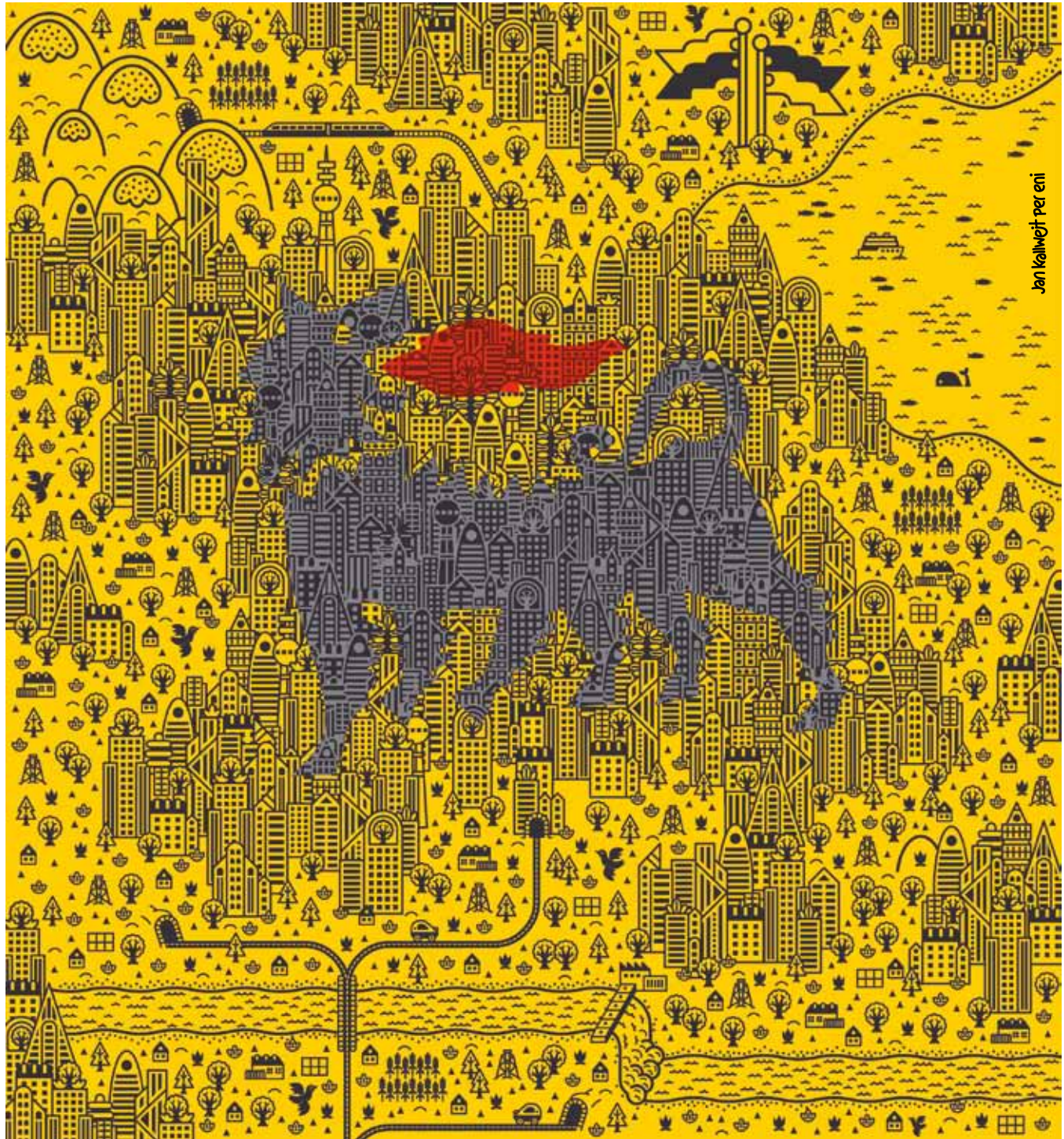


eni for development



Jan Kallweit per eni



eni

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.



CEO's message

Energy is a crucial issue of our time. We are aware that the key to operate, for a major energy company like **eni**, is in the ability to build a trustworthy relationship with the society, represented by our people and customers, the hosting communities and the Countries we work with. We make a pact with them, undertaking to offer just as many opportunities as we were offered.

Being an integrated company able to operate to the best in every condition helps us to understand the needs of the diverse contexts and meet their expectations, looking for solutions to local problems as part of a global sustainable development.

We want to contribute to finding answers through our strategies, our operating models, and our dialogue capacity that has always been a hallmark for **eni**, working alongside institutions and international organisations.

The best way for us to prove our commitment is to support Countries in making the best

use of their resources bringing energy to people, businesses and communities. We provide investment, expertise and technologies to make energy reliable and sustainable, a real driving force for social and economic development.

eni for development tells how we work to foster and enhance this commitment. It endorses **eni's** support to the United Nations resolution proclaiming 2012 the Year of Sustainable Energy for All.

Paolo Scaroni

*Chief Executive Officer
and General Manager*

Integration, excellence and citizenship for sustainable development

eni is an integrated company that operates throughout the energy sector, employing about 80,000 people in 79 Countries all over the world. The secrets behind eni's success include a company culture and business model that allow it to operate in an integrated way, constantly striving for excellence, establishing long-term relationships with oil-producing Countries. These factors make it possible to reach

goals for sustainable development in operational contexts, and represent a competitive advantage on today's energy market. eni's activities on the global market often involve areas with a very low Human Development Index. eni is committed to supporting social and economic development in oil-producing Countries, to help mitigate inequalities, especially regarding the access to energy.

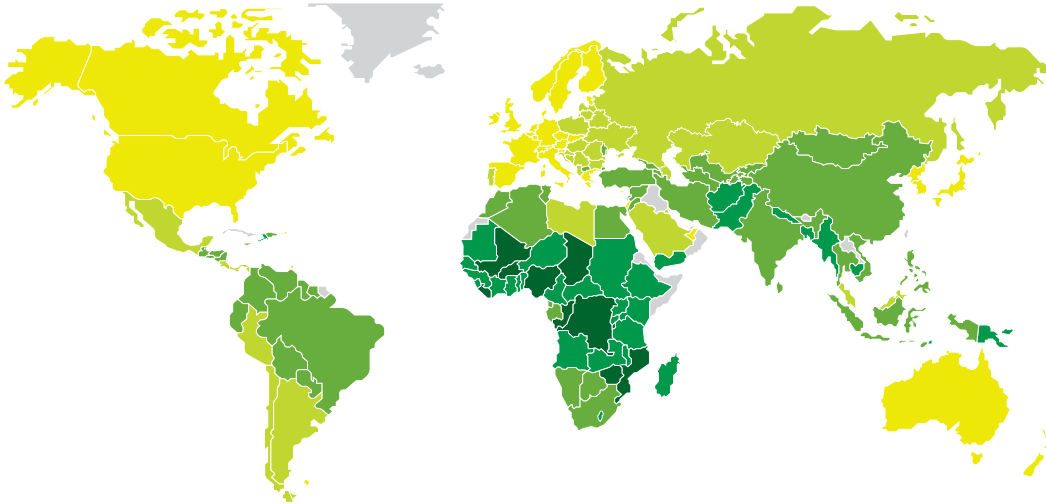
The operational context and scenario of the energy industry are characterised by an increasing complexity due to the growing competition from National Oil Companies (NOCs) in oil-producing and oil-consuming Countries, in addition to the uncertainties of future market developments.

Despite the relative abundance of global energy resources, over 80% of traditional oil and natural gas reserves are directly controlled by major oil-producing Countries. These Countries tend to need just technical services – and to a greater extent as time passes – in order to enhance the technical and managerial skills of local companies, thus becoming autonomous in the research and production of hydrocarbons.

Opportunities for International Oil Companies (IOCs) are further reduced by growing competition from domestic companies in oil-consuming Countries, that aim at increasing the supply of hydrocarbons to support local economic development. Openings for investment in traditional oil-producing Countries are characterised by high costs and risks, or alternatively very small margins.

The Human Development Index

■ <0.3 ■ 0.3-0.5 ■ 0.5-0.7 ■ 0.7-0.8 ■ >0.8 ■ n.a.



Source UNDP

The Human Development Index (HDI) was introduced by the economist Mahbub ul Haq in the late 80's, and used for the first time in 1990 in the first Human Development Report by the United Nations Development Programme. The HDI provides an overall indication of development in a territory, considering more than just the economic dimension. The HDI combines three dimensions: health (in terms of life expectancy at birth), education (measured as the average expected and actual years of schooling) and the standard of living (calculated on the basis of the income index).



International Oil Companies should experiment with less-traditional approaches rather than the usual exploration-production logic, encouraging cooperation with oil-producing Countries and their communities. Strategic partnerships should include joint projects for the economic and social development of the Country. eni's history, business culture, and operating models represent competitive advantages and opportunities to aim for.

One of eni's distinctive features, useful for developing collaboration with oil-producing Countries, is having operations and skills integrated in the entire energy business sector.

eni started out as an "oil company without oil" in the era of decolonisation. On these two weakness factors Enrico Mattei, the founder, engaged his intuition and vision, adopting a new relationship approach with oil-producing Countries. The "Mattei Formula" envisaged the profit sharing through the establishment of a joint venture with local energy companies for the exploration and development of hydrocarbons, with the oil-producing Countries' share rising from 50% to 75%, an exchange of technology and know-how,

eni's business portfolio is more structured and integrated than other IOCs. The integration of activities throughout the sector provides a wealth of expertise, which represents an important key to success. The reputation as a major operator in the transportation and distribution of natural gas, and the generation and marketing of

with a joint participation in the development of the upstream business. Essentially, a model was created in which eni sat on the same side of the table as the oil-producing Countries rather than on the opposite side, creating a greater wealth of resources for these Countries than for eni itself. eni quickly earned itself a reputation as a reliable partner, able to perform a technical cooperation for development. Thanks to this approach eni was welcomed in many Countries, becoming the first international operator in Africa.

electricity, as well as engineering and construction, represents an important competitive advantage. eni's integrated approach enables a greater relationship flexibility with oil-producing Countries; moreover, eni offers solutions that better fit their technological and infrastructural needs helping the local communities' economic growth.

The approach includes the development of energy Master Plans and the management of projects even in sectors not strictly related to energy. Another distinctive feature is **eni's** ability to pursue excellence in all of its operations, which is demonstrated by its trustworthy

approach to technological skills and safety for all the Country's available resources. This allows new opportunities for investment to be undertaken in "difficult" contexts and frontier areas, where safety and environmental protection are considered of critical importance.

The operational excellence and the integrated approach aligned with a culture of cooperation with the producing Countries enable eni to operate with the responsibility of an International Oil Company whilst having the ability to invest in the Country's future as a National Oil Company. This is the "dual flag" approach, which causes eni to assume the citizenship of the territories in which it operates.



Through the "dual flag" approach, eni shows its ability to take part in the design and implementation of sustainable development for Countries.

The roots of **eni's** success are largely located in the way the company conducts its business. This approach is well represented by the image known to everyone who meets **eni** travelling the world: two flags waving together both on plant and operational fields, as well as in villages and towns where large and small projects are

pursued with **eni's** support. One flag shows the six-legged dog, the other is the host Country's. **eni** has the skills, technology and experience of an international energy company. It has the sensibility needed to understand the context; the credibility that comes from making long-term investments in the Countries; the will to

realise the best outcome from the available resources, with particular attention to territories, population and consequently enterprises. From the dual nature of a local and global company, **eni** has the ability to dialogue with local, national and international institutions on the major sustainable development issues.

eni has always encouraged relationships with producing Countries based on dialogue and cooperation to promote local social and economic development. **eni** is not subject to the competitive environment based on new balances between International Oil Companies and National Oil

Companies; on the contrary, having developed a distinctive approach in its relations with oil-producing Countries, businesses, people and local communities, **eni** has a competitive advantage, as proven by the recent cooperation agreements with Angola and Congo.

The integrated approach, the operational excellence, and a fair citizenship represent the core features of a business model that is historically and strategically aimed at sustainable development as a distinctive element for value creation.

eni operates in many developing Countries. The activities and initiatives promoted locally as part of cooperation agreements, have a strong impact on the economy and communities. In particular, **eni** is the leading international producer of hydrocarbons in Africa, a

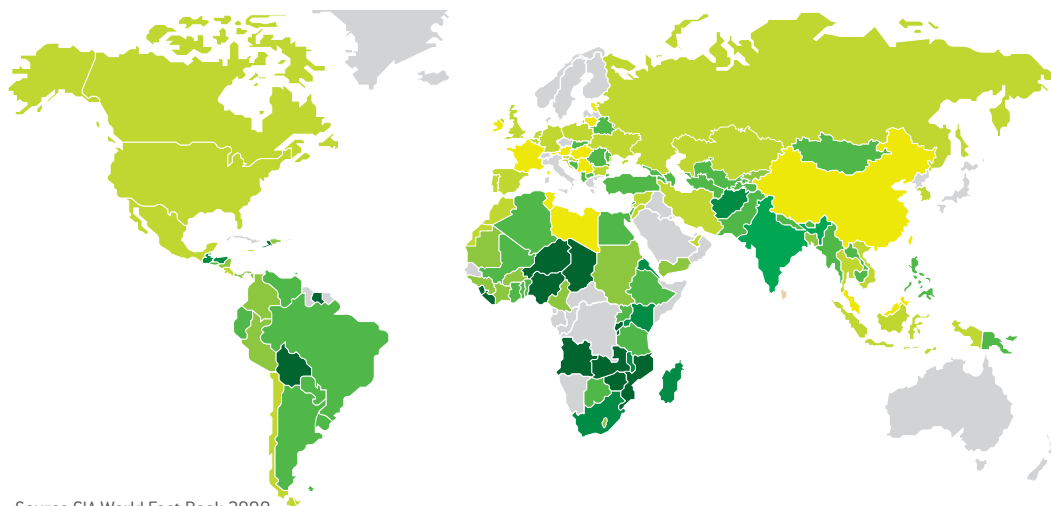
continent characterised by deep-rooted economic and social inequality. Many Countries in which **eni** operates, especially in Sub-Saharan Africa, have huge energy resources but very low human development indexes and limited access to energy. In

these Countries, **eni** is actively involved in the exploration and utilisation of all available energy resources, as well as in the construction of the related infrastructures, thus also facilitating the access to energy for a greater segment of the population.



People living on less than 1.25 dollars a day

■ >60% ■ 50-60% ■ 40-50% ■ 30-40% ■ 20-30% ■ 10-20% ■ <10% ■ n.a.



Source CIA World Fact Book 2008

Energy is a prerequisite for development, and the unfair access to energy in the world is one of the greatest global imbalances. Supplying energy to populations who currently have a scarce access to it, gives eni the ability to indirectly, but efficiently, pursue the Millennium Goals defined by the United Nations.

eni's activities, regulated by cooperation agreements drawn up with oil-producing Countries to deal with and solve urgent issues relevant to social and economic development in the Country, aim to exploit all available energy resources, creating functional energy infrastructures for both

exports and the development of local markets, creating opportunities for people and local businesses, promoting projects to improve local living conditions, from health to education, to the protection of the environment for present and future generations. One of the levers for

encouraging and consolidating the Company's presence in an oil-producing Country is associated with the long-term benefits the Company's activities can supply in terms of economic and social development of the Country. eni is also committed at a global level to cooperating with

multilateral and international organisations, governments, other oil companies and private organisations to define and develop collective actions to improve business efficiency and transparency, with positive effects for both International Oil Companies and oil-producing Countries.

eni's mission focuses on its passion for challenges, continuous improvement and excellence as the Company's guiding principles, attributing a fundamental role to the integrity of people and the environment. eni wishes to create long-term value and be a trustworthy citizen of the world. This is why the Company is fully committed to sustainable development, with its distinctive

operating strategies. Local and global development issues are wide-ranging and complex, therefore everyone needs to play a role. eni's contribution is a positive example of how an international energy company can operate in today's world, creating benefits for both the production activities, the Countries and the communities where it operates.

Thematic studies show how the energy industry can foster economic and social development, providing concrete examples of eni's contribution.

Access to energy

deals with the production of electricity using associated gas recovery systems, and describes how eni's initiatives in Congo and Nigeria help fight energy poverty.

Natural gas as a driving force for development

describes how eni's infrastructures in the local market aimed at export and transport have helped support social and economic development in the oil-producing Country.

Towards renewable energy

describes how eni's integrated business model helps promote efficient gas-fired plants and renewables, to guarantee an energy mix consistent with the goals of international bodies.

Safe management of all resources including difficult ones

illustrates how eni aims to exploit all the available energy resources in the Country, adopting the highest safety standards and using the best available technology to protect the environment, people and communities.

Opportunities for local people and businesses

describes how eni creates opportunities in terms of working quality, use of materials and services in the oil-producing Country, in order to promote social and economic development. It also focuses on the "Chimica Verde" project started in Italy.

Local development and the Millennium Goals

links the development projects for local communities, in particular those promoting the right to health and education, with the pursuit of the UN Millennium Development Goals.

The value enhancement of natural resources

describes how eni mitigates the potential negative impacts of its activities, while safeguarding biodiversity and ecosystems, and promotes the correct use of water resources in the Countries in which it operates.

Transparency and the commitment to fight against corruption

portrays eni's initiatives in preventing corruption and promoting transparency in relations with local institutions and communities.

Contributions from
Raffaella Centurelli
International Energy Agency,

Giuseppe Soda
Bocconi School of Management,

Glenn Denning
The Earth Institute, Columbia University

help put the scope of the problems into context, perhaps sending the most important message: having to operate in a difficult, extensive and complex context does not prevent a company from making a contribution – however small – to sustainable development.

The document ends with: the Blueprint of eni's business model, reporting principles and criteria, auditors' report.

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Access to energy

eni is actively committed to fighting energy poverty, one of the biggest obstacles to social and economic development in most of the Countries it operates in.

Thanks to its integrated business model, built on operational excellence and designed to promote development in the Countries, eni designs and implements production and distribution programmes for electricity produced in

gas-fired plants. In some areas it is not possible to use the associated gas in the local market or to exploit it and so it would be flared, wasting a valuable energy resource.

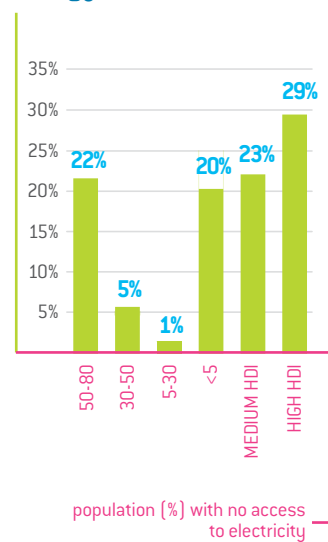
Through these initiatives eni pursues multiple objectives from the consolidation of relations with oil-producing Countries to the optimal use of available energy resources, to the reduction of greenhouse gas emissions.

The availability of energy is a prerequisite for development and the different distribution of energy consumption worldwide represents both a barrier to growth and a cause of inequality between nations. Supplying energy to people who currently lack access allows eni to indirectly but effectively pursue the UN Millennium Development Goals.

Energy consumption is heavily concentrated in certain geographical areas: around 2 billion people consume over 50% of the total annual world energy production, and more than 1.4 billion people totally lack access to electricity (source IEA). This is a particularly serious problem in Africa, where **eni** operates in 16 Countries and is the leading International Oil Company in terms of hydrocarbons production, with approximately a million barrels of oil per day. **eni** is also the leading producer of electricity within cooperation programmes and development in oil-producing Countries. In Nigeria and in the Republic of Congo, where about 172 and

110 thousand barrels of oil are produced per day, respectively 50% and 62% of the population has no access to electricity due to the lack of power generation infrastructures (source IEA). These Countries, like others in Sub-Saharan Africa, represent the paradox of being major energy producers while suffering from energy poverty. This situation is worsened by the fact that the gas associated with oil production is often burnt, due to a lack of suitable infrastructures, with a significant negative impact on both the local and the global environment. This practice is known as gas flaring.

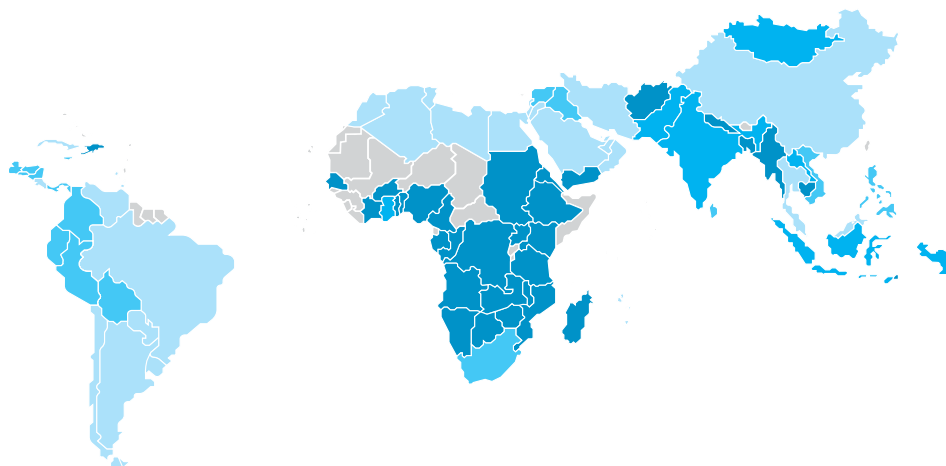
eni hydrocarbons production in relation to energy access



The chart shows **eni** hydrocarbons production (percentage of total production) divided per the percentage of people with no access to electricity. 22% of **eni**'s production comes from Countries where 50-80% of the population has no access to electricity. 52% of its production comes from Countries where no data is available on access to electricity, but for which the Human Development Index (HDI) is medium or high.



■ 50-80% ■ 30-50% ■ 5-30% ■ <5% ■ n.a.

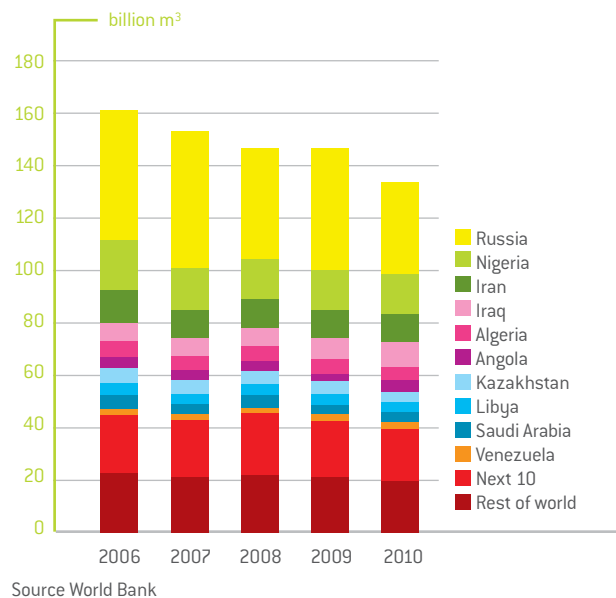


Source IEA 2009

Population with no access to electricity

About 1.4 billion people, the 20% of the world's population, have no access to electricity. 85% of them live in rural areas. The regions with the lowest electrification rates are South East Asia and Sub-Saharan Africa.

Gas flaring worldwide



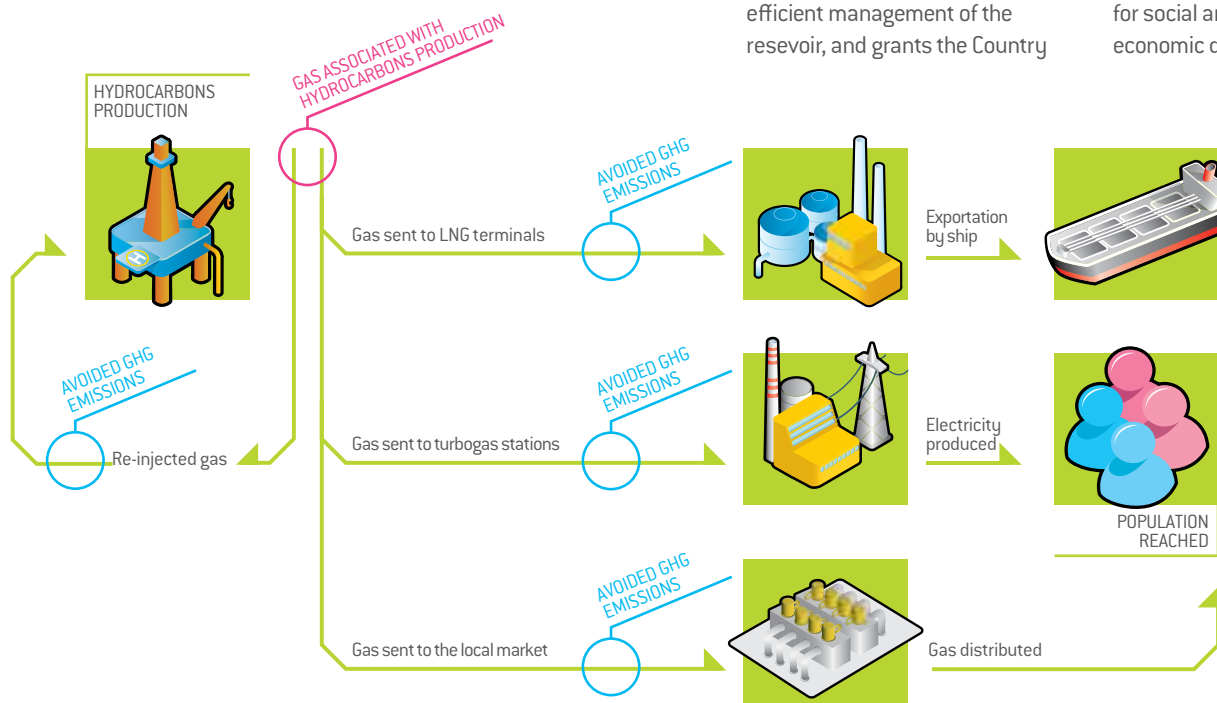
In 2010 about 134 billion cubic metres of associated gas were flared.

The recovery of the 15 billion cubic metres of gas flared in Nigeria would boost the local natural gas market by 50%. If the 37 billion cubic metres of gas flared in Africa were used to generate electricity in high-efficiency plants, it would produce 200 TWh - about 40% of the electricity demand for the whole African continent.

eni is currently responsible for around 4.6% of the gas flared, and is therefore committed to finding a solution to this problem through the recovery or reuse of the associated gas (flaring down). That allows the most to be made of natural resources and generates several benefits for the Countries involved.

eni has reduced flaring by over 30% in the last three years, and is investing in new energy infrastructures in order to bring this figure up to 80% by 2014. Thanks to this programme, when fully implemented, around 5 billion cubic metres of gas per year will be recovered and made available for markets in oil-producing Countries. The associated gas, if reinjected into the system, allows for a more efficient management of the reservoir, and grants the Country

maximum productivity. If used in natural gas liquefaction plants, the associated gas increases export capacity and consolidates the producer's position on the international market. If the gas is used to supply the local market and produce electricity, the population of the oil-producing Country gains access to a stable and continuous supply of reliable and safe energy - a catalyst for social and, consequently, economic development.



eni was the first International Oil Company in Africa to invest in power generation using associated gas, becoming the leading producer of electricity among the other energy companies.

eni has implemented major electricity generation projects in Nigeria and Congo. These projects meet, respectively, about 20% and 60% of the electricity production in Countries with high levels of energy poverty.

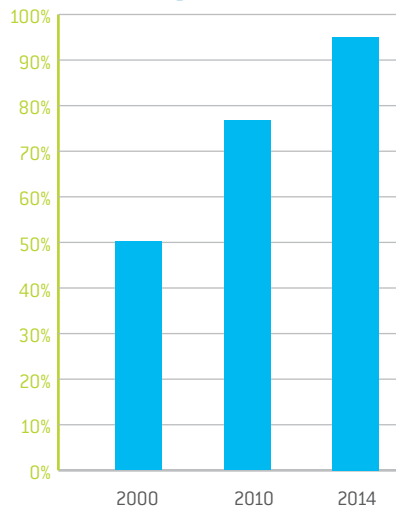
Thanks to the expertise acquired in various segments of the energy sector and to the advanced technologies available, **eni** invests in the construction of power stations having the best energy performance. **eni** power

stations have shown excellent results in 2010 (with a primary energy consumption to electricity produced ratio equal to 0.167 toe/kWheq) and low greenhouse gas emissions (407g CO₂ eq/kWheq in 2010).

In Nigeria only 47% of the population, about 155 million inhabitants, have access to electricity; in Congo, this figure drops to 27% of the population, about 4 million inhabitants (source IEA). **eni** electricity generation

projects are a formidable driving force for social and economic development in both Countries, two of the poorest in terms of per capita income in the world, ranked by the International Monetary Fund, respectively, 142nd and 183rd place.

Percentage of **eni** associated gas used in Nigeria



In the late 1990's, **eni** implemented the Zero Gas Flaring project in the Niger Delta, with the aim of preventing associated gas from hydrocarbons production being burnt off into the atmosphere. By the year 2000 **eni** was already using 50% of the gas produced. In 2010 this figure reached 78%. By 2014, with the implementation of further projects for the reduction of gas flaring, **eni** expects to be able to use 95% of the associated gas.



In 2005, **eni** built a 480 MW combined cycle power plant in Kwale Okpai (Nigeria). The plant uses the associated gas from production activities, which would otherwise be flared. The plant supplies electricity to Power Holding Company of Nigeria, which distributes it to the end users. This was the second flaring down project worldwide and the first in

Africa to be registered as a Kyoto Protocol's CDM (Clean Development Mechanism) activity in 2006. The Okpai Plant utilises combined cycle technology to minimise heat emissions. The sustainability of electricity and steam production is guaranteed by the combination of natural gas and cogeneration combined cycle technology, the latest

technology in thermal power generation. The technology and fuel utilised permit in fact the greatest efficiency in fossil fuel-fired power generation plants, reducing pollutant emissions per kilowatt-hour. In order to make the contribution to energy access more effective in the Country, **eni** signed a Memorandum of Understanding with the local communities affected by its

activities. The Memorandum of Understanding envisages electrification projects for the distribution of electricity to over 50 communities. 40% of the work has so far been completed. 16 electrification projects were implemented in the Rivers, Bayelsa and Delta states in 2010, for a total investment of over a million euro in access to energy initiatives.

Based on its experience in Nigeria, in 2007 **eni** signed a cooperation agreement with the Republic of Congo. The agreement envisages the construction of power stations that utilise the associated gas. As part of the agreement an integrated project for the exploitation of associated gas produced in the onshore M'Boundi oilfield was initiated. The gas is collected and piped through a 55 km pipeline to Djeno, where it is used to fuel two power stations: the Centrale Electrique de Djeno with a current power output of 50 MW, and the new Centrale Electrique du Congo, with a current power output of 300 MW (planned for a future output of 450 MW). 80% of the Centrale Electrique du Congo is controlled by the Republic of Congo and 20% by **eni**. The plant is operated

with the assistance of **eni** technicians. Utilising associated gas means over \$ 50 million a year savings in oil imports for the Country. The electricity produced is distributed to the Pointe-Noire area, supplying approximately 700,000 people. Compared to the Congo average per capita consumption of 137 KWh per year, in the Pointe-Noire area consumption rose to 350 KWh in 2009 and to 462 KWh in 2010. **eni** also plays a key advisory role to the Country for the construction and management of electricity transmission infrastructures. **eni** entered into a partnership with local institutions, public companies and an Italian electricity company, promoting collaboration for the development and modernisation of the Congolese high, medium

and low voltage transmission network. The aim of this partnership is to increase the availability of energy for the capital and to also supply electricity to many smaller cities currently without access.

Based on its positive experiences in Nigeria and Congo, eni drew up agreements with other Countries such as Mozambique, Ghana, Togo and Angola, characterised by low energy access rates, to replicate this model of associated gas use.



eni actively participates in international working groups, promoting research activities and collective actions to guarantee energy access.

On January 28th, 2011, at the launch of the LEAD Platform – a Global Compact programme for companies that excel in the field of sustainability – in Davos, Paolo Scaroni announced that **eni** would promote a Collective Action against energy poverty. In the presence of UN Secretary General Ban Ki Moon, Paolo Scaroni described the objective of the Collective Action: involve

LEAD companies in fighting energy poverty by developing synergies between companies from different sectors and international organisations. The first Collective Action proposal was presented at the Global Compact Week in Copenhagen. **eni** also takes part in a World Business Council for Sustainable Development initiative on energy access, launched on April 6th, 2011.



A candlelit dinner is romantic, a candlelit surgical operation is not



Raffaella Centurelli
International Energy Agency

“A candlelit dinner in a smart dining room seems to be romantic. A candlelit surgical operation in a poor rural village is not.”

Today 1.4 billion people - more than 20% of the global population - has no access to electricity, whereas more than 2.7 billion people use traditional biomasses to cook, breathing substances that are very harmful to their health: every year the number of premature deaths from respiratory disease related with these practices is higher than the number of deaths from malaria and tuberculosis. According to our estimates, if governments do not take any strong actions, the problem will persist and get worse in the long term. In 2030 people without electricity will be a little less than today – 1.2 billion, but the number of users of traditional biomasses will increase to 2.8 billion, recording more premature deaths than HIV.

In which areas of the world is the problem especially serious?

More than 85% of the people without modern forms of electricity live in the rural areas of Sub-Saharan Africa and South-East Asia. The bigger problem is in Sub-Saharan Africa, where only 31% of the population has access to electricity, being the lowest percentage in the world. Just think that the 20 million people

who live in New York consume, in one year, the same quantity of energy – 40TWh – as the about 800 million people in Sub-Saharan Africa.

What is the connection between access to energy and development?

Access to modern forms of energy is a prerequisite for social and economic development. It is crucial to supply drinking water and deliver basic hygienic services. It brings benefits in terms of development, giving people the possibility to rely on lighting, air-conditioning, cooking, automation of daily operations, transport, and telecommunication services. In spite of the evident relation between energy and development, unfortunately the Millennium Development Goals (MDG) make no explicit reference to energy and contain neither quantity objectives nor specific indicators to allow Governments and the international community to monitor the progress towards universal access to modern energy. Recently, however, positive steps forward have been taken: the Advisory Group on Energy and Climate Change at the UN asked for a goal to be adopted on this issue by 2030 and the United Nations has declared 2012 the “Year of sustainable energy for all”.

How can energy contribute to achieve the existing Millennium Goals?

As we said earlier, access to energy is not explicitly among the MDGs, but it is a prerequisite for many of the UN existing goals. Access to energy surely contributes to the first MDG: eliminate extreme poverty and hunger. It supports economic development, giving more efficient and safer means to guarantee basic needs and undertake productive activities. Energy allows electric pumps to bring water up from wells, providing drinking water and making agriculture more productive. Access to modern, clean cooking methods would guarantee the progress of the goals related to infant mortality and pregnant women's health (MDGs 4, 5, 6): according to the World Health Organisation the polluting substances emitted by traditional stoves are responsible today for the premature death of more than 1.45 million people. In Regions where the use of biomasses prevails, women and children are generally in charge of collecting fuel, an activity that demands time and fatigue. Providing cooking instruments, communication technologies and, even more simply, lighting and electricity, will contribute to MDGs 2 and 3, donating time to women and children, supporting

schooling and allowing women to develop their potential. Finally, universal access to modern energy will contribute to MDG 7: guarantee environmental sustainability. Abandoning the unsustainable use of firewood would relieve pressure on the environment, avoiding deforestation and soil erosion. Cleaner energy would decrease greenhouse gas emissions, reducing climate change.

The IEA has published a study where they estimate the costs necessary to face the issue of universal access to modern forms of energy by 2030. What are the main results?

Bringing electricity to 1.2 billion people by 2030 means a total investment of 700 billion dollars between 2010 and 2030, i.e. 33 billion dollars every year. To guarantee universal access to clean modern forms of cooking for 2.8 billion people an investment of 2.6 billion dollars a year is needed: therefore, 36 billion dollars a year would be needed to achieve both results by 2030. The majority of investments for electrification must take place in Sub-Saharan Africa and in the developing regions of Asia.

What are the requisites in your scenario of universal access to modern energy services?

To guarantee universal access

to electricity a total increment of electricity production of approximately 950 TWh by 2030 is needed. To generate this extra energy we need to increment the productive capacity by 250 GW, both through generation with the electrical mains and through “off grid” solutions. These decentralised solutions play a central role for rural areas and will represent the majority of investments in the period of consideration.

Do you think these investments will actually be made?

Investments to guarantee universal access to modern energy services by 2030 seem very high and so far they have been lower than the real needs. However, it is necessary to see things under the correct light. The investments that are necessary for the next twenty years would be 36 billion dollars a year, an amount that only accounts for 0.05% of the annual global GDP. In 2009 an amount ten times higher was spent on subsidies for fossil fuels and the costs to guarantee energy access in the ten biggest gas and oil exporting Countries of Sub-Saharan Africa is 0.4% of the cumulative oil and gas revenues of Governments up to 2030 (WEO 2008). We have calculated that the addition of 0.3 cents of a dollar to the current rates of the OECD Countries could finance the

additional investment to achieve universal energy access.

What do you think is the biggest challenge facing the issue of energy and poverty?

The need for relatively high investments is neither the only nor the biggest barrier. The recognition of the urgency of this issue by the international community and national Governments, together with a long-term political commitment, are the real “condition sine qua non”. Giving the priority to the issue of energy access as a key factor for development is a first step. We will need the commitment of the international community, the definition of national goals supported by specific plans, monitoring and an appropriate financial, technological and institutional framework.

What is the link between energy access and another big challenge: climate change?

Climate change is a global problem and therefore requires global solutions. Poor Countries are certainly not among the major causes of climate change, but their populations are suffering the most severe effects of it. Moreover, in developing Countries that import oil, volatility and price increases have amplified the problem of energy access and imposed an additional burden

on fiscal budgets. Today, these Countries face difficult choices with reference to resource allocation. Among the various development needs, climate change is often considered as a long term problem versus more urgent priorities and problems. We have estimated that universal access to electricity would have a modest impact on energy-related CO₂ emissions and on energy demand. Emissions would only increase by 0.8% in 2030 - that is, 2% of the current emissions of the OECD Countries. And oil demand would grow less than 1% if compared with the demand level expected in 2030. This proves that energy access and climate change are two challenges that can be fought and solved together.

What are your next steps?

In our opinion it is crucial to identify the best way to find and manage the necessary funds to provide energy access to those living in poverty conditions. We are working on a special edition of the World Energy Outlook 2011 that will present a new architecture to finance universal access to modern energy forms. We will present our conclusions during a summit that will be held by the Norwegian Government in October 2011 in Oslo. We hope to make the issue of energy and poverty the first item on the international agenda.

Natural gas as a driving force for development

eni has long sought to use the opportunities presented by natural gas both as a driving force for the social and economic development of the Countries it operates in, as well as an economical energy solution with low emissions for the future.

eni develops infrastructure for the production and transport of gas both for export, as well as for local consumption, providing an essential source of energy

for the Country's growth.

With its initiatives in the natural gas sector, eni has already contributed to the development of important Countries, especially in North Africa. The company is also committed to the research on a new frontier of unconventional or "difficult" gas, when produced in a safe and environmentally friendly way, to support energy availability and independence in new operating Countries.

eni's history, from the first well discovered in Italy in 1944 to the building of major gas transport infrastructures in Russia, Holland, Algeria and Libya, has been defined by a preference for the development of natural gas.

In order to gain access and contribute to the development of natural gas markets in the Countries where it operates, eni relies on its own business model based on an integrated approach, distinguishing skills, experience acquired in operating, sales and mid-downstream techniques and the dual flag approach. These characteristics allow the company to plan and implement integrated energy development plans together with the producing Country.

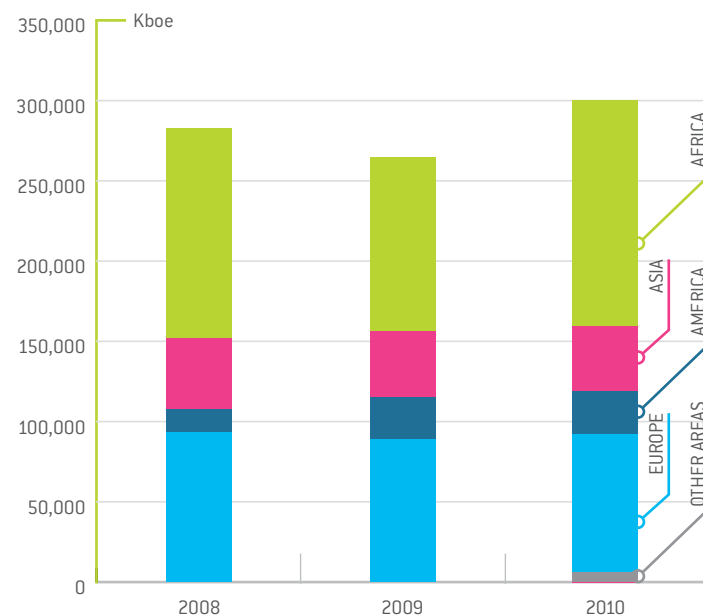
The implemented energy development plans include activities such as: construction of long-distance gas transport and distribution pipelines; design and construction of liquefaction and regasification plants, that employ the best available technologies for safety and environmental protection; construction of

combined cycle electricity generation plants, offering the best performance in terms of efficiency and emission factors. Egypt and Tunisia are significant examples of how the support provided by the creation of a local natural gas market can aid economic and social development.

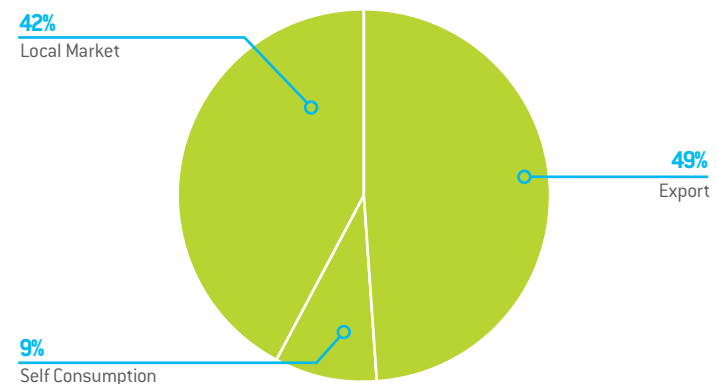
With 97 billion cubic metres of natural gas sold in 2010, **eni** is the largest operator in Europe, where it owns or holds the transport rights of the most extensive and integrated network of gas pipelines with multiple inlet and storage points. The volume of gas transported in Italy in 2010 was 83 billion cubic metres, satisfying 80% of national demand and contributing to the

Country's energy security. The natural gas produced in 2010 made up 44% of **eni's** total hydrocarbons production. A large part of the natural gas production took place in Africa, the continent contributed 47% of the total production. Local gas consumption is growing in Africa compared to export volumes, accounting for approximately 42% of production in 2010.

eni gas production



eni use of gas produced in Africa in 2010



Egypt is a Country where eni boasts a historic presence: eni began operating there in 1955 and today is the largest International Oil Company active in the Country, with a production of about 600,000 barrels per day, 230,000 of these are eni's share.

Extracted hydrocarbons come from five large fields, in which **eni** has the operatorship. 60% of the production, equal to 8.2 billion cubic metres per year, is represented by natural gas. **eni** has promoted and developed natural gas production to satisfy the growing demand within the Country and has contributed financially and in operational terms to the construction of infrastructure for the export and liquefaction of natural gas (LNG), allowing the Country to generate significant revenues. Indeed **eni**

has an indirect shareholding in the LNG plant at Damietta, with an annual capacity of 5.1 million tons of liquefied natural gas equivalent to approximately 7.6 billion cubic metres of gas per year, the largest single train in the world. In addition, as a part of the collaboration agreement with the Egyptian Natural Gas Holding Company (EGAS) and the Egyptian Electricity Holding Company (EEHC), **eni** contributes to the application of advanced production technologies to

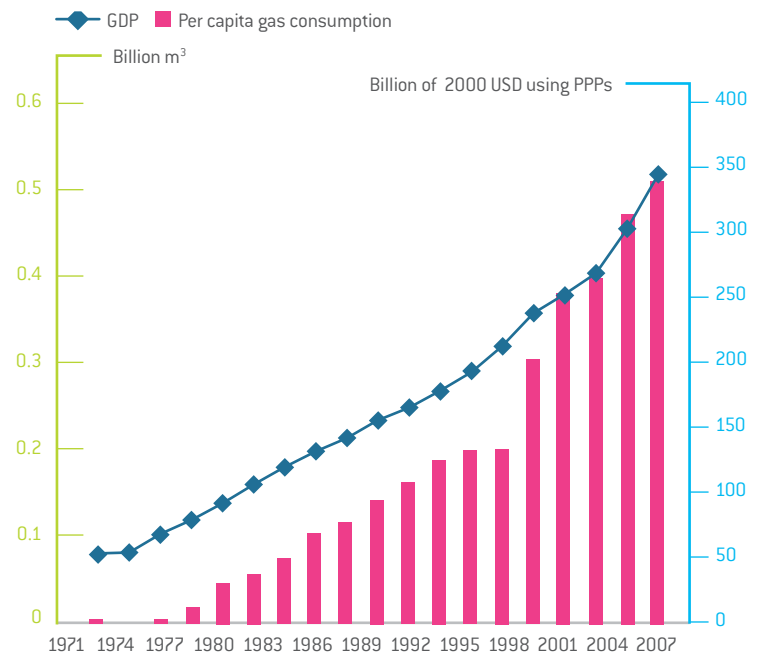
several Egyptian electric power stations, providing an energy saving of over 20% (in terms of natural gas non-consumed) and important environmental benefits. The improved efficiency of the power stations will also reduce greenhouse gas emissions, helping protect the environment and combat global climate change. Another example of how **eni** operates to enhance Egypt's development is the collaboration agreement signed with the Country, that will show the involvement of two state

companies in shared projects in the Mediterranean basin and in **eni's** activities in Gabon and Iraq. The agreement will enable **eni** to acquire transport rights to the Arab Gas Pipeline, the infrastructure that allows the African Country to export gas to Jordan, Syria and Lebanon. The aim is to create in Egypt a gas centre of strategic importance for the entire Mediterranean basin, extending the Arab Gas Pipeline to connect it with other transport systems managed by **eni**.

Natural gas has been the main driver of economic development in Egypt which, since the 1950s, has risen sharply in world rankings both in terms of per capita GDP (despite having a population of 77 million) and human development, and is no longer considered a developing Country.



Gas consumption and GDP in Egypt



Tunisia is another North African Country, in which **eni**'s long-term presence has contributed to a process of progressive development (STEG data). 2010 was the fiftieth anniversary of the SITEP company, which is now completely nationalised but was once held by **eni**. SITEP manages a field on the border between Tunisia and Algeria, El Borma, which still produces oil and gas, and is one of the longest living fields in the world. Thanks to the agreements made between **eni** and Tunisia in 1977, and subsequently in 1991, a major gas transport system was built, managed by the Trans Tunisian Pipeline Company (TTPC). The gas pipelines cross Tunisia, from the border with Algeria (Oued Saf-Saf) up to the Mediterranean coast (Cap Bon), where the TTPC system connects to the

underwater pipeline belonging to the TransMediterranean Pipeline Company (TMPC), which connects Tunisia with Sicily. The main purpose of this pipeline is to transport gas from Algeria to Italy. The transport system is made up of two lines, each about 370 kilometres in length (the first has been operating since 1983 and the second since 1994). In 2009 the transport system was expanded by the construction of two new compression stations (there are now five in total) and the expansion of the existing stations. The construction of the TTPC system made a substantial contribution to the industrial development of Tunisia, which has a limited quantity of both offshore and onshore natural gas. Infrastructure built alongside the TTPC pipelines by the Société Tunisienne de l'Electricité et du

Gaz has increased the availability of natural gas in the Country. In 2009 the network reached

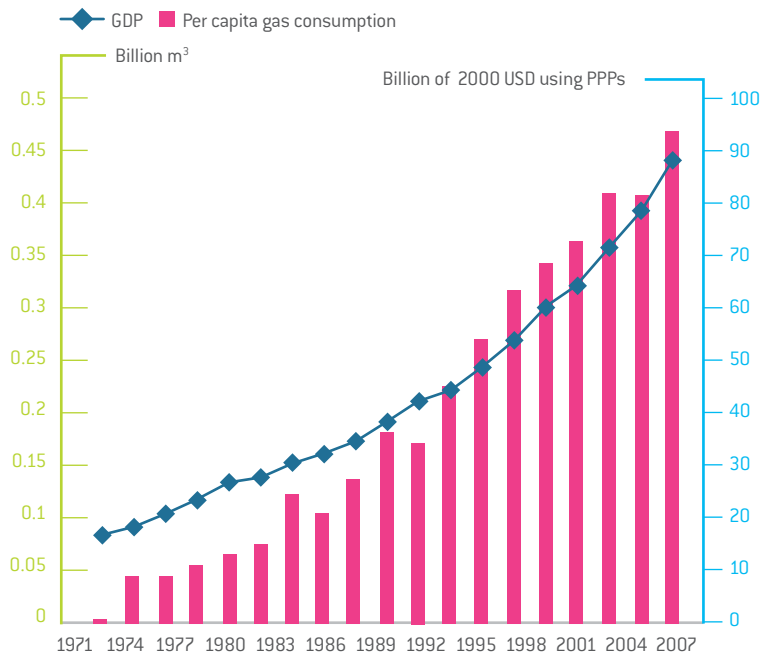
an overall length of 11,624 km: 2,066 for transport and 9,558 for distribution.

The availability of Algerian gas in Tunisia reached 44% of the Country's total gas consumption in 2009. This gas, together with the gas produced locally, fuels fourteen electric power stations. Today almost 94% of Tunisia's electrical power is generated using natural gas.

In Tunisia more than 550 industrial companies operating in different sectors (25% in textiles, 24% in food, 16% in the manufacture of building materials, 10% in chemical industries and 25% in other sectors) were created thanks to

the supply of natural gas. There are also approximately 500,000 "low pressure" gas customers in the service sector, including 321 hotels that support the Country's tourism industry and 314 service companies.

Gas consumption and GDP in Tunisia



The expected growth in natural gas demand makes traditional production insufficient in the medium- and long-term. Therefore, it will be necessary to invest in research into unconventional or “difficult” resources, always ensuring high safety and environmental standards.

On a global scale, most of the natural gas produced up to now has been easy to extract with no particular technological barriers to overcome in terms of discovering and developing fields.

This has increasingly shifted reserves and production towards National Oil Companies. The tendency to start production of unconventional or “difficult” resources will rebalance the

control of hydrocarbons reserves between the International Oil Companies, which have the required technologies, and the National Oil Companies. The increased supply will lead

to a reduction of natural gas prices and provide many parts of the world with direct or indirect access to energy. The first effects of this phenomenon have been initially noticed in the United States, where the extraction of unconventional natural gas was pioneered and today represents the largest base of supply. In the United States shale gas has had a dramatic effect on the dynamics of gas prices, contributing to halving them in less than three years.

eni considers the development of unconventional gas as an opportunity to open new markets or reinforce its presence in markets where it already operates, as well as a driver for local social and economic development.

As a result, in 2010 eni reached an agreement to become the operator of three licences in the Baltic Basin in Poland, an area with high potential for shale gas. For Poland, being one of the largest economies

in Eastern Europe and currently importing approximately 70% of its gas needs, research activities on shale gas represent an opportunity to an energy independent future for the Country.

Natural gas is a sustainable driver for development also thanks to its competitive pricing and low environmental impact in terms of emissions.

Europe’s CO₂ emissions reduction targets could be achieved by converting coal-fired power stations into natural gas power stations. With an overall investment of about one third of what it would cost to achieve this

production capacity using wind power generation (net of any incentives on the energy produced). The use of gas for electrical power also means for lower emissions of SO₂, NO_x and particulate than other fossil fuels.



Towards renewable energy

Placing an emphasis on its integrated approach and proven track record for innovation, eni is also aiming for growth in the renewable energy generation sector. Even though renewable sources are not yet competitive compared to conventional energy sources, they represent an important factor for the future of energy generation.

eni believes that natural gas is the best available energy source during this transitional phase towards renewable energy sources: it is a

low greenhouse gas emission fuel and generates an easily-modulated energy supply. Natural gas and solar power are ideal allies in guaranteeing the energy mix of the future everywhere.

In order to develop the solar power of the future, which will be the true turning point in the energy production, eni is looking into advanced research alongside qualified partners, with the goal of finding innovative products to improve efficiency, method of use and costs.

Electricity from renewable sources often has no competitive production costs compared to fossil fuels, especially to natural gas, one of the most abundant and cost-effective resources available today and in the foreseeable future.

Today technologies for the exploitation of renewable resources are not able to satisfy the primary energy demand, not only because they are expensive, but also because they do not permit a significant production of electricity and, most of the times, do not guarantee sufficient production stability

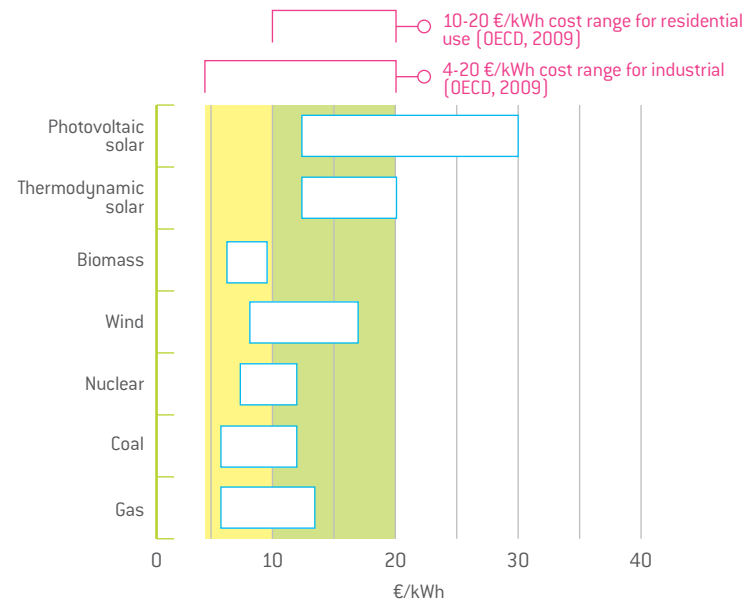
for the distribution network. The production of electricity from renewable sources is, however, a very important factor for the future of energy, because it will contribute to effectively fighting climate change through an energy mix with lower greenhouse gas emissions.

Natural gas and renewable sources are the ideal allies to guarantee the energy mix of the future. Both are sustainable from the environmental viewpoint and are a good combination in terms of production costs, given the high competitiveness of electricity production from natural gas.

One of the limits of renewable sources is its intermittent generation, which contrasts with the needs of the electrical distribution network of continuously maintaining a dynamic balance between power level and user demands. Connecting intermittent power generators to the network means introducing sources of power disturbance which, over time, force the network control system to continually compensate. As a result, although combined in the best way possible, the weight of renewable sources in the energy mix is limited by the reaction capacity of the network control system to unscheduled

power variations. In turn, such a capacity depends on the technical characteristics of the system and in general corresponds to 20-25% of rotative power in the network. To balance the intermittence of renewable sources, an easily modulated resource is necessary. This resource should be able to rapidly complement production, when production from renewable sources drops and to reduce or stop production, when renewable sources reach production peaks. Natural gas can play this role and can do it with low CO₂ emission levels. **eni** has achieved the leadership in natural gas sales in Europe (18% of the market), and represents

Electricity production cost



eni data processing on CERA, NRC-National Academy of Engineering USA, NEA-IEA, EIA, IRP, EPIA, CBO

eni's integrated approach is one of the bases for the development of energy production from renewable sources, and in particular solar energy.

one of the International Oil Companies with the highest production share of natural gas (amounting to 44% of its hydrocarbons production). The leadership among the International Oil Companies in the production of natural gas in Africa and the relevant production of electricity are an excellent starting point to guarantee a balanced energy mix that includes not only gas, but also renewable sources.

eni's capacity of operating efficiently using innovative technological solutions along the entire energy supply chain is a point of strength also for corporate growth in the field of electricity generation from renewable sources. The dual flag culture will favour the study of the best energy mix for the producing or consuming Country, having **eni** as a reliable partner also for future energies.

In this transition towards higher competitiveness of the renewable source system, the strength of eni's business model finds its application in several small-sized projects that were carried out in different Countries. The goal was to provide electricity to isolated areas that are difficult to reach with the electrical network and to increase efficiency of business, thus contributing to the economic and social development of local communities.

In such a scenario **eni** uses the knowledge of Enipower to produce and market photovoltaic panels (with a maximum productive capacity in Italy of 30 MWp/year) and install turn-key photovoltaic systems.

Some projects carried out by **eni** include: use of photovoltaic

modules to electrify regulation stations along a gas pipeline in the Algerian desert, offshore platforms in Egypt, telecommunication systems in Nigeria, water pumping systems in Nigeria and Congo, electrification of remote villages in Nigeria and Mongolia.



eni believes that among renewable energies solar energy has the greatest potential to integrate traditional sources. For this reason it is investing more than 106 million euro in the next four years. The most significant initiative is a partnership with the Massachusetts Institute of Technology (MIT) to investigate technologies for large-scale exploitation of solar energy.



In 2010, with a five-year plan, the partnership gave life to the "Solar Frontiers Center" (SFC) with headquarters at the MIT in Boston, a centre entirely dedicated to research and development activities on solar energy with common spaces and labs. eni-MIT Solar Frontiers Center is proof of eni's commitment to the development of pioneering initiatives in the field of renewable energies, and in particular solar energy.

The collaboration between eni and MIT is based on a multidisciplinary approach to research that creates significant technological and cultural synergies. In particular, the meeting between researchers from MIT and from the "Research centre for non-conventional energies – Istituto Eni Donegani" stimulates the exchange of different experiences and knowledge through the pursuit of common goals.

The collaboration with MIT has originated some records, such as the realisation of the first solar cell printed on paper, the ultra flexible solar cell, as well as the development of solar cells that imitate the photosynthesis process.

Ultra flexible solar cells are composed of a thin layer of photoactive material coated with a transparent plastic sheet and can be folded without breakage or performance drops. This permits irregular surfaces to be covered without the need for bulky metal supports and structures, reducing the coverage weight to cover, for example, tensile structures, greenhouses, noise barriers along roads, boats and a series of indoor applications in buildings.

In solar cells on paper, the photoactive device is made on

paper, as if it were a printed document. The innovative technique used to make the device is the same technique used to produce cells on flexible plastic substrates. A “paper cell” can be the latest low-cost solution for applications in which longevity is not necessarily the key aspect, where instead the important aspect is fast installation speed and easy transportation.

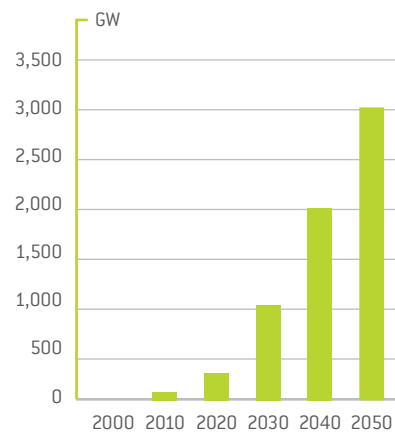
The goal of the study on artificial photosynthesis is to make low-cost efficient devices to reduce the water molecule to its components - oxygen and

hydrogen - through fission. Such a device imitates the natural photosynthesis process of plants but with a substantial difference: the artificial leaf photosynthesis process will be far more efficient than the natural process.

The alliance with the MIT also develops through the MIT Energy Initiative (MITEI), with eni as a Founding Member: the goal is to study solutions to transform the existing energy system and meet future challenges through the analysis of every aspect of energy supply, demand, environmental protection and safety.



Expected development of photovoltaic solar energy in the world



Source EPIA 2010

The total electricity production from photovoltaic panels in 2010 equalled the energy demand of ten Countries in Central Africa (Angola, Benin, Botswana, Cameroon, Congo, Ivory Coast, Eritrea, Ethiopia, Gabon and Ghana).

In the future the share of produced electricity will depend

on greenhouse gas reduction policies, production costs and technology developments. According to the forecasted scenarios, in 2020 photovoltaic panels are expected to cover almost 4% of the total energy demand and rise to 11.3% (21.2% according to the most optimistic forecast) by 2050.

Safe management of all resources including difficult ones

The world's growing energy demand and the need to balance the energy reserve portfolio are determining a thrust towards the exploitation of non-conventional resources or of conventional resources in difficult areas. eni intends to make the most of the new business opportunities in non-conventional sectors and in difficult areas, adopting the best technologies

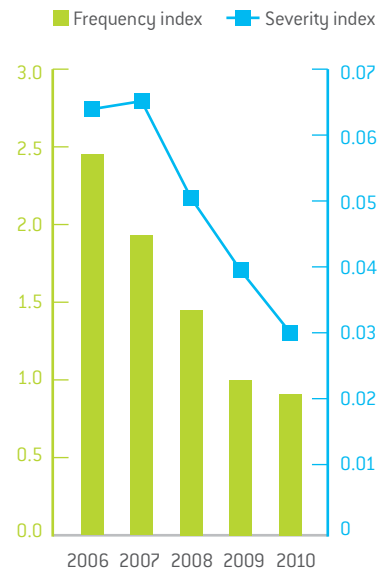
to guarantee high safety and environmental standards. eni's ability in operating, based on enhancing technological innovation, organisation and knowledge, allows challenging business goals to be achieved in full compliance with the requirements of the producing Countries and guaranteeing high safety and environmental standards.

eni is committed to carrying out its activities minimising operational risks. In the exploitation of real and potential resources of a Country, eni has an optimal process management, an excellent knowledge of technologies, the necessary organisation and skills to guarantee the highest safety standards and environmental compliance in implementing its activities.

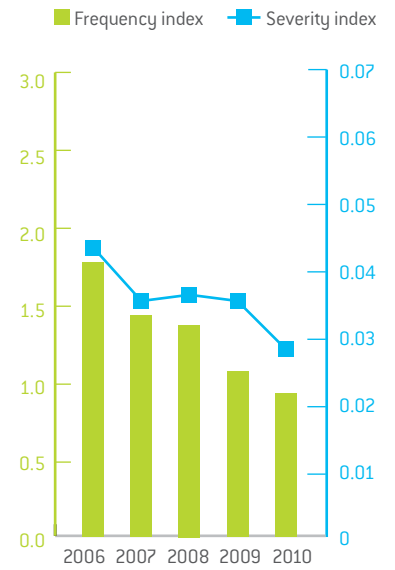
In order to reduce its operational risks, **eni** formalised the main processes and issued internal rules to guarantee safety during and after the design and construction of the plant. Compliance with **eni** standards is regularly and rigorously monitored through inspections and maintenance of

installations, as well as through verification activities by management systems. Where possible, **eni** aims to act as an operator in order to fully control the activities implementation and the compliance with best operating procedures. Such a rigorous approach is also applied to outsourcing activities.

Employee safety indexes eni



Contractor safety indexes eni

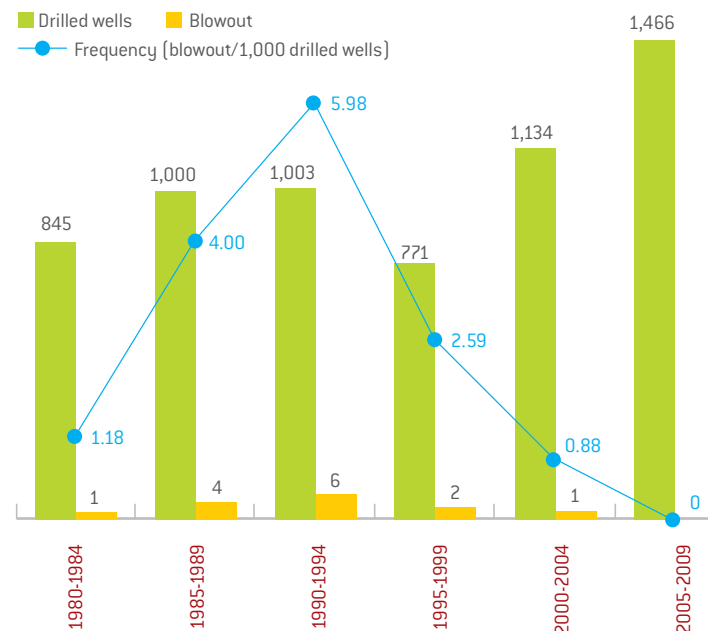


eni has an excellent knowledge of the technologies that allow the potential of hydrocarbon fields to be used in the best possible way and in safe conditions, including non-conventional or “difficult” fields

In the effort to increase the availability of hydrocarbons, **eni** has started research activities for the application of enhanced recovery techniques (Enhanced Oil Recovery) through steam injection, polymeric solutions, natural gas or carbon dioxide. The goal is to increase the recovery factor of heavy crude oils extracted from operated fields. An improvement in the recovery factor increases the available reserves even if no new fields

are discovered. An increase of only one percentage point in the recovery rate may lead to adding reserves on a global scale of 35-55 billion barrels, which equals one or two years of world oil production. This allows an increase in the production of hydrocarbons without an additional impact in terms of additional surface occupation, use of resources (water and energy), production of polluting sub-products (acid gases).

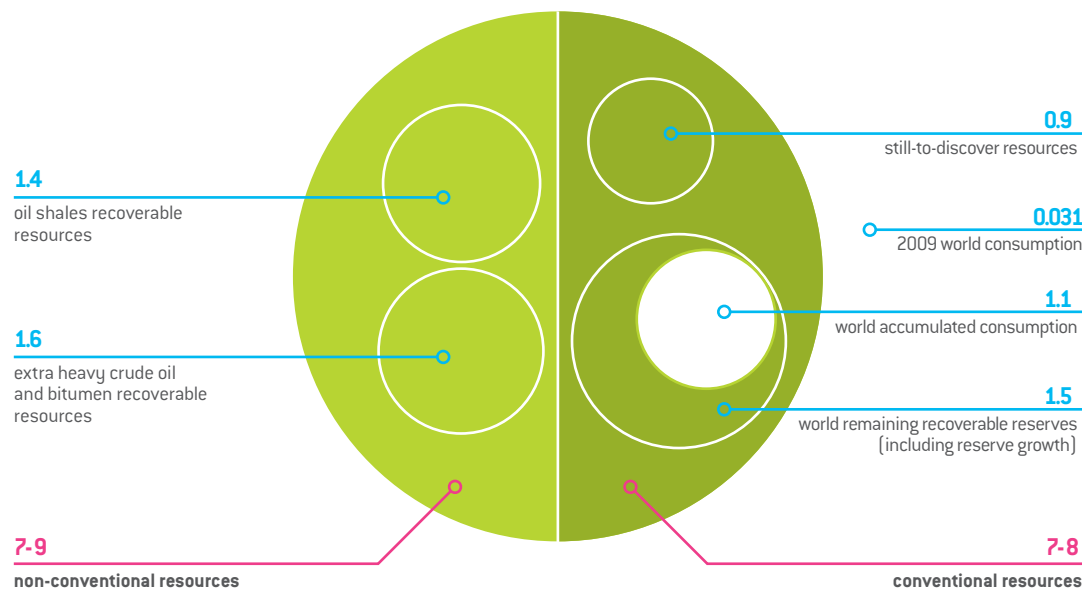
Blowout vs drilled wells



eni's technological experience and leadership in traditional sectors is a winning card also in terms of non-conventional and difficult resources (deep waters, arctic areas, complex geological structures and sensitive areas), where technology plays an important role to utilize valuable resources that would otherwise be unused, whilst respecting the environment.



Estimate of oil resources in the world:
14-17 trillion barrels - of which 6.5 billion recoverable barrels



In the future, non-conventional oil resources may be a valuable resource to face the increasing energy demand in front of a reduction of conventional oil reserves. In particular, it is estimated that at the global level non-conventional oil resources correspond to about 1,300 million barrels, 24% of which is situated in Canada.

Sources U.S. Geological Survey; IEA; WOGR 2010

The experience gained and the research begun in the field of exploitation of shale gas (among which the partnership with the prestigious Gas Technology Institute) will allow **eni** to define and improve the existing technologies with the goal of minimising environmental impacts. That will be done, for instance, through the definition of processes to optimise the use of water resources, the reduced impact in the realisation of production wells, the minimisation of additive use in hydraulic

fracturation and the protection of water layers at different depths. The potential development of tar sand fields in Congo, which is part of the cooperation agreement with this Country, foresees a significant research activity to be carried out with local authorities in order to develop this energy resource while respecting the environment, thus avoiding interference with primary forest and any relevant alteration to local geomorphology. The need for environmental protection is especially felt after the

controversial experience that took place in Canada, where the world's second largest tar sand field is located. According to the Canadian experience, the main territorial impacts of tar sand exploitation activities are to be attributed to the management of evaporation basins and

exhausted sand, in addition to occupation and alteration of large territories. In Canada, techniques included open-air mining activities and the creation of large decantation basins, i.e. with significant alterations in the local geomorphology.

eni is committed to exploiting non-conventional resources, respecting the environment and applying the best safety standards.

eni invests in technological research to operate safely and to increase the efficiency of drilling activities even in difficult areas, such as deep waters.

Such a need has become a common heritage in the energy industry after the accident which occurred in 2010 at the Deep Water Horizon platform in the Gulf of Mexico, which caused an uncontrolled hydrocarbons leak from the Macondo well estimated at 4.9 million barrels of oil, with the consequent decision by the US Government to suspend drilling and granting new exploration licences in the Gulf of Mexico.

For years **eni** has operated in deep waters in total safety conditions due to its leadership in technological innovation, with over 40 patented technologies in drilling activities. In this field, the most representative technologies are the “extreme lean profile technology” for developing wells with reduced diameter, the “eni deep water dual casing” for developing well coating during the laying of the guide pipe, and the “eni near balance drilling”

to maintain well pressure at optimal values thanks to a fluid circulation system. As an additional safety guarantee, the so-called “Blow out preventer” - the automatic system that blocks the leak of fluids from the well head - is equipped with numerous redundant safety systems (automatic closing systems, multiplex signalling systems and valves to connect automatic submarine valves or “Hot Stub”). In particular, to guarantee the highest safety level of deep water wells, some basic principles are adopted by **eni**:

- creation of a centralised technical group with the task of

checking and approving deep water drilling programmes and providing specialised support during operational steps and in emergency conditions (Remote Drilling Center);

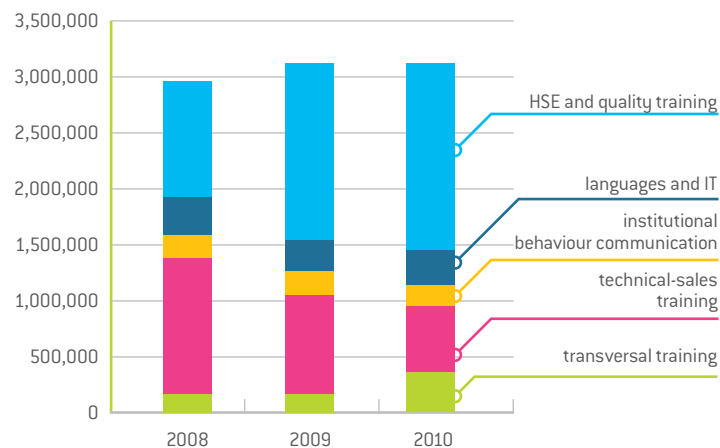
- presence of two in-well barriers that are suitably tested for field and independent fluid pressure;
- obligation for drilling team members to attend a well control course validated by a certified institute;
- specific and standardised emergency plans that activate an internal team and highly specialised international contractors.

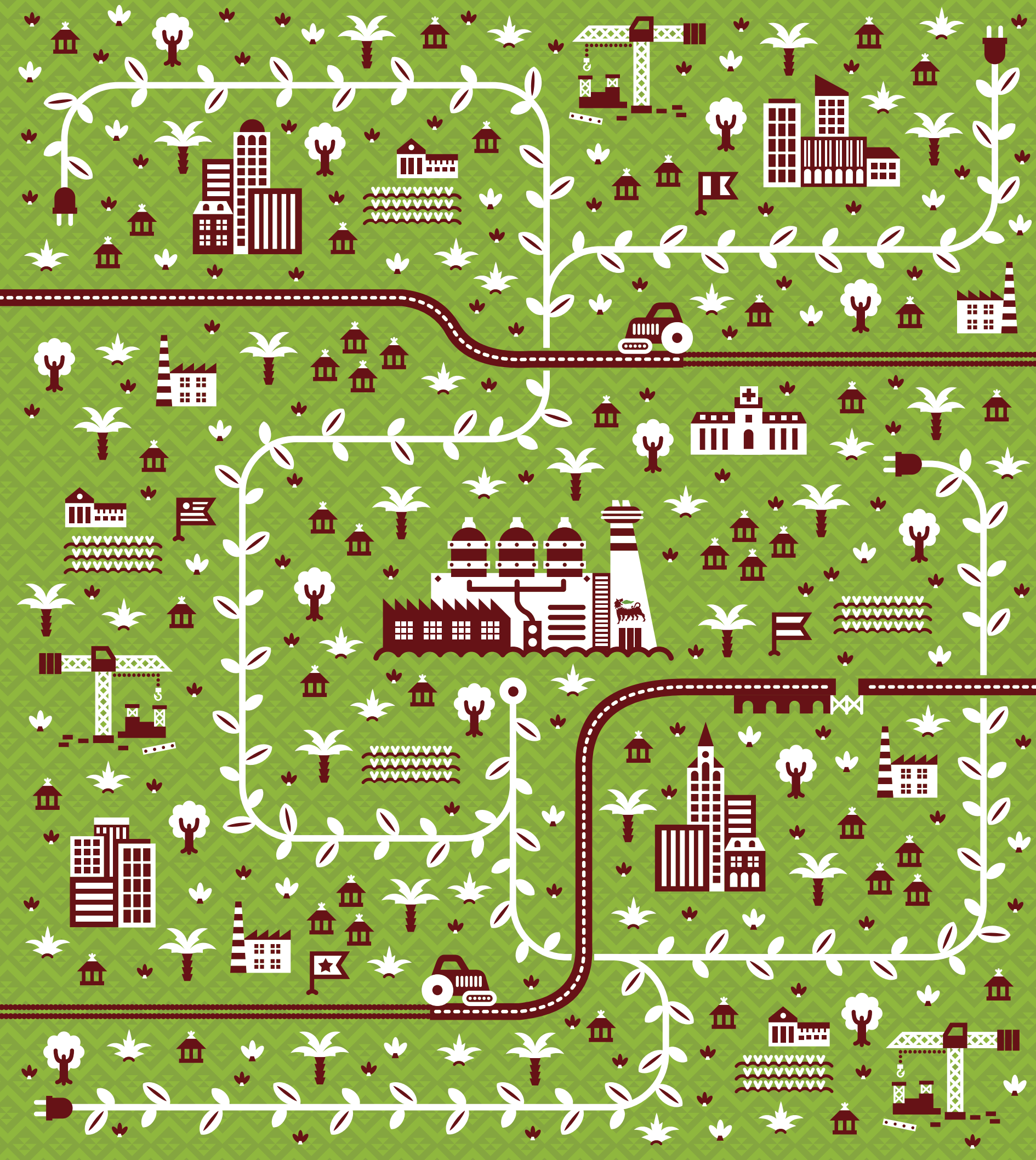
To guarantee excellence, eni makes the best use of available technologies, superior organisation and optimum skills management. The training of staff operating on the field and making the most of its people are the basis of safe management of eni's activities.

The training of technical staff and continuous monitoring of operations are distinctive elements that characterise **eni**'s safe operations. Every year, upon a specific request from the operational areas, specific training programmes are organised and implemented through eni corporate

university, consistent with corporate strategies and needs. The courses aim to develop and enrich technical-professional and management knowledge and skills of people, in addition to developing a good awareness of a corporate identity founded on operational excellence criteria.

Training hours for **eni** people by typology





Human capital: from responsibility to sustainability



*Giuseppe Soda,
SDA Bocconi School
of Management*

In the debate on competitiveness of economic systems that pervades the economic world, from corporations to policy-makers, the call for the need to invest in human capital is almost never missing.

This happy intuition, which we owe to the Nobel Memorial Prize Winner, Gary Becker, is based on the idea that people can really make the difference in competitive processes that are more and more founded on knowledge accumulation speed, innovation and intangible elements. In brief, individual creativity, knowledge, skills, motivation and involvement are central elements in corporate innovation and development processes. They are the only road to maintain leadership positions in high added value sectors and globalised competition. This is also true for developing Countries, where competence is a lever for growth, although from the viewpoint of many corporations the idea of human capital in these situations is still related to the cost compared advantage.

While general agreement exists on these statements, together with some rhetoric, their practical translation is different. In spite of the strong commitment of many corporations and some Countries, reality seems to be

different. Once again, the recent crisis has demonstrated that actions on human capital have not found, either in the economic policies or corporate strategies, consistent answers with the supposed centrality, often assuming in some instances a secondary, if not marginal, role. So, a legitimate doubt arises: when we say that the richness of a Country is strictly linked with the competitiveness of its corporations and “system” and when we affirm that in the globalised knowledge economy the most critical asset for corporations and Countries is the human capital, do financial markets and tutors of the “value” generated by corporations really believe in this? What may seem a rhetorical question must however find an answer in policies and actions, otherwise we remain in the intellectually interesting, yet sterile field of hypotheses.

If we really believed in it, then the empirical evidence should deliver clearer data on the positive reaction towards virtuous corporations in medium-long term competitiveness and in the capacity of generating new knowledge and innovation through the effective management of human capital. Unfortunately, some elements indicate that the real situation is rather different

from the declarations made. For instance, in evaluating intangible resources, the empirical evidence shows that in the accounts to financial community, corporations relegate investments in the development of human capital in the indistinct magma of social responsibility activities or social balance sheet.

Additionally, more aggregate data indicate a clear preference of financial markets for cost-cutter corporate profiles, regardless of the value or productivity generated by cost reduction. As already shown in many investigations, there is a remarkable preference by financial markets for aggressive organisational behaviours, built for instance on the rapid reduction of human capital costs that inevitably jeopardise the supposed centrality of human capital.

This is a contradiction. In fact, if the stock of knowledge and competence of a corporation represents a key element of the innovation and development processes, if these processes are necessary to maintain leadership positions in high added value sectors and globalise competitiveness, then the issue is sustainability of competitive edge and not of

social responsibility. It is however true that investments in human capital of meta-national corporations in developing Countries - such as training - also produce important positive “social” effects that go well beyond corporation boundaries. The economic research has drawn attention to the link between investments in human capital, in particular training, education and economic development. Moreover, unlike the physical and, in part, also financial capital, the effects of capital are exercised on very broad temporal horizons.

Some important issues come to light when looking from a closer perspective at corporations and at the effects of investments in human capital on the sustainability of competitive edge.

A first issue is pay-back, that is the return time of investments in human capital that seem to be inconsistent with respect to market action speed, reference temporal horizons of investors and persistent instability and uncertainty conditions of competitive and geo-political scenarios. In an attempt to overcome this problem, reasoning must shift from the levels of human capital (stock) to the effects it may produce. Corporate practices that have

been extremely popular in recent years, such as for example the ones on talents, have contributed to consolidating this distortion. Confusion has been also nourished by the aseptic translation of macro-economic logic (i.e. the educational levels of a Country will help its economic development) into corporate policies. In fact, at an organisational level, although measured correctly, human capital stock can only partially predict individual and organisation performance.

A second aspect, in detriment of studies on “capital levels”, shows the need to recuperate a perspective that looks at processes triggered by investments in human capital (innovation, productivity) and consequent performances. From this perspective, the equation that governs individual, group and organisational performance is more complex than the simple link with the capital of knowledge, competence and skills. To solve such a paradox we must consider that the human capital-performance relation is activated through some crucial organisational processes, which see the intervention of factors that refer to people and groups on scales that are different from the ones that are generally used when we talk about human capital - competence, knowledge

or skills.

In other words, a human capital engine for development and sustainable growth must not be confined only to competence levels, but it must include at least two other important factors.

We have known for a long time now that competence or knowledge is not able to produce satisfactory results if it is not sided by consistent levels of personal motivation, commitment and involvement. The stereotype of demotivated talent or of the “good, but non-committed” student generally indicates performance levels that are inappropriate or under expectations. When we talk about human capital, from the perspective of the results it may produce and not in terms of stock, we necessarily need to consider the socio-psychological processes of identification and commitment at an individual level, to which social influence, cohesion and leadership dynamics in the organisation are added. It is a set of factors that, together with human capital levels, determine a relevant part of individual and group performances. Also at broader levels than corporations, social climate elements - cohesion, identification, citizenship - are factors that nourish economic growth and represent a

component of the social capital. Moreover, there are some organisational factors that affect the way in which “motivated human capital” is organised in a corporation like an economic system. Therefore, there is an organisational factor that is complementary to human capital and motivation, which is necessary to generate sustainable performance. In other words, the unorganised human capital is not able to translate its sustainable growth potential because investments in human capital are largely unproductive if not accompanied by adequate investments in and attention to organisational skills. In summary, still looking at the effects produced by human capital and not at its absolute level, organisational skills are a competence at corporate level that effectively combine the human capital and the psychological processes that are implied in the person-organisation relation. If not fully understood, such a complex complementarity will feed a syllogism that often becomes a self-confirmation trap of the uselessness of human capital investments: since human capital investments are made and no tangible results are seen, it is believed that no relation between human capital and performance exists.

Opportunities for local people and businesses

The dual flag approach enables eni to promote cooperation agreements with the producing Countries in order to offer concrete solutions to specific socio-economic requirements for the development of the host Country. eni is committed to exploit the resources of Countries where it operates, even through the creation of opportunities for local people and

businesses, transferring know-how and improving the competitiveness of the businesses involved in its value chain. eni promotes integrated projects for the empowerment of its own personnel and the development of the economic value generated at a local level, with significant benefits for the economic and social development of the region.

International Oil Companies should aim even more to long-term strategies that maximize the value created by their presence in the Countries of operations and that enhance the available resources at best.

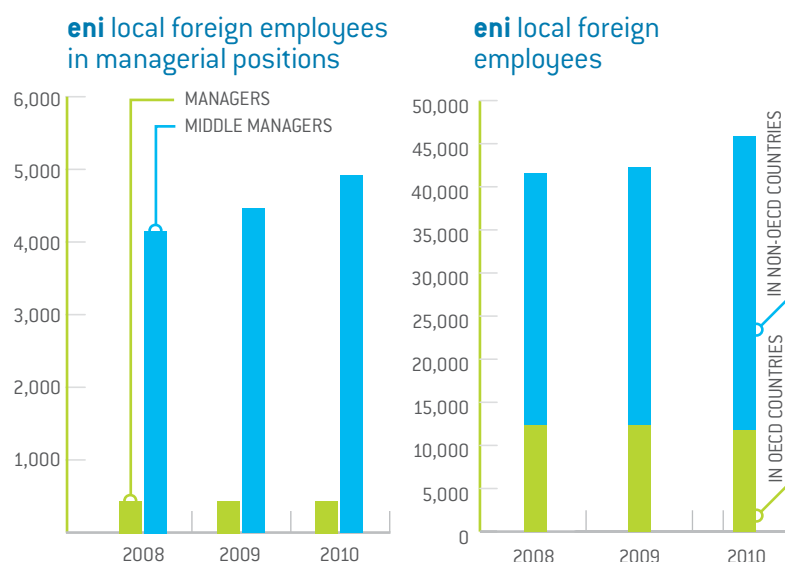
eni is committed to creating employment opportunities in the Countries in which it operates promoting the creation of managerial and technical skills at a local level. Interaction with both the National Oil Companies personnel and the local suppliers, fosters the best practices and skills transfer with positive effects on the growth of the local energy industry.

eni's culture and business model and its ability to establish solid and durable relationships with producing Countries is a strong competitive advantage. eni's local content objectives take the specific requirements of the producing Country into account and are often regulated by cooperation agreements.

In general, the development of local resources is implemented primarily through the use of local businesses, products and services all along the supply chain, the creation of quality employment at a local level and the development and transfer of expertise and skills.

At the end of 2010, 79,941 people worked for eni (+ 3% compared to 2009). This overall increase has led to a decrease in a number of people working in Italy and an increase in the number of people working abroad, which is 58% of the total today. 44% of eni employees work in developing Countries. Long since, eni is committed to the development of managerial position nationalisation programmes, which aim to developing local professional skills in the energy industry, which can increasingly be transferred from the so-called "expats", the employees that do not come from the Country

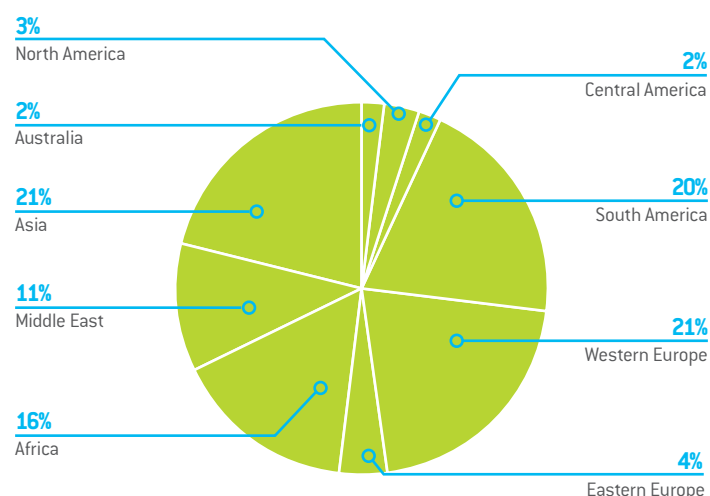
in which they work, in both managerial and technical roles. For example, in 2000 in Nigeria 862 local people and 110 expats were employed. Only 19 local workers were managers or middle managers, whilst the most part of employees were workers. In 2010, the local personnel comprised about 1,400 people, an increase of 40%, 200 of whom were employed in senior or middle management positions. The number of expats fell to 105. Taking also Saipem into consideration, the number of people employed in 2010 were more than 6,300, the majority of whom were Nigerian.



eni has always invested in its relationships with producing Countries through providing training for the future managers of the energy industry. Scuola Mattei has been providing advanced training to students from around the world since 1957.

Scuola Mattei is a post-graduate advanced training programme. Since its institution, it has provided training to around 2,600 young people, 55% of whom are non-Italians coming from 110 Countries worldwide. A significant proportion of the students come from regions, in which **eni** operates, with low economic development rates. The multicultural approach has always been a standard for the Scuola Mattei which has, right from the outset, contributed to guiding **eni** towards internationalism and diversity management. Many of the students that attended the Scuola Mattei have subsequently obtained very important roles in institutions and energy companies not only in their own Country.

Geographic origin of the Scuola Mattei foreign students from 1957 to 2011



eni promotes the development of businesses in sectors that supply goods and services to the energy industry through its own network of suppliers, resulting in a positive impact on the economy of the region.

eni plays an important social role in the region in which it operates, since its activities alone stimulate an additional 30 billion euro per year through purchasing goods and services from around 34,000 qualified suppliers worldwide. In

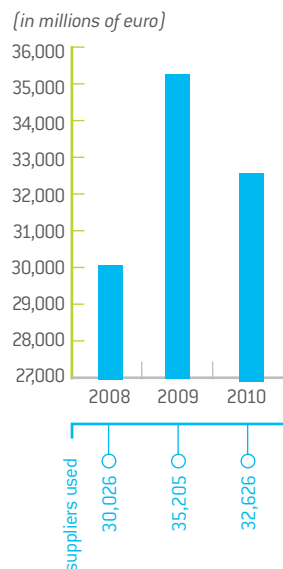
2010, local supply increased by an average of 50%, reaching figures of 90% in some Countries, such as Nigeria and Gabon. The purchase of local goods and services is also accompanied by training activities for

suppliers in order to achieve ever higher standards and levels of performance. The training also covers operating methods: sustainability, and in particular the protection of human rights, are object of cross actions of

training, monitoring and quality-control, that enable suppliers and subcontractors to improve their management process and, therefore, become more competitive.

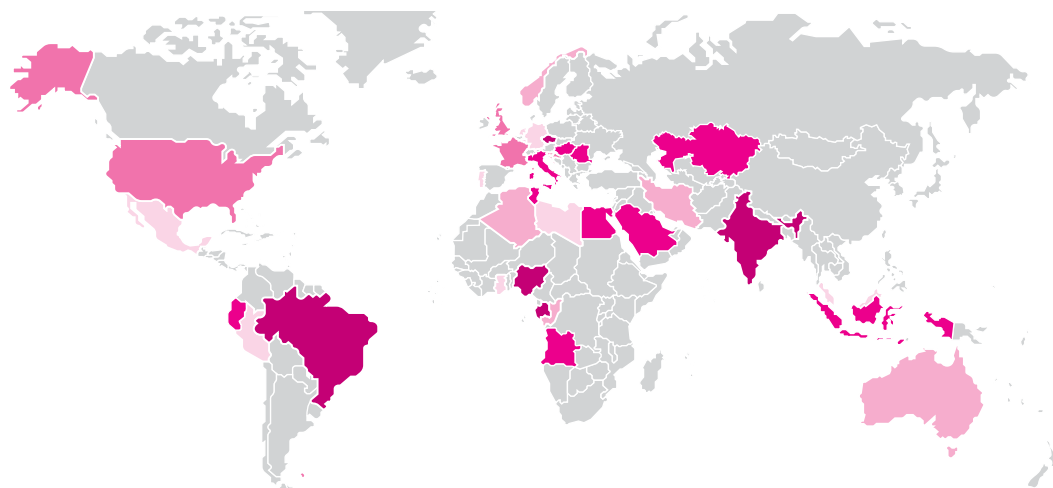
eni's shared goal with the operating Countries is to create a profitable and entrepreneurial system able to meet **eni's** needs of provision and to generate employment opportunities for other companies and other sectors.

historical trends of **eni** procurement



eni local procurement in the main Countries of presence

Legend: <20% (lightest pink), 20-40% (light pink), 40-60% (medium pink), 60-80% (dark pink), >80% (darkest pink)



Within the strategy for strengthening relationships with the Countries of operations and for developing local content, eni has launched an experimental project in Kazakhstan to measure the economic impact generated from its activities on the region. This skill could be used to develop cooperation agreements with oil-producing Countries better defined on the actual local economic and social development requirements.

Other examples of empowering the economic value generated at a local level are the initiatives taking place in Val d'Agri (Basilicata), following the moving to the Southern District of the exploration and production management activities in Southern Italy.

The relocation of the Southern District in 2008 has stimulated the development of highly specialised industrial activities, with a significant positive impact on the local economy and

employment. The investments made have created new jobs, 35% of which is at a local level. Taking also into account subcontractors and collaborators, there are over 1,500 people that have

Within the engineering and construction activities developed by Saipem in Kazakhstan, a methodology has been used to measure the economic impact of the local content development strategy, through quantifying the economic value generated, the employment opportunities created and the human resources development. The results show that the contribution provided to the Country amounts to around 350-375 million USD, more than 1.4-1.5 times the direct costs incurred by the company in terms of local purchases, wages and taxes. The company generates

a job related to **eni's** activities distributed among 80 companies. The transfer for southern Val d'Agri of the headquarters for southern of Italy appears to be strategic for strengthening local economic competitiveness. The **eni** decision to be more present in the region has improved the relations with the local decision-makers and key players. In this context, **eni** has been implementing the "Missione di Comunità" project since 2007, which aims to promote the involvement of local players and to identify common measures to promote sustainable

the direct employment of 2,100 people, and indirect and generated employment of around 4,200-4,900 people. With regards to the development of human resources, the contribution is more than 1.8 times the direct expenditure in training, resulting in the creation of an expected further total economic value of 20-25 million USD over the next five years. The experience gained in Kazakhstan translates into a method for assessing the value generated in the Country through the business and quantifying the overall results on sustainable development policy.

and autonomous development. At the end of 2010, thanks to the awareness efforts carried out, the Basilicata Confindustria (Italian Manufacturers' Federation) has created the first network of businesses in southern Italy, the "LOG network", while Assomineraria, the Italian Association for the mining and petroleum industry, has created and funded the Assoil School in Val d'Agri for advanced training in the oil&gas sector, both dedicated to nurturing the competitiveness of local businesses.



In 2009, eni joined the National Market Participation Initiative, launched by the World Business Council for Sustainable Development.

The project is focused on the ability of companies to sustain local economic development through the economic value generated by the presence of a big player in the region. The results a year after the launch of the project is the creation of a shared reference framework for dialogue between companies and governments on the subject of local content development. The project includes defining

an engagement process and the development of a range of indicators, including impact indicators, which enable **eni** to test new measuring mechanisms. The mechanism presented to the members of the WBCSD at the 2011 Montreux Liaison Delegates Meeting will be tested over the forthcoming months by a selection of pilot companies, including **eni**, in order to assess its efficiency and applicability.

Within its business objectives, eni promotes integrated projects with significant impacts on the economic and social development of the territory. An example is the “Chimica Verde” project that eni has launched in Porto Torres in Italy. The aim is to reconvert a structurally non-compliant petrochemical plant into the world’s largest and most innovative plant for the production of environmentally friendly chemicals, creating new employment positions and favouring integration with local agricultural and industrial activities, whilst reducing the environmental impact.

eni is present in the petrochemical sector with various industrial plants in Italy and in Europe. In general, the dispersion of production sites, their cumbersome size and logistical difficulties make them less competitive compared to other companies, in particular, their Middle Eastern and Asian competitors. The Porto Torres site in Sardinia is one of the most vulnerable to international competition due to critical aspects such as non-competitive products, the small size of the plants and the distance from the consumer market. However the site has the potential to become a key worldwide centre for green chemistry, first of all due to the usable surface area (1,250 ha) and also the presence of qualified personnel, the availability of non-food related agricultural resources in Sardinia and the support of institutions. eni in partnership with Novamont, a leading producer of bioplastics, has launched a project involving an investment of about 500 million euro for the conversion

of the industrial plants of Porto Torres into a plant for the production of environmentally friendly chemicals and for the realisation of a Research Centre. An investment of 230 million euro has been added in order to build a biomass power plant and to adapt the existing ones. The first biorefinery integrated in the territory will be therefore realised in the world. The “Chimica Verde” project will result in the creation of an efficient new generation plant and will contribute to the social and economic development of the region, creating new jobs and freeing up industrial areas for the service sector. In 2010, the activities of the Porto Torres plant, which has always been a fundamental player in the local economy, directly employed around 590 people and this figure will rise to over 600 people in the new plant. The reconversion will also be the driving force behind a stronger and more diversified network of satellite businesses. The new industrial centre will be supplied with agricultural

resources, which are imported initially and will be produced locally later on. With regard to this, an agreement has been signed between Novamont and Coldiretti to identify crops with a high production yield, that are not competitive for food-related use, but can be found in the natural habitat of Sardinia. The new centre will require a smaller surface area, than currently in use, which will free up land both inside and outside the site for experimenting with crops that are suitable for production and the service industry. The new production plant will also stimulate the birth of a new local manufacturing industry: bioplastic products, in particular plastic bags for separate waste collection, shopping or catering items, which, if produced in locum, will enable the creation

of a short, completely integrated supply chain. In order to promote the development of this local industry, eni and Novamont will provide the entrepreneurs of the Sardinia region, who wish to enter into this new industrial sector, all the necessary know-how and skills. The “Chimica Verde” project will have very important implications also at an environmental level, as it will involve reclamation activities and the creation of a solid biomass cogeneration power plant with a capacity of approximately 40 MW. The plant will be designed to exploit the biomass produced in Sardinia, including any waste from the agricultural supply chain of non-food related crops, that are necessary for operating the environmentally friendly chemicals plant.

Porto Torres - view from the satellite



Local development and the Millennium Goals

eni has a significant presence in transition and developing Countries that may experience serious hardships and poverty.

The dual flag approach allows **eni** to take part in the local development processes through concrete solutions to answer the needs of the population, including access to

basic sanitation services, drinking water and schools, and through the enhancement of society as a whole.

eni contributes to the social and economic development of the Countries, operating within the reference framework of the Millennium Goals defined on a global level by the United Nations.

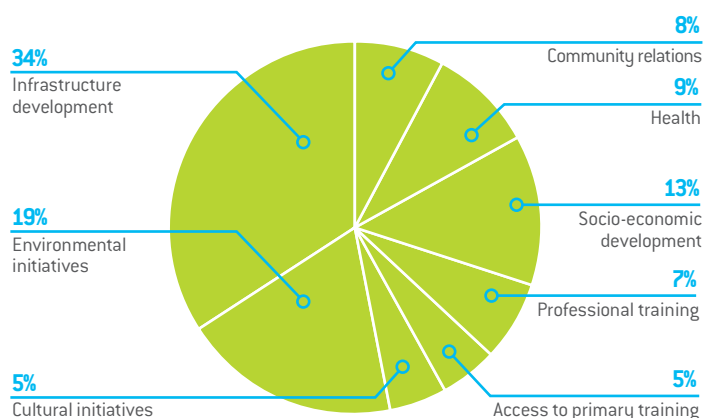
eni is committed to providing concrete responses to the problems and requirements of the Countries where it operates in synergy with the development strategies of the Country itself and operating within the reference framework of the Millennium Goals.

eni studies the context and economic, social and environmental conditions of the regions where it operates in cooperation with local institutions and other stakeholders, with the aim of responding better to the expectations and the actual needs of the population. The areas of intervention are identified by the

overlapping of local requirements and intervention strategies with the strategies of the company itself and the local and international guidelines. eni creates transparent partnerships and collaborations with local stakeholders and adopts appropriate project planning and management tools. This activity also takes place through the Eni Foundation, an autonomous philanthropic foundation, formed in 2006 in order to involve eni in intervention programmes that favour local communities, with particular reference to the area of safeguarding the health of particularly vulnerable groups, such

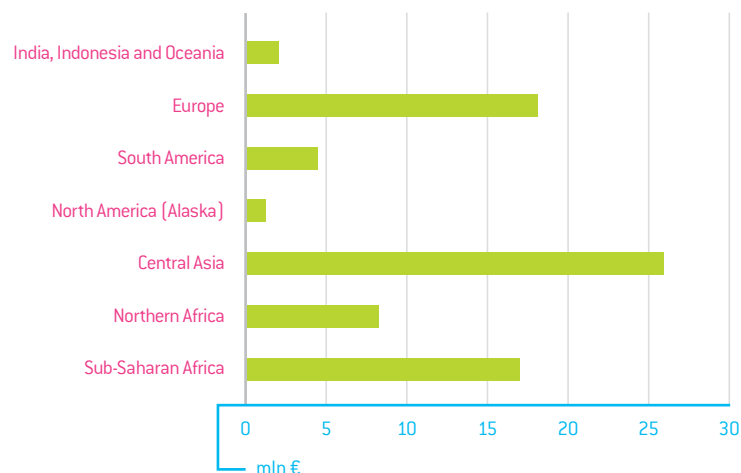
as babies and their mothers. The macro intervention sectors into which eni makes a significant investment are the safeguarding and promotion of health, often closely associated to the issue of accessing basic healthcare services, drinking water and nutritional and health and hygiene education, access to primary and secondary education and socio-economics empowerment, with a particular focus on valuing the contribution of women to society, as well as accessing energy and other resources.

Community investments by type 2010



eni is actively participating in safeguarding the health and well-being of people and communities through development support policies in the Countries.

Community investments by geographic area



In defining the local priorities and therefore the healthcare activities to be carried out in the community, eni uses Community Health and Infrastructure Project Management (CHIPM), a tool that, in line with the eni best practices and approach, provides the basic methodology and operational tools for producing, managing, supervising and evaluating community health development projects that are in line with the policy and strategies of the Country.

eni's commitment is clearly demonstrated in the numerous projects that target improvement in the health conditions of local populations, through the integrated development of basic healthcare services (Primary Health Care), the creation of management and technical expertise, the adaptation of infrastructure and facilities, sensitisation programmes and the health and hygiene education of the target population.

eni's efforts represent an improvement in the life expectancy of population in Countries with a very low rate of human development and when the majority of people live below the poverty line.

To date, the main challenges from a health point of view are centred on reducing complications during pregnancy and, in particular, on diminishing the incidence of endemic illnesses such as malaria and HIV, which, in the Sub-Saharan African Countries are the main cause of mortality, together with illnesses that can be easily prevented or cured.

The challenges are approached head on by **eni** through the development of local skills, close collaboration in all phases of the project cycle and the implementation at various levels on the healthcare system (on a national, regional and district scale), favouring development of the sector and associated policy at a local level.

Drawing on consolidated experience in the field of infrastructure, eni plays a very active role in projects to strengthen infrastructure for the storage and distribution of water, a necessary resource for improving the standard of living of the population.

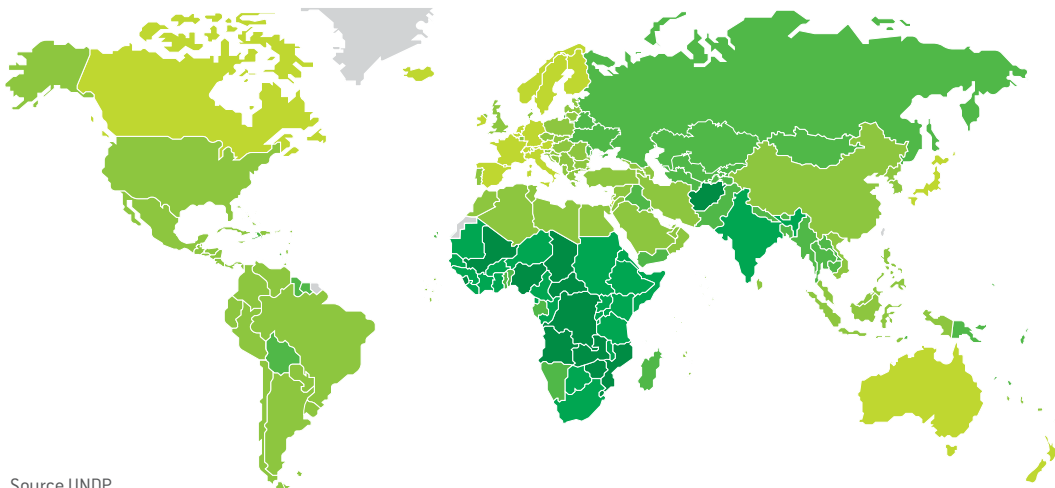
Safeguarding and promoting health is, in the majority of cases, closely tied to scarce hygiene conditions caused by a lack of access to drinking water. In this regard, aside from promoting the construction of suitable infrastructure, **eni** is committed to training and awareness activities necessary for maintaining and managing the results achieved.



Life expectancy

(in years)

■ <50 ■ 50-60 ■ 60-70 ■ 70-80 ■ >80



Source UNDP

Communities health - the main eni projects worldwide

Ecuador

Integrated Health Program and strengthening water networks for the community of Block 10, Province of Pastaza. 3,200 people involved.

Italy

Study on the impact on health in the area of Gella (Public Institutions, Università di Catania). Support for the Theodora Children's Foundation.

North Africa (Libya)

Strengthening health care infrastructure (emergency clinic at Jalo, Tripoli Heart Centre, Zuwarah Clinic), medical and healthcare personnel training.

Sub-Saharan Africa

Angola: The Kilamba Kiaksi Project in Luanda (Eni Foundation). About €46.2 million spent (2009 to 2011).

Congo: Integrated intervention to support the national healthcare system (Eni

Congo, Eni Foundation, local government). HIV counselling given to almost 13,000 women.

Nigeria: Hospital clinic services, healthcare sensitisation campaigns on HIV and malaria prevention and reducing infant mortality.

Mozambique: preliminary feasibility study for healthcare services. Strengthening the water supply network for Cabo Delgado (a population of almost 8,000 inhabitants)

Guinea Bissau: food aid project.

Gabon: contribution to the planning of a rural healthcare clinic, strengthening water infrastructure in rural areas.

Western African Countries: vaccination campaigns in response to poliomyelitis epidemics.

Iraq

Adequate infrastructure to respond to health emergency situations. MoU for restructuring and equipping the paediatric departments of the Bassora general hospital.

Kazakhstan

Healthcare infrastructure, sensitisation campaigns, water networks. Water network built in Aksai and Akbulak with an investment of more than \$5 million.

Indonesia

Project for the treatment of cleft lip and palate (Eni Foundation, local Ministry of Health). 125 young patients operated on since the start of the project.

East Timor

Community health; support for the healthcare prevention campaign for women; water network. 6 water distribution systems requalified.

Pakistan

Bhit Rural Sustainability Program (BRSP), healthcare centres, vaccinations, consulting, infrastructure. Access to water for 57 villages.

A striking example can be found in Congo, where eni has participated in improving living standards and healthcare for the local population through partnerships with the government and the local communities since 2000 and through the activities of the Eni Foundation since 2007.

The actions started out small but with big ambitions and today their number has earned their just place as part of a complete healthcare development programme of the Country, in line with the national plan for safeguarding and promoting health. The first actions were carried out by **eni** in response to the direct requests for support on the part of the Country in the isolated well communities. **eni** has continually carried out initiatives in these regions in the form of individual projects, first of all (e.g. through strengthening the Dolisie hospital structure), until 2007 when the Eni Foundation launched two important projects

whose objectives are to meet the MDG 4 (reduce infant mortality), 5 (improve maternal health) and 6 (to fight against HIV/AIDS, malaria and other endemic illnesses). The initiatives launched include the Salissa Mwana project (let's protect the children), the objective of which is to improve health care in three regions, with a population of around 200,000 infants from 0 to 5 years (30% of the total infant population of the Country) and the Kento Mwana project (Mother and Child), whose objective is to reduce vertical transmission of the HIV virus from 30% (with no care) to 2 to 3% in pregnant women covered by the project.



With regards to the services provided as part of the Salissa Mwana Extended Vaccination Programme (EVP) in 2010, around 180,000 vaccinations were given to babies, with a coverage rate of 83% of the project target, in terms of the villages included. As part of the Kento Mwana project, 13,000 pregnant women have used the prenatal consultancy and screening for HIV and as a result, the mother-child HIV transmission in the cases treated has dropped to 0.6%, comfortably surpassing the 2-3% target set in the project.

eni promotes access to primary and secondary education for the populations of the Countries in which it operates, actively participating in the social and economic growth of the community.

The **eni** education projects have, on the whole, a wide scope and include initiatives that facilitate access to primary education for students and specific training designed to promote access to the world of employment, as well as developing the leadership skills of the young people involved. The support that **eni** offers also comes in the form of providing the financial and material means for constructing schooling infrastructure and making all the necessary equipment available to carry out the activities. The **eni** intervention is important as it

operates in those Countries that still have a low rate of schooling. There are approximately 69 million people that do not have access to education worldwide, half of whom live in Sub-Saharan Africa and more than a quarter in southern Asia. Guaranteeing access to education involves, above all, providing suitable buildings and qualified teachers. Poverty and marginalisation appear to have been the main causes for stopping MDG 2 from being achieved (guaranteeing universal primary education).

A poignant example of how eni contributes to promoting access to education in a Country with a low rate of schooling is Ecuador.

The education initiatives are carried out in collaboration with the Provincial Directorate of the Ministry of Education and involve the construction of buildings that are capable of accommodating around 500 students from elementary levels to secondary school, and the distribution of

educational materials, the provision of meals to students, support for teachers and University study grants. The programme has contributed to increasing the rate of primary schooling in the area from 0.51 to 0.98 and secondary schooling from 0.60 to 0.86 from 2002 to date.

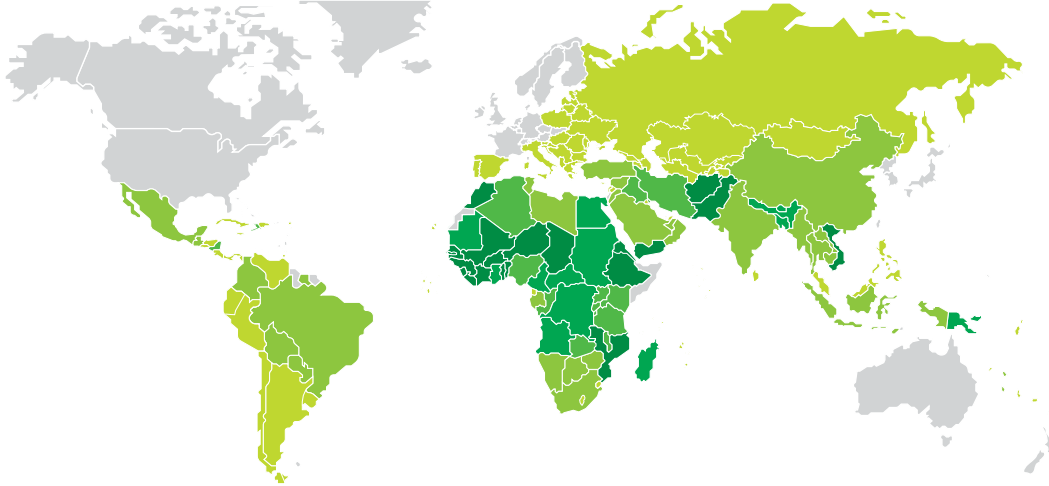
The projects designed to enable access to education are carried out in collaboration with the local people, in accordance with the requirements of the Country.

In Brazil, where the situation is critical for babies coming from poor families, **eni** has been supporting the UERE Projeto since 2002. This project was drawn up by a non-profit organisation specialised in the education of infants and teenagers (3 to 18-year-olds) living in very poor social conditions in the area of Baixa do Sapateiro

(Nova Maré). The programme aims to enable children with very few opportunities to attend a private school that is adapted to their particular needs. The project has received a number of awards, and has been recognised by UNESCO as a functional tool for restarting the learning process after a trauma.

Level of literacy

■ <50% ■ 50-71% ■ 71-83% ■ 83-95% ■ >95% ■ n.a.



* Data based on populations aged 15 or over.
Source UNDP

Today 69 million people worldwide have no access to education, a half of these are in Sub-Saharan Africa and more than a quarter in southern Asia.

eni is strongly committed to promoting the commercial autonomy of the local communities, with particular attention paid to diversity of gender as a resource of the regions.

The initiatives that focus on empowering women are prioritised in integrated rural development projects in certain Countries in which **eni** has had a presence for some time, such as Pakistan and Nigeria, where **eni** has consolidated relationships with the local communities and can therefore draw up and carry out long-term action plans that favour the female population in various areas of development. Gender equality and the economic empowerment of women are an

important factor for the economic and social development of a Country. 60% of people that suffer from hunger in the world are women and children; a paradox, as women produce between 60% and 80% of food in developing Countries, without having the right to own the land. In the majority of these Countries, women are further discriminated against when it comes to paid employment, sources of income and social recognition.

A significant example of the commitment shown by eni towards local communities and, in particular, towards improving the role of women in society is the Green River Project in Nigeria, in collaboration with Phillips Petroleum and the Nigerian National Petroleum Company.

The objective of the project launched in 1987 is the creation of a sustainable farming system, as well as the creation of socio-

economic well-being in the Nigerian rural areas in the states of Rivers, Bayelsa, Delta and Imo. The project has developed business

support activities for women through microcredit and training programmes, offering a valuable contribution towards providing women access to the economy. The microcredit plan, started in 2006 in partnership with the Central Bank of Nigeria and the United Bank for Africa and strengthened in 2008 through the collaborative work carried out with the Community Development Foundation, offers not only access to credit, but also training in the efficient use of the loans. The main beneficiaries of the loans on offer are the active local

cooperatives in the agricultural, animal husbandry and fishing sectors.

In 2010, in Nigeria, 30 cooperatives benefited directly from the programmes, receiving micro-loans of \$4-\$6,000 each, totalling in excess of \$100,000. 51% of the beneficiaries comprise women's associations and cooperatives, while a further 250 women have gained access to training programmes. The rate of repayment of the loans stood at 80% in 2010, a clear confirmation of the effectiveness of the programme.

The improvement of the status of women is a key component of the Bhit Rural Support Program (BRSP), an integrated action plan launched in 2002 by eni in Pakistan for the development of rural communities near the Bhit natural gas field, carried out in collaboration with the local NGO Thardeep Rural Development Programme and LEAD Pakistan.

1,343 vaccinations were given to women and children in 2010 through the activities of the health care centres constructed, particularly the Bhit Mother and Child Health Centre and the five community health centres. Help was also offered to women from the pregnancy to the postnatal stages (with a total of 526 babies monitored). The project also facilitated access to quality water for 57 villages in the area, encompassing a total of over 2,000 people, with positive results on the economic conditions of women. The development of young girls is achieved primarily through schooling: 233 young girls (out of a total of 714 pupils) have received

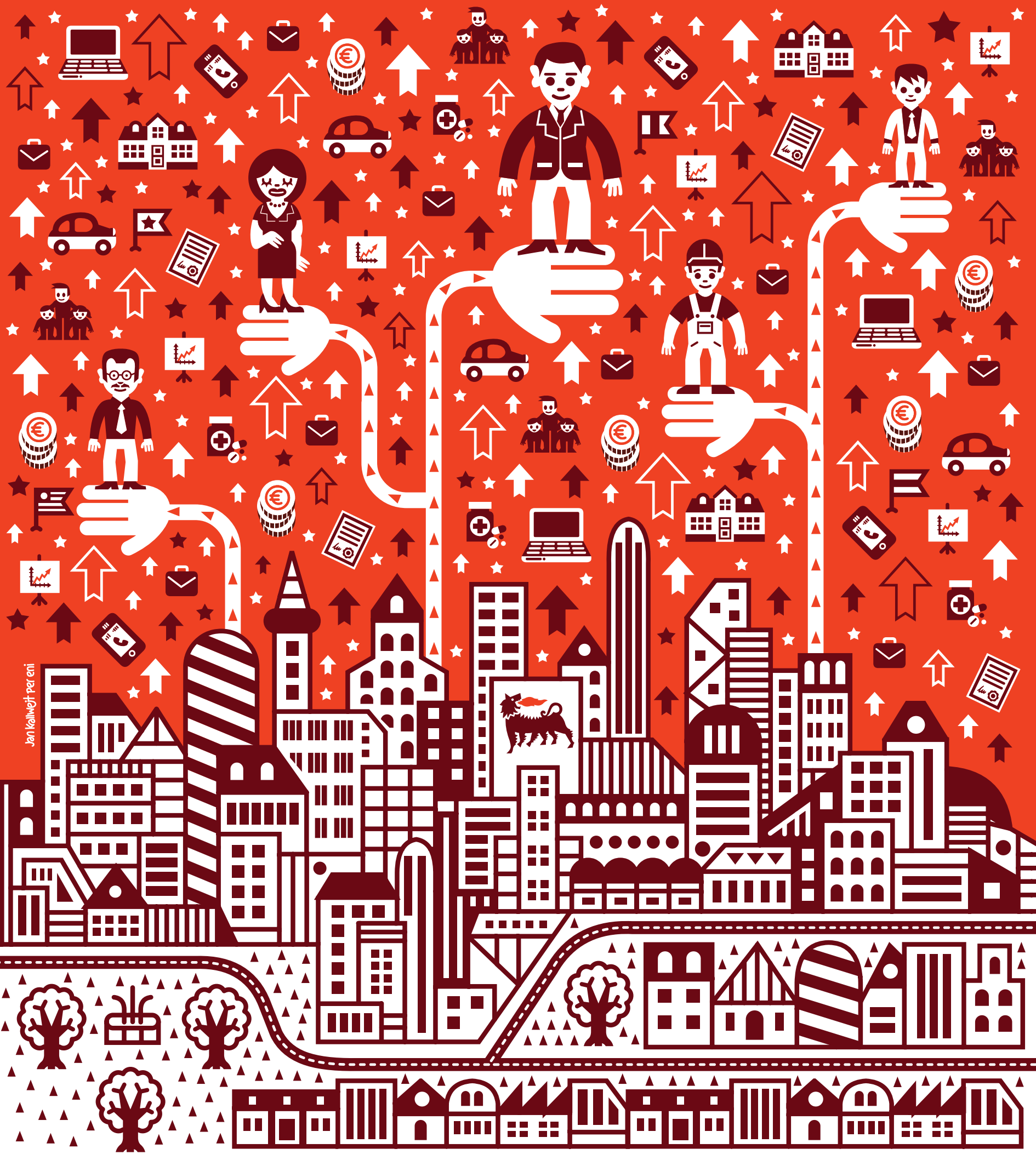
uniforms, books and school bags through the 18 schools built and managed as part of the project. The same can be said for the 10 schools in the area of the Kadanwari field for a total of 413 pupils (25% girls). Occupational training takes place in the two professional centres set up in collaboration with the WHO (one of which is now already fully managed by the community, thanks to the management skills acquired). Women can attend courses on dressmaking at the Chinni Vocational Centre (15 have completed the course out of a total of 39 attendees in 2010) and IT courses at the Ibrahim Hyderi Computer Training Centre (CTC).



eni's commitment to local development has also been strengthened by the partnerships signed with important international organisations.

In 2010, at the end of the third Global Compact Leaders Summit, where eni was the main sponsor, an important partnership was signed with The Earth Institute and the Vale Columbia Center on Sustainable International Investment, promotion and research centres for development at the Columbia

University in New York. This collaboration will enable the development of new tools for assessing and making the investment carried out by eni into regional development projects more efficient, and to carry out education and specialised training aimed at eni personnel and young students alike.



Jan Kallweß-pereni

The role of business in local development



*Glenn Denning,
Director of the Center
on Globalization and
Sustainable Development
The Earth Institute,
Columbia University*

Which are - in your view - the real priorities for sustainable development in developing countries? Which are the “must do” actions to achieve the MDGs in the poorest areas of Africa or Asia?

Sustainable development requires that we first meet the most basic human needs: sufficient, healthy and nutritious food; clean drinking water; effective sanitation; and access to essential health services and education. But escaping extreme poverty also requires that households and communities engage in business enterprises that generate employment and income.

In low-income Countries, smallholder farming is typically the basis of both food security and income generation for 60-80% of the population. By increasing farm productivity and improving access to markets, farmers are able to generate surpluses above their subsistence requirements. These surpluses, in turn, can stimulate economic growth in rural areas with impacts extending to the entire economy. This agriculture-led economic transformation took place throughout much of Asia and Latin America beginning in the 1960s.

Basic infrastructure in the form of rural roads and electrification are important catalysts for the provision of basic public services and for increasing economic growth though improved market access.

Access to mobile phone networks and the internet has opened up unprecedented opportunities for information sharing within and across all sectors.

All of these investments must be accompanied with actions that protect the environment and conserve essential natural resources for a healthy and productive life for current and future generations of producers and consumers.

Achieving the MDGs in the poorest areas of the world requires an integrated multi-sector approach that includes support for more productive and diversified agriculture, improved access to health services and sanitation, full access to primary and secondary education for girls and boys, critical infrastructure investments, environmental restoration and protection, and business enterprise development. Investments and better policies across all of these sectors will reduce extreme poverty and create the conditions for more sustainable and equitable development.

Which kind of role do you see for the private sector - and in particular for multinational companies?

Sustainable development incorporates three broad components: environmental sustainability, social sustainability, and economic sustainability. A healthy private sector is the key for

achieving economic sustainability. Small- and medium-scale enterprises generate essential products and services that fuel the local economy and provide jobs.

Multinational companies can make important contributions to national development. They generate revenues, which can then support public investment programs. International companies can bring much needed capital, technology and expertise, that can also “spill-over” into domestic enterprises or other sectors of the economy. They can help develop smaller, national and local companies, through supply and service relationships and they can support the improvement of infrastructure (power, roads, rail, ports and ICT) that foster development in other sectors of the economy.

Do you think there's some distinctive contribution that extractive industry - and oil&gas sector in particular - can give?

Extractive industries have both an opportunity and a responsibility to foster sustainable development in their Countries of operation. Many extractive industry projects take place in poor regions with vast development potential. It is a challenge both for investors and governments to optimize the contribution of extractive industries to the sustainable development of local communities affected by the extractive projects and of the

broader region. Failure to meet this challenge can engender political and social opposition which leads to suboptimal development and investor outcomes. Avoiding such negative outcomes requires an understanding of the complex development needs of the communities and countries in which the investments take place, and an action plan that addresses these specific needs and development priorities. Through a partnership of the Earth Institute and the Columbia Law School, the Vale Columbia Center on Sustainable International Investment has identified five essential “pillars” that should guide the contribution of extractive industries to sustainable development. These five pillars integrate the responsibilities of extractive industries companies, governments, communities and other development partners into a framework for realizing resource-based sustainable development. First, extractives should recognize a responsibility to support integrated area development, both in the immediate locality of the extractive investments, and at regional and national scales. These investments become a win-win for the extractive industries and the host countries by ensuring more inclusive growth and thus avoiding conflict and social unrest that may undermine sustainable investment and development.

Second, extractive industries, host governments and other stakeholders should identify opportunities to leverage the resource investments to meet the development needs of the region. For instance, oil and gas companies and governments should consider the current and future domestic needs for oil and gas, including the potential for downstream industries, as well as opportunities to build capacity among local suppliers. Transport and energy infrastructure can also be used for improving the productivity and market access of agriculture, which is often the principal source of livelihood of local communities. Third, extractives must work with governments, communities and other partners to manage and reduce the cumulative environmental risks and impacts associated with resource investments, including of the related infrastructure investments, while helping to address the most pressing environmental challenges in the region, which may include climate change resilience, water management or deforestation. Fourth, extractive companies and other stakeholders should encourage and support effective government strategies and capacity for managing resource revenues, including national development planning, effective budgetary mechanisms and execution, and strategic allocation

of resource revenues. Fifth, extractive companies should support a transparent, robust, legal framework for extractive investments, that is implemented and monitored by strong governmental and societal institutions, with the cooperation of industry. This includes, among other things, supporting fiscal regimes that ensure the fair distribution of resource revenues between the companies and the governments, and committing to contract transparency, so that governments and communities can understand how the risks, benefits and responsibilities are allocated among the various stakeholders. In recent years, many Countries have seen how the extractive industry can play a driving force for national economic growth but because this growth to continue steadily over time, it will be needed strategies and investment that promote a more inclusive and fair national development. It's time for the extractive industry to demonstrate competence, commitment and leadership skills beyond its core business. Therefore, the extractive industry would commit fully to sustainable development.

Which are the major challenge and what's wrong in the programs that are now in place in developing countries?
In my 35 years of experience in

development projects in Asia and Africa, I have concluded there are broadly 7 success factors: First, engage communities to identify priorities and promote local leadership. Second, work together with governments, both local and national, to ensure alignment and complementarity of development investments with strategies and priorities. Of course, transparent goals and mutual accountability of results are essential ingredients for a productive partnership with government. Third is the need to invest in the development of local and national capacity. Technical assistance may be needed in strategic and critical areas, but it should always aim to reinforce and advance local institutional capacity over time. Fourth, identify best practices and establish practical monitoring and evaluation systems. Fifth, encourage public-private partnerships and support enterprise development, contributing in this way to economic sustainability. Sixth, engage several partners and deploy a range of multiple technologies and skills. Seventh, invest for the long-term. A common failure I have observed is the premature termination of promising projects. The development of communities, business enterprise and local skills, needs time to be built, definitely not through a 3- to 5-year project.

The value enhancement of natural resources

eni is committed to minimise the environmental impact of its operating activities and making an active contribution to the conservation and enhancement of biodiversity and ecosystems, in order to promote the development of the local communities and contribute to overcoming global

environmental challenges. eni is aware of the relevance that access to water has for the social and economic development of the operating Countries and is also committed to effectively managing this resource, especially where it is scarce.

eni has always considered the conservation of biodiversity, ecosystems and natural resources as a strategic objective and an operational priority.

eni's way of operating has always been consistent with the principles of the Convention on Biological Diversity (CBD), ratified at the UN conference on environment and development held in Rio in 1992, which defines the concept of biodiversity as

the sustainable and ethical use of natural resources that biodiversity provides. 20 years later, the principles set in the CBD are still used as an important reference and are the basis for further progress made by the international community.

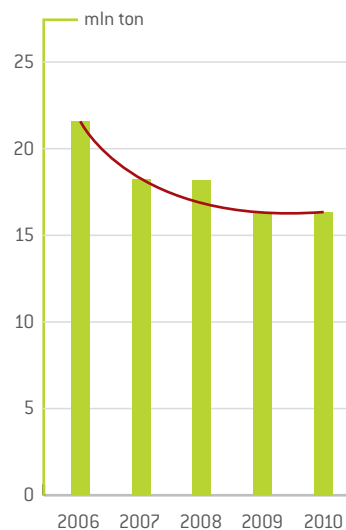
main eni operating and environmental data

	2001	2010	VARIATION
Hydrocarbons production	1.369 boe/d	1.815 boe/d	+33%
Gas transport	16.8 mld m ³	83.32 mld m ³	+400%
Electricity generation	6.5 TWh	25.63 TWh	+300%
GHG emissions (co ₂ eq)	51 mln tons	61 mln tons	+19%
SO ₂ +NO _x emissions	141 ktons	163 ktons	+14%
Freshwater used	275 mln m ³	186 mln m ³	-32%

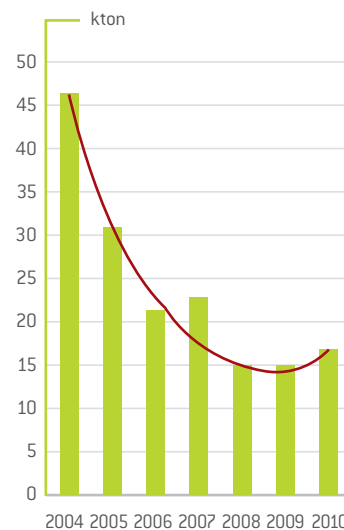
eni's experience in identifying, evaluating, and reducing environmental impacts together with the progressive development of a culture of eco-efficiency have enabled continued improvement.

In the face of progressive business expansion, particularly in Africa, eni e&p emissions show a progressive trend of improvement. If compared with the continued growth in the production of hydrocarbons, even the increase in NO_x emissions is contained.

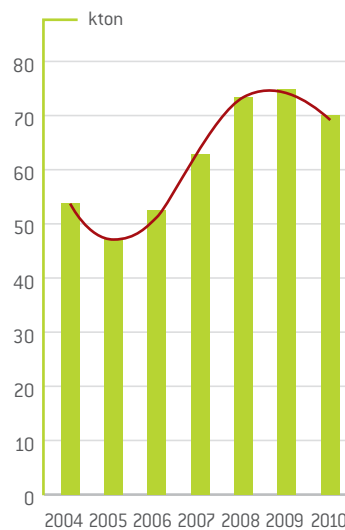
GHG emissions from flaring and venting - eni e&p



SO₂ emissions - eni e&p



NO_x emissions - eni e&p



eni cooperates with a number of international organisations in defining the standards and mechanisms to be used in the conservation and enhancement of biodiversity and ecosystems.

In this context, eni also carries out specific projects, such as that launched by the World Business Council for Sustainable Development (WBCSD, is an international business association that eni joined, which includes more than 200 leading businesses in sustainability) together with the International Union for the Conservation of Nature (IUCN, an international organisation comprising Countries, government agencies, non-governmental organisations and companies for the conservation of biodiversity) and the Fondazione Eni Enrico Mattei. The project aim is to evaluate the correlations between the ecosystem

services and business activities and to quantify the associated positive and negative effects. The pilot project has led to a first field assessment of the value increase in some of the ecosystem services identified as relevant (availability of water, recreational value, climate regulation and vegetal production) following the mitigation and cleanup activities implemented. eni's experience and that of 13 other companies, has enabled the field test of the Corporate Ecosystem Valuation, the methodology used for the economic evaluation of the ecosystem services published in April 2010 by the WBCSD.

An example of this commitment is the performance recorded in the last 10 years, which show a reduction in emissions and water consumption per unit of energy produced, to levels of excellence in the sector.

The new eni approach integrates the conservation of biodiversity with the conservation of ecosystem services. This approach combines evaluation of the operating activities' interaction with the surrounding area, using biodiversity as indicator, as well as the awareness of the global and local value of the natural resources in order to preserve and enhance it.

eni has started mapping the operating sites according to areas with a high biodiversity value and the presence of ecosystem services in order to classify operating areas on the basis of their relevance to identify priority areas for Biodiversity Action Plan (BAP) implementation. The eni pilot project on applying the Energy and Biodiversity Initiatives (EBI) guidelines, Agri Biodiversity Project, was carried out in Val d'Agri (Basilicata, Italy) from 2003 to 2007. The results have shown that the impact of petroleum activities on biodiversity are limited and localised and can be mitigated in

a relatively short period through the application of appropriate procedures. The results have highlighted the impact of the local socio-economic changes on the environment and have enabled a specific BAP to be defined (currently in place), which is designed to mitigate the identified impact and to monitor the effectiveness of the interventions carried out.

A similar project has just been concluded in Ecuador (Villano Biodiversity Project). The project has shown the transferability of the model developed in Val d'Agri and how the adoption of environmentally sound

technology and practices right from the outset of the project is fundamental to limit and contain the effects of petroleum activities on the surrounding environment (virgin forest). Also in this case, the project recommendations will be implemented through a specific BAP, drawn up in collaboration with the local University and with the involvement of the local communities.

Biodiversity projects were also carried out in Arctic coastal areas, such as in Norway (Biosea and Arctic Sea Biodiversity Projects) and in Alaska (Nikaitchuq block). The Biosea project has enabled the effective testing of bio-marker

use in assessing the potential impact of petroleum activities on fish and invertebrates; the Arctic Sea Biodiversity project has shown that the approach used onshore in Val d'Agri and in Ecuador is also applicable in an offshore context (Barents Sea). The Biodiversity Risk Assessment and Action Plan in the North Slope has revealed the ecologically sensitive elements (such as the polar bear, the whale, migrating birds and fish) in relation to the operating context of the Nikaitchuq block, and has defined a specific BAP for their management.

eni is also a partner in the Joint Industry Programme "E&P Sound and Marine Life" aimed at studying the possible impact of the offshore activities on the surrounding marine environment. The new data and results of the project were included in a standard, that has already been implemented in the offshore seismic activities in Mozambique, Angola and Gabon.



Through its contribution to the preparation of the United Nations Conference on Sustainable Development (UNCSD) to be held in Rio in 2012, eni is confirming the commitment of the private sector in promoting sustainable development.

eni has implemented many of the indications that emerged from the 1992 Rio Summit, to which it took part both directly and through the research centre founded in 1989, the Fondazione Eni Enrico Mattei (FEEM). eni was the only Italian company involved in the conference preparation: already in 1991 an organisational committee was founded, known as "Eni Eco '92" and the company played a role of dissemination and promotion with an advertising campaign on environmentally sound technologies. FEEM

gave its support to the Italian Delegation, offering a scientific contribution to economic, environmental and social topics. It was the starting point for continuous collaboration with the United Nations Sustainable Development Committee, which was carried out during the negotiations for the Kyoto Protocol. Today eni is still offering its scientific contribution to the activities of the Intergovernmental Panel for Climate Change. Both eni and FEEM are actively involved in the new Rio+20

Conference. One of the two topics of Rio+20 will be "green growth" that is the possibility of promoting growth adequate to reduce inequality and guarantee sustainable development on a global scale. Access to energy will be a crucial aspect for obtaining concrete and shared objectives. Through the Global Compact and the WBCSD, eni takes part in the Business Action for Sustainable Development, an initiative to bring the voice of business to the Conference and to demonstrate its contribution to development.



eni is aware that access to water is a relevant issue for the social and economic development of the operating Countries and is committed to optimising its use in the production cycle, in order not to limit its availability to the local communities. eni has carried out mapping on a global scale to identify the business activities located in areas classified as of high “water stress”.

eni monitors its risks of impact on water resources using the Global Water Tool developed by the WBCSD. The criticality of water consumption is determined through the comparison of specific water consumption data with distinct data per geographical area or per drainage basin from external databases (FAO, WHO), such as number of inhabitants, water availability, sample entities for domestic, agricultural and industrial use, and the possibility of access to quality drinking water.

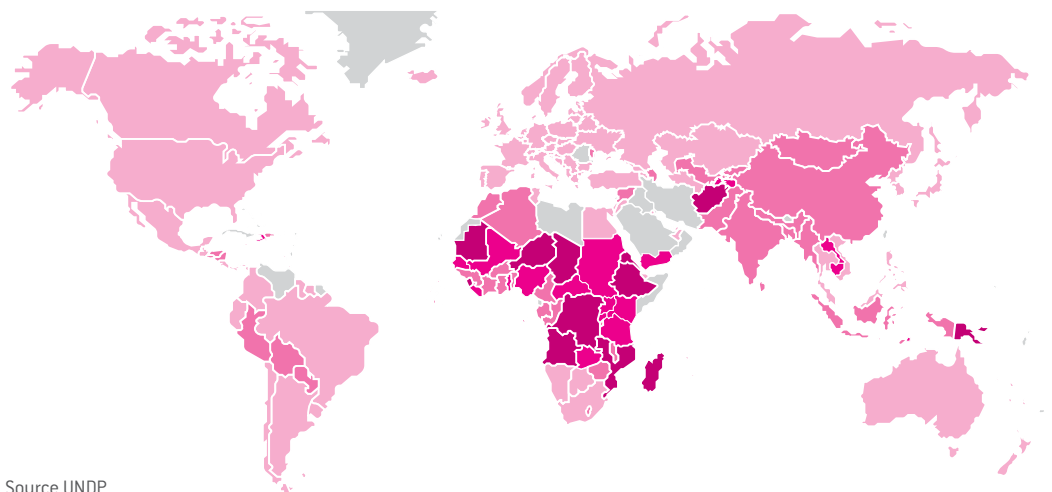
The survey has shown, that around

10% of the production sites are located in water stress areas (Algeria, Egypt, Libya, Tunisia, Pakistan and the UAE) and 20% in critical for health areas such as Angola, Congo, Indonesia, Nigeria and Pakistan. The lack of distribution infrastructures is critical for Angola, Congo and Nigeria. Based on the results of the survey, eni intends to assess in detail the local water risk on any activities carried out in these Countries and to implement, and in some cases, to support projects designed to optimise water resources.



Populations with no access to drinking water

■ >50% ■ 30-50% ■ 10-30% ■ <10% ■ n.a.



Source UNDP

Around 20% of the world population does not have access to drinking water, this causes poverty and under-development. Access to water resources is critical, particularly in Countries in Sub-Saharan Africa, such as Nigeria and Angola, where 40% and 50% of the population respectively has no access to water.

Transparency and the commitment to fight against corruption

Transparency, a key element in eni's business model, is pursued in the relationships with all the stakeholders and is a factor in sustainable value creation.

The adoption of a transparent approach with the various counterparts, who, from time to time, are represented by communities, institutions, industrial partners and non-governmental

organisations, fosters solid and lasting relationships and enables eni to maximise its efforts on local economic and social development.

In carrying out its activities, eni guarantees maximum transparency and clarity through a continuous and proactive dialogue and through the application of measures to safeguard a healthy and inclusive business.

eni adopts a transparent approach in its relations with stakeholders and local communities, with the double advantage of reducing the business risks, and maximising the benefits of its activities for the local communities.

At the local level, **eni** promotes a policy of upfront, free and informed consultations with stakeholders on its operations and impact

assessment evaluations carried out, in order to make the transfer of value generated through its investment more efficient and

effective. The community support initiatives are designed and implemented within an inclusive intervention strategy that aims to directly and frequently involve local populations, also through the signing of partnerships and agreements. At the local level, community relations management systems that often provide for the creation of ad hoc multi-stakeholder bodies are set up. In Pakistan, these bodies are called "Village Development Organisations", in

Ecuador "Foro de Buena Vecindad" and in Basilicata "Missione di Comunità". Different names, but common objectives that is to say the open participation of the local communities in identifying solutions to improve their living conditions and to secure development. This approach favours the ethical distribution of the benefits derived from **eni's** presence in those Countries in which social inclusion can be more at risk.

eni promotes maximum transparency in its relations with the Countries in which it operates, not only through a continuous proactive dialogue with the central and local institutions but also through adopting a negotiation strategy that brings tangible benefits in the long term.

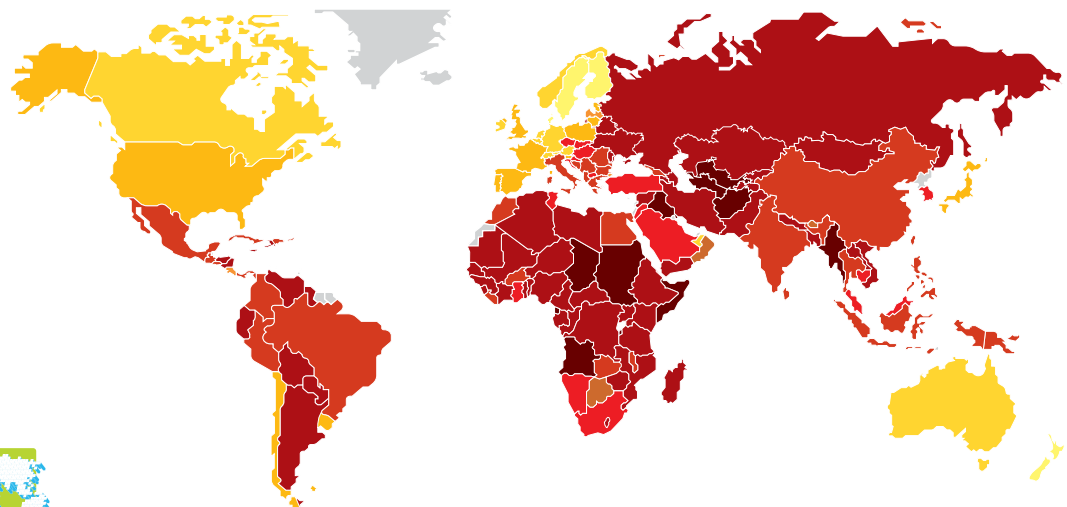
A poignant example is the Memorandum of Understanding, which is a preparatory act for entry into negotiations with a Country. It contributes to rendering the base parameters, on which a true and proper contract can be signed and the terms for future collaboration are founded, clearly and transparently. Players not directly involved in the

process may participate in the signing of the MoU, such as the Italian Ministry for Foreign Affairs, international and local NGOs. The MoU represents a formal act of transparency that gives rise to the tangible actions that **eni** commits to bringing to fruition, either directly themselves or with the support of partners chosen for this purpose.

The World Bank assesses that corruption generates losses in gross domestic product varying from 5% to 50% in the more critical Countries.

Corruption index

9.0-10.0 8.0-8.9 7.0-7.9 6.0-6.9 5.0-5.9 4.0-4.9 3.0-3.9 2.0-2.9 1.0-1.9



The corruption index is an indicator published annually by Transparency International based on levels of perceived corruption among public officials and politicians. There is a 1 to 10 rating system, where 10 represents the lowest level of perceived corruption.

Source Transparency International

eni adopts transparency principles and promotes their dissemination among its stakeholders, governments, local communities and business partners, also thanks to an excellent anti-corruption management system that safeguards and guarantees the efficiency of its activities in the Countries in which it operates.

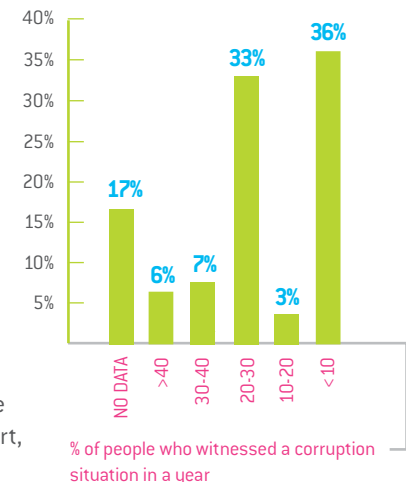
According to the assessments of international organisations, such as Transparency International, corruption phenomena are more perceived in Countries with a low rate of development. The issue of corruption is of fundamental importance to the energy industry, both in terms of localising activities and for the investment entity.

The majority of eni's investment is made abroad and many of eni's production activities are carried out in Countries with a high level of perceived corruption.

In Africa, a continent in which a high percentage of the GDP of producing Countries comes as an income from the oil sector, **eni** is the leading International Oil Company with a production of more than 1 million barrels per day and an investment of over 14 billion euro in the last three years alone.

Transparency in payments along with a relationship model built on long-term partnerships, including real and effective investment in the local market, is a key to guaranteeing continued socio-economic development in the hosting Countries for **eni**.

eni hydrocarbons production with regards to the corruption perception index



eni subscribes to the Extractive Industries Transparency Initiative (EITI) and since 2005 has been promoting its implementation in the Countries in which it operates, playing a facilitating role in those Countries in which the governments have not yet formally signed up to the initiative.

Area, **eni** has contributed to the production of the first EITI report, as a founding member of the "Multi-stakeholder Working Group" and is involved in an agreement to set out the guidelines for reporting and templates produced by EITI. **eni** regularly publishes payments made to the governments of subscribing Countries. Also thanks to this commitment, Countries such as Nigeria, Norway and East Timor have ensured compliance with the initiative. **eni** also publishes

In East Timor, for example, a Country with a Corruption Perception Index of 2.5 in 2010, in which **eni** has been operating

since 2006 through five offshore exploration blocks and the participation in two permits in the Joint Petroleum Development

the royalties paid to regions and municipalities in Italy, making them available and updated on the Ministry for Economic Development website.

Payments made to governments of Countries that subscribe to the EITI initiative

Country	Year (*)	Amounts in local currency (in thousands)	Currency	Amounts in US\$ (in thousands)
Kazakhstan (KPO)	2009	13,964,745	KZT	96,496
		407,162	USD	
Kazakhstan (KCO)	2009	1,611,151	KZT	11,133
Norway	2009	7,583	NOK	1,336
East Timor	2009	185,853	USD	
Nigeria	2008	514,659	USD	
Congo	2009	129,014	USD	
Mozambique	2008	84,575	MTN (MZN)	271,945

(*) Last local financial year in which the data is referenced and in which the EITI disclosure has been made

Royalties paid by eni in Italy in 2010

Geographic area	Year of production	Amounts in euro (in thousands)
Italy (*)	2009	90,219
- including Basilicata	2009	41,410

(*) this amount includes EniMed

Since 2001 eni has been a Global Compact member and is part of the working group on the 10th Principle that defines the commitment of business to thwart corruption in all forms, including extortion and bribery.

eni favours the adoption of a transparent approach when conducting business inside the energy sector and actively promotes initiatives that aim to reduce corruption in the Countries in which it operates.

This way, eni is committed to respecting and promoting the United Nations Convention Against Corruption, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the Business Principles for Countering Bribery produced by Transparency International.

In 2010, eni was involved in sharing and comparison activities at the United Nations on Anti-Corruption issues and has promoted thematic seminars within the Italian Network. eni publishes its own report on the 10th Principle on its company website (www.eni.com/en_IT/sustainability/sustainability.shtml) on an annual basis.

With regards to the activities carried out in the Gulf of Mexico, eni has become a promoter of a round table discussion between the sector operators in the area, with the objective of sharing the anti-corruption standard clauses and to facilitate business. The contractual and non-business characteristics of the joint ventures signed in the area, where the operator is given complete management autonomy

with regards to the other participants, used to make conducting negotiations aimed at accepting the anti-corruption clauses considerably difficult. The initiative promoted by eni has been well-received and has involved the main companies operating in the area, including Chevron, Maersk, Exxon Mobil, Statoil, BP, Total, Anadarko and Ecopetrol.

eni ensures that the principle of transparency is adhered to in its own business model, including its organisational and regulatory structure.

The Anti-Corruption Legal Support Unit has been created inside the Legal Affairs Division, and the Anti-Corruption Guidelines were issued along with a set of procedures for the sectors at greatest risk: the appointment of outside lawyers; donations; contractual clauses on “administrative responsibility”; gifts, trips, hospitality and expenses paid to third parties; brokerage contracts; joint-venture contracts; consultancy and professional

services procurement; reimbursement of expenses; sponsorship contracts; notifications (even if anonymous). Existing procedures have therefore been integrated into Anti-Corruption provisions in reference to accounting procedures. Through educational initiatives, **eni** promotes its internal mandatory training programmes aimed at the management staff and also handles relations in order to promote anti-bribery and regulatory initiatives for potential partners.

eni’s commitment to transparency and the fight against corruption has been recognised on an international stage by Transparency International and Revenue Watch Institute.

The “Promoting revenue transparency - 2011 Report on Oil and Gas companies” was published in March 2011. The aim of the report was to promote good governance in Countries with rich mining resources, making governments and businesses aware of the importance of transparency in terms of their own revenue. The research targeted 44 companies in the oil and gas sector, 20 of which were international and 20 national,

from 30 Countries from around the world, representing 60% of the global production of hydrocarbons. The results positioned **eni** among the top eight companies in this sector with above-average results in all three areas covered in the study: level of disclosure of information on anti-corruption programmes, level of disclosure of information on the organisation of the business and level of information on economic operations in each Country.



eni participated in the implementation and revision of the UNCAC Convention and participates, often as a leader, in the Global Compact Working Group on the tenth principle both at national and international level.

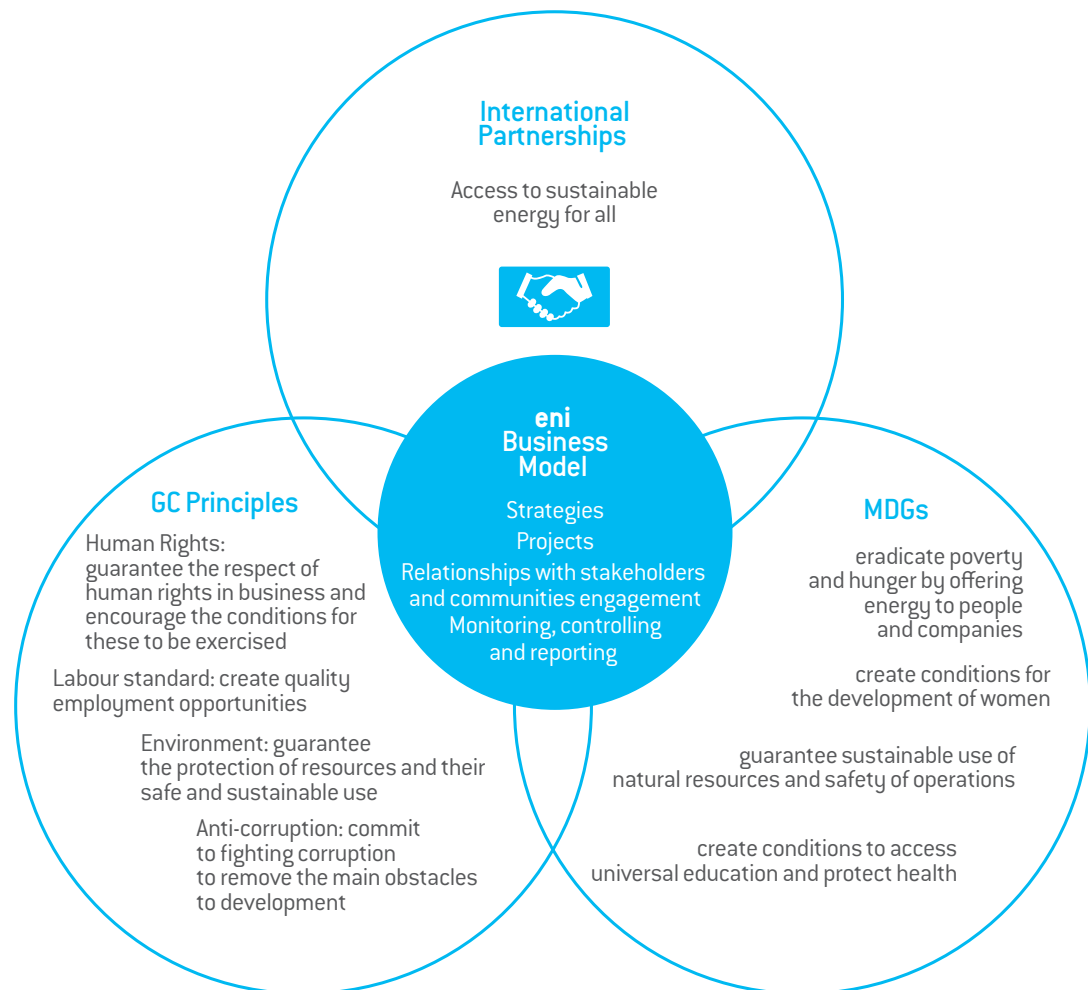
eni was invited to present its own testimony as the first company to adopt the reporting guidelines on this principle on an international level at the Work Group meeting at the Global Compact Leaders Summit 2010. It was then asked to participate in the Private Sector Track of the UN Conference on the Least Developed Countries on the Governance and Fight against Corruption. Still in the area of

work groups, eni has subscribed to the sub-working group on Public-Private Dialogue and Collective Actions, focusing on five Countries, including Nigeria. The company was a promoter in the creation of a sub-working group on anti-corruption for oil and gas companies, officially launched in Copenhagen during the UN Global Compact Week, in May 2011.

The Blueprint of eni's business model

In June 2010 during the third Global Compact Leaders Summit, the “Blueprint for Corporate Sustainability Leadership” was drawn up, a document aimed at starting a new era in the companies’ commitment towards sustainable development, combining the adherence to Global Compact principles with a comprehensive action plan to achieve the Millennium Development Goals (MDGs).

eni, given its participation in the LEAD initiative, which is open only to companies that, according to Global Compact, have strong leadership skills, is committed to applying the Blueprint to its business model, mainly through the participation in the initiative “Access to sustainable energy for all” launched in September during the UN Private Sector Forum.



Reporting Principles and Criteria

This year, eni has adopted a new sustainability reporting system that consists of three publications, each with different communication objectives.

The Annual Report 2010 presents the economic and financial information, along with the key performances in sustainability, offering a unified and more complete

view of the company results. Sustainability Performance 2010, available in both static and interactive formats on **eni.com**, reports all the key sustainability indicators and projects at a consolidated, Division and Company level. **eni for development** is intended to communicate the strategic relevance of sustainability in **eni's** operations, as well as to describe the main significant features of the

commitment to sustainable development. The company strategy and actions are highlighted in relation to the results obtained and the opportunities generated to contribute to the sustainable development of the community to which **eni** belongs, the Countries in which it operates and of society as a whole. Analysis of the highlights contextualises the relevance of the themes tackled.

eni for development opens with an introduction that describes eni's business model and the distinctive characteristics that guarantee competitive advantage for the company and contribute to sustainable development. Eight more in-depth points then follow with tangible examples of the most significant aspects of eni's sustainable operations.

The eight themes correspond to the main global issues that the collective have to approach in order to resolve inequality in social and economic development on a global scale and the contribution that a company in the energy sector can offer. In particular, the themes tackled are: access to energy, natural gas as a

development driving force, renewable energy, secure management of all resources, opportunities for people and local businesses, local development and Millennium Development Goals, the improvement of natural resources, transparency and commitment in the fight against corruption.

Contextual analysis is carried out on the basis of the data collected from the main databases in international Organisations or Agencies, compared with the main company results.

The main sources from which the contextual data have been drawn are: International Energy Agency (IEA), World Bank, United Nation Development Programme (UNDP). The data sources have been cited from time to time in the document. **eni's** qualitative and quantitative information have been collected in

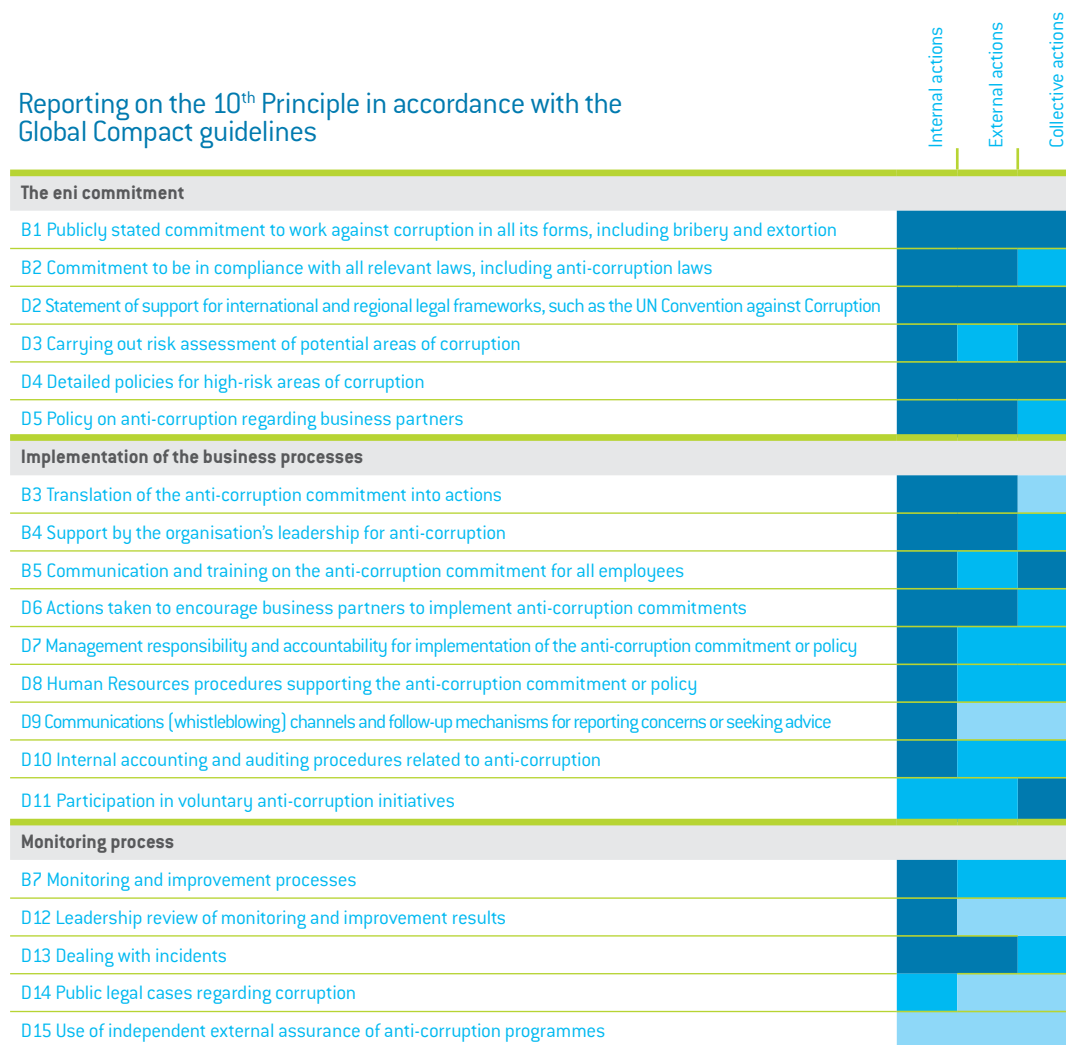
accordance with the sustainability reporting process, which includes all the business functions. The **eni** basis of data consolidation is the same as that used to draft the Commitment to Sustainable Development section included in the Annual Report 2010 and the Sustainability Performance 2010.

Balance, comparability, accuracy, timeliness, reliability and clarity, as defined by the Global Reporting Initiative, guarantee quality and adequate representation of the information regarding eni for development.

As regards the definition of the subject matters and indicators disclosed in the document, the programmatic nature of the document also made it possible to partially follow the principles recommended by the

Global Reporting Initiative. Please note that the standard information required by Global Reporting Initiative is widely disclosed in the other two documents constituting **eni's** sustainability integrated reporting system.

Reporting on the 10th Principle in accordance with the Global Compact guidelines



Level of enforcement of the action:

- completed
- ongoing
- to be started

The chart shows the attainment level of **eni's** reporting on the 10th Principle according to three levels of analysis:

- 1. internal level:** describes how **eni** deals with transparency and corruption through policies, procedures and programmes;
- 2. external level:** describes the initiatives carried out by **eni** to share its experience and good practices with its stakeholders;
- 3. collective level:** describes **eni's** commitment in joining forces with other companies and stakeholders in order to promote transparency and fight corruption.

The document also incorporates the ideas that emerged from the UN Global Compact Leaders Summit in June 2010, in accordance with the spirit of the Advanced Level of the Differentiation Programme, according to which, companies that, like **eni**, participate in the LEAD programme are obliged to report.

The document correlates some aspects of **eni's** activity with the United Nations objectives and highlights their effects on the operational contexts. Understanding how the activities fit into the operational context is defined as follows: [1] identifying an operational context problem in which **eni** can effectively intervene; [2]

describing the operations and methods that will contribute to alleviating the gravity of the problem; [3] the availability of relevant impact data; [4] the description of contexts that outline the problem both at a global and a local level, in order to restore the order of magnitude of the activities associated to the problem identified.

The document is subject to an auditing process carried out by an independent auditor, who carried out the analysis in accordance with the principles and the recommendations contained in the “International Standards on Assurance Engagements 3000- Assurance Engagements other than Audits or Reviews of Historical Information” (ISAE3000), issued by the International Auditing and Assurance Standard Board.

Independent auditors' report



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Independent auditors' report on the limited assurance engagement of the Eni Group's document "Eni for Development" (Translation from the original Italian text)

To the Board of Directors
of Eni S.p.A.

1. We have carried out the limited assurance engagement of the document "Eni for Development" of the Eni Group (that is part of the Eni Group's sustainability reporting system). The Directors of Eni S.p.A. are responsible for the preparation of the document "Eni for Development" in accordance with the reporting principles detailed in the section "Principles and Reporting Criteria", as well as for determining the Group's commitments regarding the sustainability performances and the reporting of the achieved results. The Directors of Eni S.p.A. are also responsible for the identification of the stakeholders and the significant matters to report, as well as implementing and maintaining appropriate processes to manage and control internally the data and disclosures reported in the document "Eni for Development". Our responsibility is to issue this report based on the limited assurance engagement described in this report.
2. Our work has been conducted in accordance with the principles and guidelines established by the "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. ISAE 3000 requires the compliance with ethical requirements ("Code of Ethics for Professional Accountants" issued by the International Federation of Accountants - I.F.A.C.), including professional independence, as well as planning and executing our work in order to obtain a limited assurance, rather than a reasonable assurance, that the document "Eni for Development" is free from material misstatements. A limited assurance engagement consists in making inquiries, primarily with company's personnel responsible for the preparation of the information included in the document "Eni for Development", in the analysis of the document "Eni for Development" and in other procedures in order to obtain evidences considered appropriate. The procedures performed are summarized below:
 - a) compared the sustainability data and information included in the document "Eni for Development" with data and information included in the section "Commitment to sustainable development" contained in the Annual Report of Eni S.p.A. and its subsidiaries as of 31 December 2010 and the supplementary document "Sustainability Performance 2010", posted in the sustainability section of the website of Eni S.p.A., on which we issued our limited assurance report, on March 30, 2011;
 - b) analyzed the operation of the processes that support the generation, recording and management of the quantitative data reported in the document "Eni for Development". The procedures performed on the document "Eni for Development" are summarized below:
 - interviews and discussions with personnel of the Management of Eni S.p.A., the operating Divisions (Gas & Power and Exploration & Production Sectors) and Eni Congo S.A. to obtain an understanding about the information, accounting and reporting system in use for the preparation of the document "Eni for Development" and about the processes and the internal control procedures supporting the collection, aggregation, data processing and transmission of data and information to the department responsible for the preparation of the document "Eni for Development",

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- on- site verifications at the electric power plant "Centrale Electrique du Congo" of Eni Congo S.A. (Sector Exploration & Production),
 - analyzed, on a sample basis, the documentation supporting the compilation of the document "Eni for Development" 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 document "Eni for Development";
- c) analyzed the consistency of the qualitative information reported in the document "Eni for Development" to the guidelines identified in paragraph 1 of the present report and the internal consistency, with reference to the strategy and the sustainability policies;
- d) analyzed the process relating to the involvement of stakeholders, with reference to the procedures applied and the completeness of the stakeholders involved, through the review of summary minutes or any other existing documentation relating to the main topics emerged from discussions with them;
- e) obtained the representation letter, signed by the legal representative of Eni S.p.A., relating to the compliance of the document "Eni for Development" with the guidelines indicated in paragraph 1, as well as to the reliability and completeness of the information and data presented in the document "Eni for Development".

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement performed in accordance with ISAE 3000 and it does not provide a similar level of assurance; as a 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.

Since this is the first year of preparation of the document "Eni for Development", only certain prior year's selected data and information have been presented, for comparative purposes, on which we carried out limited assurance procedures only for the purpose of issuing this report.

3. Based on our work, described in this report, nothing has come to our attention that causes us to believe that the document "Eni for Development" is not in compliance, in all material respects, with the reporting principles indicated in the section "Principles and Reporting Criteria".

Rome, Italy
May 18, 2011

Reconta Ernst & Young S.p.A.
Signed by: Riccardo Schioppo, Partner

This report has been translated into the English language solely for the convenience of international readers



eni for development is one of the three documents that constitute the Sustainability reporting system adopted by **eni** in 2011.

Alongside the sustainability information:

the Annual Report 2010 presents the economic and financial information and the overall sustainability performance in a single document.

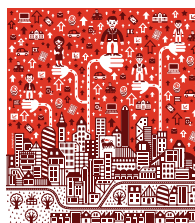
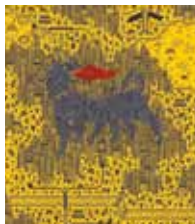


Sustainability Performance 2010, offered in both static and interactive format contains all the key sustainability indicators and projects.

eni has, since 2010, been entrusting its communication to young talent from around the world, active in different disciplines.

Jan Feliks Kallwejt, freelance graphic designer and illustrator, lives between Barcelona and Warsaw.

He collaborates with a variety of companies in Europe and North America and his work is currently focused on illustration, fashion design and personal artistic projects.



Simple yet at once pleasing forms are the essence of his work. Jan superimposes and multiplies these to create fascinating compositions that are embellished with accuracy and detail.

He generally uses no more than three colour tones in his work that come to life through superimposing symbols and unexpected distortions of reality.



eni spa

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