 2014

- Participation in the working groups of the WBCSD
- Participation in IPIECA working groups (on human rights, Reporting, Climate Change, etc.)
- Participation in EITI's O&G constituency
- Participation in the PACI working group set up in order to update the core principles of the initiative
- Active role in the Anti-Corruption working group of the B20
- Participation in the GRI G4 Pioneer Programme
- Participation in the IIRC pilot programme
- Participation in the O&G Climate Initiative working groups
- Contribution to the work of the WAME group
- Participation in the OECD Policy Dialogue on Natural Resource-based Development

## International and national NGOs

### METHOD OF ENGAGEMENT

- Collaboration and organization of joint events
- Specific topics conferences promoted bilaterally
- Participation in business networks (Sodalitas, Anima per il Sociale)
- Involvement in training and awareness-raising initiatives
- Consultation aimed at assessing impacts

### TOPICS OF INTEREST

- Climate change
- Security of plants in sensitive environments (offshore, the Arctic, etc.)
- Human rights
- Impact assessment
- Anti-Corruption
- Sustainability of operations in Nigeria (prevention and management of spills, reduction of flaring, remediation activities and compensating local communities)
- Transparency in corporate reporting

### ACTIONS IN 2014

- Dialogue with the main NGOs (eg. in Italy, WWF and Legambiente and abroad the dialogue with Amnesty International on the activities in Nigeria is particularly relevant)
- Involvement of NGOs in the "Security and Human Rights" Workshop in Mozambique
- Consultation with NGOs with regard to the preliminary assessment on Eni's potential impact on human rights in Mozambique
- Response to the requests of Global Witness and the Business and Human Rights Resource Centre

## Universities and research centres

### METHOD OF ENGAGEMENT

- Strategic partnership and collaborative agreements
- Corporate advisory panels
- Official bilateral meetings
- Communication exchange, sharing of information and one-to-one meetings
- Thematic workshops and meetings with partners in order to verify the progress of activities and circulate the results

### TOPICS OF INTEREST

- Business support activities (exploration and production, innovative refinery and petrochemicals technologies, distributed generation and electricity storage)
- Renewable energy (photovoltaic solar power and concentrated solar power, biomass used as an energy resource)
- Environmental protection technologies

### ACTIONS IN 2014

- Creation of "virtual laboratories"
- Renewal of Framework Agreements with the Milan and Turin Polytechnics, and with the Italian National Research Council and the Massachusetts Institute of Technology (Boston, USA) and Stanford University on the core Oil & Gas technologies and environmental remediation
- Signing of an agreement with The Earth Institute of Columbia University aimed at strengthening the systems for planning, monitoring and evaluating Eni's investments in local development

## Eni customers and Consumer Associations

### METHOD OF ENGAGEMENT

- Telephone survey and periodic qualitative research
- Interviews conducted by phone or in person at the point of sale
- Focus groups on the degree of usability of the online services
- Online forums

### TOPICS OF INTEREST

- Customer satisfaction and trials of new services
- Analysis of the level of satisfaction in relation to the services supplied (gas, electricity, fuel)
- Analysis of product and brand awareness
- Consultancy and technical support
- Analysis of energy consumption habits

### ACTIONS IN 2014

- Consolidation of the framework for interacting with Consumer Associations with regard to saving energy, preventing waste and the sustainable value of products and services (green chemistry, biofuels, smart mobility, energy efficient products and culture)
- Planning of corrective measures to address customer expectations and the requests of the Consumer Associations
- Creation of a specifically dedicated telephone line for the identification, assessment and implementation of solutions to criticalities related to the supply of gas and electricity
- Planning of corrective measures to address the areas identified for improvement
- Fine-tuning of sales and marketing initiatives and pricing strategies
- Definition of new supply models
- Launch of initiatives focusing on specific targets
- Development of a framework for interacting with Consumer Associations, aimed at joining together culture, consumerism and energy

# 1.4 Materiality

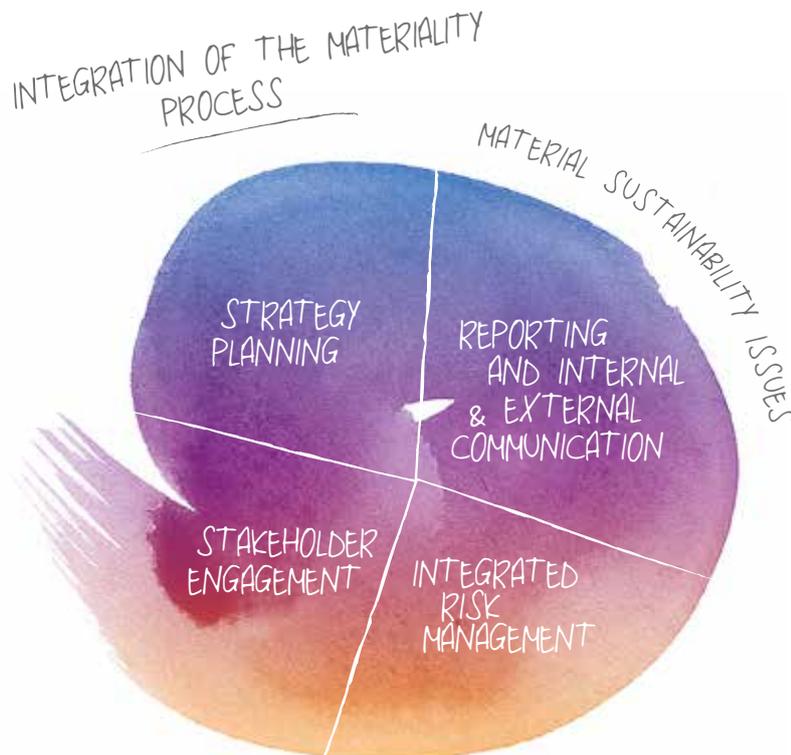
For Eni the identification of the most distinctive and relevant issues to the business is the main element to define strategies for value creation over time, to ensure the implementation of activities, to establish the contents of communication and dialogue with stakeholders.

Materiality is the result of a process of identifying, evaluating and prioritizing those sustainability issues that significantly impact on the company's

capacity to create value in the short, medium and long term.

Eni has designed a process to identify the material themes which

has been approved at the highest level and entails the involvement of these senior decision-makers in all company processes, from integrated risk management to strategy planning, from stakeholder engagement to internal and external communication and reporting, and to the implementation of operational decisions.



Eni has designed a process to determine the material sustainability issues integrated with all the company processes.

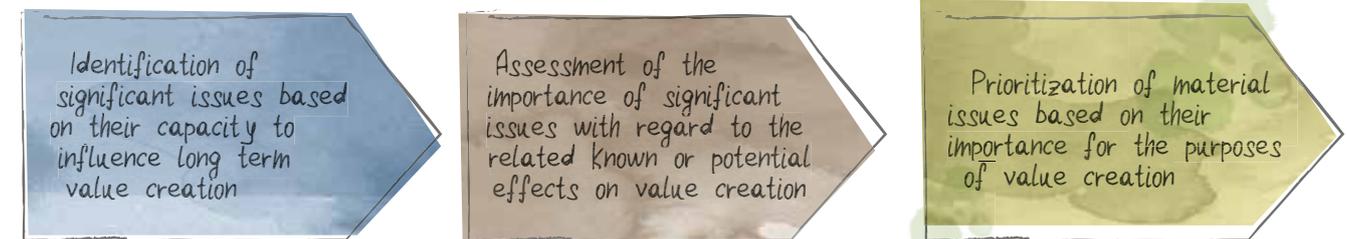
## Materiality definition process

The process for determining the material issues begins by identifying issues which are most important for the

business. These issues are related to social, environmental and governance aspects. The activities related to each

issue contribute to pursue economic objectives and results by guaranteeing sustainable value creation over time.

### Phases of the process for determining material issues



Using a specific method of analysis, Eni considers three perspectives.

#### **The strategic vision of top management.**

In order to grasp the vision of top management, in 2014 Eni carried out two distinct activities:

- a cycle of interviews with 12 top managers were carried out focusing on the role and significance of sustainability for Eni;
- an internal survey was sent to 140 managers with the aim of identifying the most significant issues for the creation of value, evaluating the extent to which sustainability is integrated into company processes and defining the most important stakeholders.

The results of these two initiatives were brought to the attention of the Board

of Directors during the first module of the sustainability training of the LEAD Board Programme.

**Risk assessment results.** Since acting sustainably also means identifying and planning initiatives to contain, mitigate and, where possible, eliminate business-related risks, the results of the risk assessments periodically performed in the company are an important source for identifying the sustainability priorities based on which improvement actions can be planned. In particular, the materiality process considers all the issues related to the company's top risks with a significant impact on health and safety, social, environment, image and reputation aspects.

**The stakeholders' perspective.** The stakeholders' perspective enables the company to understand and relate to

the external context in which it operates and it represents an important input for different corporate processes: it guides strategic planning and provides further insight on risks identification.

Since 2013 stakeholders' expectations have been gathered using a specific system that records and analyses complaints and their capacity to influence company activities. The application, which is known as the Stakeholder Management System (SMS), is based on the evaluation of stakeholders in line with parameters established by the applicable international regulations and it is designed to analyse and weigh all contact elements with the various stakeholders. This makes it possible to assess the significance of the issues for each stakeholder and

the weight attributed by the latter to Eni's performance in relation to those sustainability issues considered important.

At the same time, the materiality analysis is an important tool in the systematization of the stakeholder engagement process because it provides a clear methodological framework for mapping and evaluating stakeholders and issues, and therefore makes it possible to select, guide, and rationalize the listening and communication activities with regard to the contents and recipients of priority interest.

The model is based on two internationally recognized standards. On the one hand, it abides by the Accountability Principle Standard (AA1000), ensuring that the fundamental requirements of inclusion (coverage of all the engagement initiatives), materiality (analysis of the issues as perceived by stakeholders), and compliance (analysis of real/perceived company performance) are met. On the other, it follows the G4 GRI Sustainability Reporting Guidelines with regard to the process of continuous internal review of material issues.

Once the significant issues were identified, they were assessed to determine their relative importance using specific quantification metrics for each area considered. More specifically, interviews and surveys

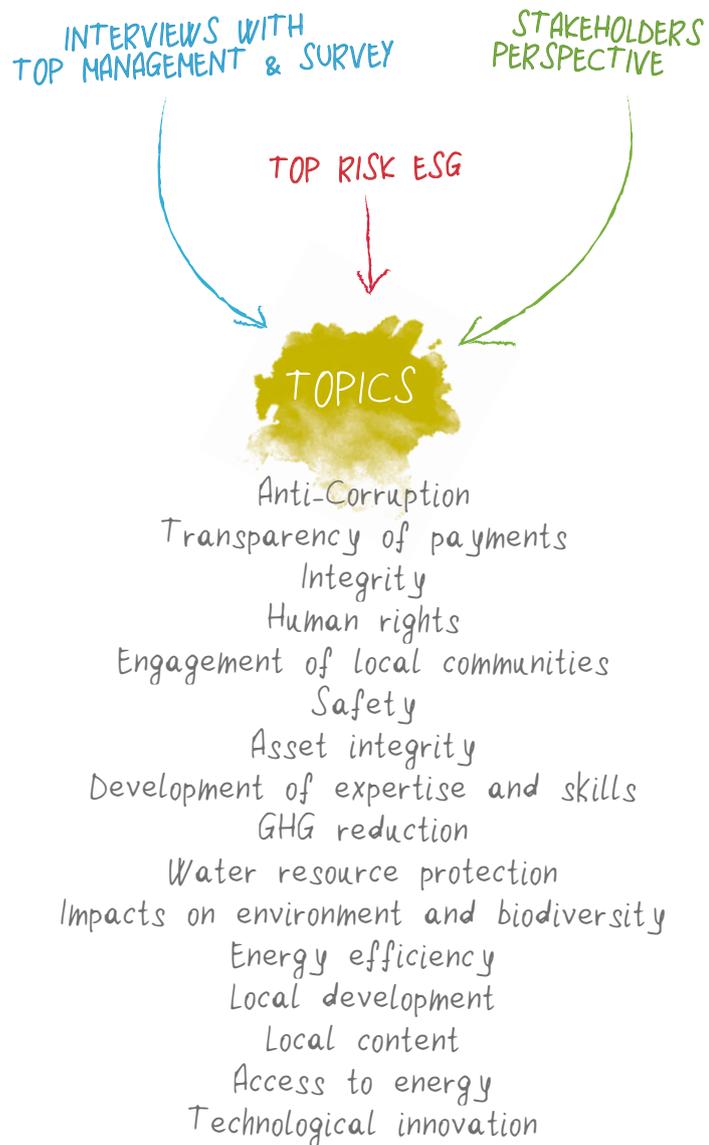
evaluated the importance of each issue for the purpose of creating value for the company in the short, medium and long term.

Risk assessment was used to determine the impact and probability of occurrence of potential risks related to each issue, while the stakeholders

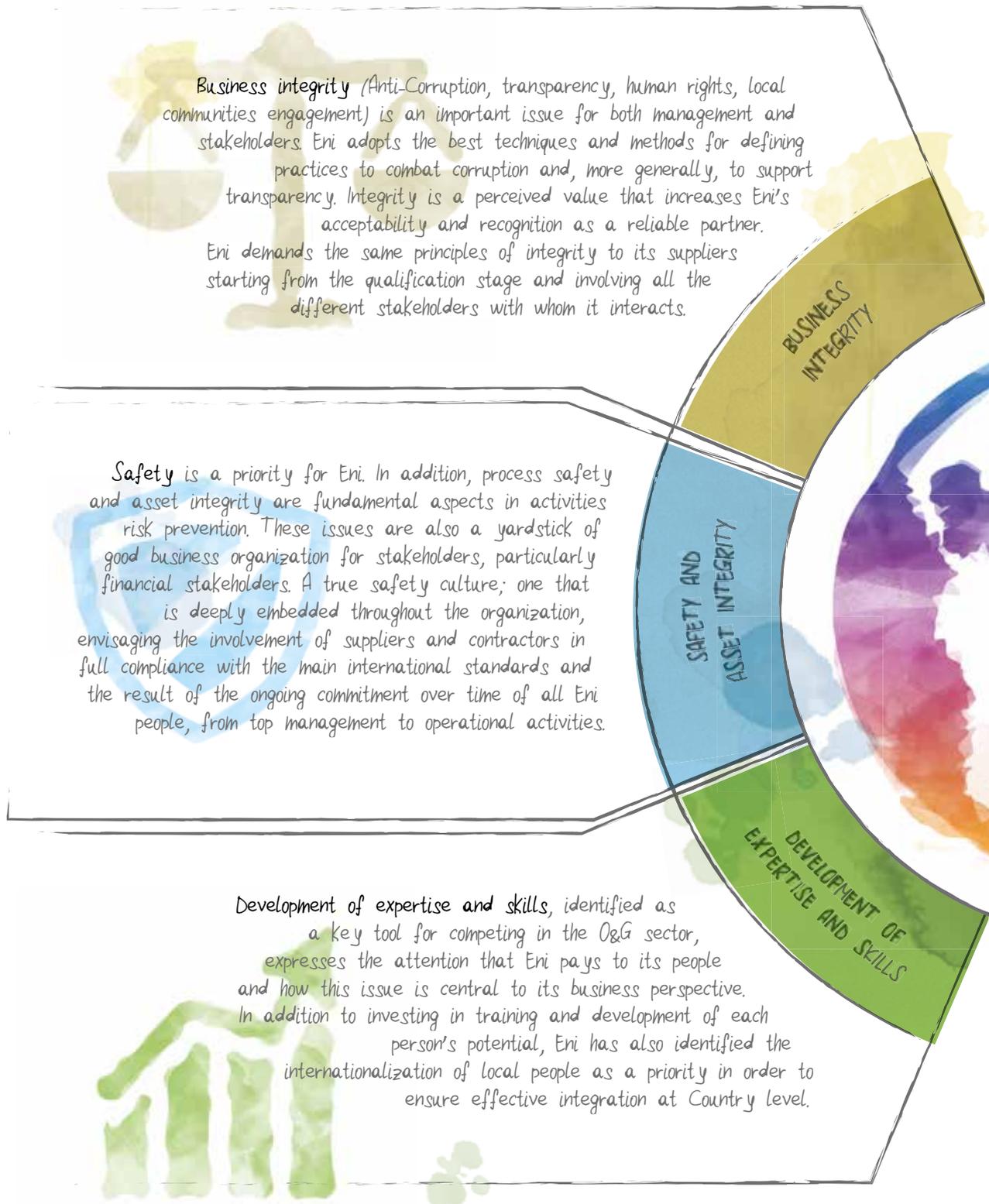
perspective highlighted the importance of each issue as perceived by the different types of company's stakeholders.

The combined results of the three perspectives outlined above allow the material issues to be identified (prioritization).

### Material issues



## Material issues



**Reduction of environmental impacts** (water resource protection, biodiversity, oil spills) and combating climate change (GHG reduction, energy efficiency). Eni is aware that environmental protection is a priority for the energy sector. For this purpose Eni is able to pursue levels of excellence maintaining a constant dialogue with the peers, local communities and NGOs to discuss, understand and respond to these stakeholders' expectations. Biodiversity protection, oil spills management, environmental risks management, soil protection are key elements of the operational excellence and of great relevance to the top management. Furthermore, combating climate change is a key factor for Eni's strategy which considers the use of gas, energy efficiency and emissions reduction as a response to climate change within the transition period towards a low carbon future.

**Local development, local content and promotion of access to energy** have emerged from the analysis as distinctive and essential parts of Eni's business model in the relationship with the territories in which it operates. The company is committed to understanding local needs and using its skills and capabilities to contribute to economic and social development and the creation of a sustainable energy system in developing Countries. This ensures long-term value creation for governments and development for the local communities with which Eni works in order to forge a bond of mutual trust and respect.

**Technological innovation** is considered a tool for improving the efficiency of operations, developing new businesses, improving safety at work and reducing environmental impacts. Business innovation, from green chemistry to biorefining, is important also in its broader connotation of reconversion and reindustrialization. The new technological frontiers and R&D activities appear, as technology, the more structured and codified areas for tackling market challenges and seizing the operational and strategic opportunities.

**“Our successes arise mainly from our exploration efficiency, resulting from advanced technologies and the distinctive skills of our people. Our model of relationship with the Countries allows us to create value over time.”**

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CEO Claudio Descalzi



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**Governance and Business Ethics > 28**

**People > 38**

**Environment > 54**

**Local development > 61**

**Energy and climate > 84**

# 2.1 Governance and Business Ethics

The principles of integrity and transparency guide Eni in defining an administration and control system suited to its size, complexity and operational structure, in the adoption of an effective internal control and risk management system and in the continuous updating of communication with shareholders and stakeholders.

Based on the principles of integrity and transparency, and in line with the strategic business objectives, the corporate governance system helps to support the relationship of trust between Eni and its stakeholders and to achieve business results, creating sustainable value in the long term.

Eni's corporate governance system is structured according to the applicable general and special regulations, the company By-Laws, the Code of Ethics, the recommendations established by the Corporate Governance Code for Listed Companies to which Eni subscribes, and relevant best practices.

Eni adopts the highest standards and international guidelines to manage its activities in all the contexts in which it operates.

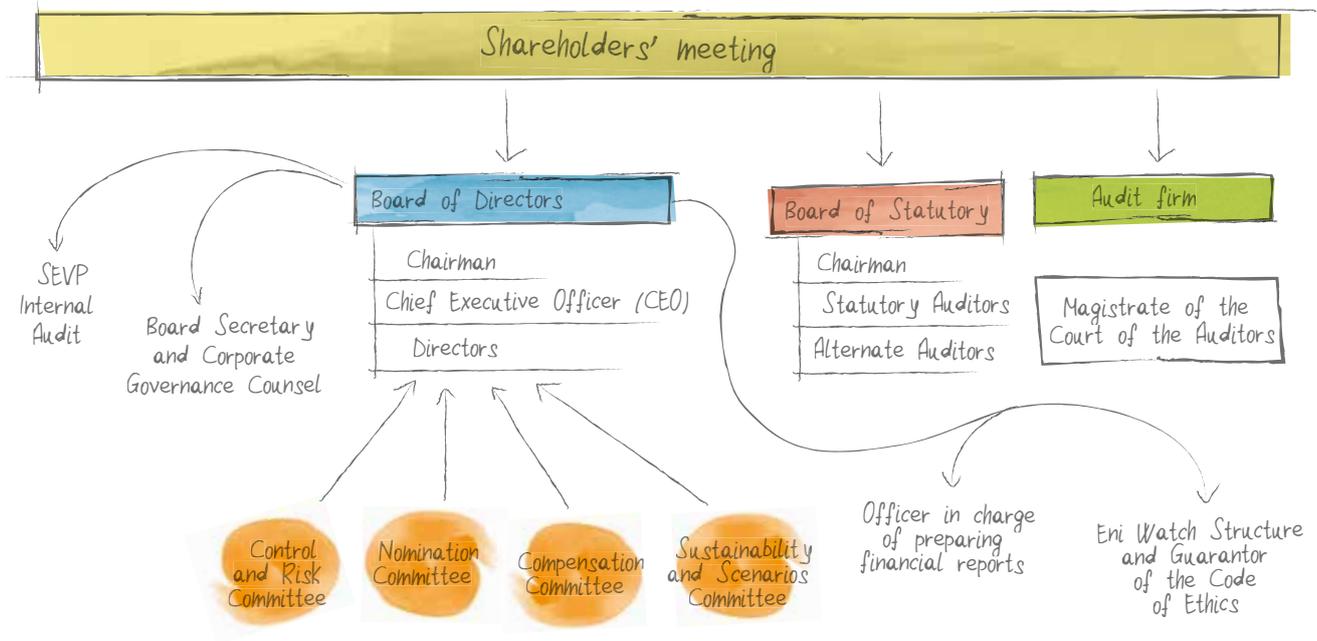
## Governance model

Eni manages its business and interaction with stakeholders, particularly with regard to the environment and communities, through its corporate governance system. In this context, Eni has set up a governance structure that is able to support

sustainable development strategies, identifying the Board of Directors (BoD) as the body responsible for defining sustainability policies and strategies and approving the related results, which are regularly presented to the Shareholders' Meeting.

To ensure that sustainability is at the core of the company's strategy, Eni's governance structure is based on the integration of processes such as risk management, planning, implementation and monitoring, reporting, internal and external

## Corporate Governance Structure



communication and remuneration. Risk events are assessed using impact parameters that are concerned not only with financial and operational factors, but also with social, environmental and reputational aspects. Upstream of this system there is an integrated planning process, in which sustainable strategies are part of the four-year business plan and guide the definition of managers' MBOs (management by objectives) to ensure their implementation. The purpose of reporting and communication is to provide an integrated overview of the existing connections between the

various forms of capital used by the company.

In 2014, with the installation of the new BoD, the company's commitment to sustainability issues has been further strengthened by the greater diversification in terms of the expertise, managerial experience and internationalism of the Directors Board members, and by the creation of the Sustainability and Scenarios Committee.

The Committee, having advisory and consulting functions, reports directly to the BoD and is comprised of four non-executive Directors, the majority

of whom meet the independence requirements.

The Committee's regulations stipulate that its purpose is to deal with the processes, initiatives and activities aimed at supporting the company's commitment to sustainable development throughout the value chain, particularly with regard to: the health, well-being and safety of people and communities; the protection of rights; local development; access to energy; energy sustainability and climate change; environment and the efficient use of resources; integrity and transparency; innovation.

In 2014 the Sustainability and Scenarios Committee dealt mainly with issues relating to Eni's sustainability strategies, gas advocacy, sustainability indices, international energy and climate policies and market scenarios. In 2015 the Committee intends to address other fundamental issues for Eni such as local content, climate change strategies, remediation and planning activities.

Furthermore, within the wider context of the Board Induction programme, in order to further integrate sustainability into the Board's agenda and reinforce awareness of the importance of sustainability for the company's business and strategy, Eni is taking part in the pilot phase of the "UN Global Compact LEAD Board Programme", which is dedicated to training Directors on sustainability issues, having already actively contributed to the development of the programme at the UN.

The second session of the programme titled "The role of the Board" will be delivered in 2015 and will enable Directors to understand and better define their crucial role in developing sustainable strategies.

The Sustainability and Scenarios Committee was established in 2014 in line with the new strategic approach and organizational structure.

## Human rights

Eni is committed to ensuring respect for human rights in line with the United Nations Guiding Principles on Business and Human Rights. This commitment is demonstrated through:

- the continuous improvement of the methods and processes aimed at preventing and mitigating potential and actual impacts;
- integrating the results of the analyses conducted;
- monitoring and reporting on performance;
- dialogue with stakeholders, experts and peers, particularly within the IPIECA Human Rights Task Force.

This approach is applied across all functional and business areas and

entails targeted interventions for the geographical areas and operations in which the role of Eni and its impact can be particularly relevant.

In 2014 the "human rights" project was launched in Mozambique, a Country of particular interest to Eni given the recent exploration discoveries. The company is mindful of the importance of considering human rights at the outset of planning activities and so in 2014 Eni, with the support of the Danish Institute for Human Rights, conducted a preliminary assessment of the most significant potential impacts of its activities on human rights in the Country. The analysis involved Eni people at all the operating sites of the

# 19,823

suppliers subjected to qualification procedures including screenings on human rights

# 20

SA8000 audits carried out of which

# 12

follow-ups

local subsidiary as well as external stakeholders, and was conducted through a series of interviews with local, national and international institutions and associations.

The results of the analysis were verified and discussed during a workshop involving the various functional areas concerned at group level and the management of the subsidiary. At subsidiary level an evaluation is currently being made about adopting a procedure aimed at ensuring human rights are respected in managing land acquisition and resettlement cases in Mozambique, in line with local regulations and international standards. In keeping with the objective of laying the foundation for the development of operations in Mozambique that takes into account human rights, in 2014 the following events took place:

- a training course for the managers of the most relevant departments in the subsidiary, conducted by the Danish Institute for Human Rights;
- a specific workshop on human rights and security, which was attended by around 120 participants not only from the private security firms that work for Eni but also from the institutions and civil society.

The workshop on “Human Rights & Security”, which was aimed at both public and private security forces,

is part of the company-wide training programme that began in 2008, which to date has delivered training to more than 2000 operators. In 2014 Eni also oversaw the organization of an additional training course which was held in Kenya in early 2015, with the participation of national and international NGOs. In the same year the specific conduct clauses of the contracts with the security forces were updated. The clauses provide for the right to early termination from the contract in the event of any non-fulfillment. The new provisions also introduced more stringent requirements regarding the protection of workers and members of the community. To date the clauses have been added to around 90% of the contracts concluded with suppliers of Security Services in Italy and abroad.

With regard to suppliers, Eni considers respect for human rights as a requirement during the selection process and conducts specific human rights audits of the suppliers based on the SA8000 standard. In 2014, in addition to the ordinary checks carried out during the qualification process, SA8000 audits were carried out on 8 suppliers and sub-suppliers in Mozambique, Indonesia, Pakistan and Angola and 12 SA8000 audit follow-ups were carried out in 2013 in Congo, East Timor and Pakistan. In order to support these activities, in 2014 a further 5

People trained

**2,000**

security forces operators  
on Human Rights & Security  
since 2008

**90%**

security contracts containing  
clauses on human rights

people from Congo, Angola, Indonesia and Mozambique were trained as SA8000 procurement auditors. In total 31 people received training, including two Lead Auditors.

2014 also marks the launch of plans to roll out a comprehensive company training programme on human rights which will aim to identify differentiated

approaches based on the exposure to risk. Due to the complexity of the task, Eni is investing significantly in programme planning and also making use of the support of the Danish Institute for Human Rights.

Eni is also working to strengthen the channels through which whistleblowing reports can be made, also with a view

to preventing violations.

In 2014 Eni adopted a new version of the Whistleblowing Procedure which further strengthened the measures aimed at ensuring awareness of the procedure by Eni people and third parties. At the same time, Eni is participating in the IPIECA project to trial the grievance mechanisms in local communities (see the chapter on Local development).



## Integrity and transparency

Eni bases its corporate culture on the concept of integrity which translates into transparency, the fight against corruption, respect for human rights, work, health and safety of people. In 2014 the Integrity Culture project continued, aimed at reinforcing the ethical competence of management and employees as it is a fundamental aspect of responsible leadership. This project is aimed at ensuring that the integrity culture is in line with company regulations and processes and it envisaged the implementation over the year of a programme based on three pillars:

- The definition of a regulatory system that makes the regulations' content more accessible and understandable by all. Following the drafting and issue of the Management System Guidelines, operating instruments were drawn up to support the use and rapid comprehension of the guidelines and procedures.
- At the beginning of 2014 a Competence Centre was set up with a dedicated task force to offer support and assistance mainly through the Help Desk and onsite interventions;
- Training, in order to promote the issue of integrity to all Eni people and to share the key messages.

(see chapter on People, with special refer to page 44);

- Internal communication, to make all the initiatives in progress more visible and to incorporate ethics into the everyday reality of the business.

Transparency is an important tool in the prevention of corruption and in encouraging the proper use of resources from the extractive sector.

Therefore Eni intends to make its own contribution by acknowledging the legitimate transparency concerns raised and taking part in discussions with governments, civil society and international organizations with a view to defining a global standard of transparency on payments common to all operators in the industry.

In 2014 Eni was ranked first in the research on "Transparency in corporate reporting" conducted by Transparency International, which involved one hundred and twenty-four of the listed multinational companies in the world. The research analysed companies' corporate reporting and assessed the level of transparency in three areas: Anti-Corruption programmes, company holdings and the disclosure of key financial information on a country-by-country basis.

In 2014 Eni was first in the research on transparency in corporate reporting conducted by Transparency International.

This result is due to the progressive extension of the information provided by Eni, which was also aimed at responding to the requirements of Transparency International.

For instance, information on Countries in which the various subsidiaries and associated companies operate has been integrated and improvements have been made to the description of local community projects implemented in various Countries.

Concerning transparency on payments, Eni has taken steps to increase transparency prior to the entry into force of the related legislation, in addition to its continued support to the Extractive Industries Transparency Initiative (EITI).

In particular, Eni believes that the active involvement of governments is necessary to ensure a good use of extractive resources. For this reason, the company has made contact with all of its upstream counterparties in order to share with them its commitment to transparency and to ask for their permission to publish taxes, royalties and other payments envisaged by the EITI Standard and European Directives.

As a result of this activity, the following table shows the payments made (“cash basis”) during 2014 to Governments (including local authorities and other governmental agencies) for those Countries in which the relative governments/local authorities/

governmental counterparties have given their permission for publication. The data have been extracted from Eni’s accounting records and relate to the parent company and consolidated subsidiaries. 100% of payments related to Eni’s oil initiatives, also if carried out on behalf of partners, are reported. Payments made by operators on Eni’s behalf in oil initiatives where Eni is not an operator are not shown.

The payment categories are in line with those provided for by the EITI Standard. The Countries subject to disclosure contributed to around 38% of Eni’s production in 2014 (50% including the three further Countries implementing the EITI shown in the table).



## Transparency of payments

(euro thousands)	Year	Host government's entitlement	National Oil Companies entitlement	Profit taxes	Royalties	Bonuses	Fees	Other significant payments and benefits	Capital Expenditure <sup>(*)</sup>	Revenues from sales of equity hydrocarbons <sup>(*)</sup>
Australia	2014			6,337			568		33,654	112,435
Cyprus	2014						313	600	94,634	
Ecuador	2014			16,183					32,120	112,606
Gabon	2014						15	1,129	72,379	
Ghana	2014						158	903	30,443	
Indonesia	2014			49,374					625,521	226,943
Iraq	2014			10,109				14,285	360,074	510,413
Italy	2014				327,187		1,928	13,028	923,121	3,028,401
Nigeria	2014	5,749		256,346	242,182		48	25,565	834,474	2,133,497
Norway	2014			314,619			13,498		1,366,403	2,070,686
Pakistan	2014			48,667	33,501		423	3,381	107,935	304,479
United Kingdom	2014			188,852			1,364		273,731	1,149,012
East Timor	2014	84,510		47,593	2,135		610		92,096	254,001
Vietnam	2014					1,505		424	12,449	
<b>EITI DATA (**)</b>										
Kazakhstan <sup>(a)</sup>	2013			405,743				(4,467)		
Mozambique	2012			33,069				156		
Republic of the Congo <sup>(b)</sup>	2013		35,600	17,810			1,196	19,325		

(\*) Accrual basis.

(\*\*) The reported data refer to the last EITI disclosure issued in relation to EITI Countries where Eni did not receive consent from relevant Government/Authorities to publish 2014 data on voluntary basis

(a) The 2013 EITI report is showing payments for a total amount of 10,296,119 thousand of Tenge (KZ) for "Social Development and Local Infrastructures" that are not reported in the above table since they were made by the operator NCOC BV of the North Caspian Sea PSA.

(b) In addition to the amount showed in the table some transfers "in kind" were made amounting to 10,864 kboe.

## Royalties paid in Italy in the 2012-2014 period

	(euro thousands)	2012	2013	2014
Royalties paid <sup>(a)</sup>		237,517	298,383	327,187
- of which to the State		96,948	138,302	149,454
- of which to the Regions		109,949	125,596	130,610
- of which to Basilicata		77,255	91,862	94,925
- of which to the Municipalities		30,620	34,485	47,123

(a) The data include Eni SpA (Exploration & Production), Enimed, Società Adriatica Idrocarburi and Società Ionica Gas.

At the local level, in the Countries that joined the EITI, Eni supports the implementation of the initiative by contributing to the preparation of the Reports and, in some cases, by participating in the work of the local Multi Stakeholder Groups.

In 2014 the subsidiary in Mozambique has joined the local Multi Stakeholder Group, while Eni is already active for years in the Multi Stakeholder Group in the Republic of the Congo and in East Timor. Eni is following closely also the start up of EITI's implementation in

Ukraine. In Kazakhstan and Nigeria Eni is represented in the Multi Stakeholder Groups through trade associations of which Eni is part. For more information on the implementation process in the Countries of operation, please see eni.com.



We act correctly and ethically. All the colleagues who work in different departments act in accordance with our business processes, following strict procedures, working as a team, each one sharing its expertise.

CEO Claudio Descalzi

## Fighting corruption

Corruption represents an unacceptable obstacle to business efficiency and fair competition. In line with the principle of “zero tolerance” set out in the Code of Ethics, Eni has sought to tackle the risk of corruption using a system of rules and controls aimed at preventing corruption offences – known as the Anti-Corruption Compliance Programme – and a specifically dedicated unit able to provide specialist Anti-Corruption support to the Eni departments and unlisted subsidiaries in Italy and abroad (Eni Anti-Corruption Legal Support Unit).

Eni’s Anti-Corruption Compliance Programme was developed in line with current applicable Anti-Corruption provisions as well as with international conventions such as the UNCAC Convention, the OECD Convention on Combating Bribery of Foreign Public Officials in international economic operations, the GCPA, Italian Legislative Decree 231/01 and the UK Bribery Act.

On 29 October 2014, Eni SpA’s BoD approved an update to the Anti-Corruption MSG (Management System Guideline), which provides a systematic framework of Anti-Corruption regulatory instruments that have been planned and implemented by Eni over time, and which aims to provide Eni people, and all those who work with Eni in Italy and abroad, with all the principles and rules to be followed in order to ensure compliance with Anti-Corruption legislation. This MSG is mandatory for Eni and its subsidiaries. Eni provides mandatory Anti-Corruption training through online course (e-learning) and classroom-based training (workshops) delivered by the Anti-Corruption Legal Support Unit in Italy and abroad. In 2014 around 1,430 Eni employees received Anti-Corruption training through e-learning while around 2,480 employees and contractors were trained in the classroom.

Anti-Corruption:

**2,480**

people trained  
in the classroom

**1,430**

people trained through  
e-learning

Eni plays an active role at national and international level allowing it to discuss the fight against corruption with key players and also to contribute to the development of best practice on this issue. In this context:

- Eni contributes to the B20 work on the fight against corruption. In 2014, as part of the Australia B20, Eni played an active role in the Anti-Corruption Working Group in which Eni's Chief of Legal & Regulatory Affairs was appointed as a member of the Expert Group (group of experts that identify the priorities for fighting corruption).
- On 17 November, 2014 Eni took part, through ACLSU, in the OECD's Policy Dialogue on Natural Resource-based Development which was held in Paris and also subscribed to the Work Stream 4 on "Detecting corruption risks in

extractives" (multi-stakeholder working group set up in order to identify scenarios with a high risk of corruption in the extractive industry).

- Eni also joined the PACI (Partnering Against Corruption Initiative), an Anti-Corruption initiative under the umbrella of the World Economic Forum, of which Eni's Chairman is a Board Member (Vanguard Steering) and the Chief of Legal & Regulatory Affairs is a Board Delegate. Eni participated in a restricted working group, set up in order to update the core Anti-Corruption principles of PACI, which were then presented at the meeting in Davos in January 2014.
- Furthermore, Eni is an established partner of the United Nations Global Compact and participates

in working groups set up to work on the 10<sup>th</sup> principle dealing with the fight against corruption. In this context, in October 2014 Eni joined the "UN Global Compact Call to Action: Anti-Corruption and the Global Development Agenda", a petition aimed at getting governments to strengthen their Anti-Corruption measures and implement strong governance policies. On 10 December, 2014, Eni also took part, through ACLSU, in an event held in New York on the tenth anniversary of the 10<sup>th</sup> principle of the UN Global Compact on Anti-Corruption.

Eni also participated in a working group that looked at the different approaches companies can adopt when liaising with investors on questions related to Anti-Corruption matters.

# 2.2 People

Eni is aware of the fact that its own people play a strategic role in the company’s success. The centrality of their role is enshrined in the “Our People” Policy, which highlights the connection between expertise and dedication and the achievement of the company’s goals.

Eni considers the features and ambitions of its people as a valuable resource and is committed to creating a working environment that guarantees equal opportunities and values the results, professional

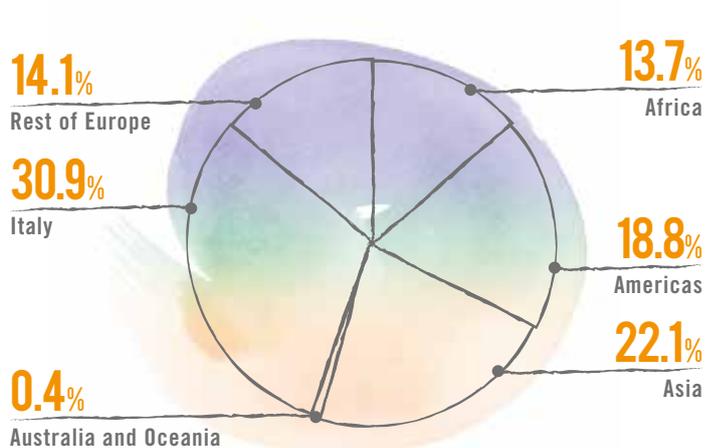
skills, experience and potential of its employees. Its operational excellence is built on all the actions implemented by Eni to ensure the safety of its people, local communities and the company’s partners in all contexts.

In 2014 Eni’s people have increased by 1.8% compared to 2013.

Eni’s people



Geographical distribution of Eni’s people in 2014



## Safety

Safety is one of the more complex aspects of a company's sustainability. Even though the results are easily observed through indicator trends, there are many underlying factors: work organization, risk assessment and mitigation, training, the state of the equipment, management of production processes, corporate culture and the management's leadership on the subject. This is why safety performance is also an indicator of good company management overall.

Since 2007 Eni has included safety among the targets linked to top management remuneration and over the years it has defined related goals that are ever more challenging. Even

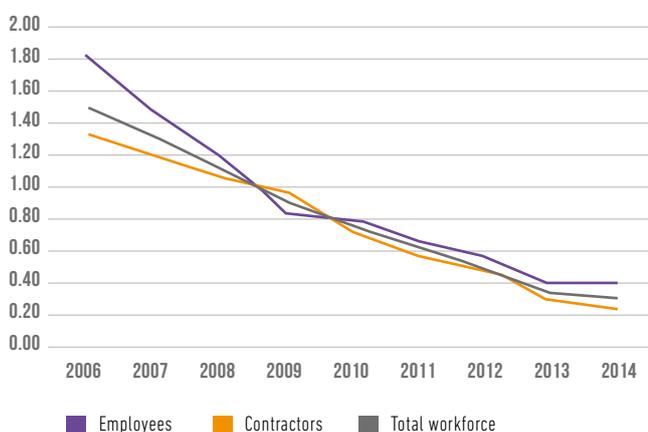
though it has achieved significant results, Eni continues to work to further improve its performance by remaining highly focused on the health and safety of Eni people and contractors. Since 2006 the number of injuries has decreased each year achieving an almost 80% drop by 2014 (in terms of the Lost Time Injury Frequency - LTIF), while the TRIR (Total Recordable Injury rate) has gone down by 60%.

These objectives were achieved through the application of a health and safety management system; by 2015 all plants with a significant risk will be OHSAS 18001 certified. The exchange of information and the dissemination of a corporate culture, also through

initiatives to raise awareness and specific training courses delivered to the entire workforce with no exceptions, are fundamental aspects of the whole company's commitment to maintaining good safety results.

Over the course of 2014 the LTIF and TRIR went down by 26% compared with 2013 (respectively by 14% and 16% if we include the performance of the engineering and construction subsidiary Saipem). The fatality index has been steadily decreasing over the last 4 years (0.72 in 2014). Regrettably, however, in 2014 there were 4 fatal accidents at the premises of Eni contractors in various geographical locations (two in Italy in downstream

**Injury frequency rate (LTIF)**  
((injuries / hours worked) x 1,000,000)



**Fatality index**  
((fatal injuries / hours worked) x 100,000,000)



sites and two abroad in I&C and upstream operations). These fatalities were caused by impact/crushing in three cases and by asphyxiation in a confined space in one case. The corrective measures put in place consisted of updating the work permit procedures, checking the conduct of

sub-contractors, which entailed also carrying out operational checks in the field, and HSE audits. Given the predominance of impact/crushing as a cause of the fatalities, further actions were undertaken to raise awareness and provide information which included launching dedicated campaigns aimed

at maintaining the highest possible level of attention and ensuring compliance with procedures (through the production of a film on handling loads, the publication of company calendars bearing messages to raise awareness of the issue, and the preparation of technical material for briefing activities).

**There have been no blowouts in the upstream sector for the eleventh consecutive year.**

In the context of occupational safety, following the initiatives to raise safety awareness when working at height and protecting against being knocked or crushed, the “zero fatalities” project addresses road safety with the SIPIS campaign (innovative systems for the prevention of road accidents), which is currently under development.

2014 marked the eleventh consecutive year during which there were no blowouts or significant emergencies in the upstream sector. Meanwhile, following an increase in pipeline fuel thefts (both in Italy and abroad), there were some oil spills that caused contamination of the land and water in protected areas. In order to manage this emergency, actions have been put in place in conjunction with stakeholders in order to restore the flora and fauna while work continues on the installation of a new e-vmps® (Eni Vibroacoustic Pipeline Monitoring System, see more on page 59) on

the entire fuel pipeline network. This will make it possible to monitor the more sensitive areas, ensure prompt intervention if similar events re-occur and give a precise report to the police of every incidence of attempted theft. In 2014 a total of 4,301 emergency drills were carried out in Eni (excluding Saipem), which is 9.1% more than the number planned. The upstream operational sites involved in the drills included Liverpool Bay Operating Company Ltd, with a virtual oil spill of 11,000 tonnes and which entailed considerable involvement of the English authorities and communication with the media. In 2014 three complex drills, which entailed the activation of the Eni Crisis Unit and the involvement of the media, were carried out at Eni level in collaboration with or guided by the Italian and international authorities. One drill carried out on the Island of Elba dealt with a naval accident involving an oil spill, a second drill in

# 4,301

**emergency drills carried out in 2014**

# 3

**complex drills involving the Authorities and the media**

Ravenna involved an accident at a petrochemical plant with a toxic gas leak (ammonia) and a third, in the east of Sicily was related to a seismic event and the consequent tsunami.

In the context of process safety at the central level, in 2014 the company focused on developing an internal system to regulate process safety and on the development of an ICT system to manage work permits and define the related requirements. With regard to refining, a pilot system was put in place to manage asset integrity, which will gradually be rolled out to all the other production sites in the same

operational area. Work continued on the process safety audit programme at the upstream and petrochemical sites. In order to ensure continuous safety improvements in contract work, in January 2015 Eni inaugurated the Safety Competence Centre (SCC), a centre of excellence which will be responsible for the training, guidance, management, coordination and monitoring of new professionals in charge of safety controls and improvements in work outsourced to third parties at all sites in Italy. The SCC will absorb around 180 resources from the operational and maintenance areas of the Gela site and will be equipped

with two coordination units for the upstream and downstream activities. It will also manage a Safety Training Centre which will deliver training to Eni employees on fire fighting, first aid, working at height and working in confined spaces.

Over the year, work continued on the awareness project “Eni in safety”, which involved 1,147 people in Italy and abroad and was delivered through 77 workshops attended by managing directors and plant managers.

This activity is evidence of the strong commitment of Eni’s top management to safety. 2014 also saw the third edition of the company’s “safety day”,



an annual event attended also by Eni's Chief Executive Officer which represents an opportunity to take stock of safety in the company, identify any criticalities and reward excellence. The 2014 event also gave due consideration to contractors, whose involvement is fundamentally important in ensuring the safety of operations performed at the worksites and the plants.

Moreover, a new campaign on hand safety referred to as HaWoSa (abbreviated from Hand Working and Safety) was promoted. This campaign seeks to raise awareness among employees of hand injuries, which represent a significant percentage of the overall injuries. The content and communication methods of the campaign, as well as the technical support tools, were checked using various Focus Groups set up in the Livorno refinery, the upstream

subsidiary in Tazerka (Tunisia), the petrochemical plant in Mantua and in the Ravenna District. In addition to this, internal skills and know-how were used to adapt the messages to the particular nature of the various businesses in Italy and abroad. The campaign was reinforced through training, monitoring the results, and the accounts given by the operators in the field.

Among the various projects implemented, the requalification project at the ex-production sites in Porto Marghera, in particular the decommissioning of plants and production facilities. On 5 September, 2014, an important agreement – the Safety Pact – was signed between Syndial and the contractors to solidify the increased focus on and importance of the issue. This initiative follows successful trials conducted at two important sites in the refining sector. The Safety Pact, which in Eni is

The Eni in safety project has resulted in 17,000 people now playing a leading role on safety matters.

routinely signed with contractors, defines the specific undertakings of these contractors, establishes the fundamental rules to be followed and the tools to be used to achieve the expected results. It is based on the principle of zero tolerance for dangerous behaviour and the positive reinforcement of good behaviour through evaluation indices and tools such as the "safety-meter", a permit to which points may be allocated or docked depending the type of behaviour adopted.

Number of injuries and injury frequency rate (LTIF) of Eni's workforce



**361.3**  
million euro in safety expenditures and investments

**1,025,362**  
hours of training on safety

## Internal sharing of corporate strategy

In conjunction with the top management reshuffle, in 2014 Eni confirmed its commitment to effective internal communication. The aim is to inform people of and involve them in the new strategy, encourage them to take on a more active role and reinforce a sense of belonging to the company.

More specifically, an internal communication plan was implemented to support the organizational and cultural change. This plan is aimed at ensuring the goals and values to which Eni's people should aspire are effectively disseminated throughout the company.

### Engagement of Eni's people

#### Objective

Enhance communication on business issues to ensure **people's involvement in strategies and goals**.

#### Projects

**Launch of a new version of the intranet portal MyEni**, with the aim of improving its user-friendliness and efficiency.

**Editorial plan on MyEni dedicated to business initiatives** aimed at informing people using news and internal testimonies.

**"HR Ambassador" Project**: widespread communication by specific people within the corporate structure who promptly transfer key information on new strategic projects.

**"Cascade" Programme**: presentation of company goals through special meetings between top management and staff, with the possibility of following these meetings live via streaming.

#### Objective

**Facilitating guidance in Eni**, particularly with regard to **regulations**, by simplifying content and providing tools that give the information needed to perform day-to-day working activities in a prompt and clear manner.

#### Projects

**"Ben fatto" Project**: campaign launched on the internal portal that illustrates the main concepts of the Code of Ethics and policies through concrete messages and applicable in daily life.

**Communication Plan for Sustainability issues**: designed to spread simplified knowledge of the main sustainability issues Eni is committed to and the related activities.

2014 was marked by two high-profile interventions concerning the company management and the new Board of Directors.

The first intervention – the “Responsible Leadership” programme, which was developed with the support of management and ethics specialists (SDA Bocconi, Politeia) – enabled

Eni to continue consolidating and strengthening its decision-making and strategic capacity in line with the ethical principles of the company. It focused in particular on reinforcing and disseminating the values of integrity and responsibility, achieved through leading by example and fostering a climate of trust.

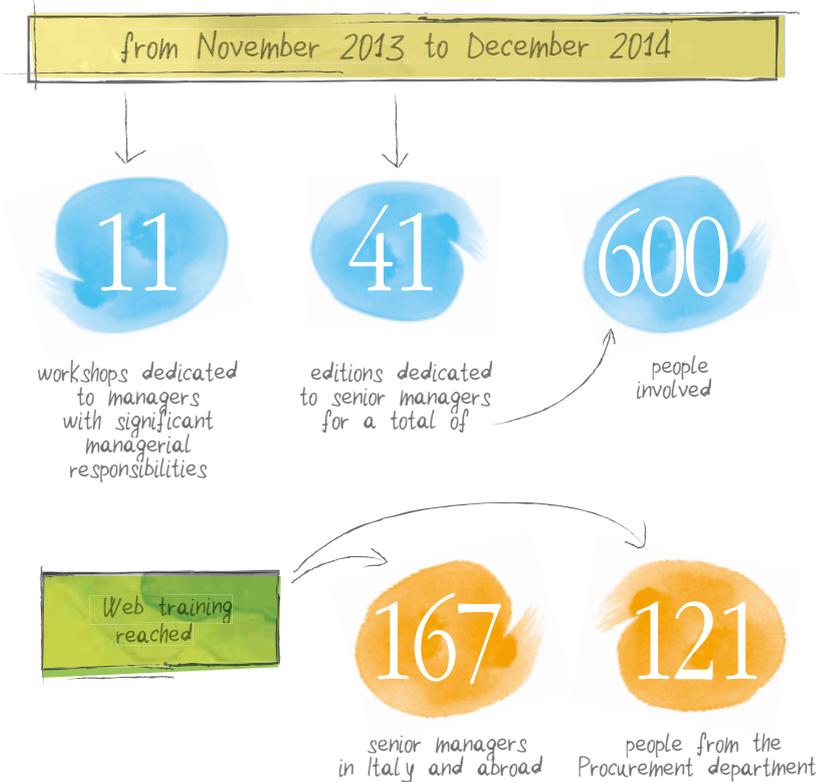
**26,172**

users with access to the MyEni portal

**44**

Countries involved in the Cascade Programme

### Responsible Leadership Programme



The second initiative dedicated to the members of the Board of Directors – implemented through adhesion to the UN Global Compact LEAD Board Programme (see chapter on Governance and Business Ethics, page 28) – concerned the creation of sustainable value, which for Eni is realized by adopting a long-term perspective and by continually paying heed to any requests or grievances of its stakeholders.

“We have to explain people the elements of change, why we are changing and above all that all colleagues are involved in this change. Each of us is participating in this transformation, and we definitely don't want to leave anyone behind.

CEO Claudio Descalzi

## Professional development

Eni is aware of the fact that its people are an important lever in the creation of long-term value and a driving force for innovation in their own fields which, by their very nature, are characterized by a great intensity of knowledge as well as of capital. The development of key professional skills and expertise in the O&G industry requires time and a professional career path that includes diversified experience in the most relevant sectors and strategic areas. For Eni, internal growth is an important lever in maintaining and developing intellectual capital. This is why it promotes professional development among the various different business areas through balancing and mobility initiatives, supported by training plans that allow for professional requalification

where necessary.

In 2014 the structure of the professional system was reviewed, in line with company processes and regulations, in order to update the Professional Categories and related roles, identifying the so-called primary roles, crucial in the achievement of strategic goals, on which to focus professional development activities.

In 2014 Eni invested overall 60.9 million euro in training its own employees, delivering 3.2 million hours of training.

Training covers a range of areas including the technical aspects related to drilling, project management and oil reservoir engineering, and also international negotiation, leadership, ethics, compliance and operational safety.

### Structure of the professional system

35

professional models

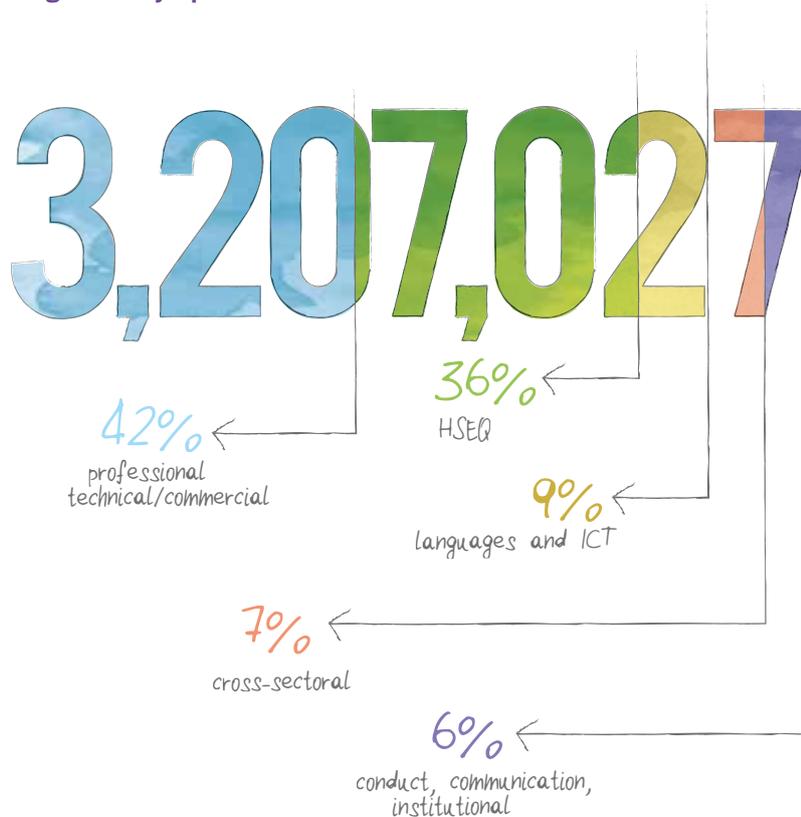
409

mapped roles

### Expenditures on training (million euro)



## Training hours by type



2014 saw the launch of the “Eni-campus” project which envisages the creation of a technological platform in order to integrate and reinforce the training delivered directly and remotely, both synchronously and asynchronously. This platform will greatly facilitate interaction between participants and make it possible to access multiple sources of information and learning both internally (e.g. webinars) and externally through, for example, the Massive Open On-line Courses (MOOC) made freely available to all by many foreign universities. The nature of the initiative makes it easier to reach and involve our people, even those abroad, allowing at the same time improved flexibility in the access to training.

Another initiative of note is the Coaching Academy project. In the first half of 2014, 19 Eni Corporate University professionals with consolidated experience in company recruitment and training were trained and qualified as Corporate Coaches. Currently there are 27 coaching courses in progress for managers and directors of various businesses, and this number is set to rise significantly.

## The Scuola Mattei

*The Scuola Mattei is an integral part of Eni Corporate University. It was founded in 1957 by Enrico Mattei himself and now offers a Master's Degree in Energy and Environmental Management and Economics (MEDEA), which is now in its fifty-eighth year. It is a clear reflection of Eni's interest in high level and interdisciplinary training with an international outlook. To date the school has trained over 2,800 students from 110 different Countries (57% from outside of Italy).*

In Eni, the knowledge management system is based on the development of Communities of Practice (CoP), the aim of which is to capitalize on the experience gained to avoid repeating previous mistakes, more rapidly identify possible solutions and improve practices already in use. Current development, which is increasingly based on “social” methods, encourages more people to exchange ideas and become actively involved, which ultimately benefits the exchange of knowledge.

The knowledge management initiatives in 2014 confirmed the growing trend already recorded over the last few years.

As of 31 December 2014 Eni’s knowledge management system was composed of a total of 66 active communities involving a total of 6,883 members, up by 21% compared to the previous year.

#### Knowledge management

# 66

## Communities of Practice

# 6,883

## people involved

The acquisition of new professional resources from the market is conducted through recruitment procedures closely integrated with the academic world that envisage the conclusion of collaborative agreements aimed at delivering the master’s and specialization courses in order to develop the core skills needed in the Oil & Gas industry. Eni has invested around 3.5 million euro in these initiatives, which contribute to the development of a pool of potential candidates that can be recruited into the company. At the same time, these university courses make a contribution to the Italian training system. In 2014 these initiatives involved around 140 students and recipients of scholarships and will continue in 2015.

The training initiatives in question are the following: II Level Master in Petroleum Engineering and Operations, Master in Petroleum Engineering

#### Permanent new hires



#### New hires in 2014 by age group



(in conjunction with the Politecnico di Torino); II Level Master in Planning and Design of Oil & Gas Plants, II Level Master in Safety and Environmental Management in the Oil & Gas Industry (in conjunction with the University of Bologna); Master in Petroleum Geology (in conjunction with the University of Perugia); Master in Energy Engineering – Oil & Gas Track (in conjunction with

the Politecnico di Milano); Master in Applied Exploration Geophysics (in conjunction with the University of Pisa). Several doctoral research (PhD) grants are also made available for research on topics of interest to the company, in collaboration with some of the main higher education institutions in Italy (e.g. the Politecnico di Milano, University of Bari, University of Pavia, etc.).

## Internal mobility

In the current competitive and dynamic context, balancing requirements against the professional resources available internally enables the company to promptly respond to business needs and to draw up medium and long-term professional development plans.

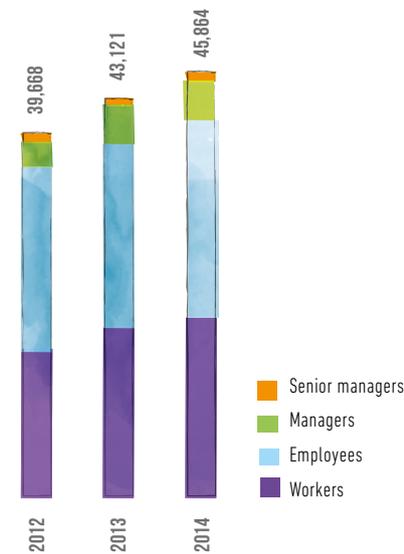
In 2014 there were 413 internal transfers, a significant increase compared to previous years.

This result was achieved also through the launch of a new job posting portal in March 2014.

The advantage of internal mobility, at both the national and international level, is that, through adequate retraining, it allows skills and expertise in declining sectors to be transferred to those that are in expansion. This is particularly true for the upstream sector where more than 200 qualified workers from other areas of the company were transferred in 2014.

In this way it has been possible to manage important industrial restructuring operations – also in cases of closure or significant reorganization of the production sites in Italy and abroad – without the threat of job losses. Many people were redirected to new activities or areas in which their

Local employees  
by professional category



skills were of value.

An example of the strategic use of mobility is the RaGe project which was aimed at converting the Refinery in Gela into a Green Refinery. This entailed a substantial reorganization of the activities and therefore required the involvement of many people who are today employed in the territory (see chapter on Local development).

In fact, 350 people will be transferred between 2014 and 2015 to the upstream sector to support the new exploration and production operations in the Ionian Sea, or in other national

Eni encourages internal mobility in order to respond to the people's needs and those of the business.

or international contexts, and to Syndial to support environmental remediation activities.

The company's strategy for managing its business at international level is based on structured international career paths, along with the recruitment and development of local people, with the aim of sustaining the internal growth of professional development.

The main initiatives developed in this context in 2014 were:

- The launch of the new HR

- Evolution system;
- The updating and monitoring of international mobility policies, with reference to the introduction of a new model of transfers abroad;
- The continuation of monitoring and support to ensure the correct application of the provisions on recruitment and selection in the foreign subsidiaries.

**+166%**

**There has been a significant increase in the number of Eni employees in East Africa**

## Internationalization

### Objectives

Spread and use of instruments for resource development and knowledge at the level of all the operating units in the world.

Development of professional skills for international positions.

Extension of professional skills and expertise and awareness of issues that don't specifically belong to one's area.

Mapping of skills and definition of talent development plans.

### Projects

**Local content development project:** a plan of visits by managers and specialists from the central HR function in foreign subsidiaries was performed during 2014, in order to promote the use of tools for people's development and knowledge of locals, internationals and expatriates with a high international profile.

**Managing Director Empowerment project:** aimed at defining an empowerment plan, from training to career paths, for Managing Directors.

**Green 2014 Exploration & Development project:** designed to provide a select sample of young talents with a broader vision of the whole chain of Upstream activities.

**High Potential Manager (HPM) and STAR Enhancement project:** aimed at defining specific individual professional development plans for high potential or premium staff (particularly young graduates and senior staff/managers).

# Operational excellence and innovation at the root of exploration success.

In recent years Eni's exploration activities have achieved top results in the oil industry, demonstrating that this area is a driver of internal growth and a source of long-term value.

The results achieved are the outcome of a strategy pursued by the company by applying the so-called Dual Exploration Model. On the one hand this model's primary goal is to replace the reserves produced, and therefore sustain organic production growth in the future through exploration, while on the other it makes it possible to immediately exploit certain discoveries and to generate cash flow through the sale of minority interests in some assets. As a result of the significant discoveries made in recent years, the company is in a position to generate free cash flow without compromising the goal of organically

replacing the reserves, at the same time reducing its exposure with regard to investments in the main projects.

The distinctive exploration strategy is based upon:

- medium to long-term vision
- focus on time to market
- governance of exploration processes
- skills of Eni's people
- ability to protect, disseminate and renew know-how
- constant focus on the opportunities provided by technological innovation
- rigorous attention to HSE aspects

## 2008 - 2014

new findings

# 10.4

billions of barrels of oil equivalent

# 10

times the annual consumption in Italy

# 2.5

times the barrels produced in the same period of time

## Medium to long-term vision

The exploration strategy – characterized by low exposure to non-conventional projects – is based on an exploration portfolio comprising of essentially conventional securities. The exploration success of the conventional activities and the low unit costs of discovery make it possible to have a project development portfolio that is less exposed to the volatility of the crude oil market. In recent years shares have been acquired with significant stakes in exploration permits with the greatest potential that, if successful, allow the adoption of the Dual Exploration model. Eni seeks to continually broaden and diversify its exploration portfolio. 2014 saw the company move into

new Countries such as South Africa, Myanmar, and Portugal, and it acquired new exploration areas in China and Vietnam.

The renewal of the portfolio spreads the risk across various exploration contexts and increases the overall likelihood of discover.

After the “supergiant” discovery in the Rovuma basin off the shores of Mozambique, Eni achieved good results also in 2014. Significant pre-sale discoveries of oil, gas and condensate were made in West Africa (Congo and Gabon). The discovered resources are situated in conventional waters and are close to existing infrastructure which means that production can begin promptly. The oil discoveries in Angola, Egypt,

Nigeria, Norway and Ecuador are worthy of note. The results for gas were also good in Mozambique and Indonesia.

In the years up to 2014, Eni’s investments in exploration have been divided between frontier areas (40%), areas in which the company traditionally operates (40%) and “incremental” and “near field” exploration projects (20%). Starting from 2015, the company will adopt a more prudent medium-term strategy that is more focused on value rather than volume, thus increasing incremental and near field exploration activities in tested basins and reducing exposure in relation to deepwater and ultra deepwater exploration in frontier areas.

## Focus on time to market

In order to maximize the value of its exploration discoveries, in recent years Eni has been committed to reducing time to market, the time taken from the declared discovery to the start of production in the field. This goal is pursued right from the start when selecting exploration assets, preferring those where, if successful, production activities

can be set up in a short space of time. Exploration is focused on the delineation phase of the discoveries (appraisal, evaluation), which is aimed at quantifying the commercial reserves to allow project development.

It is possible to determine whether there is a sufficient quantity of reserves to render the project

commercially viable using a suitable delineation campaign.

Development begins with a pilot project and then proceeds to the next phases until the field is fully developed. In this way it is possible to anticipate positive cash flows and spread out the investments as the discovery is evaluated on a step-by-step basis.

## Management of exploration processes

The selection of the exploration projects (Assets and Prospects) proposed by Eni's subsidiaries is a fundamentally important process. To ensure uniform criteria for evaluating the proposals, Eni has

adopted centralized procedures for selecting assets and making decisions on launching prospect drilling operations. After a rigorous technical validation process carried out by internal Senior

Advisors, the proposals put forward by the subsidiaries are ranked in order of preference. Every year, around 60-70 prospects out of 300 proposals are selected on which to conduct drilling operations.

## Professional development of Eni's people

In addition to the clear formalization of work processes, exploration requires highly specialized professionals, who, in managing the activities, are able to develop a strategic vision and transform it into excellent exploration performance. In addition to specialized training, professional development in the exploration sector is guaranteed through the "Green Project".

In 2014, as in every other year, around 20 people with great potential were selected by the exploration and technical units (at both Eni and subsidiary level) to take part in an annual on-the-job training programme which gives them work experience in the key professional areas of the core business. The objectives are: to provide the

trainees with a broad vision of all aspects of the business from the start of the exploration phase to the final production phase; to develop familiarity with the processes, systems and technologies used; to help build the company's knowledge network. All of this serves to prepare the next generation of managers in the areas of Exploration and Geophysics and Geological Services.

## Ability to protect, disseminate and renew know-how

In ensuring that technical skills are valued, an important role is played by the Knowledge Owners and Global Advisors in the diffusion of know-how

and lessons learned. They are involved right from the start of the project in order to ensure the most appropriate methods and technologies are applied

that are in line with the business strategy, and they also support the assurance review process of the exploration projects.

Activities of the Communities of Practice in relation to exploration

**5** Communities of Practice

**5,000** interventions

**50** webinars for Eni's people at central, foreign and subsidiary locations

## Constant focus on the opportunities provided by technological innovation

The sustainability of Eni's strategy and model is based on a high degree of geological and geophysical expertise and on robust procedures that draw on excellent proprietary technologies. These include seismic imaging, system modelling and cutting-edge drilling technologies.

The application of these proprietary technologies enable a more refined and detailed exploration for the targeted research of new deep plays even in mature basins and in already explored assets. In Congo and Egypt the professional skills and technological know-how of the company produced positive results in the exploration of pre-sale deep plays. 2014 saw the conclusion of Eni's "enhanced subsurface imaging"

project to install a new super computer in the Green Data Centre which is capable of performing 3 quadrillion operations a second (3 PetaFlops) and is equipped with 7.5 Petabytes of memory. The new system was ranked 12<sup>th</sup> in December 2014 by TOP500, which lists the biggest computers in the world. Furthermore, it received an award in 2014 from the HPCwire magazine for the fastest computer in the Oil & Gas industry. Its "hybrid" nature guarantees extraordinary performance in terms of energy efficiency and with 2.8 GigaFlops/Watt it is ranked 9<sup>th</sup> in the Green500 list of the most efficient computers. Eni's Green Data Centre's innovative cooling system contributes to the overall efficiency and reduces CO<sub>2</sub> emissions.

This new supercomputer, which in the future will support dynamic reservoir simulation, gives Eni the capacity to recreate highly accurate three-dimensional images of the subsoil in a significantly quicker timeframe (reduced from months to weeks), thus reducing the overall time required for exploration activities.

**23**  
million euro  
of overall investments

**9<sup>th</sup>**  
place in the Green500  
classification of the most  
efficient supercomputers

## Rigorous health and safety and environmental protection

The commitment to safety during operations and minimizing environmental impacts is a fundamental requirement of exploration activities. Despite the increased number of hours

worked (33% up in 2014 compared to 2013), the accident indices continue to fall.

In accordance with local and environmental legislation and following

the guidelines of the most significant international standards, studies were carried out on the environmental, social and health impact of operations in the new exploration contexts.

### Exploration results

**-9%** drop in the TRIR<sup>1</sup> compared to 2013

**7** Biodiversity studies (in relation to 7 Countries)

**11** assessments performed to evaluate the impact of operations<sup>2</sup> (in relation to 9 Countries)

1) TRIR - Total recordable injury rate, including contractors

2) ESHIA - Environmental, Social, Health Impact Assessment HIA - Health Impact Assessment Other Environmental Studies

## 2.3 Environment

Eni considers environmental protection an essential part of sustainable development in the realization of its industrial projects and it undertakes to integrate this goal into its operations throughout the lifecycle of its plants and in all the contexts in which it operates.

### Environmental Management System

Managing environmental aspects is one of the pillars of the sustainability strategy. It is based on the adoption, at all the company's operational sites, of a single management system model that encompasses the following activities:

- identification of the significant environmental aspects;
- management and mitigation of environmental impacts;
- adoption of the best technologies;
- prevention of adverse environmental events;
- adoption of evaluations and action plans for the protection of biodiversity throughout the entire project operational cycle.

The management system is integrated with the management of health and safety and adopts the principles of excellence, sustainability and integrity defined in the respective policies

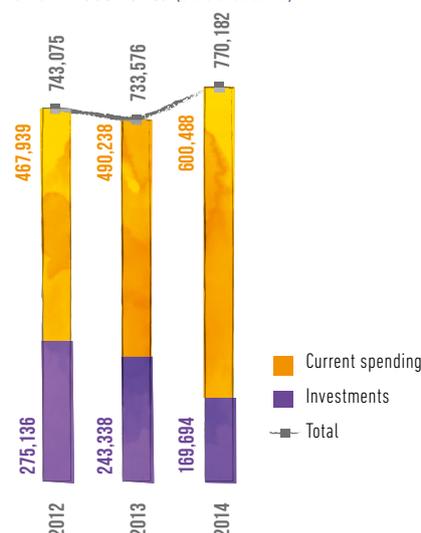
(available on eni.com). HSE issues are coordinated by an HSE Coordination Committee, chaired by Eni's Health, Safety and Environment Manager and is composed of HSE functions Managers of the business units. In addition to putting the HSE sustainability objectives into effect, the committee also analyses performance and the overall audit results and proposes corrective and

improvement measures for Eni's operations.

Outstanding operational management:

- contributes to reducing costs as it increases efficiency;
- is an instrument for product and process innovation;
- is a requirement for the company's licence to operate;
- reduces business risks.

Environmental expenditures and investments (euro thousand)



In 2014 over 90% of Eni's industrial sites with significant HSE risks were ISO 14001 and OHSAS 18001 certified. The goal is to reach 100% in 2015.

## Biodiversity and water conservation

Over the last decade, the O&G sector has grown significantly, not only in the area of production but also in the area of exploration and the discovery of new oilfields and new business opportunities (such as shale gas and biofuel production). This growth was accompanied by the industry's move into scarcely populated areas that have a high biodiversity value.

Eni has mapped its sites using the Integrated Biodiversity Assessment Tool (IBAT) developed by the Proteus Partnership, promoted by UNEP-WCMC of which Eni is a member. This mapping activity has assessed the proximity to protected areas and endangered species and has identified the priority sites where Eni has undertaken to define Action Plans to protect biodiversity, thus increasing by 20% by 2017 the sites already involved in this activity. In fact Eni has already carried out biodiversity assessments and implemented the related Action Plans in Italy (since 2003), Norway (the Arctic, since 2007), Alaska (Nikaitchuq, since 2008), Ecuador (Villano, since 2006) Kazakhstan and Congo (since 2011) and has recently begun work on similar initiatives in Mozambique and Indonesia.

The biodiversity assessments examine the interaction of operational sites with the surrounding environment in terms

of the use of natural resources and any impacts. These assessments are then used to define action plans aimed on the one hand at mitigating the impacts as much as possible through a specific hierarchy of actions, and on the other at maximizing opportunities for enhancing local biodiversity.

Eni implements these initiatives in conjunction with internationally renowned scientific NGOs and local universities, applying the best industry practices developed by the IPIECA-IOGP Biodiversity Working Group. The end goal is to show that the company's operations do not result in any net loss of biodiversity in the operational sites, adopting a systematic approach that avoids, reduces, restores and, if necessary, compensates for any operational impact.

2014 saw the completion of the phase 2 of the "Villano Biodiversity" project, developed in the production field in Villano (Ecuador). The project entailed an overall investment of 2.1 million euro and the involvement of 16 local stakeholders: indigenous organizations, government bodies, associations of farmers and government consultancy companies.

The project's objectives were:

- in the initial phase, to evaluate the state of biodiversity in Villano,

In line with its own policies, the conservation of biodiversity, ecosystems and natural resources is one of Eni's main action principles.

Villano Biodiversity Project:

**2.1**  
million euro  
in investments

**16**  
local stakeholders  
involved

the potential impact of Agip Oil Ecuador (AOE) operations and to draw up an adequate biodiversity action plan (BAP) outlining the actions to be taken to mitigate the impact and restore the habitats concerned;

- in the following phase, to implement the BAP and monitor its effectiveness.

The project demonstrated that despite the sensitivity of the ecological context, AOE's activities did not alter the stability of the ecosystems. The impact of the activities was localized and reversible, unlike the impact resulting from human colonization, which is more extensive and persistent. The remediation of the primary impact of AOE's operations turned out to be feasible, effective, relatively quick and could potentially be extended to other similar operations. The project served to verify the feasibility and effectiveness of the best practices used to protect biodiversity and ecosystemic services in a sensitive area such as the Ecuadorian Amazon.

With regard to new initiatives, since 2010 Eni has been using the Environmental, Social & Health Impact Assessment, which is often preceded by a preliminary assessment (pre-ESHIA).

In 2014, 3 preliminary assessments were carried out in Congo and Mozambique (1 of which was a baseline ESH) and 22 ESHIA in Algeria, Cyprus, Ghana, Iraq, Italy, Kenya, Mozambique, Congo and Nigeria. Particular attention is paid by Eni to operations in areas facing water stress. Each year Eni maps out its production sites in relation to the areas that located or may potentially be located in the future (due also to climate change) in areas with inadequate water resources.

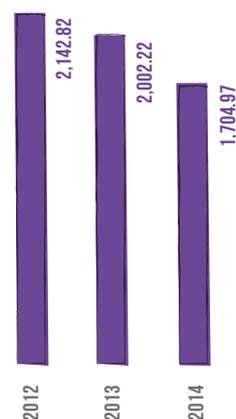
In 2014, less than 20% of the plants (out of a total of 207 operational exploration and production sites), equal to 31.4% of production, were located in such areas. These plants were located in the following Countries: Libya, Algeria, Tunisia, Egypt and Pakistan. Currently at these sites initiatives are underway to optimize water consumption and in 2014 initiatives continued at the BRN, MLE and Abu Rudeis sites.

As regards to water withdrawals due to operations, Eni has been using mainly sea water (more than 90%) for the last 10 years and mainly for cooling activities.

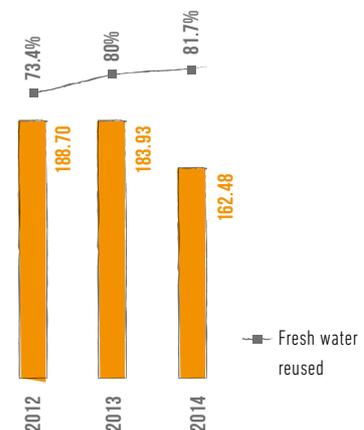
The use of fresh water (approximately 160 million m<sup>3</sup>) is mainly due to Petrochemical operations, and its use is down by 12% compared to 2013. The implementation of projects

to reduce water consumption at the Versalis site in Mantua (due to be completed in 2016), the implementation of "water reuse" projects at the refineries in Gela and Sannazzaro (with a saving of 5 million m<sup>3</sup> water withdrawals as of 2017) and an increase in the amount of groundwater treated in Syndial's TAF plants (plants for groundwater treatment) and reused in the production cycle are expected to further reduce the use of fresh water by around 20% by 2016. At many Italian sites (Gela, Priolo, Robassomero, Sannazzaro, Taranto) contaminated groundwater that has been purified by specific treatment plants in the context of the remediation in progress is already reused for various industrial purposes. This reuse makes it possible to save around 4 million m<sup>3</sup> of water a year.

Sea water withdrawals (Mm<sup>3</sup>)



Fresh water withdrawals (Mm<sup>3</sup>)



A special issue for exploration and production operations is related to fossil water. ReInjection of this water into the wells, through the use of pumps and specific injector wells, is often the best solution. Eni's goal is to achieve 70% of the production water being reInjected by 2018. In 2014 the percentage reInjected was 56%. At the end of 2014, the testing phase began for the Ebocha project in Nigeria, which was first launched in 2011. Ebocha is the first of three production water treatment hubs planned in the Country (the other two are Tebidaba and Brass). This first step has already made it possible to reInject up to 915 m<sup>3</sup> of water per day and the aim is to complete the project and to connect all the facilities by

2015 thus creating a total treatment capacity of more than 9,500 m<sup>3</sup> per day (3.5 Mm<sup>3</sup> per year). Eni's total share of investment in this project amounts to \$106 million, of which 83% had already been committed by the end of 2014.

Work continues on the "Water & Energy" project with analyses being carried out to identify improvement areas in order to reduce energy consumption related to the management of water resources at the various operational sites.

The areas identified so far will be further investigated in order to propose improvement measures based on specific case studies, which may then serve as example of optimization that can be implemented on other operational sites.

Production water reInjected:

56%

in 2014

70%

target to 2018

## Underwater robotic technology

*In response to the increased focus on the state of the seas and marine biodiversity, Eni has recently developed new underwater robotic technology known as Clean Sea, which in 2014 won the Eni Award and the National Award for Innovation in the "Large Industrial Groups" section. This technology enables environmental monitoring and the inspection of offshore Oil & Gas facilities. It was used in 2014 to conduct environmental monitoring in Kashagan and in the Strait of Sicily.*

*It entails the use of Autonomous Underwater Vehicles (AUV) able to move silently without any fixed attachment to the surface and only minimal logistical support. Clean Sea is able to check the conditions of the offshore installations in order to prevent breakages and to identify any possible leaks. It can also be used to map and characterize the habitat on the sea bed in real time thus making it possible to check that the extractive operations are not impacting on the marine life.*

# Oil spills management

Eni is continuing its work on prevention (gradual replacement of the tanks and pipelines that have been in service the longest or that are in “hostile conditions”: approximately 30 million euro in 2014) and also on emergency management by participating in various joint initiatives to tackle potential oil spills, also in extreme environments. For example the “Coastal Oil Spill Preparedness Improvement Programme” (COSPIP) is aimed at improving Eni’s oil spill emergency plan and adapting it to the more challenging environment of the Barents Sea by developing/improving techniques to protect and clean up the coastlines and to detect and monitor the oil spilled. It is also aimed at adapting

the equipment for use in extreme environmental conditions and studying the behaviour of oil spilled close to the coastline. The results obtained have been used to implement the “Oil Spill Preparedness Plan” in the Goliat oil field. Other initiatives worthy of note are the international IPIECA project known as Oil Spill Response Joint Industry (based on nineteen recommendations in relation to containing and dealing with oil spills at sea put forward by the working group GRIG - Global Industry Response Group) and the European project “Mediterranean Decision Support System for Marine Safety” (MEDESS-4MS), which is dedicated to reinforcing maritime safety by mitigating

the risk of any impact associated with oil spills, with which Eni is involved as an external partner.

In 2014, 83 drills were carried out in the upstream sector of which 10%

Upstream

# 83

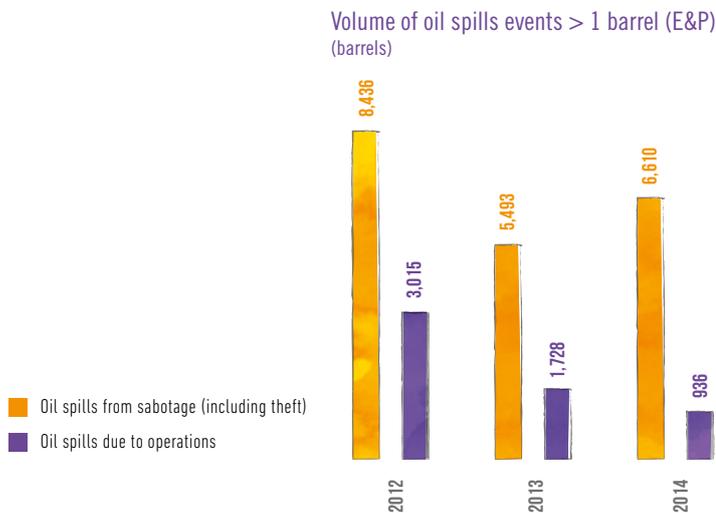
drills carried out on managing oil spills

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of which:

# 10%

related to offshore events



on potential offshore oil spills. Among these, the drill carried out at Liverpool Bay stands out as it involved a virtual oil spill of around 11,000 tonnes of oil and also entailed the involvement of the English authorities and the media. In addition a drill was carried out on the Island of Elba (Italy) in relation to a naval accident involving a crude oil spill and an international-level response.

## Vibro-acoustic technologies to tackle oil spills (e-vpms ®)

*The Vibroacoustic Pipeline Monitoring System (e-vpms ®) is a technology based on different sensors (hydrophones, geophones and accelerometers) and on a proprietary code that processes in real time and in a unique way the vibro-acoustic wave signals spread with different speeds both in fluids and on the surface of the pipelines. This makes it possible to remotely detect fluid leakages caused by structural faults, sabotage or theft with a margin of error of only 25 metres.*

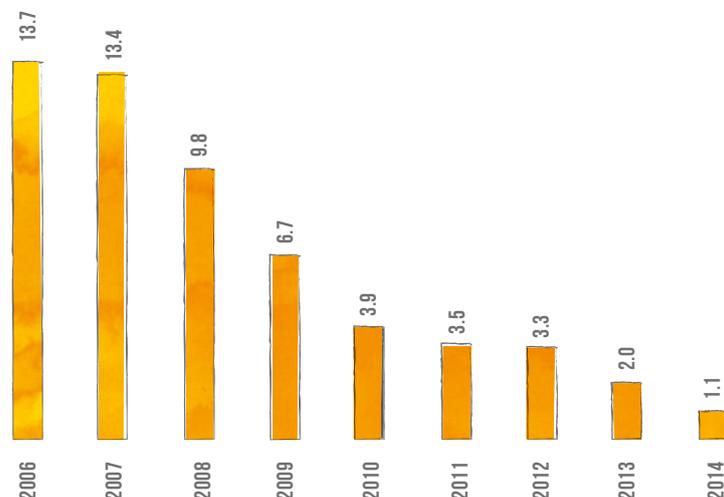
*The strengths of this technology include: the possibility to install long-range sensors (in some cases they simply need to be installed at either end of the pipeline); the capacity*

*to eliminate background noise thus producing clearer sound quality that helps in locating the spill; increased sensitivity both in terms of false alarms (far fewer compared with competing technologies such as those based on fibre-optic technology) and in terms of the amount of detected spills compared to the pipeline's flow capacity.*

*The technology has been successfully trialled in the field since 2011 and has been used industrially in Nigeria and Italy since the end of 2013. Its extensive use will make it possible to respond more promptly and more effectively to oil spills, with significant environmental and economic benefits.*

In 2014, Eni further reduced the volume of operational oil spills by 38% compared to 2013 reaching a total of 1,179 barrels of oil spilled and going below the 1000 barrels mark if considering only E&P. In Nigeria there continue to be sabotages and thefts which in the last 4 years have resulted in around 7 thousand barrels spilled per year (in 2014 more than

Oil spills due to operations / hydrocarbon production (E&P)  
(barrels/Mbarrels)



6 thousand barrels of oil) and an average of 300 incidents per year (284 in 2014). In line with international standards, all the values above refer to events involving more than 1 barrel. Many acts of sabotage also took place in Italy (a phenomenon that has increased since 2012). In particular, towards the end of 2014 in Maccarese (near Rome's international airport), there was an attempted theft that led to the spillage of around 40 m<sup>3</sup> of kerosene.

Eni's prompt response (providing equipment and resources with an outlay of around 1 million euro) made it possible to contain the damage and to recover most of the fuel spilled. Together with NGOs and local bodies, Eni plans to fully restore the area paying particular attention to the local biodiversity. In cooperation with environmental associations and universities, a repopulation study will be carried out on the possibility of

reintroducing indigenous species of flora and fauna. In order to contain and prevent these phenomena, the upstream sector is working on the research and development of technologies for the real-time monitoring and surveillance of onshore pipelines, and of technologies that will make it possible to interrupt illegal bunkering operations (see the box on Vibro-acoustic technologies to tackle oil spills, page 59).



## 2.4 Local development

In pursuing its corporate goals, Eni is committed to contributing to the development of territories in which it operates.

This commitment is realized through long-term agreements with governments and local stakeholders, local content promotion, projects for local communities and with the preventive and inclusive stakeholders engagement.

### Relationship with local stakeholders

Trust with partner Countries is built using a model based on reciprocal cooperation and responsibility. Eni adopts a multi-stakeholder approach in its relationship with the territory, which places the company side-by-side not only with governments, but also with local stakeholders such as social partners, associations and communities. The creation of common goals and building stable relationships are Eni's essential levers for creating "shared values" in the territories where it operates and ensuring development in the long term.

#### The territorial relationship model in Italy

Eni has a consolidated presence in

many Italian areas and has consistently built long-term relationships based on agreements with local partners aimed also at sustainable development. Based also in the experiences gained in the Ravenna district and in Basilicata (see enibasilicata.it), in 2014 an important step was taken with a memorandum of understanding for a new Gela development plan agreed at the Ministry of Economic Development between Eni, trade unions, institutions and Confindustria. Eni undertakes to implement a programme of development that will entail an investment of 2.2 billion euro and includes: the conversion of the refinery into a biorefinery in accordance with the "Green Refinery" model,

Strategies and policies to involve local communities applied to

100%

of subsidiaries operating worldwide

22

Environmental, Social, Health Impact Assessments (ESHIA)

3

preliminary ESHIAs carried out

development of upstream activities in Sicily, and the creation of a Competence Centre focused on safety issues which will support Eni's production units and the environmental reclamation activities. On 12 January 2015 the Eni Safety Competence Centre (SCC) was opened at the Gela site, which will work in conjunction with Eni Corporate University in order to deliver highly specialized training courses on safety issues. The review of the industrial model at the Gela site represents an opportunity for the area, able to

guarantee growth and substantial economic prospects, protecting jobs and placing environmental sustainability at the heart of the industrial project.

Another collaborative initiative concerned the city of Aquila, where Eni launched a project to give the Basilica of Santa Maria di Collemaggio back to the community by fully restoring it to its former glory. The project design, construction management and safety coordination has been assigned to the

Soprintendenza ai Beni architettonici e paesaggistici dell'Abruzzo. The technical scientific activities are overseen by a group of universities (Politecnico di Milano, the Sapienza University of Rome and the University of Aquila) that include also Eni geologists and engineers. In 2014, the executive design phase developed by the Soprintendenza de L'Aquila was completed with the support of the design working group, and the vendor qualification process was also completed.



Today's agreements confirm that the synergies and constructive approach among all the stakeholders can lead to innovative and positive initiatives able to combine the needs of the company with those of local communities.

CEO Claudio Descalzi

## Listening to and engaging with local stakeholders

Eni ensures that information is freely and promptly available to local communities. It supports their involvement by organizing informative meetings, participation in community meetings, the creation of communication channels and the adoption of formal procedures for managing complaints, stakeholders mapping and for the participatory

management of social projects.

Eni has adopted a system for receiving and managing complaints (grievance mechanism) to facilitate the prompt identification of solutions and in this way contribute to the business risk management. The mechanism is sensitive to local customs and, in line with Eni's Code of Ethics. 2014 saw the conclusion of the trial phase of the

IPIECA working group which, for Eni, resulted in the implementation of a pilot project in Ghana. Based on this experience and in accordance with the most recent international guidelines, Eni developed updated operational guidelines which are currently being applied in six pilot subsidiaries in Mozambique, Congo, Angola, Pakistan, Kazakhstan and Nigeria.

The information and engagement activities are promoted right from the start of operations. This is evident in Countries such as Kenya in the context of the 3D seismic prospecting activities around the Lamu basin, where Eni has adopted an integrated approach to dialogue and dealing with local grievances. Through the Environnementalistes Sans Frontières (ESF), Eni has engaged with the maritime authorities and the local communities affected by the activities, it has distributed Grievance Forms and information leaflets, and has set up a dedicated hotline for managing and transmitting information to the manager in charge of relationships with local communities. Furthermore, visits have been arranged to the offshore facilities in order to inform institutional stakeholders of the routine operations involved in 3D seismic prospecting and to increase awareness of Eni's activities in the area. A helpdesk has also been set up to facilitate dialogue with local coastal communities.

In Mozambique, as part of the research into the environmental, social and health impacts of the FLNG (Floating

Liquefied Natural Gas) projects and of the Muepane – Mocimboa Da Praia coastal highway, Eni initiated a series of stakeholder engagement and consultation activities, including interviews with government authorities and local community representatives, and focus groups conducted with local communities in order to assess their opinion on certain priority aspects such as health and the socio-economic conditions of the area. Meetings were held with the authorities of the Quirimbas National Park in order to share the information gained from research conducted in relation to biodiversity and ecosystemic services. Where it has a consolidated presence, such as in Basilicata, Eni has continued with its strategy of engaging stakeholders and strengthening its communication and information activities. In 2014 the [enibasilicata.it](http://enibasilicata.it) website, the online platform dedicated to Eni's activities in the region, was given a makeover and the second edition of the Local Report was published online and presented officially to the stakeholders last July during a consultation workshop.

Eni promotes the creation of growth opportunities as well as the enhancement of people capabilities and firms in areas where it operates, contributing to knowledge transfer and local development.

## Local content and value creation

Eni considers Local Content the value added brought to the socioeconomic system of a host Country through the participation of local people and firms in industrial activities, the promotion of their development, the transfer of skills and know-how, the empowerment of local resources and community capacities.

It can be realized through various means according to the local context and needs, such as: job creation, support to the growth of local firms' competitiveness, training and development of local people, supply chain, socioeconomic and infrastructural systems development,

specific know-how transfer technology development, social projects and partnerships. At international level, Eni participates in working groups committed to defining policies and good practices related to Local Content and measuring the social impact. These initiatives include: the OECD's initiative "Policy Dialogue on Natural Resource-based Development", the IPIECA's "Local Content Task Force" with regard to updating the related guidelines and the WBCSD's "Social Capital Measurement and Valuation in Decision Making" initiative. Eni has drawn up operational guidelines for the promotion of Local Content that offer guidance to geographical units on the application

of an integrated approach when defining programmes in synergy with stakeholders engagement activities, the management of social impacts and the development of local communities.

### Development of local suppliers and sustainability in the supply chain

In 2014, 31,555 suppliers worked with Eni worldwide with a total trade value of 42.8 billion euro. The overall share of goods and services procured from local markets amounted to 58%, equal to around 25 billion euro. The percentage locally procured exceeded 50% in various areas including Nigeria

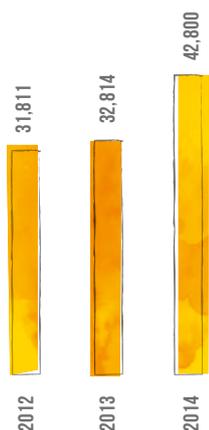


(93%), Republic of the Congo (70%), Ghana (50%), Kazakhstan (62%), Indonesia (98%), and Ecuador (96%), due to the local content strategies in place. These results are based on in-depth market analyses that also assess the availability and capacity of local companies to respond to the sector needs, also for the purposes of identifying and implementing improvement actions in order to

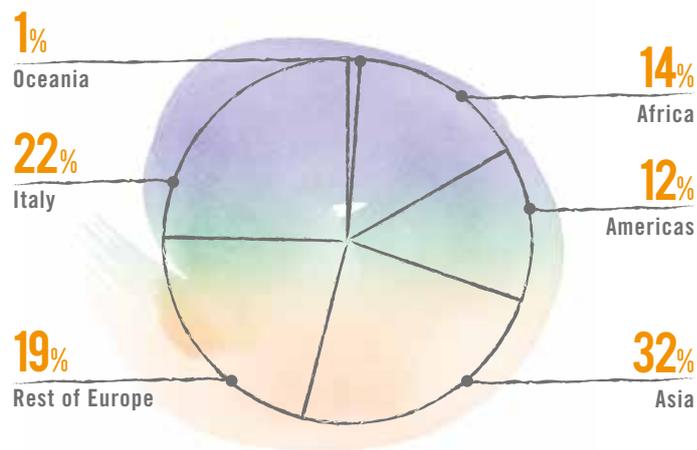
achieve the required standards. In effect Eni uses a qualification and quality control system that includes suppliers evaluation using criteria defined by the SA8000 standard in relation to respect for human rights and workers, the protection of minors against exploitation and guaranteeing health and safety at work. Furthermore, 2014 saw the completion of the process to review and update the

suppliers qualification questionnaire in line with the 10 principles of the Global Compact, which is the result of collaboration with the Italian Global Compact Network. In 2014, 20 SA8000 audits were performed (of which 12 follow-up of audits carried out in 2013) involving 7 subsidiaries worldwide bringing the total number of SA8000 audits performed since 2008 at 9 different foreign sites to 107.

Procurement  
(million euro)



Procurement by geographical area in 2014



The sites in question are located in: China, Congo, Angola, Nigeria, Pakistan, East Timor, Ecuador, Mozambique and Indonesia. These activities are an integral part of the Vendor Management System (VMS), which qualifies suppliers through the evaluation, verification and monitoring of the respective technical and management capabilities and their ethical, economic and financial reliability. In 2014, Eni continued its commitment to share the VMS to its subsidiaries. In particular the VMS (systems and training) was launched and consolidated in four foreign subsidiaries with training completed at Eni sites in Ghana, China, Mozambique and the UK (with a coverage of 45% of the foreign upstream subsidiaries between 2011 and 2014). Eni's participation in the Carbon Disclosure Project Supply Chain continued with the involvement of more than

**In recent years the percentage of local procurement has reached 58% due to the local content strategies implemented by Eni.**

50 suppliers, selected based on shared criteria such as: commodity classes that are significant from a CO<sub>2</sub> emissions perspective, suppliers among the top 20, suppliers included in 80% of spending, suppliers that are important for Eni's business. Eni is committed to promote the local content by offering different solutions, depending on the requirements and characteristics of the host context. Maximizing the positive effects on the economy and local development is the main goal.

In Nigeria, for example, a Country with one of the legislation among the most modern and developed, Eni has in place effective actions to stimulate local potential and increase the ability of suppliers to achieve the highest standards required in the Oil & Gas. Solutions include training programs and gap closure, awareness campaigns on environmental protection and safety, job creation within the Country, support to Nigerian products, industrial capacity building, technology transfer,

implementation of development projects for the potential of local businesses and for their greater capacity production, also through the supply of energy.

In Nigeria, Eni received a Local Content Operator award in 2014 presented by the local companies association Petroleum Engineering and Technology Association of Nigeria - PETAN (see also [www.naocsustainability.com](http://www.naocsustainability.com)). Solutions for the development of local content include using innovative



methods to promote the participation of local companies from the beginning of the industrial operations, as in Ghana and Mozambique. In Ghana the development of local content is promoted through on-the-job training and, with regard to the supply chain, through accompaniment in the qualification phase and continuous feedback in the contract execution phase, all aimed at a process of continuous improvement. The vendor lists for goods and services available on the Ghanaian

market are comprised of local companies. For more complex contracts requiring a high level of specialization and in the absence of any availability on the local market, Eni applies a scoring model that includes the criteria of commitment to the maximization of local content. In the last three years the percentage of goods and services procured locally has risen from 29% in 2012 to 50% in 2014. In Mozambique, market analyses were carried out to verify local

potential in the development of industrial activities. Details of 19 tenders were published in local newspapers and a website was set up and updated in order to provide information and documented support, thus enabling the evaluation of more than 200 suppliers. All participants in the tenders must provide a detailed local content plan that is used for the commercial evaluation. The percentage of goods and services procured in the Country rose from 13% in 2012 to 18% in 2014.

## Sector-specific professional training

Education and training are fundamental levers for development since they are key factors in the inclusion and participation of everyone in the social life. In Vietnam and Turkmenistan a demanding training programme, created and managed by Eni, has been put in place. 14 people from Petrovietnam are attending an intensive deep water training course in Italy with a duration of two months. A second technical course of the same duration on the topic of production is planned for the beginning of 2015. In Turkmenistan a training plan has been set up in relation to Well Operations which will involve 12 local people for about a year in Italy. The launch of the project to build a training centre in Ashgabat, presented

to the local authorities, is strategically significant. The project encompasses the design of a new facility and the launch and implementation of specific programmes for local talent. In 2014 a recruitment programme was initiated in Angola to select 28 young engineers and geologists for training in certain areas such as drilling, production, large-scale projects, reserves and HSE. In Iraq a project was launched with the aim of developing the skills of local people in the context of the ZFOD, the Consortium controlled by Eni Iraq BV, and, in the context of the Oil & Gas industry, with the goal of developing knowledge for people in the SOC (South Oil Company, a state-owned company in Iraq).

Professional training programmes

28

young engineers and geologists involved in Angola

Intensive training programmes:

14

local people in Vietnam

12

local people in Turkmenistan

## Partnerships with universities

In Mozambique, the “200 training programme” to select and train 200 Mozambican students has involved 133 students to date on Oil & Gas industry topics of which 20 have already been taken on in the subsidiary. The selection activities are carried out with the support of Eni Corporate University. In the Country, Eni has also launched the Eni Professors@UEM project in collaboration with the Eduardo Mondlane University in Maputo, with aim of training 10 junior Mozambican professors in the field of oil and gas

engineering. The training programmes will be delivered in Mozambique and abroad at highly specialized partner universities such as the University of Perugia, the Politecnico di Torino, the China University of Petroleum in Beijing, and with the support of experts from the University of Texas. Eni has organized a selection programme, in conjunction with Eni Corporate University, for the recruitment and support of students on the Master’s Degree in Petroleum Engineering and Geosciences. The selected universities are the French Institute of Petroleum (France), Imperial College (UK) and the University of Leoben (Austria).

As part of the Eni Students Project, in conjunction with the University College of London, two initiatives were organized in Mozambique (UEM, Maputo and UniLurio, Pemba) involving more than 200 students from high schools in the Country. In particular, two study days were organized at the universities, where selected students spent time learning the basic principles on energy and the environment, with a particular focus on geology. The idea behind the project (already implemented in India and Ghana) is to encourage graduate students about which university to choose to continue their studies in the upstream sector.

## Community investment and expenditure for the territory

In 2014 overall expenditure for the territory amounted to over 95.9 million euro and included community investments, contribution to local initiatives, membership fees for associations, sponsorships and contributions to the Eni Enrico Mattei Foundation. The decrease compared to 2013 is due primarily to the Eni Foundation not requesting in 2014 a top-up of its equipment provision which, based on the planned activities and subject to approval by the company’s statutory bodies,

is periodically refinanced by the Board of Directors of the founder Eni. Approximately 70% of the total (67.4 million euro) was invested in community projects (community investment) to encourage and promote community development in the Countries in which Eni operates, established through agreements or conventions with local stakeholders. 2014 saw increased investment in measures to protect the territory and the environment, to develop infrastructures and improve access



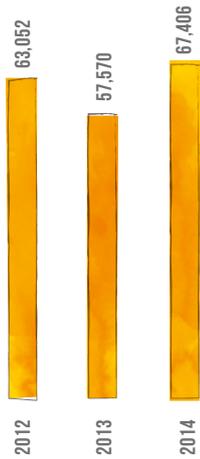
**Increase of the community investment vs 2013**

to energy. Investments in the African continent remain high with a total of 24.2 million euro, of which 90% in

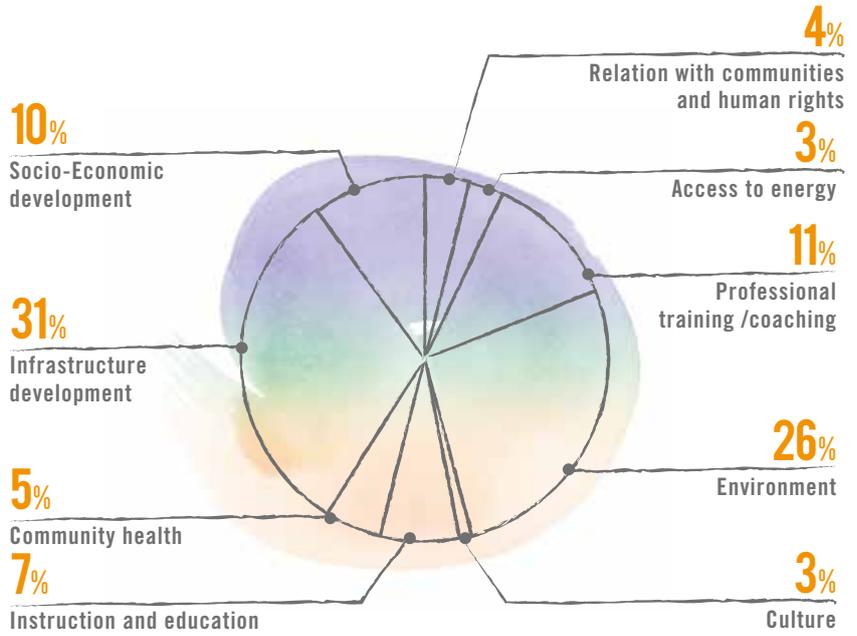
Sub-Saharan Africa (22.7 million euro). There are also significant investments in Italy, Kazakhstan,

Nigeria, Ecuador, the Republic of the Congo, and Mozambique (see also eni.com).

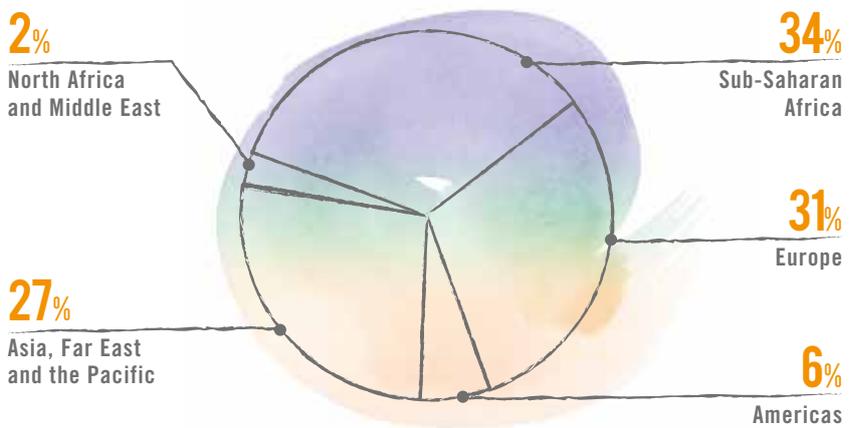
Community investments (thousand euro)



Community investment by intervention sector in 2014



Community investments by geographical area in 2014



## Main projects for the development of communities in the world

Globally, Eni promotes and implements development projects aimed at meeting the needs and expectations of local communities and having

a positive impact in the long-term. The projects are implemented jointly with stakeholders and are planned and managed through a transparent

and interactive process, providing systems to monitor and evaluate the effectiveness and results of the projects.

## Improving living conditions in Congo

**Partners:** Local authorities. **Collaborations:** IPHD, Caritas, Medecin d'Afrique, The Earth Institute (Columbia University), AVSI. **Intervention area:** Industrial area around the onshore M'Boundi field in the Hinda District. **Intervention sector:** Health, education, access to water, agriculture, access to energy, gender empowerment, capacity building and social inclusion.

The Integrated Hinda Project (Projet Intégré Hinda - PIH) is aimed at improving the living conditions of communities in the area around the onshore M'Boundi field in the Hinda District (approximately 25,000 people), thereby reducing the percentage of the population living below the poverty threshold. It aims to do this through interventions in key development areas such as health, agriculture, access to water and energy, education and training, capacity building and social activities. The activities are carried out using an integrated approach orientated towards valuing and strengthening the capabilities of the people and communities that live in the area. Throughout the activities there are ongoing consultations with the main stakeholders including the local and national authorities,

the NGOs and associations and the communities involved. As a result of the construction of infrastructure for the primary intervention sectors (schools, health centres, water wells), 2014 saw an increase in access to health services, the number of child vaccinations and prenatal care, primary education and the availability of clean water. In order to implement an integrated system to monitor and evaluate the effectiveness of the project, the company is continuing its strategic collaboration with The Earth Institute of Columbia University. Field surveys to collect data were carried out in 2014 and the company began to gather performance-related data on a monthly basis, which is vital for the continuous evaluation of results and the consequent improvement in service quality.

### Main results of Hinda Project

Agreement signed in 2011

80% progress made on the project

3 health centres built

People vaccinated in 2014: 17,871 of which 4,275 were pregnant women and 13,596 were children aged 0-11 months

9 schools built of which 4 in 2014, and launch of learning activities

21 wells built of which 9 in 2014 and related energy supply systems installed; set up management committees

## Education, health and water in Mozambique

**Partners:** Local authorities, SDPI, AIAS, DPCE, Community Council of Paquitequete. **Collaborations:** AVSI, Eni Foundation.

**Intervention area:** Districts of Palma and Pemba, Cabo Delgado Province.

In Mozambique, based on the baseline analyses carried out, various projects on public health, education and access to water are in progress in the Pemba and Palma areas targeted by the industrial projects. The hospital in Pemba is the subject of an initiative aimed at strengthening emergency services by delivering certified cardiology and traumatology training to 20 doctors, supplying equipment for the resuscitation and intensive care departments, and restructuring the medical gas installation.

Furthermore, in the Palma district an Eni Foundation intervention is in progress to improve services for maternal-infant care (see the box on page 75). With regard to primary education, there is an agreement in place between Eni, the Provincial Department for Education and Culture, the Town Council of Pemba and the Community Council of Paquitequete to improve access to primary education in the Paquitequete district (Pemba) with the construction of a primary school, the supply of scholastic materials, and activities to raise awareness on social and environmental issues.

The direct beneficiaries are 600 children and 30 teachers, while there are 13,000 indirect beneficiaries including the children's families and the general population. The school was opened in 2014 and studies began on the implementation of the second phase. The participatory approach is promoted also through the direct involvement of parents and pupils in the committees. The "Water programme", which is conducted in conjunction with the Serviço Distrital de Planeamento e Infraestruturas (SDPI) and the Administração de Infra-Estruturas de Água e Saneamento (AIAS), seeks to improve the living conditions and health of the population in the Palma area through sustainable and long-term access to drinking water, with a target of around 4,000 people. In 2014 an action plan was defined encompassing the hydrogeological mapping of the territory, the planning and design of wells and the electrification of the same, the selection of the installation areas and planning the activities for capacity building and awareness raising among the community.

### Main results in Mozambique

600 children direct beneficiaries of the education project and 13,000 indirect beneficiaries (children's families and population)

20 doctors involved in the health training programme

Inauguration of the Paquitequete School (Pemba)

## Infrastructures, basic services and food safety in Nigeria

**Intervention area:** Bayelsa, Rivers, Imu and Niger Delta regions.

In Nigeria the projects are aimed at improving living conditions of the host communities focusing in particular on the provision of infrastructure and basic services in order to access clean water, education, access to energy (see the dedicated paragraph on this subject) and food safety.

Education is favored through various projects for the training of teachers and students, construction of educational infrastructure, libraries and training centers, procurement of school material. The projects for access to water are aimed at installing a distribution network of drinking water for local communities.

The Green River Project (GRP) continues. This multi-annual project has the aim of supporting agricultural development in the four states where the subsidiary NAOC operates: Imo, Delta, Rivers and Bayelsa. During its 27 year history, the project has benefitted more than 500,000 people. The project involves three main areas of intervention, such as the distribution of agricultural and production inputs and services and the related training, training for skills enhancement and support local

entrepreneurship through incentives for the creation of cooperatives and access to micro-credit.

In 2014 the main activities included the distribution of seeds and production material in the fisheries and livestock (14,672 improved seeds of sweet potato, 3,863 cassava scions and 16,856 improved seedlings of banana and plantain, 87,560 fingerlings) with a relative increase of employment opportunities and income to local communities. Training on modern methods of agricultural production at 13 dedicated centers have been realized regularly, involving more than 630 cooperatives and offering a professional support.

550 young people have been involved in a program for skills acquisition and professional equipment in the fields of carpentry, welding, plumbing, information technology, event management, fashion. 57 cooperatives benefited from microcredit. Through access to credit and the acquisition of inputs and equipments, the establishment of new cooperatives and the strengthening of existing ones have been favored.

### Main results in Nigeria

Education: 33 projects launched, of which 11 completed

Infrastructure development: 52 projects launched, of which 17 completed

Access to water: 14 projects launched, of which 4 completed

Community Health: 13 projects ongoing

1,256 farmers involved in the Green River Project



## Health and education in Ecuador

**Partner:** Ministry of Public Health of Ecuador, Ministry of Education of Ecuador. **Intervention area:** Villano (28 villages).

In Ecuador Eni operates in the area of the Amazonian rain forest, where around 3,200 people are living. Through multi-annual agreements, Eni has initiated an intense programme of activities aimed at improving health conditions in 28 villages in the Villano area. By setting up and optimizing health service networks, Eni aims to support the Country in reducing the mortality and morbidity rates in the population caused by endemic diseases or pathologies. The programme is directed at three growth levers: training doctors and paramedics, raising awareness about disease prevention among communities, and the subsequent implementation of the medical

services that have been established. In 2014, there were 4 healthcare facilities and 15 out-patient clinics staffed with qualified medical staff which enabled 20,000 treatments to be administered during the year. With regard to education, Eni initiated a project with the aim of obtaining results at all educational levels, from primary school right up to university studies and professional training. The long-term goals are: to achieve a primary school attendance rate of 100%; to increase the number of students enrolled at and attending high school; to reduce the number of students that drop out of education completely; to increase the opportunities to access university education and professional training.

### Main results in Ecuador

20,000 therapy administered in the health facilities

1,000 children enrolled in the local primary school

6 new schools started up, 29 teachers trained and 343 students enrolled

45 students enrolled at university

5 students receiving support for their university studies



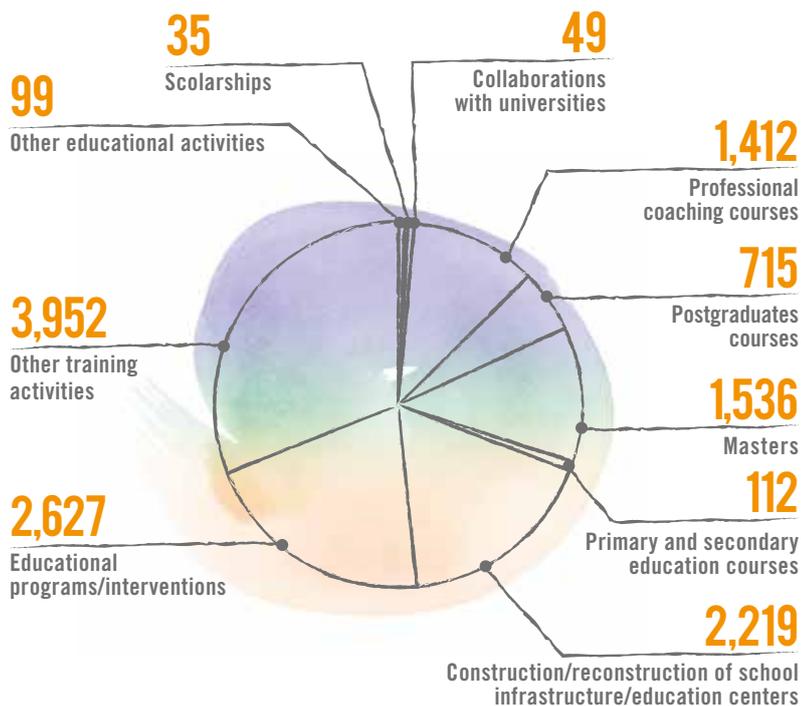
## Empowerment of communities through education and training

Education and training play a fundamental role in the creation of opportunities for the local population. Through agreements with the Countries, Eni is committed to supporting the education of young people for their entire educational career, from primary school to university. Eni has been present in Pakistan since 2000 and has always supported actions that promote the right to education and basic services in the Sindh region, which is one of the poorest in the Country. These interventions have made it possible to maximize access to education,

particularly by women and children, helped by the creation of management committees composed of women, the provision of professional training to teachers and the creation of centres specifically dedicated to the education of women. In Mozambique, other primary education and professional training initiatives have also been implemented in addition to the 200 programme, aimed at selecting 200 graduates for training programs or multidisciplinary professional in the Oil & Gas sector. The project to support the professional training centre in Pemba, in the region of Cabo Delgado, is an example of excellence. In agreement with the

Ministry of Labour in Mozambique, Eni launched an ambitious project aimed at reinforcing the professional skills of the local population and increasing employment in the region through the supply of didactic materials suitable for teaching various disciplines and for training the centre's future trainers. In 2014, the first year of the project, 3 teachers and 161 students received training. In Kazakhstan, KPO is delivering education and professional training programmes that focus on teaching English as a key driver in improving access to the job market for its recipients. The teachers involved in the primary and secondary education programmes are all local. The 250 children involved in 2014 come from a total of 11 schools in Aksai, the Burlinskiy district and the surrounding rural areas. The courses for adults were developed by experts from the British Council. In 2014, 20 teachers from the Burlin district received training.

Investments in education and training for local communities by intervention sector in 2014  
(thousand euro)



In 2014, expenditure for projects promoting education, professional coaching and training for local communities amounted to 12.76 million euro.

## Eni Foundation

*Since it was set up in 2006 in order to increase and improve the ability of Eni to give consistent and effective answers to the community expectations, Eni Foundation's mission is to promote the protection of the rights of children with initiatives aimed at promoting their overall well-being and development of the most vulnerable. Eni Foundation plays a key role to help improve preventive health care, diagnosis and treatment of major endemic diseases systems, facilitating the access to primary health care such as maternal and child health care, immunisation programmes, training and health education in the community. Eni Foundation is currently active in two Countries: Mozambique and Ghana. In Mozambique, the project to bolster emergency neonatal and obstetric services in the Palma district is helping local health authorities to reduce infant and maternal mortality rates by increasing the quality of and access to health services and*

*medicines for mothers and babies. In 2014, 11 continuous training courses were organized for a total of 174 health operators, with the aim of extending the action taken to strengthen the health centres to the whole district. The direct beneficiaries of this initiative are women of child-bearing age and children in the Palma district (around 3,000), while the indirect beneficiaries, in addition to the health workers that receive training, are the inhabitants of the Palma district (60,000 people). Also in Ghana, in line with the local Ministry of Health strategies, the project aims to reduce infant and maternal child mortality. In 2014, in addition to the regional seminars held in relation to planning the ongoing training activities and the prevention of occupational risks for health workers, work focused on the less serviced areas where two community health centres were built and equipped and another two are being built.*

*[www.eni.com/enifoundation](http://www.eni.com/enifoundation)*

## Access to energy

Access to modern energy services is fundamental in promoting rights, social inclusion, the guarantee of a more dignified life and sustainable growth. A reliable, sustainable and modern energy supply is a key factor for ensuring basic services such as education, health, transport and communication. Energy can be a

lever for sustainable development, broadening the possibilities for female empowerment, decent work for all, the sustainable development of production and consumption, the creation of safe and resilient urban areas and the protection of ecosystems and biodiversity.

The contribution to the growth of

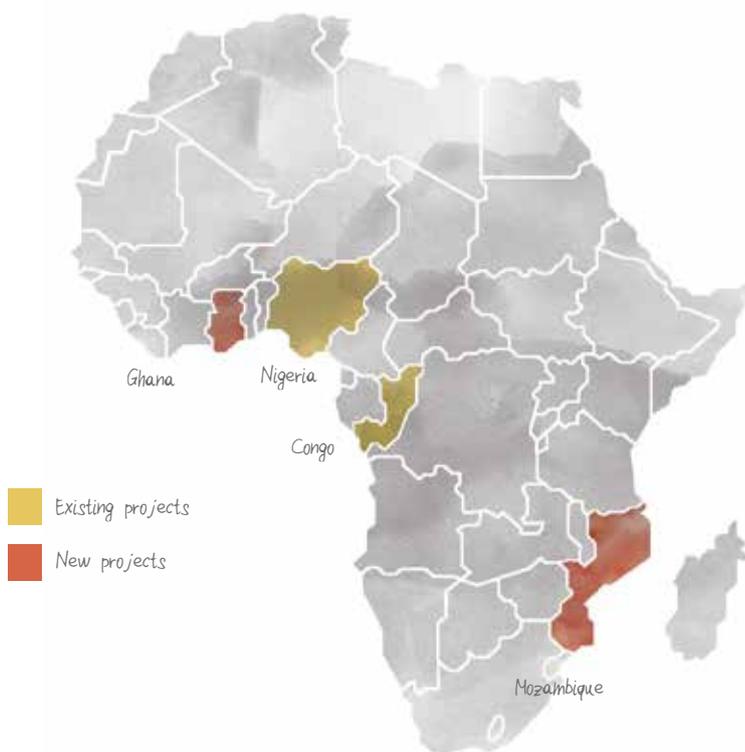
local energy systems is part of Eni's development strategy. This strategy foresees initiatives in line with core business activities, which are typically defined in agreements formalised between the Parties (MOU). Attention is focused mainly on the African continent where there is a greater concentration of energy poverty.

Eni promotes a programme of investments for local development in Sub-Saharan Africa aimed at improving access to energy for local communities. The strategy is based on the research and development of solutions adapted

to local needs, in particular:

- the development of on-grid solutions, including the creation of energy plans aimed at exploiting the natural resources of the Countries, optimizing production

- processes with gas flaring recovery, and constructing infrastructure to produce and distribute electricity;
- the development of off-grid solutions through special stand-alone systems as generators and solar panel systems;
- research and development of advanced technologies in relation to renewable energy and improving lifestyles (e.g. cooking food).





Africa represents 15% of the world's population but only 2% of the global energy demand, which indicates the potential that local development of this geographical area could have, also in business terms.

CEO Claudio Descalzi

## Power stations and large energy infrastructures (on-grid solutions)

The Okpai power station in Nigeria was the first Eni project in the context of the Gas Master Plan. It was built in 2005, in agreement with the federal government. The power station has an installed power capacity of 480 MW. In 2014, with a gas consumption of 629.55 MMScm, it generated 3.34 million megawatt hours of energy, of which 3.26 million were supplied to the Power Holding Company of Nigeria (PHCN). This was followed by the activation of a contract to supply gas to the 150 MW electric power station of the River State Government. In 2014, 65.75 million standard cubic metres of gas were supplied to said power station. In the Republic of the Congo, installed capacity in the Country was increased due to the integrated project to improve production capacity, the energy infrastructure and the

local distribution networks, and in particular to the Electricque de Djeno and Centrale Electricque du Congo power stations supplied by gas from the M'Boundi field (a total of 350 MW, around 60% of the installed capacity in Congo). Continuing in the same vein as the projects implemented in Congo and Nigeria, there are various Eni programmes in progress that envisage the extension of this approach to other Sub-Saharan African Countries where the company operates. In Mozambique, an undertaking was signed in the context of agreements with the national

authorities regarding the construction of a 75 MW electric power station in the Cabo Delgado province, in the north of the Country. In Ghana, in January 2015, Eni along with Vitol and the Ghana National Petroleum Corporation (GNPC) signed an agreement with the national authorities regarding the development of an integrated oil and solid gas project. This will guarantee the energy needed to accelerate economic growth in Ghana. The OCTP (Offshore Cape Three Points) gas fields will be able to continuously resupply the thermoelectric power generation system in Ghana.

### Access to energy in Nigeria

Okpai power station in Nigeria, 480 MW installed capacity.

629.55 million standard cubic metres of gas consumed in 2014, 3.34 million megawatt-hours of energy generated, 3.26 million megawatt-hours supplied to PHCN.

65.75 million standard cubic metres of gas supplied to the River State Government power station.

11 communities connected to the national grid in 2014.

Supply of energy to the 36 communities by constructing networks connected to industrial plants.

36 communities connected to stand-alone (off-grid) electricity systems with a total installed capacity of 9.2 MW.

## Integrated energy for the development of communities (off-grid solutions)

In Nigeria, 36 communities were supplied with power in 2014 through stand-alone (off-grid) electricity systems, with a total installed capacity of 9.2 MW. Moreover, Eni has improved access to electricity in Nigeria by building networks connected to oil power plants, to which 36 villages were

connected as of 2014 (with a combined installed capacity of 36 MW), and through projects to help connect communities to the existing national grid, involving carrying out electrical works, supplying generators and procuring transformers (11 communities involved in 2014). In Congo, the supply of energy is a key requirement in order to ensure the increased effectiveness of the Hinda project (PIH), which is aimed at

improving the living conditions of the population in the M'Boundi area. The project included activities to install electricity across all sectors. As of 2014, Integrated Hinda Project has improved access to electricity to 29 communities infrastructures (7 health centres and 22 water wells) of which 4 health centres and 17 water wells powered by electricity from solar panels thus increasing the electricity available at the project structures.

## Research studies on the application of innovative solutions

Eni promotes studies to identify the best solutions for improving access to energy in the areas where interventions have been agreed. In the Republic of the Congo, in relation to the Hinda project, studies are being carried out on innovative systems for cooking food. 2014 saw the completion of research carried out in Mozambique in conjunction with Self Energy Mozambique and the Earth Institute of Columbia University to plan and design intelligent off-grid systems powered also by renewables. This is seen as an optimal solution for rural areas in the

Cabo Delgado province in the north of the Country and is aimed at supplying utilities to the infrastructure and primary services (water supply, schools,

health centres, etc.). A study was initiated on possible solutions regarding access to energy and the management of drinking water in Angola.

### Access to energy in Congo

Power station in Djeno (CED, 2009): doubling of power to 50 MW.

Power Station in Congo (CEC, 2010): installed capacity 300 MW (60% installed capacity in Congo).

Built and restructured 550 km of the high voltage transmission grid between Pointe Noire and Brazzaville.

Electrification of Pointe Noire: 350,000 beneficiaries, equal to 40% of the inhabitants, more than 6,500 lights installed and improved security in urban areas.

Kouakouala project: power supplied to water well pumps, schools, health centres and street lighting.

Integrated Hinda Project access to power energy for 29 communities infrastructures.

Studies on clean cooking solutions.

# Innovation for industrial restructuring and the creation of new opportunities.

## Context

The last decade has been a critical period for the petrochemical and refining industry in Europe.

The growth of low cost chemical production and refining operations in Asia, together with the collapse of refining margins in Europe, have severely tested the petrochemical and refining industry in Europe, leading to the closure of numerous plants on the old continent. In the 2008-2014 period, fuel consumption fell by 20%

and since 2009, 11 refineries with a total capacity of 1.4 Mboed have been closed in Europe.

At the same time, environmental protection and climate change legislation has had a significant impact on all the downstream sectors (prohibition on the production of polyethylene bags, reduction of greenhouse gases linked to fuel, the goal of increasing by 10% the bio-content of fuels by 2020, etc.).

The first conversion in the world of a conventional refinery (Eni's patent) allows an 80% saving in investment costs compared to building a new biorefinery and the entry of Eni in a new business.

## Eni's position

Eni nurtures its long-standing relationship with the Countries it operates in, acting responsibly in its role as a sustainable business that drives development, innovation and social cohesion.

In order to address the challenges presented by the crisis, Eni has taken advantage of the results of its investments in research and has turned its attention to reconverting older industrial sites.

This resulted in the construction of the first bio-refinery in the world to be created from the conversion of a traditional refinery, using a patent filed by Eni.

The biodiesel produced will be used by Eni in order to comply with the European regulations on the minimum bio content in fuel (10% by 2020).

This biofuel will replace that which Eni would otherwise have had to buy on the market, produced by other operators: in other words, in the face of these regulatory constraints, Eni has opted for the industrial ("make") solution rather than the commercial ("buy") one. Therefore, this investment will not increase global demand for vegetable oil, which will in fact be reduced given the characteristics of the proprietary technology that Eni uses.

Indeed the regulations provide that

the additive thresholds in terms of bio quotas are based on the calorific value of biodiesel, and the biodiesel produced at Porto Marghera (Green Diesel) has a higher calorific value compared to other biodiesels commonly available on the market; this makes it possible to quantitatively reduce the amount of the "bio" product to be added to conventional fuels.

Currently palm oil is the most used biomass on the market for the production of biodiesel due to its extensive availability on the market and the scarce availability of second and third generation feedstocks.

The technology used by Eni therefore makes it possible to reduce the demand for palm oil by around 15%. This first reconversion at the Porto Marghera site in Italy (90 kilotonnes of biodiesel produced already in 2014) entailed investment costs that were 80% lower than would have been required to build a new refinery from scratch. This made it possible to requalify the existing industrial site. The site has been integrated into the local context and its reconversion has the full support of local economic players since it has made it possible to keep employment at pre-crisis levels.

The process used and the final

product are made possible by applying innovative technological solutions that are the result of investments in research and development and collaboration with expert partners. The plant uses the proprietary Ecofining™ technology under development since 2005 in partnership with the American company Honeywell-UOP. This technology, which is based on the total hydrogenation of vegetable oils, allows for broad flexibility with regard to the biological feedstocks to be used as raw materials, which can be made up of various types of oil-based biomass: vegetable oil, second generation feedstocks (animal fat, used cooking oil) and advanced feedstocks (for example, oils from algae and waste, lignocellulose material, etc.). The main end product is a high-quality diesel. Its characteristics are decidedly superior to the other products available on the market and it enables increased efficiency owing to reduced residue build-up in the combustion chambers. Eni intends to gradually introduce the use of second and third generation feedstocks. In the first half of 2015, the first industrial trial began of second generation feedstocks (national used vegetable oils). Additionally, advanced progress

has been made on the definition of initiatives to collaborate with public sector waste collection companies operating in the Venetian hinterland, in order to increase the collection of used household oils and use said oils as a feedstock in the biorefinery. The Green Diesel obtained in this way can be used to produce fuel with a high bio content, to be returned to the municipal companies for use in their collection vehicles. Thus an integrated and short (almost zero km) supply chain is created maximizing energy use of the locally produced waste oils, which is undoubtedly of benefit to the environment.

Consideration is also being given to possibly working with oil-based biomass refineries in order to reuse the waste from said processing, such as distilled fatty acids and glycerine (third generation feedstocks).

In the meantime, Eni has implemented the necessary specifications and controls to ensure the sustainability of the palm oil supply. Procurement is carried out by the subsidiary Eni Trading & Shipping which only procures oil that is ISCC certified (International Sustainability & Carbon Certification - one of the three standards recognized by the European Union).

This guarantees that:

- the palm plantations are not located in areas where there is a high biodiversity value and/or high levels of carbon stock;
- greenhouse gases (hereinafter GHG) are reduced by at least 35% compared with the emissions produced using petroleum-based fuels.

When fully operational, the weight of NO<sub>x</sub> and SO<sub>2</sub> emissions produced by the plant will be respectively 45% and 65% lower than they would be if using fossil fuels, while particulate emissions will be 32% lower.

In 2014, approximately 144,000 tonnes of refined palm oil (RBDPO) were supplied at the biorefinery in Venice. During phase 1, or rather, until mid 2017, the biorefinery will supply approximately 360,000 tonnes of vegetable oil per year. Phase 2 will also entail upgrading the plant (in 2017), which will increase the capacity of the biorefinery to around 560,000 tonnes of vegetable oil per year, with the total production of biodiesel amounting to around 420,000 tonnes per year.

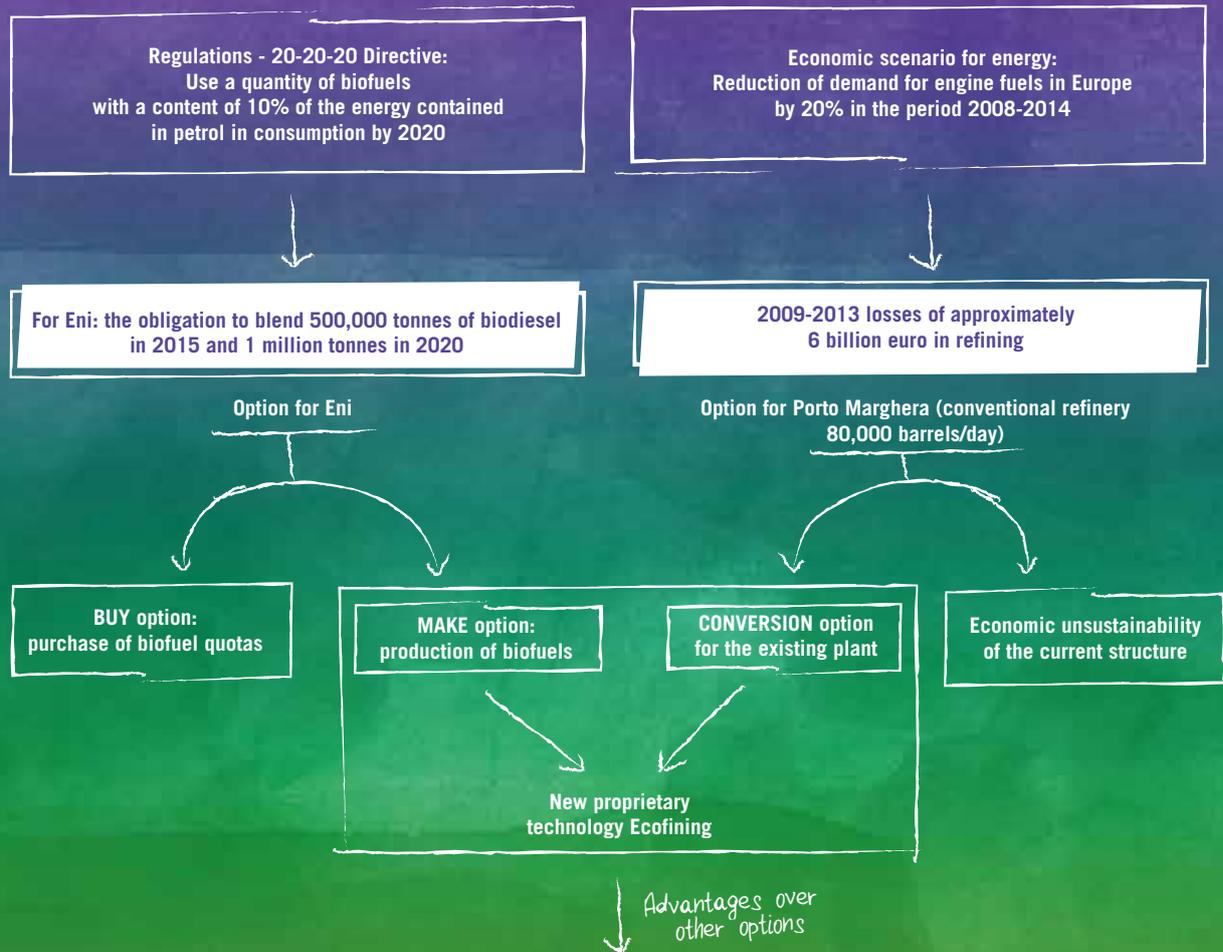
In 2014, in the context of the memorandum of understanding signed on 6 November at the Ministry of Economic Development with the trade

unions, institutions and Confindustria, Eni also announced its plans to build a second biorefinery at the Gela site, which it is estimated will have a processing capacity of around 710,000 tonnes of vegetable oil per year, with a biodiesel output of around 530,000 tonnes per year.

Also in 2014, Eni signed an important memorandum of understanding at the Ministry of Economic Development aimed at re-launching the petrochemical plant in Porto Marghera, which will become an integrated hub of green chemistry. With production estimated to begin in about three years time, this is the result of a partnership with the American company Elevance Renewable Sciences, which will provide part of the technology. The overall investment, taking into account the operational restructuring, amounts to around 200 million euro. Work is continuing on the important development of green chemistry initiated by Eni-versalis at Porto Torres (through Matrica, a joint venture with the Italian company Novamont) in order to produce bio-products from vegetable components which are used for bioplastics, bio-fuels (hydraulic fluids, engine oils), rubber and polymers additives (plasticizers),

agricultural industry and personal care. Three plants, a research centre with laboratories and 7 pilot plants

are already up and running in addition to a research centre (with a total investment of 180 million euro).



**Financial capital:** Target of economic sustainability for the site by 2017. Construction of a Green Refinery: synergies with pre-existing plants reduce construction costs by 75% (saving of 400 M€).

**Natural capital:** given the characteristics of the Green Diesel produced, the quantity of vegetable oil required is 15% lower than in the other processes used. Possibility to use the quota of second and third generation feedstocks. Reduction in the weight of NO<sub>x</sub> and SO<sub>2</sub> emissions respectively 45% and 65% and the reduction of particulate emissions by 32%.

**Human capital:** maintain employment (biorefinery personnel 200 people highly skilled).

**Social and relational capital:** in addition to the direct and indirect employment effects, pursuit of local procurement chains with second generation feedstocks (e.g. waste oils). Several meetings held with local institutions to present the project (Local Administrations, Trade unions, Confindustria).

**Intellectual capital:** development of new skills in the biorefining process and in the use of second and third generation feedstocks. 10 Eni patents registered.

**Manufacturing capital:** enhancement of the existing plant.

The scheme adopted highlights a series of options that the company has considered in light of the changing market scenario, determined both by the economic crisis and the new sustainability parameters introduced by European legislation with regard to engine fuels. It also shows that the company's decision to produce its own biofuels was possible primarily due to investments in research and innovation (prior to the crisis). This in turn enabled the company to develop its own proprietary technology for the

reconversion of the existing refineries, which have become highly competitive in the new economic scenario. This business decision has had a positive effect on all the company's capital, not only in financial terms, but also with regard to natural, human, manufacturing, social and relational capital. In fact, in addition to the reduced use and more sustainable cultivation of biomass, the conversion of an existing site into a biofuel production plant makes it possible to save jobs, maintain relationships with

the local economy, and reduce the environmental impact of the previous plant. Furthermore, the future reuse of waste (third generation feedstock) such as used oil will make further use of resources that are currently wasted possible, thus reducing the impact on the environment. The decision to produce biofuel also enables greater control over the sustainability of feedstock, making it possible to apply and guarantee the principles of sustainability throughout the entire value chain.



## 2.5 Energy and climate

For a long time, Eni has been developing a climate strategy aimed at mitigating the company's impact on climate change, focusing in particular on reducing flaring, improving the energy efficiency and reducing fugitive emissions. In addition Eni is investing in research on the energy of the future.

Eni has a carbon management strategy for mitigating climate change that integrates the operational and managerial interventions with the development of research and technological innovation. This strategy has been implemented through action plans focused on specific intervention areas: the exploitation of natural gas as a transitional energy source during the move towards the use of renewables, the reduction of emissions by improving energy efficiency, the reduction of gas flaring and fugitive emissions, and investments in research in order to develop renewable and efficient energy solutions such as second generation biofuels, green chemistry and solar power.

The projects and initiatives have been developed based on risk assessments that incorporate climate change considerations into the management

of the company's operations.

Eni recognizes the scientific evidence on climate change presented in the fifth report of the Intergovernmental Panel on Climate Change (IPCC) and is aware of the risks posed by climate change to society, the environment and its own business. In the context of the international climate change agreements, in 2015 there will be a conference on climate change in Paris. The objective is to reach a global agreement for the post 2020 era that will make it possible to continue the process started with the Kyoto Protocol and keep the average global temperature rise to within 2% of the pre-industrial era. Eni's contribution to the achievement of this goal is based on an established strategy to combat climate change and a series of partnerships and international initiatives.

### **Eni's climate strategy is as follows:**

- Reduction of emissions through improved energy efficiency, zero gas flaring and fugitive emissions;
- Exploitation of natural gas, which is less carbon intensive than other fossil fuels, as a transitional source of energy during the move to renewable sources (see case study on page 94);
- Increasing investments in renewable feedstocks and energy sources:
  - R&D on innovative sources of renewable energy;
  - Investments in green refineries and in green chemistry (see case study on page 79);
- Climate change risk assessment in the context of the integrated risk management process;
- International partnerships and transparent dialogue on the issue with stakeholders.

## Greenhouse gas emissions reduction

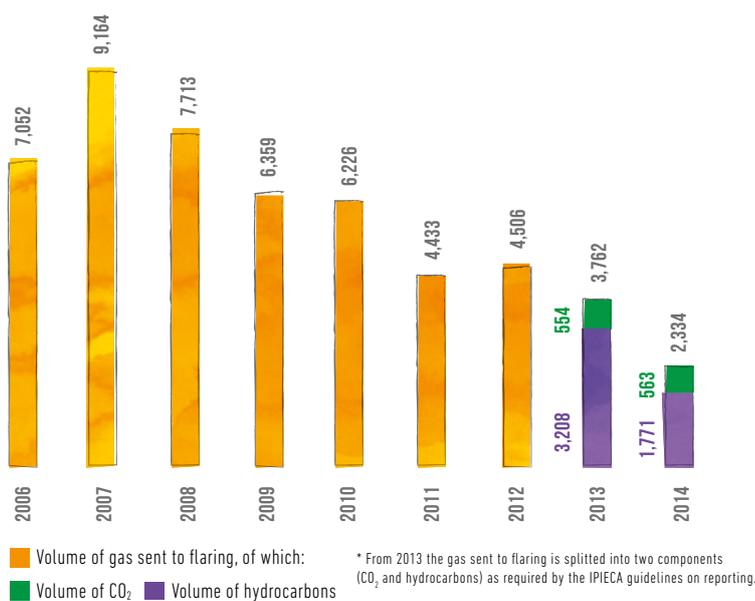
Various inter-related measures have been adopted to reduce emissions in the production processes including programmes to increase energy efficiency, specific projects to reduce gas flaring and projects to reduce fugitive methane emissions.

Gas flaring involves burning gas associated with oil that cannot be used owing to an absence of transports or

utility infrastructures.

Since 2003, Eni has been part of the Global Gas Flaring Reduction (GGFR) initiative, coordinated by the World Bank, and is committed to the goal of zero routine flaring by 2030, which does not include gas flaring carried out for safety reasons or for strictly operational reasons (production tests, drilling, etc.).

Volume of gas sent to flaring\*  
(MSm<sup>3</sup>)



In this regard, 2014 saw the achievement of some highly significant goals: compared with 2013, the volume of hydrocarbons flared was reduced by more than 45%, owing also to the implementation of flaring down projects in Akri and Ogbainbiri (Nigeria) and the completion of the M'Boundi project (Congo onshore).

Total investments in flaring down projects in Nigeria and Congo amounted to approximately 1.7 billion dollars. Compared with 2007, Eni has reduced the volume of gas flared by 75%. Further projects are also underway in Libya, Algeria and Egypt. The total amount invested in flaring down since 2007 exceeds 2 billion dollars.

## M'Boundi project

*In March 2014, the flaring down project in the onshore M'Boundi field in Congo was concluded thus enabling the associated gas produced to be used rather than flared. The project envisaged the installation of two compressor trains with the aim of sending most of the gas to the CEC (Centrale Electrique du Congo) power*

*station. The surplus gas is instead reinjected into the wells. In this way, currently 100% of the gas that before would have been flared is now used, in compliance with local legislation and Eni's commitment to the elimination of routine flaring. The total cost of the project amounted to approximately 300 million dollars.*

The results confirm the commitments made by Eni and its progress with regard to eliminating routine flaring in spite of the fact that, in some cases,

the socio-political situation in some Countries has slowed the realization of the investments.



Eni's commitment to combating climate change also includes actions to mitigate the environmental impact associated with the business throughout the entire value chain (supply chain, products, consumers, etc.).

In this regard, Eni has been reporting on the indirect emissions (Scope 3) associated with its activities since 2010, following the criteria of the main international standards, in particular, the document Corporate Value Chain (Scope 3) Accounting and Reporting Standard (WRI, WBCSD). Scope 3 emissions are numerically significant

for an O&G company (on average 5 times higher than direct emissions). Even though the company does not have direct control over this category of emissions, Eni is able to develop initiatives and projects aimed at reducing the environmental impact through detailed reporting.

Eni's indirect Scope 3 emissions are subject to independent certification in compliance with the ISO 14064-3 standard and are calculated based on the main activity indicators and in accordance with the standard methods of the World Resources Institute (WRI).

Most of Eni's Scope 3 emissions fall under the category of "Use of Product Sold" (natural gas and oil products such as gasoline, diesel, kerosene, etc.).

For years Eni has been committed to the development of high performance fuels that have a reduced impact of the environment. The eni blu+ products allow to reduce the fuel consumption to equal distance traveled, thereby reducing also the indirect emissions of CO<sub>2</sub>. Specifically, 82% of service stations sell eni bludiesel+ product, and 46% sell eni blusuper+.

## Flaring down in Nigeria

*In Nigeria, work continued on projects to make use of the associated gas, with the target being to reach total reuse of the gas by 2017. The projects in progress consist mainly of upgrading the plants to treat the gas at low pressure and send it to the LNG terminal in Bonny or to the Brass terminal to be used as a fuel gas. In 2014, the amount of gas flared was 85% less than in 2007 due to a total investment of more than 900*

*million dollars and today it is possible to make use of around 95% of the gas produced: it is used in the production of electricity, in the supply to the Eleme petrochemical plant or the LNG terminal in Bonny, or it is reinjected into the wells. Over the next three years (2015-2017), the company plans to invest a further 400 million dollars in new flaring down projects (amounting to a total of 1.3 billion dollars invested).*

Category	2012	2013	2014
	tonnes CO <sub>2</sub> eq	tonnes CO <sub>2</sub> eq	tonnes CO <sub>2</sub> eq
<b>Use of Product Sold</b>	<b>288,797,567</b>	<b>281,689,906</b>	<b>272,902,694</b>
- Natural Gas	187,089,559	182,869,641	174,572,782
- Oil products	101,708,008	98,820,265	98,329,912
<b>Upstream Transportation &amp; Distribution</b>	<b>1,059,987</b>	<b>1,020,959</b>	<b>1,049,925</b>
- Maritime Transports	947,465	906,454	961,687
- Road Transports	112,523	114,506	88,238
<b>Business Travel</b>	<b>111,973</b>	<b>106,247</b>	<b>99,952</b>
<b>Purchased Goods and Services*</b>	<b>235,728</b>	<b>104,816</b>	<b>205,052</b>
<b>Total</b>	<b>290,205,254</b>	<b>282,921,928</b>	<b>274,257,623</b>

(\*) Drilling activities subcontracted to third parties by Eni's Group (E&P).

Even though the other categories of indirect Scope 3 emissions have a limited numerical impact, Eni is committed to the promotion of a culture of greenhouse gas emissions reductions, both to its own people and towards its suppliers.

To this end Eni is implementing the following initiatives for its people:

- use of video conferencing systems for meetings as an alternative to transfers;
- use of less impactful transportation as the train;
- use of methane-fed corporate shuttles;
- benefits to employees in

order to promote the use of public transportation for the displacements home to work.

The initiatives for Eni's suppliers are:

- routes optimization in the logistics industry, in particular in the maritime sector through the routes' optimization and the ship loads. This initiative has allowed to obtain a total saving approximately 30 kt CO<sub>2</sub>eq in the last three years;
- adoption of green procurement criteria also in the phases of procurement of goods and services (e.g. by facilitating the purchase of goods at a lower energy consumption).

With regard to consumers, Eni

is committed to encouraging the development of a culture of sustainable energy use, both through advertising campaigns (e.g. "Rethink Energy") and through consultation and the delivery of technical services to consumers (advice and support offered to customers by the energy stores in relation to energy efficiency in their homes).

In 2014 the initiative called Enjoy continues. Launched by Eni in 2013, this initiative consists of a proprietary car sharing service that is already widely in use in Rome, Milan and Florence. The service represents a sustainable, economic and efficient alternative to the use of private cars.

## Energy efficiency

Energy efficiency is a fundamental tool in the reduction of emissions and also has economic benefits that help increase the competitiveness of all of Eni's industrial sectors. This energy saving not only helps to reduce climate changing emissions, but also makes it possible to contain emissions of nitrogen and sulphur oxides. In 2014, Eni implemented initiatives that make it possible to save around 60 ktoe/year under normal operating conditions, both in the upstream and downstream sectors. The initiatives implemented

since 2008 have resulted in a total saving of more than 380 thousand ktoe/year under normal operating conditions, equal to 1 million tonnes CO<sub>2</sub>/year. Until 2013, these results were achieved mainly in the downstream sector through investments and managerial interventions. In 2014, a project was launched to identify efficiency initiatives in the upstream sector aimed at reducing energy consumption. This has already produced important results due to optimization in the field of logistics. With regard to energy management

systems, in 2014 EniPower gained the ISO 50001 certification for the SEF Srl company and Versalis for the petrochemical plant in Mantua. These certifications are added to those obtained in the past for the energy management systems at four refineries, two foreign petrochemical plants and five management sites. Eni's commitment to energy efficiency is demonstrated through the constant attention paid to the energy intensity indices, including the Solomon Energy Intensity Index (EII).



## Renewables

European environmental regulations require economies to achieve extensive decarbonization in the long term (2030-2050), with repercussions for the energy industry which will have to renew its business model in order to remain competitive.

In this context, Eni has embarked upon a process to research and evaluate the potential of renewable energy, with the aim of identifying the sources in which to make a long-term investment.

The current portfolio of R&D projects on renewables and the environment is a starting point in the selection of technologies with the most development potential. Equally, the company's diversified presence in Italy and abroad offers various opportunities for the realization of pilot initiatives to support traditional Oil & Gas operations and local development. Eni guidelines in the field of renewable sources and environmental protection are:

- Focus commitment on production processes, the use of biofuels and on green chemistry;
- Develop technologies for the use of solar energy with high capacity particularly if combined with Oil&Gas activities, or used in agriculture or in eco-sustainable buildings;
- Integrate renewable sources with innovative technologies in relation



The focus on renewables demonstrates also the importance Eni places on the development of sustainable energy.

Investments in research on future energies are essential in order to reduce the impact on the environment and ensure the widespread adoption of renewables.

CEO Claudio Descalzi

to environmental monitoring and remediation processes. R&D activities are dedicated to the identification, development and application of technological solutions in the field of solar energy and energy storage. For this reason research projects are ongoing in collaboration with prestigious international research centres and through the scientific network connected with the Eni award (including the Politecnico di Milano, the Politecnico di Torino, CNR, MIT and Stanford University). Among the most significant results achieved by Eni in the field of solar energy is the excellent laboratory performance of flexible polymer cells (>9% efficiency) and the absolute record in the laboratory for the performance of luminescent solar concentrators (LSC) integrated into

construction (7.4% efficiency). In the concentrated solar power sector, basic engineering has been completed for a prototype of an innovative parabolic collector developed in conjunction with MIT and the Politecnico di Milano. The selection of a site for the realization of the project is currently in progress. Initial technical and economic assessments show investment costs are 20% lower compared with the state of the art.

In the field of biofeedstock for the production of fuel which will have to supplement fossil feedstocks in accordance with European regulations, the company is looking at using bio products derived from waste that are not in competition with the food cycle. Eni's R&D portfolio is therefore aimed at identifying and developing increasingly

sustainable supply chains that offer a competitive advantage over that which can be bought on the market.

The projects currently underway seek to develop second generation technologies for oil production by using yeast that metabolizes sugars from lignin and cellulose, substances contained in the non-edible part of plants such as the stem, and also the treatment and use of solid urban waste or other organic waste material. Both technologies are at the pilot trial phase and the necessary evaluations are in progress for a test to be conducted on an industrial scale. The oil produced

through the fermentation of sugars from waste biomass is of a high quality and is able to replace palm oil in the green diesel production process. The bio-oil obtained from the liquefaction of organic waste or mud can instead be used to generate electricity in a static engine, and can also be a solution for the recycling of waste. Furthermore, a research project is underway looking at ways to make use of glycerine, a by-product of production of conventional biodiesel (FAME), as a component in the synthesis of molecules that could be used as high-quality

bio-components for diesel. Two products have been identified that have a high cetane\* number and offer various improvements over the use of FAME. The development of the production technology for these compounds has reached the pilot phase and work is in progress to evaluate and acquire the data necessary for the industrial scale-up. Other activities carried out in conjunction with Syndial aim to integrate renewable sources with innovative technologies in relation to environmental monitoring and reclamation activities.

#### Research and development on renewables

	2013	2014
Investments in renewables (million euro)	30	20.5
Investments in renewable / total of R&D investments (%)	15	11
Renewable patents	28	29
Research Institutes Eni collaborates with on renewables (number)	32	32
- of which in Italy	27	27
Investments on collaborations (million euro)	6.0	4.9

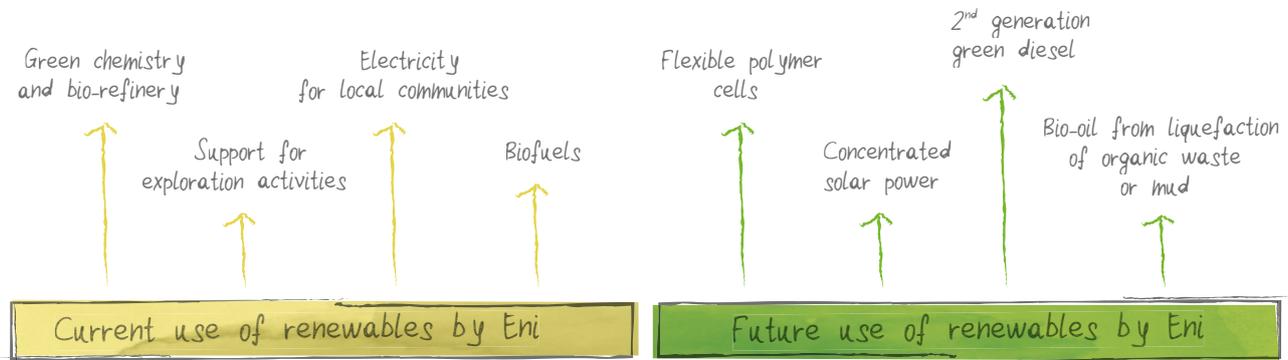
#### Collaborations with research centres

**90**  
Research Institute in Italy  
**200**  
worldwide

**150**  
million euro  
total three-year  
investments

\* In diesel engines, the cetane number is a measure expressing the readiness of the fuel at power; the higher the cetane number the greater the readiness.

## Research on renewables



## Climate risk in business evaluations

Eni carries out an integrated assessment of the physical and regulatory risks relating to climate change, taking into account both quantitative aspects (operational-production, economic-financial) and qualitative aspects (reputation, social and environmental aspects) in order to develop appropriate operating strategies. This issue is pointed out to the Board and is subject to continuous improvement.

## Carbon stranded asset

*There is an ongoing debate on the possible financial risks associated with the valuation of the Oil & Gas and coal companies in the IEA 450 low carbon scenario. Some researchers hypothesize that resources with a greater marginal cost may not be produced in a scenario of growing decarbonization.*

*Eni believes that hydrocarbons will continue to play a fundamental role*

*in sustaining international economic growth over the coming decades and that, in particular, natural gas will continue to play a key role in the move towards an energy mix with a lower carbon content.*

*Furthermore, Eni's hydrocarbon reserves are chiefly made up of natural gas and conventional petroleum with a cost position that renders Eni projects resilient in the face of low carbon*

*scenarios such as the IEA 450.*

*In general, Eni's growth strategy focuses on the development of conventional assets, which constitute almost the entire equity production, while its exploration strategy is based on identifying basins with a low or average break even price.*

*This position was made public at the recent Climate Conference in Lima (COP20).*

The risks and opportunities related to the evolution of international climate policy are managed by monitoring and participating in the European and international debate on climate change. Energy supply and demand, as well as the price scenarios, are adjusted in line with changes to the

political and regulatory framework. Eni's investment evaluations always take into consideration the related legislative context, paying heed to local climate policies such as emissions trading systems, carbon tax or restrictions on greenhouse gas emissions. Eni's forecast on CO<sub>2</sub> prices are used in the

context of investment planning.

Risks relating to the physical impact of climate change are the subject of specific analyses conducted in order to assess future climate scenarios and to identify the most appropriate measures to be taken in order to adapt.

## International partnerships

Eni actively participates in the international debate on climate change. In September 2014, Eni took part in the Climate Summit held in New York and in the UN Private Sector Forum, two particularly important events involving governments and companies in working towards a new global climate agreement (COP21, Paris 2015). In this context Eni announced its own involvement in two important initiatives: the "Oil & Gas Climate Initiative" and the "CCAC Oil & Gas Methane Partnership". The first initiative which at launch also saw the participation of BG, Total, Pemex, Saudi Aramco and Sinopec and other companies are joining, will provide the industry with an opportunity to contribute to finding climate change solutions and to illustrate the specific actions taken, overcoming some of the preconceptions that pervade public opinion with regard

to fossil fuel producers. The second one will focus on maximizing efforts to monitor and reduce methane emissions in upstream activities.

In 2014, Eni also signed up to the World Bank's "zero routine gas flaring" initiative aimed at completely eliminating routine flaring by 2030 through the development of new projects to make use of the associated gas. At the same time, it is also looking for solutions that will eliminate gas flaring in fields that are already in production.

Furthermore, for years Eni has been actively involved in the IPIECA working group on climate change, the International Emissions Trading Association, the "Caring 4 Climate" initiative of the Global Compact (where it signed up to initiatives for the transparent reporting of the company's

performance and actions taken to combat climate change), the Climate & Energy working group of the World Business Council for Sustainable Development (in order to identify common solutions to combat climate change), and for the last 7 years it has been among the top companies in the energy sector with regard to disclosure and performance according to the Carbon Disclosure Project. Finally, in 2015 Eni is sponsoring a study of the CEPS think-tank aimed at assessing the environmental, economic, and social impacts of the policies that will be included in the future international agreement on climate change. Greenhouse gas emissions are monitored through the use of a single reporting protocol, they are externally certified and internally assessed by a specifically dedicated team that answers to the company's top management.

# Natural gas: a key role in the future energy mix.

## Reference context

Natural gas can play a key role in the transition towards an energy mix with a low carbon content, serving as a natural complement to renewable sources. Gas, which is the fossil fuel with the lowest carbon content, thanks to its flexibility and versatility (from electricity to transport) can be used efficiently and is an abundant source of energy.

For these reasons, it is an important source for the security of the entire energy system. Compared with coal, the use of gas allows not only for a reduction in CO<sub>2</sub> emissions but also numerous other pollutants thus enabling a general improvement in air quality.

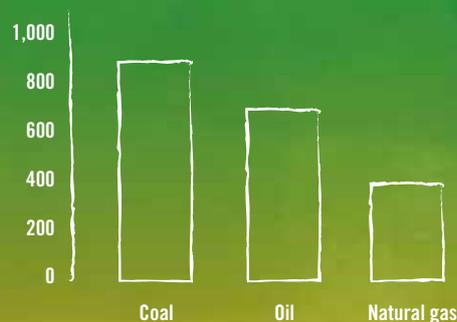
According to the New Policy Scenario of the International Energy Agency's World Energy Outlook 2014, the global quota of natural gas is set to increase from 21% of

the global energy mix in 2012 to 24% by 2040, indicating the most sustainable growth rate of all the fossil fuels.

In this context, the growth of the global liquefied natural gas (LNG) market and the diversification of

energy sources will make it possible to reduce the risk of any interruption to the supply. It is anticipated that by the year 2025, the use of natural gas will exceed coal in the production of electricity for OECD Countries.

Electricity Generation emission coefficients (World)  
(gCO<sub>2</sub>/kWh)



Source IEA

In Europe energy and environment policies are being discussed and reviewed in order to achieve a gradual reduction of climate

changing emissions.

The recent 2030 framework agreement on energy and climate defined in October 2014 sets more

ambitious goals than those of the previous European 20-20-20 strategy. Therefore,

in order to achieve the target reductions in GHG emissions and minimize environmental impact, it

is necessary to aim for an energy mix based on a combination of renewables and natural gas.

## Eni's position

Eni is involved in all phases of the gas value chain: production, gas and LNG supply sources, as well as the generation and sale of electricity. Eni's gas demand is satisfied by supplies from eighteen Countries either through long-term contracts or on the spot market. Its gas requirements are also satisfied through integration with the upstream activities which allows Eni to take advantage of the growth of the gas market and exploit the gas equity reserves. In Eni's portfolio the production of natural gas represented about 50% of the total hydrocarbon production in 2014. Important discoveries such as those made by Eni in Mozambique confirm Eni's future position as an important global player in the production of natural gas.

At the IEA's World Energy Outlook 2014 presentation, which was held at Eni (10 December, 2014), the company's CEO Claudio Descalzi stressed how an energy partnership between Europe and Africa would bring unique opportunities for both continents in terms of the

security of the supply in Europe and access to energy and local development in Africa, minimizing the relative impact on climate and the environment. This virtuous cycle between the two continents will require investments and the development of energy infrastructure and local markets. In order to meet this challenge the stakes are placed mainly on natural gas but also on renewables, of which the African continent has a high potential. This approach is in line with Eni's operations in Africa. Eni was the first international energy company to invest in the production of energy in Africa using previously flared gas, thereby reducing the negative effects on the local environment. The company has implemented significant projects to facilitate access to energy through the exploitation of gas in Nigeria and Congo and has entered into agreements in this regard in Ghana and Mozambique. Furthermore, natural gas is at the centre of Eni's flanking policies for local development, even in Italy (see

section on Local Development, Access to Energy).

In addition to its traditional uses, natural gas can contribute to reducing carbon dioxide emissions in the transport sector as it can be used as a compressed fuel for sustainable urban mobility (CNG technology) and in its liquefied form (LNG) for heavy road and sea transport. This is consistent both with European initiatives (e.g. the Directive on the development of alternative fuels) and Italian initiatives (the strategic plan for the diffusion of LNG in the transport sector launched by the Italian Ministry of Economic Development). In this context, on 29 April 2014, Eni opened in Piacenza the first service station to supply liquid methane (LNG) to provide fuel for heavy vehicles as part of the European project known as "Blue Corridors", which aims to encourage the use of LNG for road transport in order to make it more economical and sustainable.

Eni is committed to opening more of these stations by 2017.

**“In addition to doing things right and respecting the paths we have set ourselves, our task is also to make sure that things are done. We have to start things but also check what we have decided.”**

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CEO Claudio Descalzi



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# 3.1 Performances

## Governance and Business Ethics

### Board of Directors

		2012	2013	2014
Members of the Board of Directors <sup>(a)</sup>	(number)	9	9	9
- executive		1	1	1
- non-executive		8	8	8
- independent <sup>(b)</sup>		7	7	7
- non-independent		2	2	2
- members of minorities		3	3	3
Board of Directors Annual Meetings		16	13	14
Average attendance at Board meetings	(%)	97	97	100
Annual board induction sessions	(number)	3	3	3

a) Refers to the previous Board, up until 8<sup>th</sup> May, 2014 and to the current Board from 8<sup>th</sup> May, 2014 onwards.

b) Refers to independence as defined by the regulations, as referenced by Eni's By-Laws; in accordance with the Corporate Governance Code, 6 of the 9 Directors appointed are independent.

The Board of Directors and the Board of Statutory Auditors, and their respective chairmen, are appointed by the Shareholders' Meeting using the list voting system. Three Directors and two Auditors, including the Chairman of the Board of Auditors, are appointed by minority shareholders thus ensuring that the number of representatives of said minority shareholders exceeds the number required by law. The number of independent Directors provided by the company By-Laws is also greater than that required by law. In May 2014, the expiry of the terms of office led to a major reshuffle of the Board of Directors and the Board of Statutory Auditors. In particular, with regard to the composition of the Board, the Shareholders' Meeting was able to take account of the views expressed by the previous Board in terms of diversity, expertise, managerial experience and internationalism. The result, therefore, was a balanced and diversified Board, which exceeds the requirements of the law in terms of gender diversity.

Following the reshuffle, the number of independent Directors on the Board (7<sup>1</sup> of the 9 Directors appointed, of which 8 are non-executive) exceeds the number required by law, the Corporate Governance Code and also the average number

of independent Directors on the Boards of Italian listed companies.

The Board of Directors has created four internal committees having consulting and advisory functions: the Control and Risk Committee, the Compensation Committee, the Nomination Committee and, since 9 May, 2014, the Sustainability and Scenarios Committee, which all report to each Board meeting on the relevant issues being discussed. Specifically, with the establishment of the Sustainability and Scenarios Committee, the Board of Directors aims to ensure a further level of supervision over sustainability issues.

The Board has also assigned important internal control responsibilities to the Chairman, particularly in relation to the Internal Audit department. These responsibilities include making proposals regarding the appointment, remuneration and resources of the Internal Audit Manager, and managing the working relationship directly on the Board's behalf (without prejudice to the functional subordination to the Control and Risk Committee and the CEO as the Director in charge of the internal control and risk management system).

On the proposal of the Chairman, the Board has appointed a Secretary, to whom the role of Corporate Governance Counsel

1) See note b) below the table.

has also been assigned, who is responsible for providing assistance and advice to the Board and the Directors, and who reports annually to the Board on the functioning of Eni's governance system. The Secretary reports hierarchically and functionally to the Board, and consequently, to the Chairman of the Board. Also, in view of the responsibilities of the role, the Secretary must be independent.

Every year the Board, with the assistance of an external consultant and the supervision of the Nomination Committee, carries out a Board Review (a self-evaluation). An essential element of this review is the comparison with best practices at national and international level. Following the Board Review, if necessary the Board agrees on an action plan to improve its performance and that of its committees.

In order to support the Board of Directors and the Board of Statutory Auditors, in recent years Eni has made an

Induction programme<sup>2</sup> available, which is based on presentations of Eni's operations and organization given by top management. The Board has since decided to provide more in-depth information on strategic issues relating to risk and crisis management, taking into consideration the international context in which the company operates. The Board has also decided take part in the pilot phase of the "UN Global Compact LEAD Board Programme"<sup>3</sup>, which is dedicated to training Directors on sustainability issues, having already actively contributed to the development of the programme. With the support of an international facilitator, who is an expert on sustainability, integrated reporting and management, the Board dedicated the first session to "The materiality of Sustainability", with the aim of raising awareness on the importance of sustainability for the company's business strategy<sup>4</sup>.

### Diversity in the management and audit boards of Eni Group companies<sup>5</sup>

	2012	2013	2014
Presence of women on the Boards of Directors of Eni group companies	8.1%	14.0%	22.0%
Presence of women on the Boards of Statutory Auditors of Eni Group companies	15.0%	27.6%	36.0%

The internal regulations on the "Corporate Governance of Eni companies", subject to the requirements of the law, provides that in selecting the members of the management and audit boards of Eni's Italian and foreign subsidiaries, the need for diversity (including gender diversity) is, where

possible, taken into account.

In line with these regulations, Eni's commitment to reinforcing the presence of women on the management and audit boards of Eni's companies is ongoing, as demonstrated by the percentages shown in the table.

## Internal control and risk management system

		2012	2013	2014
Integrated audits actions	(number)	83	65	67
- scheduled audits		59	49	55
- spot audits		8	5	2
- follow-ups		16	11	10
Number of recommendations (corrective actions)		1,150	907	907
Number of Risk Assessments		98	35	18
Average time of corrective action completion	(days)	83	78	78

A key role in the audit and assessment process for the internal control and risk management system (ICRMS) as a whole is assigned to Eni SpA's Internal Audit department, which conducts audits (operational, financial and compliance audits focusing on the aspects covered by

Italian ex Legislative Decree no. 231/01 and Anti-Corruption compliance) in implementation of the annual Audit Plan prepared using a "top-down, risk based" approach and approved, together with the resource budget, by the Board of Directors and, for aspects relevant for the purposes of

2) In keeping with previous initiatives, training of the Boards of Directors of subsidiaries with offices in the United Kingdom, France and the Netherlands continued in 2014.

3) Eni is a member of the UN's Global Compact Lead Group.

4) The key issues covered by the training course are: What sustainability is; The business imperatives for sustainability; Strategic focus on sustainability initiatives; Sustainability in strategy and business model.

5) Number of positions occupied by women in proportion to the total number of positions.

Italian Legislative Decree no. 231/01, by Eni SpA's Watch Structure.

With reference to the main activities performed by the Internal Audit department, it is noted that:

- the number of integrated audits conducted in 2014 is in line with the average for the three-year period. In line with the previous year, the average duration of the audits has been affected by the incorporation into the same of the Anti-Corruption audits and independent monitoring carried out in order to comply with the Sarbanes-Oxley Act;
- the average number of corrective actions per audit has remained stable for the various sectors, and to date substantial observance of the implementation times for planned actions has been recorded, confirming the attention paid by the audited structures to the time-scales agreed;
- the risk assessment activities were reduced further compared with the previous year due to the broadening of the scope of the integrated risk management process, the results of which are used by the Internal Audit department to plan the audits, integrating them, where necessary, with the risk assessments;
- 2014 also saw the continuation of training initiatives in relation to the ICRMS directed at Eni SpA's management and the main subsidiaries in Italy and abroad. These initiatives aim to provide an organic and integrated vision of the ICRMS and develop awareness of the role of management in the implementation and operation of an effective and efficient ICRMS. In particular, in 2014 "on site" workshops were delivered in about 15 Countries in addition to Italy and the related e-learning course continues to be provided.

## Whistleblowing management<sup>6</sup>

(number)	2012	2013	2014
Reports <b>opened</b> during the year, of which	136	172	119
- <b>Internal control system</b> reports divided according to the process that is the subject of the report	72	88	69
- procurement	23	30	16
- human resources	5	8	12
- commercial	11	7	11
- logistics	6	1	7
- HSE	5	6	4
- other (security, administration and financial reporting, maintenance, etc.)	22	36	19
Reports on <b>other matters</b> relating to alleged violations of the Code of Ethics	64	84	50
Reports that have been <b>closed</b> during the year divided according to the outcome of the investigations, of which	131	159	134
- <b>founded</b> at least in part with the adoption of corrective measures	27	34	20
- other matters	10	11	6
- internal control system	17	23	14
- <b>unfounded, with the adoption of corrective/improvement measures</b>	31	45	39
- other matters	11	21	11
- internal control system <sup>(a)</sup>	20	24	28
- <b>unfounded</b>	73	80	75
- other matters	40	46	25
- internal control system	33	34	50

a) It should be noted that the 14 Internal Control System that were filed in 2014 as "founded at least in part with the adoption of corrective measures" gave rise to 59 corrective actions of which: 18 disciplinary actions taken against employees, 12 against suppliers and third parties, 19 in relation to the internal control and risk management system, with the remaining 10 relating to other actions (legal, technical, etc.).

From 1 January to 31 December, 2014, 230 whistleblowing reports were received, grouped together in 119 files, 69 (58%) of which concern issues relevant to the "Internal

control system" and 50 of which related to "Other matters" (42%). In the same period, 134 files were archived in total, 92 of which concerned the "Internal control system" (69%)

<sup>6</sup> The data related to the reports contained in this paragraph refer to reports concerning Eni SpA and its subsidiaries, excluding the listed Italian subsidiary, which has its own autonomous report management structure.

and 42 of which concerned “Other matters” (31%).

The audits carried out on the 134 files archived in 2014 had the following results:

- for 114 files the audits did not find any evidence to confirm the facts reported, nevertheless for 39 files (29%) improvement actions were taken in any case;
- for 20 files (15%) the audits confirmed, at least in part, the content of the report and the appropriate corrective

actions were taken.

In conclusion, corrective actions were adopted in 44% of cases.

As of 31 December, 2014 there were still 31 files open related to the “Internal Control System” and 41 files open on “Other Matters”.

With reference to the management of reports concerning human rights issues, please see the next paragraph.

## Human rights

		2012	2013	2014
Hours of training on human rights	(number)	576	667	700
Suppliers subjected to qualification procedures including screening on human rights		12,471	14,833	19,823
% procurement from suppliers subjected to qualification procedures including screening on human rights	(%)	88	87	91
SA8000 audits carried out	(number)	16	23	20 <sup>(a)</sup>
- of which follow-ups		8	9	12
Security contracts containing clauses on human rights	(%)	65	84	90
Security people trained on human rights	(number)	1,008	235	143
Critical sites covered by assessments/surveys		11	21	23
Sites verified by means of a check list		121	194	138
Countries with armed guards protecting sites		10	11	11
Hours of specific training to security officers/security managers		1,476	4,700	6,226

a) Of which 8 suppliers / sub-suppliers in Mozambique, Indonesia, Pakistan and Angola and 12 follow-ups on audits carried out in 2013 in Congo, East Timor and Pakistan.

In 2014, in addition to the ordinary checks during the qualification process, SA8000 audits were carried out on 8 suppliers and sub-suppliers in Mozambique, Indonesia, Pakistan and Angola and 12 follow-ups on 2013 audits in Congo, East Timor and Pakistan. In order to support these activities, in 2014 a further 5 people from Congo, Angola, Indonesia and Mozambique were trained as SA8000 procurement auditors. In total 32 people received training, including two Lead Auditors.

The following data relate to “Whistleblowing management” concerning, among other things, issues related to the respect

for human rights<sup>7</sup>.

In particular, in 2014, 37 files were archived, of which:

- for 31 files the audits did not find any evidence to confirm the facts reported, nevertheless for 10 files (27%) improvement actions were taken in any case;
- for the 6 remaining files, the audits confirmed, at least in part, the content of the report and the appropriate corrective actions were taken.

As of 31 December 2014 there were still 19 open files related to human rights issues concerning mainly harassment or mobbing in the workplace, and relationships with institutions, associations, local communities.

<sup>7</sup> The data related to the whistleblowing reports contained in this paragraph refer to reports concerning Eni SpA and its subsidiaries, excluding the listed Italian subsidiary, which is equipped with its own autonomous report management structure.

(number)	2012	2013	2014
Reports on human rights violations (closed during the year and subdivided according to the outcome of the investigations), of which	31	39	37
- <b>founded</b> at least in part with the adoption of corrective measures	4	3	6
- relations with institutions, associations, local communities	0	0	0
- harassment or mobbing in the workplace	3	3	4
- other (e.g. occupational health and safety)	1	0	2
- <b>unfounded, with the adoption of corrective/improvement measures</b>	7	13	10
- relations with institutions, associations, local communities	0	0	0
- harassment or mobbing in the workplace	4	10	8
- other (e.g. occupational health and safety)	3	3	2
- <b>unfounded</b>	20	23	21
- relations with institutions, associations, local communities	1	1	2
- harassment or mobbing in the workplace	12	14	16
- other (e.g. occupational health and safety)	7	8	3

## Anti-Corruption training

See paragraph on Fighting corruption on page 36.

## Transparency of payments

See paragraph on Integrity and transparency on page 33.

## Value added

(euro million)	2012	2013	2014
Overall distributed net value added	22,489	20,442	13,957
- of which to human resources	4,877	5,555	5,693
- of which to shareholders	4,139	4,230	4,090
- of which to States and Public Administrations	11,679	9,005	6,492
- of which to financial backers	896	923	922
- of which to the company system	808	729	-3,240

The net value added distributed in 2014 was 13,957 million euro, a reduction compared to the previous year. The main driver was the sharp decline in oil prices that affected on the E&P results and the adjustment of the crude oil stocks to current values. Compared to the previous year the significant capital gains achieved in 2013 are important (sale of 20% stake in Mozambique and a revaluation of the selling price of the stake in Arctic Russia). Value added in 2014 was divided as follows:

- 47% to the State and Public Administrations through taxes on the income of both Italian and overseas businesses;
- 41% to human resources paid through wages, salaries and welfare contributions;
- 29% to shareholders paid through the distribution of dividends;
- 7% to financial backers, paid through financial charges;
- -23% to the company system, paid through the share of net profit reinvested in the company (profit for the year net of dividends and the share used to restore the plant and equipment and intangible assets used in the production process).

# People

## Employment

(number)	2012	2013	2014
Employees as of December 31	77,636	82,093	83,599
- men	64,789	68,505	69,949
- women	12,847	13,588	13,650
- Italy	26,602	26,586	25,791
- Abroad	51,034	55,507	57,808
Employees abroad by type	51,034	55,507	57,808
- local	39,668	43,121	45,864
- Italian expatriates	3,867	3,955	3,889
- international expatriates (including TCN)	7,499	8,431	8,055
Employees by type of contract	77,636	82,093	83,599
- temporary	35,885	38,803	29,519
- permanent	41,751	43,290	54,080
- part time	1,130	1,058	1,039
- full time	76,506	81,035	82,560
Senior Managers employed	1,468	1,471	1,468
Managers/Supervisors employed	13,174	13,613	13,870
Employees employed	38,396	39,844	40,337
Workers employed	24,598	27,165	27,924
Employees aged 18 - 24	4,201	4,635	3,753
Employees aged 25 - 39	35,121	36,870	38,844
Employees aged 40 - 54	29,872	31,076	31,220
Employees aged over 55	8,442	9,512	9,782
Employees by educational qualification	77,636	82,093	83,599
- less than secondary school diploma	15,477	10,353	10,645
- secondary school diploma	35,031	39,904	39,889
- degree	23,544	26,894	27,832
- postgraduate education	3,584	4,942	5,233
Number of permanent contract hiring	6,372	6,663	6,160
Number of permanent contract resolutions	5,228	5,847	6,514

In 2014 there were 1,506 employees more than in 2013, amounting to an increase of 1.8%. This number depends on a decrease of 795 employees in Italy (currently 25,791 people, 30.9% of the company's total employees) and an increase of 2,301 employees abroad (currently 57,808 people, or 69.1% of the company's total employees). In Italy, 1,167 people were recruited, 624 of whom were given a permanent contract and 543 a temporary contract. The permanent hires (part of which are apprenticeship contracts) include 360 graduates, equal to about 58% of the total. In Italy, 1,954 employment contracts were terminated, of which 1,322 were permanent and 632 temporary. These reductions were primarily related to restructuring activities and

to the company's 2013-2014 mobility plan. The average age of people working for Eni is 43.9 in Italy and 38.8 abroad. In 2014 the majority of new entries abroad concerns mainly the I&C sector (4,501 total permanent hires) with a positive balance between hires and resolutions and consequent increase in employment in this sector equal to + 2,470 units. This increase is due mainly to the ongoing project characterized by a direct construction approach and the related review of human resource planning (Mexico, Canada). There has also been an increase in the area of onshore drilling (Saudi Arabia) in order to complete the fitting out of the new rigs. Approximately 48% of the remaining permanent hires abroad in 2014 (1,035 in total) concern the upstream sector, in which a decrease of 72

people occurred, compared to a negative balance between hires and resolutions. This reduction is due mainly to closure and downsizing of some projects, particularly in: Togo, Democratic Republic of the Congo, Poland, Iraq and China. Plans have in any case been made for the development of projects in Ghana, Mozambique, Indonesia, Algeria, Angola,

Congo and Norway, as well as the strengthening of engineering structures in Basingstoke, and the departure of local employees at Tecnomare's Kazakh branch. A total of 3,889 Italian expatriates work abroad in the 100% consolidated companies. The local employees abroad increase of 2,743 units compared to 2013 (equal to +6.4%).

## Safety

		2012	2013	2014
Injury frequency rate	(Injuries/worked hours) x 1,000,000	0.49	0.35	0.31
- employees		0.57	0.40	0.38
- contractors		0.45	0.32	0.26
Injury severity index	(days of absence/worked hours) x 1,000	0.021	0.014	0.014
- employees		0.026	0.018	0.019
- contractors		0.017	0.012	0.011
Total recordable injury rate (TRIR)	(total recordable injuries/worked hours) x 1,000,000	1.17	1.04	0.89
- employees		1.45	1.35	1.13
- contractors		1.01	0.86	0.73
Fatality index	(fatal injuries/hours worked) x 100,000,000	1.10	0.98	0.72
- employees		0.87	1.74	0.00
- contractors		1.23	0.53	1.22
Near misses	(number)	2,862	2,911	3,130
Training hours on safety	(hours)	1,259,228	2,112,319	1,025,362
- of which to senior managers		5,046	7,290	4,145
- of which to managers/supervisors		69,890	73,067	73,202
- of which to employees		312,817	996,364	355,891
- of which to workers		871,475	1,035,598	592,124
Expenditures and investments on safety	(euro thousand)	363,805	400,650	361,229
- of which current spending		253,275	245,168	222,980
- of which investments		110,530	155,482	138,249

In 2014 the trend in safety improvement continued, recording the lowest injury rate of the last ten years. The number of injuries fell by more than 20% compared with 2013 and more than 75% compared with 2006, falling from more than 750 events to 170 in 2014.

Compared to 2013, there was a 7% improvement for employees while for contractors it was 19%. The injury frequency rate for the total workforce (equal to 0.31) has fallen by 12.6% compared to 2013. However, in spite of these positive results, there were 4 fatalities recorded among contractors in 2014.

By the end of 2015 it is anticipated that all subsidiaries with a significant HSE risk profile will be OHSAS 18001 certified. By the end of 2014 more than 80% of these subsidiaries had already been certified.

Expenditure on safety in 2014 related specifically to: studies on safety, procedures, risk assessments (49.8 million euro), personal protective equipment (33.7 million euro), maintenance (29.8 million euro), the production of safety flares (23.1 million euro), the production and modification of fire-fighting systems and equipment (25.4 million euro), and rescue and evacuation equipment (6.1 million euro).

## Health

(number)	2012	2013	2014
Health Impact Assessments carried out	28	18	32
OHSAS 18001 certifications	101	109	122
Employees included in health monitoring programmes	64,518	70,458	76,971
Diagnostic procedures	341,995	355,762	381,321
- of which diagnostic tests	241,098	259,994	285,230
- of which laboratory protocols	100,897	95,768	96,091
Services provided by company health structures	536,958	548,386	571,399
- of which to employees	442,177	449,690	482,442
- of which to third parties	94,781	98,696	88,957
Vaccinations provided by company structures	23,700	22,795	20,043
- of which to employees	18,635	17,700	16,096
- of which to third parties	5,065	5,095	3,947
Repatriation for health reasons	200	179	201
- of which employees	175	162	180
- of which contract workers	25	17	20
- of which family members	-	-	1

In 2014 the implementation programme for the health and safety management system in all Eni companies went ahead with the aim of achieving total compliance with the regulations and obtaining OHSAS 18001 certification for all subsidiaries with a significant HSE risk profile.

The business areas completed the health monitoring programmes producing a final result in line with that planned by the competent physicians.

In order to assess the impact of projects on the health of the communities involved, the upstream sector completed 32 HIA and ESHIA (Environmental and social Health Impact Assessment) studies in 2014. The health impact assessments were carried out in the following Countries: 7 in Nigeria, 6 in Mozambique, 5 in Iraq, 3 in Algeria, 3 in Congo, 2 in Ukraine, 1 in Cyprus, 1 in Ghana, 1 in Southern Italy, 1 in Kenya, 1 in

Libya and 1 in Russia.

During 2014, 201 workers were repatriated for health reasons, of which 157 were due to disease while 44 were the result of an injury. Saipem handled 178 repatriations (161 employees and 17 contractors) and upstream there were 23 (19 employees, 1 family member and 3 contractors). The medical repatriations in the upstream sector were attributable mainly to the complex health risks posed in certain areas such as Iraq (6), Kazakhstan (5) and Congo (5).

The reduction in the total number of Eni vaccinations reflects the reduction recorded in the upstream sector with regard to vaccinations given to third parties as well as employees. This reduction is related to seasonal trends and the multi-annual duration of the vaccination cycles. The greatest number of vaccinations were recorded in Congo, Nigeria and Egypt.

## Engagement of people

		2012	2013	2014
Users with access to the MyEni portal	(number)	23,578	25,088	26,172
Countries involved in the Cascade Programme		44	44	44
- Satisfaction of participants (positive feedback on the initiative)	(%)	88	87	88

During 2014, the MyEni portal was reconfirmed as the main tool for entering the world of Eni, for communication, and support for daily activities.

The Italian version can be viewed by 26,172 people, whereas the international version (MyEni International) is today accessible by every associate connected to the Eni online network and is the home page in 43 associate companies.

The Cascade programme, targeted towards all Eni's people

with the aim of communicating the company's strategies by business area, was run for the eighth time in 2014.

This year, the formula used in 2013 to make the programme more interactive and timely was confirmed. The intranet was used to circulate the initial business meetings and unit staff meetings were made a priority for all subsequent meetings. The level of general satisfaction with the initiative was high and in line with that of previous years. In addition to Italy, the Cascade programme has involved 43 other Countries.

## Industrial relations

(number)	2012	2013	2014
Employees covered by collective bargaining (Italy)	30,480	30,590	29,825
Consultations, negotiations with trade unions on organizational changes (Italy) <sup>(a)</sup>	359	278	236

(a) The minimum notice period for operational changes is in line with the provisions of the laws in force and the trade union agreements signed in the Countries in which Eni operates.

## Enhancing people

(%)	2012	2013	2014
Employees subject to management review (senior managers) <sup>(a)</sup>	100	100	100
Employees subject to performance assessment tools (senior managers, managers/supervisors and young graduates)	55	60	59
Employees subject to potential assessment (young graduates and experts) <sup>(b)</sup>	33	23	19

(a) Refers to the percentage of senior managers to whom this procedure is applicable

(b) The percentage drop is due to the extension since 2013 of the scope of analysis to include young graduates with up to 7 years of service.

Just like every other year, an annual review of Eni's people was performed in 2014.

In particular, a management review was carried out thus providing a complete picture of the company's senior management. Specific reviews were performed for certain managerial figures in order to assess their skills and abilities for the purposes of the succession planning process. This was done to ensure that positions with significant managerial responsibility were adequately covered.

In 2014, the company used segmentation to map around half of the Eni workforce, more specifically 91% of middle

management and 34% of young graduates.

In 2014 Eni confirmed its commitment to performance assessment, with total coverage, in Italy and abroad, of 97% for directors and senior managers and 56% for middle managers and young graduates, with an overall total of 59% (see table). Coverage abroad (66% of middle management and 79% of young graduates) is significantly higher than in Italy, a sign of increased engagement with the process.

The trend in Italy remains stable compared with 2013, with signs of growth in the coverage of young graduates (+17%). Generally 2014 has been a year of transition towards a new

Performance and Feedback system (the related procedure was published in May 2014), which integrates the two activities with a view to simplifying the process overall. Furthermore, 2014 saw the completion of the new HR Evolution system, an IT system that will support HR processes and facilitate a more thorough application and management of the performance appraisal process by the Employer. With regard to assessing potential, by looking at the data in absolute terms, the total number of employees identified as having potential confirms Eni's commitment to learning more

about its staff in Italy and abroad. In 2014, 721 assessments were carried out at Development Centres and Assessment Centres. In percentage terms, the index is still affected by the increase in the pool of eligible candidates (raising the number of years of experience in the company from 5 to 7) and by the fine-tuning of the volumes of activities performed, also with a view to optimizing the relative costs. In addition to this index, the 210 individual assessments and management appraisals carried out on middle managers and directors in 2014 are also worthy of note.

## Equal opportunities

		2012	2013	2014
Women employees in service	(%)	16.52	16.53	16.33
Women hired		14.91	14.42	10.16
Women in managerial positions (senior and middle managers)		18.91	19.37	19.67
Women senior managers		10.79	10.85	11.24
Replacement rate by gender		1.22	1.14	0.95
- men		1.19	1.09	0.97
- women		1.37	1.58	0.77
Employees who took parental leave	(number)	522	641	547
- of which women		409	500	434
Employees returning from parental leave		477	586	508
- of which women		352	452	400
Pay gap senior managers (women vs men)	(%)	97	96	99
Pay gap middle managers and senior staff (women vs men)		96	98	96
Pay gap employees (women vs men)		97	94	94
Pay gap workers (women vs men)		104	102	101
Total pay gap (women vs men)		100	98	97

In 2014, 13,650 women worked for Eni (16.3% of total employees) of which 6,127 in Italy (23.8% of employees in Italy) and 7,523 abroad (13.0% of employees abroad). In Italy, of the 624 people recruited during 2014, 20% were women.

It should be noted that in 2014 the replacement rate of women (ratio between permanent recruitment/termination of permanent contracts) decreased compared with 2013 both in Italy and abroad, rising from 1.37 in 2012 to 1.58 in 2013, and falling to 0.77 in 2014.

The downward trend can be attributed to the departure of women that occurred with the 2013-2014 mobility programme.

As regard of these resolutions – all made with the consensus of the two parties, women and the company – it is pointed out that:

- 1.6% is for women with managerial responsibility and average age of 60 years;
- the average age overall is 57 years, of which 24% greater than or equal to 60 years.

It should also be considered that, due to more favorable pension requirements, the adherence of women in the mobility program has been remarkable, in particular in Italy where is the majority of the women concerned. In effect, the 2011 Italian pension reform introduced new and higher age requirements to access to pension for the majority of workers. This entails a progressively relevant increase for women (being favored until now), in order to adapt the requirements for both women and men and comply with the provisions of the European Community.

However, the above-mentioned law has maintained for women the possibility to access by 2015 to early retirement at 57

years old and 35 years of contributions. This transition rule is therefore an opportunity to take advantage of minimum requirements for the retirement, advantageous than those that will be in force starting from coming years.

The number of women in managerial positions (senior managers and managers), however, has increased. This went from 18.49% in 2011 to 18.92% in 2012, before rising to 19.38% in 2013 and then 19.67% in 2014.

In 2014, the survey of the gender pay gap was updated,

in accordance with a method used since 2011 which neutralizes, in the pay comparison, any effects deriving from differences in role and seniority. This measurement was conducted at a worldwide level on a sample of more than 90% of the Eni population (approximately 76,000 resources in over 60 Countries). The results of the analysis at a global level show a substantial alignment between the pay of women and that of men for the same role and seniority. There is a slight difference compared to previous years but it is statistically irrelevant.

## Employment disputes

		2012	2013	2014
Employment disputes	(number)	1,383	1,607	1,355
Prevention/disputes ratio		864/1,383	577/1,607	658/1,355
Disputes/employees ratio	(%)	1.80	1.95	1.62

In 2014, Eni continued its commitment to preventing and managing labour law disputes, working at the pre-trial phase with effective instruments to reduce the number of disputes and the consequent costs.

Owing to the continued legal assistance provided, the level of conflict is low, taking into account the size of the company and the complex structure of employment legislation, particularly in Italy. Most of the disputes (25% of the total) concern occupational diseases, which are currently a typical feature of Italian employment disputes and are due to claims for alleged exposure to potentially

damaging agents, often linked to industrial sites only subsequently acquired by Eni. The number of claims made connected with work contracts such as claims relating to the type of contract, recognition of pay differences and alleged downgrading or demotion, remain at an extremely low level which, if considered in relation to the number of employees, amounts to 0.31% of the employees in service at the end of December 2014.

This confirms a work organization model which allows Eni people, through a shared system of personnel classification, to make the most of their skills and potential.

## Training

		2012	2013	2014
Training hours by type	(hours)	3,132,350	4,349,352 <sup>(a)</sup>	3,207,027 <sup>(b)</sup>
- HSE and quality		1,547,274	2,213,450	1,151,931
- Languages and ICT		311,142	339,058	290,914
- Conduct/Communication/Institutional		213,779	233,949	189,672
- Professional cross-sectoral		251,668	334,018	215,455
- Professional technical-commercial		808,487	1,228,877	1,359,055
Training expenditures	(euro million)	55.67	75.91	60.93

(a) The total includes training activities carried out in 2013 in relation to the Iraq project for the subsidiary Zubair Field Operation Division.

(b) The total does NOT include training activities carried out in 2014 in relation to the Iraq project for the subsidiary Zubair Field Operation Division, equal to 61,764 hours.

Training hours decreased by 26% compared with 2013 due to repeated budget cuts in 2014, which forced the company

to focus more on training related to core operations.

## Knowledge management

(number)	2012	2013	2014
Knowledge community/network by application sector	63	65	66
- business	53	55	56
- cross-sectoral	10	10	10
Participants in the knowledge community/network by application sector	4,732	5,676	6,883
- business	4,098	4,909	6,037
- cross-sectoral	634	767	846

See paragraph on Professional Development on page 45.

## Environment

### Environmental Management System

		2012	2013	2014
ISO 14001 certifications	(number)	109	113	116
ISO 50001 certifications		6	8	11
EMAS registrations		10	10	10
Environmental expenditures and investments	(euro thousand)	743,075	733,577	770,182
- of which current expenses		467,939	490,238	600,488
- of which investments		275,136	243,338	169,694

The majority of management systems for the main operating sites are registered under the international ISO 14001 standard and in Europe the main production sites have undergone the EMAS registration process. By the end of 2015 it is anticipated that all subsidiaries with a significant HSE risk profile will be ISO 14001 certified. By the end of 2014 more than 80% of these subsidiaries had already been certified.

Environmental expenditures was related mainly to soil and groundwater remediation (implementation of emergency or permanent safety measures and decommissioning, amounting to 277.8 million euro), waste management

(storage, treatment, recovery, transport and recycling, amounting to 106.7 million euro), air protection (plant modifications aimed at the reduction, monitoring and analysis of pollutants, amounting to 59.9 million euro), water resources and discharges (creation and modification of systems for the cooling, desalination, collection, monitoring and treatment of water, and systems to reduce consumption, amounting to 43.7 million euro), the prevention of spills (34.7 million euro), energy efficiency and climate change (energy saving, flaring down and containment of venting and fugitive emissions, amounting to 21.2 million euro).

## Protection of water resources and biodiversity

		2012	2013	2014
Total water withdrawals	(Mm <sup>3</sup> )	2,356.12	2,204.59	1,877.81
- of which sea water		2,142.82	2,002.22	1,704.97
- of which fresh water		188.70	183.93	162.48
- of which salt/salty water from subsoil or surfaces		24.59	18.44	10.36
Water used/kWheq produced (EniPower)	(m <sup>3</sup> /kWheq)	0.012	0.017	0.017
Water withdrawals/crude and semi-finished products processing (R&M)	(m <sup>3</sup> /tonnes)	25.43	19.98	22.42
Total production water extracted (E&P) <sup>(a)</sup>	(Mm <sup>3</sup> )	61.17	61.32	62.71
- of which injected into deep wells for disposal purposes		9.44	13.40	10.83
- of which re-injected		20.82	20.02	24.29
- of which discharged into surface water bodies or into the sea		26.94	24.60	25.26
- of which sent to evaporation ponds		3.97	3.30	2.32
Production water re-injected including those injected into deep wells for disposal purposes/Total production water	(%)	49	55	56
Percentage of fresh water reused	(%)	73.4	80.0	81.7
Fresh water discharged	(Mm <sup>3</sup> )	130.62	136.52	132.52
Sea water discharged		1,931.74	1,823.73	1,590.61
Water resources and discharges expenditures and investments <sup>(a)</sup>	(euro thousand)	83,415	51,336	43,725
- of which current expenses		39,808	37,158	27,134
- of which investments		43,607	14,178	16,591
Expenditures on landscape protection and ecosystems and biodiversity conservation <sup>(a)</sup>	(euro thousand)	5,863	5,925	4,668

(a) The figure is part of the environmental expenditures and investments set out in the "Environmental Management System" table.

In 2014 there was a 14.8% (-327 Mm<sup>3</sup>) reduction in the total amount of water used compared with 2013, due mainly to the reduction in the amount of sea water used throughout all sectors, particularly the E&P sector where the amount of sea water used fell by more than 100 Mm<sup>3</sup> following the cut-backs to production activities in Libya. The amount of fresh water used, which represents about 8% of the total water resources used, fell by 11.7% compared with 2013, due primarily to the reductions recorded in the petrochemicals sector (-13.5%, equal to more than 15 Mm<sup>3</sup>, 13 of which at the plant in Mantua following the optimization of the pumping section and pressure on the distribution

network). In EniPower, total water consumption fell in absolute terms (-6%), while it remained stable compared to the kWheq produced in relation to the greater use of sea water in the cooling processes at the Brindisi plant. The amount of fresh water reused in Eni has increased overall compared with 2013, surpassing 80%.

Performance in relation to the production water in the E&P sector has continued to improve, with the percentage re-injected increasing to 56%, reaching a record level of 96,200 m<sup>3</sup> a day (91,500 in 2013). A significant factor in this result was the start of re-injection activities in Zatchi (Congo) at the end of January 2014 and in Ebocha (Nigeria) in November 2014.

## Managing oil spills

		2012	2013	2014
<b>Operational oil spills</b>				
Total number of oil spills (> 1 barrel)	(number)	107	99	82
- of which E&P		95	90	74
Volume of oil spills (> 1 barrel)	(barrels)	3,759	1,901	1,179
- of which E&P		3,015	1,728	936
<b>Oil spills due to sabotage / theft</b>				
Total number of oil spills (> 1 barrel)	(number)	222	287	286
- of which E&P		221	282	284
- of which R&M		1	5	2
Total volume of oil spills (> 1 barrel)	(barrels)	8,669	6,002	14,401
- of which E&P (Nigeria)		8,436	5,493	6,610
- of which R&M (Italy)		223	509	7,791
<b>Spill prevention expenditures and investments</b> <sup>(a)</sup>	(euro thousand)	63,771	51,141	34,673
- of which current expenses		8,354	10,054	5,213
- of which investments		55,417	41,087	29,460

(a) The figure is part of the environmental expenditures and investments set out in the "Environmental Management System" table.

The number of operational oil spills and the volume spilled have fallen over the last three years. In particular in the E&P sector, to which most of the oil spills are attributable given the nature of its operations, a record low of less than 1,000 barrels was reached in terms of the volume spilled (equal to a cube of just over 5 meters on each side). In 2014, E&P recorded a 47% reduction in the volumes spilled, a 20% reduction in the number of events and a 47% reduction in the value of the index relating to the volumes spilled per million barrels of oil equivalent produced.

The volume spilled due to sabotage in 2014 increase compared with 2013.

Sabotage occurred mainly in two Countries:

- Italy (R&M sector) to which 50% of the overall volume spilled is attributable following two attempted kerosene thefts from the Civitavecchia – Pantano pipeline, in the localities of Palidoro (RM) and Maccarrese (RM) respectively. Following completion of the emergency management and containment operations at the sites concerned, work began immediately to restore the environment by absorbing the fuel and its concentration, cleaning the embankments by removing the contaminated vegetation and the top layer of the damaged soil, monitoring water and soil samples with the support of the mobile chemical laboratory (the analyses showed

the hydrocarbon content to be below the contamination threshold) and the preparation and presentation of the Characterization Plan to the relevant bodies.

- Nigeria (E&P sector) where 284 sabotage/theft events occurred in relation to over 3,000 km of pipelines. Compared with 2013, the number of events remains essentially the same (281 in 2013) while the volume spilled increased amounting to 6,610 barrels (5,493 in 2013), while remaining lower the average of the last four years (approximately 7,000 barrels). Furthermore, the same average value of the last four years is below by far the situation in 2010 (18,000 barrels spilled for sabotage) and the two-year period 2000/2001 (in which the maximum value of 26,000 barrel /year has been reached).

In line with international standards all the values above refer to events involving more than 1 barrel. The data related to sabotage include spills due to oil theft attempts and vandalism.

Performance in relation to chemical spills also continues to improve with a reduction in both the number of events and the volume spilled (-15.2% and -31.6% respectively). The events concerned E&P (14 events with a total of 1,416 barrels spilled, of which over 1,300 was attributable to a single oil spill at the Eni subsidiary Liverpool Bay Operating Company Ltd) and I&C (14 events with a total 109 barrels spilled).

## Air protection

		2012	2013	2014
NO <sub>x</sub> (nitrogen oxide) emissions	(tonnes NO <sub>2</sub> eq)	115,571	103,736	89,916
NO <sub>x</sub> emissions/100% operated hydrocarbon gross production (E&P)	(tonnes NO <sub>2</sub> eq/ktoe)	0.571	0.554	0.479
NO <sub>x</sub> emissions/kWheq (EniPower)	(g NO <sub>2</sub> eq/kWheq)	0.155	0.158	0.145
SO <sub>x</sub> (sulphur oxide) emissions	(tonnes SO <sub>2</sub> eq)	30,137	27,949	24,891
SO <sub>x</sub> emissions/100% operated hydrocarbon gross production (E&P)	(tonnes SO <sub>2</sub> eq/ktoe)	0.044	0.091	0.113
SO <sub>x</sub> emissions/kWheq (EniPower)	(g SO <sub>2</sub> eq/kWheq)	0.027	0.017	0.001
NMVOG (Non-Methane Volatile Organic Compounds) emissions	(tonnes)	49,562	44,027	27,978
TSP (Total Suspended Particulate) emissions		3,548	2,876	2,256
Air protection expenditures and investments <sup>(a)</sup>	(euro thousand)	56,882	69,154	59,935
- of which current expenses		15,795	20,707	29,068
- of which investments		41,087	48,447	30,867

(a) The figure is part of the environmental spending and investments set out in the "Environmental Management System" table.

In 2014 there was an overall reduction of 13.3% in NO<sub>x</sub> emissions compared with 2013, owing to the contribution of all the business areas (specifically, -14.1% in the E&P sector, -26% in the G&P sector, -19.6% in the R&M sector and -25.4% in the Petrochemical sector). There was also a notable improvement in the emissions per product unit (-13.5% for E&P, -8.2% for electricity generation and -9.2% for R&M).

In E&P, to which 60% of the consolidated Eni total is attributable, emissions fell by more than 9,000 tonnes, due to the variation in the fuel mix used in Indonesia, Kazakhstan and Nigeria, with a reduction in the consumption of diesel. In G&P the positive downward trend in NO<sub>x</sub> emissions can be attributed to the fact that the VeLoNO<sub>x</sub> burners installed at the EniPower plants are now fully operational.

In 2014, total emissions of SO<sub>x</sub> fell by 10.9% compared to 2013. The main contributors to this downward trend are the refining sector (-4,714 tonnes), chemicals (-384 tonnes) and G&P (-180 tonnes), while in the E&P sector there is an upward trend (+2,456 tonnes).

In the refining sector, which contributes to about 25% of the

consolidated Eni total, the change (-43.6% compared to 2013 for emissions and -36.6% for the index relating to production) is attributed both to reduced processing in the refineries, and to a change in the mix of fuels used, with increased use of natural gas.

In the electricity generation sector, SO<sub>x</sub> emissions have been reduced by over 95% (both in absolute terms and if indexed to production). This is due primarily to the elimination of the contribution made by the EniPower plants, which reduced their consumption of fuel and gas from the refineries to zero, and secondly, to the changes at the Taranto plant. NMVOG and TSP emissions have fallen respectively by 36.5% and 21.5% compared with 2013. This is mainly attributable to the reduction of flaring in the E&P sector. The reduction of volatile organic compounds is also a result of fewer movements of petroleum products in the R&M sector and the downward trend in the petrochemical sector due to the shutdown of the Priolo and Porto Marghera plants. Particulate emissions in the G&P sector have also decreased significantly (-74%) owing to the aforementioned fuel mix variations used by the power plants and to the consolidation scope.

## Protection of the soil and remediation

		2012	2013	2014
Total waste from production activities	(tonnes)	1,378,385	1,593,142	1,628,056
- of which from drilling activity		342,026	366,440	342,643
Hazardous waste from production activities		365,695	374,421	350,451
Non-hazardous waste from production activities		1,012,690	1,218,721	1,277,605
Waste from remediation activities	(tonnes)	10,102,297	11,275,900	10,161,856
- of which hazardous		3,754,056	3,930,440	3,525,139
- of which non-hazardous		6,348,241	7,345,460	6,636,717
Waste management expenditures and investments <sup>(a)</sup>	(euro thousand)	92,113	95,421	106,686
- of which current expenses		91,341	95,073	106,221
- of which investments		772	348	466
Soils and groundwater remediation expenditures and investments <sup>(a)</sup>	(euro thousand)	197,468	193,977	277,854
- of which current expenses		182,112	186,014	267,025
- of which investments		15,356	7,963	10,829

(a) The figure is part of the environmental expenditures and investments set out in the "Environmental Management System" table.

Overall expenditure on remediation activities in Italy in 2014 was 43% more than in the previous year, amounting to around 278 million euro and marking a recovery from the sharp decline of the previous two years due to the delay in receiving some preliminary authorizations from the Public Administrations.

Remediation activities in Italy have mainly been carried out through Syndial, a company dedicated to the remediation of contaminated sites following decommissioning (72% of total expenditure in 2014) followed by the chemicals sector (13%) and the R&M sector (10%).

Eni operations (more than 900 processes in progress) are spread over 17 Sites of National Interest (refineries and petrochemical plants) encompassing points of sale in the R&M sector and well fields in the E&P sector, and there are evidently extreme variations in the scale of any problems related to the remediation activities.

As for the production of waste from remediation, 95% of the volumes produced refers to the water pumped in the process of remediating groundwater. As a result of the introduction of Article 243 of Italian Legislative Decree 152/06, measures have already been finalized, and more are pending, aimed at preventing this waste. In volumetric terms, the 10% reduction compared with the previous year is partly due to this process, which will be more evident in the coming years.

Waste from production activities produced in 2014 (approximately 1.6 million tonnes) was up 2.2% compared with the previous year as a result of an increase in non-hazardous waste (+4.8%), while hazardous waste fell by -6.4%.

The overall trend in the growth of non-hazardous waste is attributable solely to the I&C sector (+25%, amounting to a total increase of 83,000 tonnes) due to the start of work on the first section of the South Stream offshore gas pipeline in the Anapa area off the Russian shores of the Black Sea. All other sectors recorded a reduction in non-hazardous waste compared with 2013.

With regard to hazardous waste, all areas of the business have contributed to the downward trend, with the sole exception of E&P, where the amounts produced have increased (+5.2%, equal to +9,100 tonnes) due to the launch of production in Angola at the West Hub, and to an increase in waste from drilling (oil-based mud) in Egypt and Cyprus. The most significant reductions in hazardous waste were in the I&C sector (-27.6%, equal to -17,100 tonnes, due mainly to the shutdown for maintenance of the Scarabeo 7 drilling operations and the decrease, compared with 2013, in the amount of waste produced by the Safco 5 project in Saudi Arabia), R&M (-8.7%, equal to -7,500 tonnes), and the Petrochemical sector (-13.8%, equal to -6,400 tonnes).

## Local employees development

### Employees abroad

(number)	2012	2013	2014
Employees in Africa	11,882	12,413	11,478
Employees in the Americas	9,403	13,547	15,694
Employees in Asia	17,495	17,596	18,462
Employees in Australia and Oceania	1,119	1,139	376
Employees in Italy	26,804	26,782	25,791
Employees in the Rest of Europe	11,135	10,812	11,798
Local employees abroad by professional category	39,668	43,121	45,864
- of which senior managers	223	213	201
- of which managers	3,798	4,004	4,096
- of which employees	19,683	20,522	21,662
- of which workers	15,964	18,382	19,905
Employees in non OECD Countries	37,659	38,336	40,893

In 2014 there were 2,743 more local employees abroad than in 2013, amounting to an increase of 6.4%.

The results show an increase in the number of employees (+8.3%), workers (+5.6%), and managers (+2.4%), while the

number of senior managers has decreased (-6.9%).

For further remarks on employees abroad the reader is referred to the Employment table on page 103.

### Ratio between Eni minimum wage policy and market minimum wage (1<sup>st</sup> decile) - (middle managers - senior staff)

Ratio	Countries
100-115	Italy, Libya, Spain, Germany, Holland, France, Belgium, Romania, United Kingdom, Angola, Norway
116-130	Australia, Hungary
131-150	Gulf Countries, United States, Kazakhstan, India, Russia
151-180	China, Algeria, Egypt, Venezuela
> 180	Indonesia, Brazil
<b>130</b>	<b>Global Average</b>

In its policy for local people (see the part on local overseas employees by professional category in the International Development section), Eni defines relevant salary levels in terms of minimum/maximum ranges, in relation to the market data for each individual Country, monitored annually using international providers.

The comparison between the minimum levels defined in Eni policies and the minimum market levels supplied by

providers (1<sup>st</sup> decile of local pay levels) refers to the section of the workforce composed of middle managers and senior staff. The analysis carried out relates to a sample of about 14,000 resources in 24 Countries chosen from those most representative in terms of business presence and strategic importance. The results of the analysis show that on average the minimum levels defined in Eni's policy are in line with or superior to the market minimums.

## Spending for the territory

(euro million)	2012	2013	2014
Total spending for the territory	90.568	100.547	95.851
- of which interventions deriving from agreements, conventions and PSAs	63.052	57.570	67.406
- of which short-terms investments related to initiatives in favour of the territory	3.377	0.813	0.419
- of which association memberships fees	1.803	1.800	1.859
- of which contributions to the Eni Foundation <sup>(a)</sup>	-	10.000	-
- of which sponsorships for the territory	18.618	26.469	22.272
- of which contributions to the Eni Enrico Mattei Foundation	3.718	3.895	3.895

(a) In 2012 and 2014, based on the financial requirements relating to the implementation of projects, Eni Foundation did not request any contribution.

In 2014, the overall spending in the territory amounted to over 96 million euro and included territorial investments deriving from agreements, conventions and PSA (community investment), short-terms investments related to initiatives in favour of the territory, membership fees for associations, sponsorship and contributions to the Eni Enrico Mattei Foundation. This decrease compared with 2013 is due primarily to the Eni Foundation not requesting a top-up of its endowment

fund in 2014 which, based on the planned activities and subject to approval by the company's statutory bodies, is periodically refinanced by the BoD of the Eni Foundation. Approximately 70% of the total (67.4 million euro) was invested in community projects (community investments) to encourage and promote community development in the Countries which host Eni operations, established through agreements or conventions with local stakeholders.



## Community investment

(euro million)	2012	2013	2014
Interventions on the territory based on agreements, conventions and PSAs by type	63.052	57.570	67.406
- training/professional coaching	9.886	13.527	7.699
- environment	9.698	9.164	17.823
- culture	1.300	1.713	1.727
- instruction and education	3.789	5.384	5.057
- health	3.886	2.931	3.570
- infrastructure development	20.344	15.176	20.717
- socio-economic development	6.357	5.792	6.451
- relationships with communities	7.077	2.332	2.455
- access to energy	0.715	1.551	1.907

In 2014, overall investments in the territory deriving from agreements and conventions (Community Investment) was up compared to 2013 and amounted to 67.4 million euro, 94% of which was invested in upstream activities. Investments in the African continent remain high with a total of 24.2 million euro, of which 90% in Sub-Saharan Africa (22.7 million

euro). In Italy there was a substantial increase in 2014, with expenditure amounting to 19.9 million euro.

The increase is due mainly to activities related to the protection and valorization of the environment in Basilicata. In addition to Italy, there are also significant investments in Kazakhstan, Nigeria, Ecuador, Congo, and Mozambique.

## Sponsorships in the territory

(euro thousand)	2012	2013	2014
Sponsorships for the territory by intervention sector	18,618	26,469	22,272
- health	40	-	80
- training	185	183	233
- education	862	366	464
- environment	69	122	115
- culture	13,678	21,438	15,529
- social infrastructure	37	60	-
- social interventions	3,748	4,300	5,851

Eni also works to benefit the community by supporting initiatives selected on the basis of different criteria, such as affinity with the image and identity of the company, links with the territory, adherence to business goals and, as

the common denominator, consistency with sustainability principles. In 2014, local sponsorship amounted to 22.3 million euro, of which more than 70% was dedicated to the promotion of cultural activities in areas where Eni is present.

## Local content

### Procurement by geographical area in 2014

		Africa	Americas	Asia	Italy	Rest of Europe	Oceania
Number of suppliers used	(number)	5,605	6,308	5,107	6,039	8,146	458
Total procurement	(euro million)	6,006	5,078	13,884	9,250	7,979	603
- of which goods	(%)	11.7	14.9	24.1	22.4	26.0	0.9
- of which works		10.1	10.9	43.7	12.6	22.2	0.5
- of which services		14.3	11.7	32.0	14.7	25.3	2.0
- of which not specified		40.4	4.4	22.3	22.3	10.5	0.1

### Local procurement in 2014 by Country

% procurement on the local market

#### Countries

0-25%	Angola, France, Iraq, Ireland, Kenya, Luxembourg, Malaysia, Mali, Mozambique, Papua New Guinea, Peru, Portugal, Russia, Spain, Switzerland
26-49%	Algeria, Cyprus, Great Britain, Libya, Norway, Netherlands, Poland
50-74%	Saudi Arabia, Brazil, China, Republic of the Congo, Croatia, Gabon, Ghana, Italy, Kazakhstan, Pakistan, Turkmenistan, Ukraine, Venezuela, Vietnam
75-100%	Argentina, Australia, Austria, Belgium, Canada, Ecuador, Egypt, Germany, India, Indonesia, Iran, Mexico, Myanmar, Nigeria, Czech Republic, Romania, Singapore, Slovakia, Slovenia, the United States, Tunisia, Hungary

## Relations with suppliers

		2012	2013	2014
Procurement by macro-class	(euro million)	31,811	32,814	42,800
- works		7,024	5,948	8,487
- services		15,283	20,047	24,416
- goods		5,449	5,200	8,141
- not specified		4,055	1,620	1,756
Supplier concentration top 20	(%)	15	17	23
Suppliers used	(number)	32,621	34,848	31,555
Qualification cycles performed during the year		31,991	46,913	58,601
- of which with negative results	(%)	6	9	6
Checks carried out following negative feedback and consequent actions taken	(number)	381	451	480
- suspensions		69	106	114
- revocations		53	9	37
- alert statuses		259	336	329

See the section "Local content and value creation", page 64.

## Relations with customers and consumers

<b>R&amp;M customer satisfaction</b>		<b>2012</b>	<b>2013</b>	<b>2014</b>
R&M customer satisfaction index	(Likert scale)	7.90	8.10	8.20
Customers involved in the satisfaction survey (R&M)	(number)	30,438	29,863	24,081

In 2014, a clustering programme was launched for you&eni customers in order to optimize customer relationships, entailing the development of tailored one-to-one action plans for each cluster. A new Enistation app was launched to satisfy the needs and curiosity of our customers even when they are on the move. Within just a few months there were around 70,000 downloads. Furthermore, in order to ensure excellent service, periodic training courses are held for operators on various topics. In 2014, 20 courses were delivered to operators throughout Italy

with the aim of providing them with a 360 degree vision of the day-to-day operations that they manage at their point of sale, both from a technical perspective and, more importantly, with regard to the relationship with the end customer. For this reason, in 2014 specialized courses were delivered in order to provide a more in-depth understanding of the various aspects of managing a point of sale. These included courses on tax administration, methane and LPG, and courses for eni café managers.

### Satisfaction of gas and electricity customers regarding telephone services

		<b>2012</b>	<b>2013</b>	<b>2014</b>
Eni customer satisfaction score	(%)	89.7	92.9	93.4 <sup>(b)</sup>
Panel average <sup>(a)</sup>		91.2	93.5	94.5

(a) The panel analysed refers to companies representing more than 50% of the market with more than 50,000 customers (source: AEEG research on the quality of telephone customer services of gas and electric suppliers in the 1<sup>st</sup> half of 2014).

(b) The customer satisfaction score for 2014 refers to the first half of the year since, as of the date of publication of this document, the Electricity, Gas and Water Authority (Italian acronym: AEEGSI) had not published the data pertaining to the latter half of the year.

In 2014, Eni Gas & Power continued with the programme of initiatives aimed at increasing the level of customer satisfaction and outlining a reference model for the quality of the gas and electricity service. In this scenario, the customer satisfaction score (CSS) for Eni Gas & Power was 93.4, compared with a score of 92.9 in 2013. At the date of publication of this document, the AEEGSI had not yet published the results from its survey of the quality of

telephone services provided by suppliers of electricity and gas for the second half of 2014.

Also in 2014, Eni Gas & Power continued to launch innovative products and services that facilitate the choice of gas and electricity contracts more tailored to individual energy needs, the management of bills and the choice of the best gas and electricity related services, with a multi-channel access described as “best in class”.

<b>Eni call centre performance</b>		<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>AEEG Standard</b>
Percentage of customers who called and spoke to an operator (service level)	(%)	97.1	95.5	96.3	80
Average call centre waiting time	(seconds)	105	90	107	240
First Call Resolution (FCR)	(%)	88	89	91	-
Self Care (operations carried out autonomously by customers out of the total operations requested)		43	51	57	-

The Eni call centre results show that the average call waiting time of 107 seconds remains significantly below the benchmark threshold of 240 seconds set by AEEGSI. The percentage of requests resolved on the first call (First Call Resolution - FCR) increased from 89% in 2013 to

91% in 2014.

Furthermore, in this area a considerable increase was recorded in the number of operations carried out independently (self care) by gas and electricity customers, rising from 51% in 2013 to 57% in 2014.

# Energy and climate

## Climate change

		2012	2013	2014
Direct GHG emissions	(tonnes CO <sub>2</sub> eq)	52,840,365	47,599,206	42,925,895
- of which CO <sub>2</sub> from combustion and process		36,365,220	34,168,128	32,142,682
- of which CO <sub>2</sub> equivalents from flaring		9,461,518	8,478,376	5,637,686
- of which CO <sub>2</sub> equivalents from non-combusted methane and fugitive emissions		4,475,756	2,902,091	3,193,095
- of which CO <sub>2</sub> equivalents from venting		2,196,295	1,735,211	1,679,556
CO <sub>2</sub> emissions from Eni plants subject to EU ETS		22,099,231	20,379,448	19,156,015
Quotas allocated to Eni plants subject to EU ETS		24,978,257	9,233,300	8,798,637
Eni plants subject to EU ETS	(number)	39	40	43
Indirect GHG emissions from purchases from other companies (Scope 2) <sup>(a)</sup>	(tonnes CO <sub>2</sub> eq)	846,294	742,910	672,295
Indirect GHG emissions other than those due to purchases from other companies (Scope 3) <sup>(b)</sup>	(million CO <sub>2</sub> eq)	290.205	282.922	274.258
GHG emissions/100% operated gross hydrocarbon production (E&P)	(tonnes CO <sub>2</sub> eq/toe)	227.162	223.198	199.528
CO <sub>2</sub> eq emissions/kWheq (EniPower)	(gCO <sub>2</sub> eq/kWheq)	399.026	406.327	408.176
Volume of flared gas	(MSm <sup>3</sup> )	4,506	3,762	2,334
Volume of vented gas		25.92	19.69	15.21

(a) The data for 2013 and 2014 include also the N<sub>2</sub>O emissions due to purchases from other companies.

(b) The data include the indirect GHG emissions (CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O) from drilling operations outsourced by the E&P sector, from the sale of petroleum products and natural gas, from business trips, and road and sea transport outsourced to third parties.

In 2014, greenhouse gas emissions fell overall by 9.8% (equal to -4.7 million tonnes) in line with the reduction recorded in all sectors (-11.3% in the E&P sector, -10.2% in the G&P sector, -16.2% in the Petrochemical sector and -7.7% in the I&C sector) with the exception of the R&M sector where emissions rose by 2.8% in relation to the broadening of the consolidation scope to include the former EniPower plant in Taranto, and the extended operation in 2014 of the EST plant at the Sannazzaro refinery.

Eni's overall performance in relation to GHGs is positively influenced by the results achieved in the E&P sector (a decrease of more than -2.9 million tonnes compared to 2013) due to reduced volumes of hydrocarbons flared (-44.8%) and of those vented (-22.7%) with a consequent reduction of GHG emissions from flaring (-33.5%, equal to more than 2.8 million tonnes) and venting respectively (-3.2%).

The reduction in the volume of hydrocarbons flared is due mainly to the launch of flaring down projects in Nigeria (launched in September 2013 in Akri and Ogbainbiri) and in Congo (completion of the M'Boundi project in 2014). The recorded decrease in the amount of vented gas is attributable to the implementation of a specific project in Indonesia and to

the reduction of shutdowns in Pakistan.

Combustion and process CO<sub>2</sub> emissions in the E&P sector fell by 2.6%, while CH<sub>4</sub> emissions rose (+13.6%) due to the increase in fugitive emissions in Kazakhstan, which in turn resulted in an increase for Eni at the consolidated level (+10%).

The trend in GHG emissions in the E&P sector remains generally positive also in relation to production, with a reduction in the emissions index of 10%.

In Europe, within the framework of the Emissions Trading Scheme (ETS), in 2014 Eni's consolidated greenhouse gas emissions were 6% less than those in 2013. The free quotas assigned in 2014 under the allocation rules in force during the third ETS period (2013-2020) are not, however, sufficient to cover the company's needs (EniPower in the G&P sector is particularly affected as, since 2013, it no longer receives free quotas except for those related to heat sold to third parties). The number of facilities increased from 40 to 43 due to the addition of 3 new plants of the subsidiary Eni Liverpool Bay Operating Company Ltd in the E&P sector.

The downward trend in the emissions of installations subject to the ETS is occurring in all sectors, with the sole

exception of E&P where emissions (equal to 7.4% of the total) are increasing (+19.5% compared with 2013) due to the addition of the aforementioned 3 plants and the R&M sector, where they remain relatively stable (+1.7%). Indirect

GHG emissions other than those due to purchases (so-called Scope 3 emissions) recorded a drop of -3.1% compared with 2013, due also to the fall in emissions associated with reduced sales.

## Energy efficiency

		2012	2013	2014
Electricity produced by type of source (EniPower)	(TWh)	26.01	23.15	21.05
- of which from natural gas		24.44	21.53	19.72
- of which from oil products		1.57	1.61	1.32
- of which from renewables		0.00	0.01	0.01
Energy consumption from production activities/100% operated gross hydrocarbon production (E&P)	(GJ/toe)	1.557	1.536	1.668
Energy Intensity Index (R&M)	(%)	76.9	76.3	77.8
Net consumption of primary resources	(toe)	14,629,243	14,225,297	12,463,585
- natural gas		10,126,614	9,964,105	9,341,204
- oil products		4,286,526	4,135,871	3,034,550
- other fuels		216,103	125,322	87,831
Primary energy purchased from other companies by type	(GJ)	83,652,207	59,718,431	53,032,309
- electricity		15,388,688	15,754,341	18,378,010
- primary resources		63,387,463	39,655,649	31,775,816
- steam		4,822,549	4,308,440	2,585,406
- other sources <sup>(a)</sup>		53,507	0	293,076
Expenditures and investments on energy efficiency and climate change <sup>(b)</sup>	(euro thousand)	72,042	75,349	21,249
- of which current expenses		822	198	155
- of which investments		71,220	75,151	21,094

(a) Including direct process heat, recovery heat and hydrogen.

(b) The figure is part of the environmental expenditures and investments set out in the "Environmental Management System" table.

The initiatives to improve energy efficiency include, besides traditional investments, interventions of a managerial nature such as the adoption and certification of Energy Management Systems (EMS). In Eni, the ISO 50001 energy management certification has been awarded to the R&M refineries in Livorno, Sannazzaro, Taranto and Venice, the petrochemical plants in Mantua (awarded in 2014), Oberhausen and Szazhalombatta, the EniPower plant in Ferrara (awarded in 2014), the corporate offices of Eni SpA and the E&P company United Gas Derivatives (also awarded in 2014).

The energy saving initiatives implemented in Eni between 2008 and 2014 have made possible energy savings of almost 400 ktoe/year, amounting to a reduction in emissions of more than 1 million tonnes of CO<sub>2</sub>. The main contributors to this result are traditionally the refining and petrochemical sectors, but in 2014 the E&P sector played a more prominent role in

this regard with interventions that, when fully operational, will allow savings of more than 44 ktoe/year, amounting to more than 70% of the consolidated Eni total.

In the R&M sector, energy savings (under standard operating conditions) of around 12 ktoe were obtained with the implementation of the new projects in 2014. In the petrochemical sector, activities developed in 2014 included efficiency initiatives with an impact on direct CO<sub>2</sub> emissions (with savings under standard operating conditions of around 4.3 toe/year) and also initiatives aimed at reducing energy consumption (with savings under standard operating conditions of around 1,000 MWh/year).

In the G&P sector work continued on improvements to energy efficiency and the technical and economic optimization of the use of plants in electricity generation. EniPower also continued to invest in renewable energy and alternative sources.

## Technological innovation

		2012	2013	2014
R&D expenditures	(euro million)	263	218	199
- R&D expenditures net of general and administrative costs		211	197	186
Tangible value generated by R&D		-	937	728
People employed in R&D activities (full time equivalents)	(number)	975	986	961
First patent filing applications		74	59	84
- of which filed on renewable sources		21	28	29
Existing patents		8,931	9,427	8,225
Average age of patents	(years)	8.86	9.26	8.65

In 2014, Eni's economic investment in scientific research and technological development activities amounted to 186 million euro (199 million euro if we include general overheads attributed to research activities and amortizations).

The tangible value generated by R&D is measured by the economic benefits related to the application of production technologies/process innovation. This overall value is understood at 100% of the investment in the technological applications projects and before tax.

The valuations are based on actual data, or alternatively, in terms of the Net Present Value (NPV), for investment projects that employ innovative technologies authorized by Eni in the year and agreed with the lines of business and the competent planning and control functions. The tangible benefits are identified in a "what if" scenario, namely as the difference derived from comparison with the application of the best alternative technology or, in the case of new products, as the difference compared to the margin generated by the products replaced. The value created in 2014 through the Eni's innovative technologies and products (net of Saipem) amounts to 728 million euro, due to the contributions of E&P,

R&M and Versalis.

In 2014, the entire value created by R&D was taken into account, whereas in 2013 it was only 77%. The ratio between the benefits generated by innovation and the costs incurred by Eni's R&D activities (net of general and administrative costs and of Saipem activities) was 4.2 in 2014 (in 2013 it was 5.2). People involved in R&D activities as of 31 December, 2014 was equal to 961 resources (full-time equivalents), a slight reduction compared to 2013.

With regard to Intellectual Property supporting technological innovation, in 2014 a total of 84 new patent applications were filed, 29 of which are directly concerned with developing technologies in the field of renewable energy sources.

The size of the total patent portfolio at the end of 2014 is significantly smaller than that for previous years, with an overall decrease of 12.8% compared with 2013. The reduction relates mainly to the E&P and Versalis portfolios, which were subject to a strategic review in 2014 with a view to rationalizing the company's intangible assets and focusing on technologies pertaining to the core business or that have the greatest development potential.

# 3.2 Reporting principles and criteria

## Basis of presentation

In a highly complex market context, 2014 marked a turning point for Eni.

The management reshuffle, the new organizational structure, the establishment of the Sustainability and Scenarios Committee, and the strategic repositioning

of the company, are all reflected in Eni's reporting system, which is structured according to a multi-channel logic providing for different levels of depth and different communication methods to reach all of Eni's stakeholders in an effective, timely and immediate manner.

## Reporting system

In 2014, the company remained committed to integrated reporting, preparing its 2014 Integrated Annual Report in accordance with the principles of the International Integrated Reporting Council's <IR> Framework issued in December 2013. The methods used to create long-term value are therefore illustrated by the links between financial and non-financial elements in company strategies, plans and results (see the 2014 Integrated Annual Report).

In order to provide a more in-depth and comprehensive view of the mechanisms used to create value and the contribution made to achieving the global development goals, Eni decided in 2014 to produce the "Eni for - Sustainable development 2014 progress" document.

The document is prepared in accordance with the new "G4 Sustainability Reporting Guidelines and Oil & Gas Sector Disclosures" issued by the Global Reporting Initiative (GRI) with a self-declared level of compliance "in accordance - core" and

taking into consideration the "Oil & Gas industry guidance on voluntary sustainability reporting" contents produced by IPIECA/API/OGP.

The content of this document is also in line with the Advanced Level of the Differentiation Programme and with the additional sustainability aspects provided by the Blueprint for Corporate Sustainability Leadership of the UN Global Compact.

At Country level, Eni is encouraging local reporting initiatives by its subsidiaries on sustainability aspects. These initiatives include the Country report and the launch of new local websites (NAOC in Nigeria, Eni Norge in Norway, KPO in Kazakhstan, Eni in Basilicata) which are of particular interest to local and international stakeholders.

The company website, eni.com, provides further information on sustainability issues in order to supplement the information provided in its reports.

## Materiality and stakeholder inclusiveness

In 2014, Eni designed a process to ensure that material issues are agreed at the highest level and that they are considered in all company processes, from integrated risk management, to strategy planning, to stakeholder

engagement, to internal and external communication and reporting, and to the implementation of operational decisions. Materiality is the result of a process of identification, evaluation and prioritization of sustainability

issues that significantly impact on the company's capacity to create value in the short, medium and long term, as described in more detail on page 22 of this document. Following these activities, an analysis was carried out aimed at identify the boundary of the various material aspects in

relation to the impact that they could have both inside and outside Eni, as illustrated in the table below. In the coming years Eni will focus on the identification and implementation of specific actions aimed at expanding the scope of the material aspects collection and reporting.

Material aspects (G4 disclosure)	Aspect Boundary		Limitations
	Inside the organization	Outside the organization	
Economic performance	✓		
Market presence	✓		
Indirect economic impact	✓		
Procurement practices	✓	suppliers	Reporting not extended to suppliers
Energy	✓		
Water	✓		
Effluents, Biodiversity	✓		
Emissions	✓	suppliers, customers	Reporting partially extended to suppliers
Occupational health and safety	✓	suppliers	
Training and education	✓		
Security practices	✓	local security forces	
Supplier Human Rights Assessment, Supplier Environmental Assessment, Supplier Assessment for Labor Practices	✓	suppliers	Reporting not extended to suppliers
Local communities	✓		
Anti-Corruption	✓	suppliers	Reporting partially extended to suppliers
Asset Integrity and Process Safety (sector disclosure)	✓		
Fossil fuel substitutes (sector disclosure)	✓		



## Reporting boundary and sustainability context

This document contains Eni's consolidated performance indicators for the 2012-2014 period and an analysis of the related trends. The information included relates to Eni SpA and its consolidated subsidiaries. The consolidation perimeter is the same as that for the 2014 consolidated financial statements, with the exception of certain data

specifically indicated in the text. With regard to data on health, safety and the environment, the consolidation scope is defined on the basis of the operational criterion (control of operations). For example, under this approach, emissions reported represent 100% of the emissions for each installation operated by Eni.

## Quality principles for sustainability reporting

The performance data shown have been reported with the aim of giving a balanced and clear picture of company actions and characteristics.

Information and quantitative data collection process has been structured to ensure comparability of data across several years, to enable a correct reading of the information and a complete view for all the stakeholders interested in Eni's performance. This process is based on the measurement methods defined in the reporting procedures: lower or different levels of accuracy are indicated in the margin for the data presented. When entering the data for each subject area, in addition to the data for the reporting year, the two

previous years were also checked and updated by the respective data owners. Therefore, any changes in 2012 and 2013 data as compared to those published last year are due mainly to these adjustments.

The data were collected using a dedicated information system, which guarantees the reliability of information flows and accurate monitoring.

The Report was subject to a limited assurance engagement by an independent company, auditor of Eni Group's consolidated financial statement as of 31 December, 2014. The audited data and information are marked with the "External Assurance" label in the "GRI Content Index" (see eni.com).

## Calculation methods

The methods used to calculate value added, the injury frequency and severity rates, the refining energy intensity index, the emission indices and the value generated by research are shown below.

Value added represents the wealth generated by the company in carrying out its activities. The method chosen for this report is total value added net of amortization. Total net value added is divided between the following beneficiaries: employees (direct remuneration composed of wages, salaries and provisions for severance payments (TFR) and indirect remuneration consisting of social welfare contributions); Public Administration (income tax); financial backers (medium and long-term interest paid for the availability of borrowed capital); shareholders (dividends distributed); and the company (retained earnings).

With regard to safety performance, injury frequency and severity rates are shown for employees and contractors.

The frequency index is calculated as the ratio between the number of injuries leading to absence from work (including fatalities) and millions of hours worked; the severity index is defined as the ratio between days of absence due to injuries (excluding fatalities) and thousands of hours worked.

The refining energy intensity index represents the total value of energy actually used in a given year in the various refinery processing plants, divided by the corresponding value determined on the basis of predefined standard consumption values for each processing plant. For comparison between years, the data for 1994 have been taken as the baseline (100%).

In order to highlight medium and long-term sector specific performance on CO<sub>2</sub> and pollutants emissions water withdrawals and energy efficiency, three indices have been defined to represent the following operating contexts: hydrocarbon production, refining and electricity generation.

These indices take into account the substantial differences in working conditions recorded over the years and allow for performance comparison by normalizing emissions based on operating data.

The refining indices are calculated from the equivalent distillation capacity provided by a third party; the hydrocarbon production indices cover gross operated production; and the energy sector indices measure electrical and thermal energy produced in equivalent kWh. Greenhouse gas emissions (GHG) relate to CO<sub>2</sub>, CH<sub>4</sub> (methane) and N<sub>2</sub>O (nitrous oxide); methane and nitrous oxide are converted into CO<sub>2</sub>eq using a Global Warming Potential (GWP) of 21 and 310 respectively. The method for assessing the value generated from research allows the benefits of R&D to be calculated in terms of both tangible and intangible value.

The tangible value is measured by the economic benefits related to the application of product technologies/process

innovation. This overall tangible value is applied to 100% of the investment in the technological applications projects and is before tax. The benefits may be identified based on actual results (final values) or expected value (net present value - NPV). The assumptions applied on a case by case basis for the calculation are shared with the relevant technical structures/business units.

The tangible benefits are identified in a "what if" scenario, that is as the difference (delta) derived from comparison with the application of the best alternative technology or, in the case of new products, as the difference compared to the margin generated by the products replaced. Intangible benefits are recognized by assessing on the one hand the effectiveness and efficiency of the company's innovative capacity over time through the number of first filings of patent applications, and on the other by the diffusion of specialized know-how and the effectiveness of research in supporting operating activities.



# 3.3 Independent Auditors' Report



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## Independent auditors' report on "Eni for - sustainable development 2014 progress " (Translation from the original Italian text)

To the Board of Directors of  
Eni S.p.A.

We have carried out a limited assurance engagement of "Eni for - sustainable development 2014 progress" (hereinafter also the "Report") of Eni S.p.A. and its subsidiaries (hereinafter "Eni Group") as of December 31, 2014.

### Directors' responsibility on the Report

The Directors are responsible for the preparation of the Report in accordance with the "G4 Sustainability Reporting Guidelines" and "Oil & Gas Sector Disclosures", issued in 2013 by GRI - Global Reporting Initiative, that are detailed in the paragraph "Reporting principles and criteria" of the Report, as well as for that part of internal control that they consider necessary in order to allow the preparation of a Report that is free from material misstatements, even caused by frauds or not-intentional behaviors or events. The Directors are also responsible for defining the Eni Group's commitments regarding the sustainability performance and for the reporting of the achieved results, as well as for the identification of the stakeholders and of the significant matters to report.

### Auditors' responsibility

It is our responsibility the preparation of this report on the basis of the procedures carried out. Our work has been conducted in accordance with the criteria established by the principle "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board for the engagements that consist in a limited assurance. This principle requires the respect of relevant ethical principles, including those related to independence, as well as the planning and the execution of our work in order to obtain a limited assurance that the Report is free from material misstatements. These procedures included inquiries, primarily with company's personnel responsible for the preparation of the information included in the Report, documents analysis, recalculations and in other procedures in order to obtain evidences considered appropriate.

The procedures performed on the Report were related to the compliance with the principles for defining report content and quality, as articulated in the "G4 Sustainability Reporting Guidelines", and are summarized below:

- a. Comparison of the economic and financial data and information included in the Report with those included in the Eni Group's consolidated financial statements as of December 31, 2014 on which we issued our audit report, pursuant to art. 14 and 16 of Legislative Decree dated January 27, 2010, n.39, on April 2, 2015;
- b. Analysis, through interviews, of the governance system and management process of the issues related to sustainable development regarding Eni Group's strategy and operations;

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- c. Analysis of the process relating to the definition of material aspects included in the Report, with reference to the identification modalities in terms of their priority for the different stakeholders' categories and to the internal validation of the process outcome;
- d. Analysis of the operation of the processes that support the generation, recording and management of the quantitative data reported in the Report. In particular, we have carried out the following procedures:
- interviews and discussions with personnel of the Corporate and Business Units of Eni S.p.A., and of the subsidiaries Versalis S.p.A., EniMed S.p.A., Eni UK Limited, Tigáz Zrt e Tigáz-Dso Földgázelosztó kft, to obtain an understanding about the information, accounting and reporting system in use for the preparation of the Report, as well as about the internal control processes and procedures supporting the collection, aggregation, data processing and transmission of data and information to the department responsible for preparation of the Report;
  - on-site verifications at Porto Torres plant of Versalis S.p.A., Gela production site of EniMed S.p.A., Hewitt (UK) production site of Eni UK Limited and Miskolc site and Hajdúszoboszló offices (Hungary) of Tigáz Zrt e Tigáz-Dso Földgázelosztó kft;
  - analysis on a sample basis of the documentation supporting the compilation of the Report, in order to confirm the processes in use, their adequacy and the operation of the internal control for the correct reliability of data and information in relation to the objectives described in the Report;
- e. Analysis of the compliance and internal consistency of the qualitative information included in the Report to the guidelines identified in paragraph "Directors' responsibility on the Report" of the present report;
- f. Analysis of the process relating to the stakeholders engagement, with reference to the procedures applied, through the review of summary minutes or any other existing documentation relating to the main topics emerged from discussions with them;
- g. Obtaining of the representation letter, signed by the legal representative of Eni S.p.A., relating to the compliance of the Report with the guidelines indicated in paragraph "Directors' responsibility on the Report", as well as to the reliability and completeness of the information and data presented in the Report.

The data and information which are subject to the limited assurance are reported, in compliance with "G4 Sustainability Reporting Guidelines", in the table "GRI Content Index" of the Report.

Our examination has entailed a lower extension of work compared to the work to be performed for a reasonable assurance engagement in accordance with ISAE 3000 and, as consequence, we may not have become aware of all the significant events and circumstances which we could have identified had we performed a reasonable assurance engagement.

#### Conclusion

Based on our work, nothing has come to our attention that causes us to believe that "Eni for - sustainable development 2014 progress" of Eni Group as of December 31, 2014 is not in



compliance, in all material aspects, with the guidelines "G4 Sustainability Reporting Guidelines" and "Oil & Gas Sector Disclosures" issued in 2013 by the GRI - Global Reporting Initiative, as stated in the paragraph "Reporting principles and criteria" of the Report.

**Other issues**

The Directors restated certain comparative data related to the prior years with respect to the data previously reported and subject to our limited assurance, on which we issued our auditors' reports on May 9, 2013 and April 30, 2014. We have examined the modalities used to restate the comparative data and the related information for the purpose of issuing this report.

Rome, April 30, 2015

Reconta Ernst & Young S.p.A.  
Signed by: Massimo Antonelli, Partner

*This report has been translated into the English language solely for the convenience of international readers*



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