

# Corporate Governance

## Appropriate conduct

Due to the complex scenario in which Eni operates, the Board of Directors has deemed it appropriate to provide a clear definition of the value system that Eni recognizes, accepts and upholds and the responsibilities that Eni assumes within its Group and externally in order to ensure that all Group activities are conducted in compliance with laws, in a context of fair competition, with honesty, integrity, correctness and in good faith, respecting the legitimate interests of shareholders, employees, suppliers, customers, commercial and financial partners and the communities where Eni operates. All those working for Eni, without exception or distinction, are committed to observing these principles within their function and responsibility and to make others observe them. The belief of working for the advantage of Eni cannot be a justification for behaviors contrary to such principles. These values are stated in a Code of Conduct whose observance by employees is evaluated by the Board of Directors, based on the annual report of the Guarantor for the Code of Conduct. The Code of Conduct is published in Eni's internet site.

In its meeting of 20 January 2000 Eni's Board of Directors resolved to adopt the Self-discipline Code of Listed Companies (the "Code") and, pursuant to a thorough review of the matter, underscored how Eni's organizational model is essentially in line with the principles expounded in the Code, as well as with related recommendations issued by Consob.

In accordance with the request of Borsa Italiana SpA, in particular the "Guidelines for the preparation of the yearly report on corporate governance" of 12 February 2003, follows information on Eni's corporate governance system. In preparing this report account has

been taken also of the "Guide to the preparation of the report on corporate governance" published by Assonime and Emittenti Titoli SpA in March 2004.

## Eni's organizational structure

Eni's organizational structure follows the traditional model of companies in which management is exclusively entrusted to the Board of Directors, which is the central element of Eni's corporate governance system. Monitoring functions are entrusted to the Board of Statutory Auditors and accounting control is entrusted to external auditors appointed by the Shareholders' Meeting.

On 1 June 2005 the Board of Directors entrusted the Chairman with powers to conduct strategic international relations and appointed Paolo Scaroni Chief Executive Officer (CEO) entrusted with all managing powers except those that cannot be delegated and those reserved to the Board. According to article 25 of Eni's by-laws, the Chairman and the CEO are the representatives of the company. In accordance with internationally accepted principles of corporate governance, the Board of Directors established committees with consulting and proposing functions.

## The Board of Directors

### Competencies

In its meetings of 1 June and 11 October 2005, in addition to exclusive competencies entrusted to it by art. 2381 of the Civil Code, the Board of Directors has reserved the following tasks:

1. to define corporate governance rules for the Company and Group companies, including the appointment, definition of functions and regulations of Board Committees;
  2. to define guidelines for the internal control system, based on indications provided by the relevant Board Committee, and to monitor the effectiveness and modes of managing main corporate risks;
  3. to examine and approve the main features of corporate and Group organization, checking the effectiveness of the organization and administration setup prepared by the CEO;
  4. to determine – on proposal of the CEO – strategic guidelines and objectives at the Company and Group level;
  5. to examine and approve multi-annual strategic, industrial and financial plans at the Company and Group level;
  6. to examine and approve yearly budgets of Divisions, of the Company and the consolidated Group budget;
  7. to evaluate and approve quarterly accounts and related disclosures and any other period accounts and related disclosures provided for by the law and to compare quarterly results with planned results;
  8. to evaluate the general trends in operations with specific attention to possible conflicts of interest;
  9. to examine and approve strategically relevant agreements;
  10. to receive from Directors entrusted with specific powers timely reports describing the activities performed under such powers and the most relevant transactions, according to a specific previously agreed definition, and any atypical or unusual relations and transactions with related parties;
  11. to receive from Board Committees periodic reports on activities performed, according to previously agreed definitions and timetables;
  12. to attribute, modify and revoke powers to Directors, defining their limits and modes of execution, determining the compensation related to such powers, after consultation with the Board of Statutory Auditors. To deliver guidelines to empowered Directors and to recall to itself transactions included in the delegated power;
  13. to approve, based on the indications of the relevant Committee, the adoption and implementation of share incentive plans and to define the compensation criteria of top managers;
  14. to appoint, revoke and delegate powers to general managers, on proposal of the CEO and in agreement with the Chairman;
  15. to decide major sale and purchase transactions of the Company and to provide a pre-emptive evaluation of those concerning Group companies, in particular:
    - a) sale and purchase transactions, as well as conferral of real estate, investments, companies of amounts exceeding €50 million;
    - b) capital expenditure in tangible and intangible assets with great significance for the Group in terms of strategic impact and risks, and however all those of amounts exceeding €100 million, as well as any portfolio and exploration initiatives of the Exploration & Production segment in new areas;
    - c) the provision of loans from Eni or its subsidiaries to third parties;
    - d) the provision from Eni of personal and real guarantees to third parties in the interest of Eni or its subsidiaries of amounts exceeding €50 million;
    - e) the provision of loans from Eni or its subsidiaries to affiliates, as well as of real and personal guarantees on their bonds of amounts exceeding €50 million and, in any case, if the amount is not proportional to the stake held in the affiliate;
    - f) purchase and sale agreements for goods and services not intended as capital expenditure of amounts exceeding €1 billion and of a duration longer than 20 years;
  16. to examine and decide any proposal of the CEO concerning voting and appointment of members of the Board of Directors and the Board of Statutory Auditors of major subsidiaries;
  17. to formulate all the proposals of decisions to be presented to the Shareholders' Meeting.
- In accordance with article 27 of Eni's by-laws, the Chairman chairs Shareholders' Meetings, convenes and chairs Board of Directors' meetings and oversees the implementation of decisions made by it.
- In accordance with article 23, paragraph 3 of Eni's by-laws, the Chairman and the CEO report timely to the Board of Statutory Auditors, at least quarterly and at each Board meeting, on activities performed and major transactions of Eni and its subsidiaries.
- In accordance with article 2391 of the Italian Civil Code, Directors inform other Directors and the Board of Statutory Auditors of any interest they may have, directly or on behalf of third parties, in any transaction of Eni.

#### **Appointment**

In accordance with article 17 of Eni's by-laws, the Board of Directors is made up by 3 to 9 members. The

shareholders' meeting determines the number within said limits. As per article 6, paragraph 2, letter d) of Eni's by-laws the Minister for Economy and Finance, in agreement with the Minister of Productive Activities, may appoint one member of the Board without voting right in addition to those appointed by the shareholders' meeting. The Minister for Economy and Finance chose not to appoint such member. The present Board of Directors is made up by 9 members appointed by the Shareholders' Meeting of 27 May 2005 for a three-year term, their mandate expires with the Meeting convened to examine financial statements for fiscal year 2007. The appointment of the Board of Directors calls for a list vote. Only shareholders who, alone or with others represent at least 1% of voting shares at an ordinary meeting have the right to present lists for the appointment of directors, as well as the Board of Directors. Each shareholder can present or participate in presenting only one list. Companies controlling a shareholder and joint controlled companies cannot present, nor participate in presenting other lists, meaning by controlled companies the companies described in article 2359, paragraph 1 of the Civil Code. The lists must be deposited at Eni's headquarters at least ten days before the date set for the Shareholders' Meeting on first call (20 days in case of the Board of Directors presenting a list) and published on national newspapers and must include a resume of each candidate.

### Composition

The current Board of Directors is formed by the Chairman, Roberto Poli, the CEO, Paolo Scaroni, and directors, Alberto Clô, Renzo Costi, Dario Fruscio, Marco Pinto, Marco Reboa, Mario Resca, and Pierluigi Scibetta. Roberto Poli, Paolo Scaroni, Dario Fruscio, Marco Pinto, Mario Resca and Pierluigi Scibetta were candidates included in the list of the Ministry of Economy and Finance; Alberto Clô, Renzo Costi and Marco Reboa were in the list presented by institutional investors coordinated by Fineco Asset Management SpA. The Secretary of the Board of Directors is Piergiorgio Ceccarelli, the Group's senior vice president for Corporate Affairs.

Based on information received, follows information on positions held in other Board of Directors or Boards of Statutory Auditors of listed companies, financial or insurance or large companies by members of Eni's Board of Directors. The professional curriculum of Directors is available on Eni's internet site.

### ROBERTO POLI

Chairman of Poli e Associati SpA; Board member of Mondadori SpA, Fininvest SpA, Merloni Termosanitari SpA and G.D. SpA; general partner of Brafin SpA.

### PAOLO SCARONI

Chairman of Alliance UniChem; Board member of Il Sole 24 Ore; member of the Supervisory Board of ABN AMRO Bank, Board member of the Columbia University's Business School.

### ALBERTO CLÔ

Board member of ASM Brescia SpA, De Longhi SpA, Italcementi SpA and Società Autostrade SpA.

### RENZO COSTI

Board member of Editrice Il Mulino SpA.

### DARIO FRUSCIO

Chairman of Italia Turismo SpA, Board member of Sviluppo Italia SpA.

### MARCO REBOA

Board member of Seat PG SpA. Interpump SpA, IMMSI SpA, Intesa Private Banking, Statutory auditor of Autogrill SpA and Galbani SpA.

### MARIO RESCA

Chairman of McDonald's Italia SpA and Italia Zuccheri SpA, Board member of Mondadori SpA, Special manager of the Cirio Del Monte Group, under special management.

### PIERLUIGI SCIBETTA

Board member of Gestore del Mercato Elettrico SpA, Nucleco SpA and Istituto Superiore Prevenzione e Sicurezza Lavoro (ISPESL).

On 1 June 2005, Eni's Board of Directors, in accordance with the provisions of the Code, evaluated the statements presented by Board members and established that the Chairman and non executive Board members Alberto Clô, Renzo Costi, Dario Fruscio, Marco Pinto, Marco Reboa, Mario Resca, and Pierluigi Scibetta are independent as they do not have any economic relationship with Eni and Eni Group companies, with the CEO and with the Ministry of Economy and Finance, Eni's major shareholder, such as to bias their autonomous judgment nor are they close relatives of the CEO. Director Marco Pinto is an employee of the Ministry for Economy and Finance. The CEO of Eni is an employee of Eni and holds the position of General Manager.

On 30 March 2006, the Board verified that its members were independent on the basis of their own statements and that they possess the honorability required by articles 147 ter and 147 quinquies of Legislative Decree No. 58 of 24 February 1998 and included in Law No. 262 of 28 December 2005 ("law for the protection of savings") and acknowledged that its members continued being independent as verified on 1 June 2005 and possessing the honorability required by Law. Eni's by-laws do not indicate a specific frequency of meetings. In 2005 the Board of Directors met 21 times (18 in 2004) for an average length of four hours per meeting. The public is informed of: (i) the dates of meetings convened for the approval of interim results, (ii) the dates of general Shareholders' Meetings, (iii) the dates when the amount of interim dividends and final dividends are announced and related payment dates.

### Functioning

The Board of Directors defined the rules for the calling of its meetings; in particular, the Chairman convenes Board meetings, and, in concert with the CEO, defines agenda items. Notice is sent by mail, fax or e-mail within five days of the meeting's date, at least 24 hours in advance in case of urgency. Eni's by-laws allow meetings to be held by video or teleconference, provided that all participants can be identified and are allowed to participate in real time. The meeting is deemed held in the location where Chairman and Secretary are present.

Board members receive in advance adequate and thorough information on all issues subject to Board evaluation and resolutions, except for urgent cases and those for which confidentiality is deemed necessary. During meetings directors can meet managers of Eni and its subsidiaries in order to obtain information on the features and the organization of their businesses. In 2005 on average 88% of Board members participated to Board meetings and 85% of independent non executive Board members.

### Compensation

Board members' compensation is determined by the Shareholders' Meeting, while remuneration levels of the Chairman and CEO are determined by the Board of Directors, based on proposals of the Compensation Committee and after consultation with the Board of Statutory Auditors.

On 27 May 2005 the Shareholders' Meeting determined the annual compensation of the Chairman (€265,000)

and of Board members (€115,000). It also determined a variable compensation up to a maximum of €80,000 for the Chairman and €20,000 for each Board member to be paid in accordance with Eni's positioning as compared to the eight largest international oil companies for market capitalization in terms of total return to shareholders in the reference year. The variable portion of compensation is paid to the Chairman for €80,000 or €40,000 and to each Board member for €20,000 or €10,000, respectively, if Eni's return to shareholders is rated first or second, or third or fourth in said rating. Below fifth position no variable compensation is paid. In the meeting of 30 March 2005, the Board confirmed that Eni in 2004 rated fourth in the mentioned positioning.

With reference to the powers delegated to the Chairman and CEO, the Board of Directors determined their compensation, made up of a fixed and a variable part. The variable part of the compensation of Chairman and CEO, as well as the variable part of the compensation of Eni's top management (General Managers of divisions and managers holding positions directly reporting to the Chairman and CEO) is related to the achievement of specific economic and operating objectives (profitability, leverage, efficiency, strategic projects) and share price objectives (price of Eni shares, comparative total return to shareholders). With reference to Eni's performance in 2004, 47% of the remuneration of the Chairman and of the CEO was variable, 43% of that of the top management<sup>1</sup>.

On 30 March 2006, Eni's Board of Directors on proposal of the Compensation Committee and in analogy with what decided in its meeting of 14 July 2005 for the Chairman and the CEO, determined to extend to the other directors the insurance against professional risks included in agreements for Eni managers. Similar extension was decided also for Statutory Auditors and the Magistrate of the Court of Accounts delegated to the financial control of Eni. Total cost for Eni of this extension is about €14,000.

Pursuant to article 78 of Consob Decision No. 11971 of 14 May 1999, compensation of directors and statutory auditors of Eni and general managers of Eni's divisions, who held the position in 2005 including a fraction of the year, are reported in the table below.

Pursuant to Consob decisions:

- "Compensation in respect of positions held at Eni SpA" are set by the Shareholders' Meeting and the remuneration of the chairman and the CEO is determined by the Board of Directors, in agreement

(1) These percentages were determined excluding the fixed part of the remuneration of the CEO, appointed on 1 June 2005 and of top managers hired in 2005 who did not receive the variable part of the remuneration.

- with the Board of Statutory Auditors, in accordance with article 2389, paragraph 3 of the Italian civil code;
- “Non cash benefits” refer to all fringe benefits, including insurance policies;
  - “Bonuses and other incentives” include the variable part of the chairman’s compensation and the variable part of the salary of the CEO and of the general

- managers of Eni’s divisions;
- “Other compensation” include the salary of the previous and the current managing director and of the general managers of Eni’s divisions, in addition to compensations due in respect of positions on the Board of Statutory Auditors in Eni’s subsidiaries. Indemnities paid upon termination are also included.

(thousand euro)

Name	Position	Term of office	Expiry date of the position <sup>(1)</sup>	Compensation for service at Eni SpA	Non-cash benefits	Bonus and other incentives <sup>(2)</sup>	Other compensations	Total
<b>Board of Directors</b>								
Roberto Poli	Chairman	01.01-31.12	30.05.08	831	8	40		879
Vittorio Mincato	CEO	01.01-27.05		230		1,386 <sup>(3)</sup>	9,649 <sup>(4)</sup>	11,265
Paolo Scaroni	CEO	01.06-31.12 <sup>(5)</sup>	30.05.08	252	62		588	902
Mario Giuseppe Cattaneo	Director	01.01-27.05		57		10		67
Alberto Clô	Director	01.01-31.12	30.05.08	123		10		133
Renzo Costi	Director	01.01-31.12	30.05.08	122		10		132
Dario Fruscio	Director	01.01-31.12	30.05.08	117		10		127
Guglielmo Moscato	Director	01.01-27.05		59		10		69
Mario Resca	Director	01.01-31.12	30.05.08	121		10		131
Marco Pinto	Director	28.05-31.12	30.05.08	68				68
Marco Reboa	Director	28.05-31.12	30.05.08	68				68
Pierluigi Scibetta	Director	28.05-31.12	30.05.08	68				68
<b>Board of Statutory Auditors <sup>(6)</sup></b>								
Andrea Monorchio	Chairman	01.01-27.05		51				51
Paolo Andrea Colombo	Chairman <sup>(7)</sup>	01.01-31.12	30.05.08	107			67	174
Luigi Biscozzi	Auditor	01.01-27.05		38			51	89
Filippo Duodo	Auditor	01.01-31.12	30.05.08	91			55	146
Edoardo Grisolia <sup>(8)</sup>	Auditor	28.05-31.12	30.05.08	48				48
Riccardo Perotta	Auditor	01.01-31.12	30.05.08	92			59	151
Giorgio Silva	Auditor	28.05-31.12	30.05.08	48			13	61
<b>General Managers</b>								
Stefano Cao	Exploration & Production	01.01-31.12				397	797	1,194
Luciano Sgubini	Gas & Power	01.01-31.12				311	2,286 <sup>(9)</sup>	2,597
Angelo Taraborrelli	Refining & Marketing	01.01-31.12				229	566	795
				<b>2,591</b>	<b>70</b>	<b>2,423</b>	<b>14,131</b>	<b>19,215</b>

(1) The term of position ends with the Meeting approving financial statements for the year ending 31 December 2007.

(2) Based on performance achieved in 2004.

(3) Based on performance achieved in 2004 and pro rata performance related to the first five-month period of 2005.

(4) In addition to salary also includes indemnities paid upon termination and further compensation determined by the Board of Directors.

(5) Appointed as director on 28 May 2005.

(6) The “Other Compensation” amounts refer to compensation obtained as chairman or as auditor of subsidiaries.

(7) Appointed as Chairman on 28 May 2005. Previously Auditor.

(8) Compensation for the service is paid to the Ministry of Economy and Finance.

(9) In addition to salary also includes indemnities paid upon termination.

## Stock compensation

### Stock grants

With the aim of improving motivation and loyalty of Eni managers through the linking of compensation to the attainment of preset individual and corporate objectives, making management participate in corporate

risk and motivating them towards the creation of shareholder value and increasing at the same time their contribution to the management of the Company, starting in 2003 Eni offers its own shares purchased under its buy-back program (treasury shares) for no consideration to those managers of Eni SpA and its subsidiaries as defined in Article 2359 of the Civil Code<sup>2</sup>

(2) Does not include listed subsidiaries, which have their own stock grant and stock option plans.

who have achieved corporate and individual objectives. Assignments vest within 45 days after the end of the third year from the date of the offer.

In application of its stock grant plan, on 31 December 2005 a total of 3,127,200 grants were outstanding for the assignment of an equal amount of treasury shares (equal to 0.08% of current capital stock) subdivided as follows: (i) a total of 1,018,400 grants (fair value €11.20 per share) related to 2003; (ii) a total of 912,400 grants (fair value €14.57 per share) related to 2004; (iii) a total of 1,196,400 grants (fair value €20.08 per share) related to 2005.

### Stock options

Eni offers to managers of Eni SpA and its subsidiaries as defined in Article 2359 of the Civil Code<sup>3</sup> who hold positions of significant responsibility for achieving profitability or strategic targets, the opportunity to acquire a shareholding in the company as an element of remuneration through the assignment of options for the purchase of Eni's treasury shares.

Options provide grantees with the right to purchase Eni

shares in a 1 to 1 ratio after three years from the date of the grant and upon a five-year vesting period, at a price corresponding to the higher of the arithmetic average of official prices recorded on the Mercato Telematico Azionario in the month preceding the date of the grant and the average cost of the treasury shares as of the day prior to the assignment (strike price). Strike price for the 2005 assignment was €22.512 per share.

Grantees are able to make use of an advance from a Group finance company to purchase shares, on condition that at the same time they sign an irrevocable order for selling the shares through the mentioned company.

At 31 December 2005 outstanding options were 13,379,600 carrying an average strike price of €17.705 per share.

The weighted-average remaining contractual life of options outstanding at December 31, 2003, 2004 and 2005 is 5.6 years, 6.6 years and 7.6 years respectively. All stock options granted are considered fixed.

The following is a summary of stock option activity for the years 2003, 2004 and 2005:

	2003		2004		2005	
	Number of shares	Weighted average exercise price <sup>(a)</sup>	Number of shares	Weighted average exercise price <sup>(a)</sup>	Number of shares	Weighted average exercise price <sup>(a)</sup>
(euro)						
<b>Options as of 1 January</b>	<b>3,518,500</b>	<b>15.216</b>	<b>8,162,000</b>	<b>14.367</b>	<b>11,789,000</b>	<b>15.111</b>
New options granted	4,703,000	13.743	3,993,500	16.576	4,818,500	22.512
Options exercised in the period			(354,000)	14.511	(3,106,400)	15.364
Options cancelled in the period	(59,500)	15.216	(12,500)	14.450	(121,500)	16,530
<b>Options outstanding as of 31 December</b>	<b>8,162,000</b>	<b>14.367</b>	<b>11,789,000</b>	<b>15.111</b>	<b>13,379,600</b>	<b>17.705</b>
<b>of which exercisable at 31 December</b>	<b>73,000</b>	<b>14.802</b>	<b>-</b>	<b>-</b>	<b>1,540,600</b>	<b>16.104</b>

(a) Below quoted market price.

The fair value of stock options granted during the years ended 31 December 2003, 2004 and 2005 of €1.50, €2.01 and €3.33 respectively, was calculated applying

the Black-Scholes method and using the following assumptions:

		2003	2004	2005
Risk-free interest rate	(%)	3.16	3.21	2.51
Expected life	(year)	8	8	8
Expected volatility	(%)	22	19	21
Expected dividends	(%)	5.35	4.5	3.98

(3) Does not include listed subsidiaries, which have their own stock grant and stock option plans.

### Stock grant for Eni's CEO and general managers

The table below sets out stock grants assigned to Eni's CEO and general managers.

Name		Grants outstanding at beginning of the period		Grants assigned during the period		Grants exercised during the period		Grants outstanding at end of the period	
		Number of grants	Average maturity in months	Number of grants	Average maturity in months	Number of grants	Average market price at date of exercise	Number of grants	Average maturity in months
Vittorio Mincato <sup>(1)</sup>	CEO	104,800	19	40,200	38	145,000	19.951	-	-
Stefano Cao	General Manager of the E&P Division	40,500	20	16,000	38	12,800	23.785	43,700	21
Luciano Sgubini	General Manager of the G&P Division	40,500	20	16,000	38	56,500	22.784	-	-
Angelo Taraborrelli	General Manager of the R&M Division	17,500	20	16,000	38	5,400	23.785	28,100	24

(1) Retired on 27 May 2005.

### Stock options for Eni's CEO and general managers

The table below sets out assignments of options to Eni's CEO and general managers. During 2005 no options expired.

	CEO <sup>(1)</sup>	CEO <sup>(2)</sup>	General Manager for the E&P Division	General Manager for the G&P Division	General Manager for the R&M Division
	Paolo Scaroni	Vittorio Mincato	Stefano Cao	Luciano Sgubini	Angelo Taraborrelli
Options outstanding at the beginning of the period:					
- number of options	-	499,000	182,000	170,000	96,500
- average exercise price (euro)	-	15.090	15.185	15.086	15.379
- average maturity in months	-	67	79	79	81
Options granted during the period:					
- number of options	699,000	-	75,500	60,500	50,000
- average exercise price (euro)	22.509	-	22.509	22.509	22.509
- average maturity in months	96	-	96	96	96
Options exercised at the end of period:					
- number of options	-	499,000	56,000	230,500	23,500
- average exercise price (euro)	-	15.090	15.216	17.035	15.216
- average market price at date of exercise (euro)	-	19.980	22.784	22.964	22.784
Options outstanding at the end of the period:					
- number of options	699,000	-	201,500	-	123,000
- average exercise price (euro)	22.509	-	17.920	-	18.308
- average maturity in months	91	-	82	-	83

(1) Appointed on 1 June 2005.

(2) Retired on 27 May 2005.

### Share ownership

At 31 December 2005 the total number of shares owned by the directors, statutory auditors and the three general managers of Eni SpA was 232,625 equal to approximately 0.006% of Eni's share capital outstanding at 31 December 2005.

### Board committees

In order to carry out its tasks more effectively, the Board of Directors has instituted three advisory Committees: the Internal Control Committee and Compensation Committee, formed exclusively by independent, non-executive Board members, except for Marco Pinto, a member of both committees, and the International Oil Committee in which also the CEO participates.

In the meeting of 1 June, the Committees were formed as follows:

*Internal Control Committee:* Marco Reboa (Chairman), Alberto Clô, Renzo Costi, Marco Pinto and Pierluigi Scibetta.

*Compensation Committee:* Mario Resca (Chairman), Renzo Costi, Marco Pinto and Pierluigi Scibetta.

*International Oil Committee:* Alberto Clô (Chairman), Dario Fruscio, Marco Reboa and Paolo Scaroni.

The Code suggests the creation of a "Nominating Committee" in the companies with shares held widely by the public, especially when the Board notices that shareholders find it difficult to prepare proposals for appointments. This committee has not been formed in consideration of the shareholding characteristics of Eni and of the fact that Directors are appointed on the basis of candidate lists submitted by shareholders or by the Board of Directors.

#### **Internal Control Committee**

The Internal Control Committee, established by the Board of Directors in 1994, holds functions of supervision, counsel and proposal in the area of monitoring general management issues.

In its meeting of 1 June 2005, the Board appointed Marco Reboa as chairman of this committee.

In its meeting of 29 June 2005 the Board approved its new regulation (available on Eni's internet site) also in order to adequate its role to the Board's resolution of 22 March 2005 that appointed the Board of Statutory Auditors to perform the functions attributed by the Sarbanes-Oxley Act and SEC rules to audit committees of US issuers, within the limits set by Italian legislation, from 1 June 2005.

In the course of 2005 the Internal Control Committee convened 14 times, with an average participation of 87% of its members, and has accomplished the following: (i) reviewed the audit programs prepared by Eni SpA's and Group companies' internal audit functions and their progress; (ii) reviewed and evaluated results of Eni SpA's and Group companies' internal auditing procedures; (iii) monitored the actions taken and their effects aimed at eliminating the defaults shown by audit reports; (iv) examined the results of audit procedures applied to the framework agreement between Eni and Gazprom/Gazexport of 16 June 2005; (v) met with top level representatives of administrative functions in the main subsidiaries, chairmen of boards of statutory auditors and partners responsible for external audit companies to examine the essential features of 2004 financial statements with specific reference to extraordinary transactions and relations among functions entrusted with controlling

functions at Eni SpA and its subsidiaries; (vi) met the partners responsible of Eni's external auditors for an analysis of Eni's 2005 Half Year Report; (vii) examined the conditions necessary to avail itself of the exemption from the Sarbanes-Oxley Act and the relevant regulations concerning the Audit Committee; (viii) reviewed the committee's regulation; (ix) examined the report presented by the Watch Structure; (x) examined the reports prepared in accordance with audit document No. 260 concerning the communication of facts and events on auditing activities to those responsible for governance; (xi) monitored the appointment of additional functions to Eni's external auditors and companies belonging to the network of the external auditors, expressing its opinion; (xii) reviewed the situation of appointments conferred in 2004 by Eni and its consolidated subsidiaries and affiliates to external auditors registered with Consob and related subjects; (xiii) reviewed the situation of appointments of external auditors of main group companies, the relevant accounts and the opinions contained in the reports of external auditors of Eni's Italian subsidiaries; (xiv) examined the organizational structure of the internal audit functions with specific focus on operating audits; (xv) examined the information flows to the Internal Control Committee from the various functions of Eni and its subsidiaries as well as from external auditors.

#### **Compensation Committee**

The Compensation Committee, established by the Board of Directors in 1996, is entrusted with proposing tasks with respect to the Board relating to the compensation of the Chairman and CEO as well as of the Board Committees members; examining the indications of the CEO and presenting proposals on: (i) equity based incentive plans; (ii) criteria for the compensation of top managers of the Group; (iii) objectives and results evaluation of performance and incentive plans. In its meeting of 29 June 2005 the Board approved its new regulation (available on Eni's internet site) and appointed Mario Resca as Chairman.

In 2005, the Compensation Committee met 7 times with an average participation of 96% of its members, and accomplished the following: (i) reviewed the objectives of the 2005 Group Incentive Plan and the performance of 2004; (ii) drafted a proposal to be submitted to the Board of Directors for determining the variable part of the remuneration of the Chairman and CEO based on 2004 performance; (iii) drafted a proposal based on which the Board of Directors requested the Shareholders' Meeting to authorize it to



use treasury shares for servicing stock option and stock grant plans for 2005 (see “Stock compensation” above); (iv) drafted a proposal submitted to the Board of Directors concerning compensation related to the termination of employment of Eni’s former Managing Director Vittorio Mincato; (v) examined the compensation to be attributed to Eni’s new CEO Paolo Scaroni, employed by Eni with the function of General Manager, in order to draft a proposal to submit to the Board of Directors; (vi) examined the benchmarks for top management remuneration and reviewed the criteria of the remuneration policy for Group managers, as well as the stock option and stock grant plans in order to draft a proposal to submit to the Board of Directors.

### **International Oil Committee**

The International Oil Committee established by the Board of Directors in 2002, is entrusted with the monitoring of trends in oil markets and the study of their aspects.

In its meeting of 1 June 2005, the Board approved its new regulation (available on Eni’s internet site) and appointed Alberto Clô as Chairman of the Committee. In 2005 the International Oil Committee met 3 times with a 100% participation of its members. The meetings concerned: (i) a plan of activities aimed at analyzing the trends of the oil and gas industry; (ii) an in-depth analysis of China in terms of market prospects and effects on competition in the oil industry; (iii) an analysis of the structure and dynamics of oil and gas markets on which to base the energy scenarios for Eni’s strategic plan.

## **Board of Statutory Auditors and other control entities**

### **Board of Statutory Auditors**

The Board of Statutory Auditors, in accordance with article 149 of Legislative Decree No. 58/1998, monitors: (i) the respect of laws and of Eni’s memorandum of association; (ii) the respect of the principles of proper administration; (iii) the adequacy of the company’s organizational structure for the parts concerning administration and accounting, internal controls and administration and accounting systems as well as its reliability in presenting information properly; (iv) the adequacy of regulations imposed to subsidiaries according to article 114, paragraph 2 of the mentioned decree. The law on the protection of savings entrusted the Board of Statutory Auditors also with the

monitoring of the proper implementation of corporate governance rules envisaged by the codes of conduct published by the Italian stock exchange and the associations the company belongs to and declares to respect.

The Board of Directors in its meeting of 22 March 2005, in accordance with SEC Rule 10A-3 for foreign companies listed at the New York Stock Exchange, selected the Board of Statutory Auditors to fulfill the role of the audit committee in US companies under the Sarbanes-Oxley Act and other applicable laws, within the limits set by the Italian legislation from 1 June 2005. On 15 June 2005 the Board of Statutory Auditors approved the regulations for carrying out the functions attributed to the audit committee under US laws. This regulation is published on Eni’s internet site.

The Board of Statutory Auditors comprises five auditors and two substitute auditors, appointed by the Shareholders’ Meeting for a three-year term.

On 27 May 2005, Eni’s Shareholders’ Meeting appointed the following statutory auditors for three years and however until the Shareholders’ Meeting approving financial statements for fiscal year 2007: Paolo Andrea Colombo (Chairman), Filippo Duodo, Edoardo Grisolia, Riccardo Perotta and Giorgio Silva. Francesco Bilotti and Massimo Gentile are alternate auditors. A curriculum of these auditors is published on Eni’s internet site. The same Meeting also determined the yearly compensation for the Chairman of the Board of Statutory Auditors and each Auditor amounting to €115,000 and €80,000 respectively.

Paolo Andrea Colombo, Filippo Duodo, Edoardo Grisolia and Francesco Bilotti were candidates in the list presented by the Ministry of Economy and Finance; Riccardo Perotta, Giorgio Silva and Massimo Gentile were candidates in the list presented by institutional investors coordinated by Fineco Asset Management SpA. Statutory Auditors are appointed in accordance with Eni’s by-laws with a list vote; at least two auditors and one substitute are chosen from minority candidates. Chairman of the Board is the first candidate of the list that received the highest number of votes. Auditors are autonomous and independent even from the shareholders who elected them. The lists of candidates include a resume of each candidate and are deposited at the company’s headquarters at least 10 days before the date of the Shareholders’ Meeting on first call and are published on national newspapers.

Article 28 of Eni’s by-laws, consistently with the provisions contained in the Decree of the Minister of Justice No. 162 of 30 March 2000, states that at least two auditors and one substitute auditor are chosen

among chartered auditors and must have performed auditing activities for at least three years and that auditors not provided with these requirements must be chosen among those provided with the level of professionalism described in Decree No. 162/2000. For the purposes of said Decree, the by-laws define as related subjects commercial law, corporate economy and finance, engineering and geology. Eni's auditors are all chartered auditors.

Article 28 of Eni's by-laws also prohibits the appointment as statutory auditor of persons that are statutory auditors or members of the supervisory board or members of the control committee of at least five companies listed in regulated markets not subsidiaries of Eni SpA.

Statutory auditors receive in advance of meetings of the Board of Directors adequate and thorough information on all issues subject to Board evaluation and resolutions.

Eni's by-laws allow meetings held by teleconference.

In 2005 the Board met 22 times with an average participation of 83% of its members.

Based on information received follows information on positions held in other Boards of Directors and Boards of Statutory Auditors of listed companies by members of Eni's Board of Statutory Auditors.

#### PAOLO ANDREA COLOMBO

Chairman of Partecipazioni italiane SpA; director of Mediaset SpA and SIAS SpA; Chairman of the Board of Statutory Auditors of Saipem SpA and Sirti SpA; auditor of Banca Intesa SpA, Lottomatica SpA and Ansaldo STS.

#### FILIPPO DUODO

Auditor of Benetton Group SpA.

#### RICCARDO PEROTTA

Chairman of the Board of Statutory Auditors of Snam Rete Gas SpA and Auditor of Mediaset SpA and Gewiss SpA.

#### External Auditors

As provided for by Italian laws, external auditors must be a chartered company and are appointed by the Shareholders' Meeting. Eni's external auditors, PricewaterhouseCoopers SpA, were appointed by the Shareholders' Meeting of 28 May 2004 for a three-year term ending with the Meeting approving financial statements for 2006.

Financial statements of Eni subsidiaries are audited, mainly by PricewaterhouseCoopers. In order to express its opinion on Eni's consolidated financial statements PricewaterhouseCoopers took the responsibility of the

revision of audits performed by other auditors that however represent a negligible part of Eni's consolidated assets and revenues.

Eni's external auditors and the companies belonging to their network are not to be appointed to other functions not related to auditing, except in exceptional cases for tasks – not prohibited by Consob and the Sarbanes-Oxley Act – as approved by the Boards of Directors of Eni Group companies, subject to authorization of the respective Boards of Statutory Auditors. Eni's Board of Statutory Auditors must be informed of the auditing tasks entrusted to external auditors.

#### Other auditing

The accounts of the parent company Eni SpA are subject also to the review of the Italian Court of Accounts, in the person of the Magistrate delegated to control, Luigi Schiavello (alternate Angelo Antonio Parente).

#### Significant differences in corporate governance practices as per Section 303A.11 of the New York Stock Exchange Listed Company Manual

Corporate governance standards followed by Italian listed companies are set forth in the Civil Code and in the Legislative Decree No. 58 of 24 February 1998, "Single text containing the provisions concerning financial intermediation" (Testo unico delle disposizioni in materia di intermediazione finanziaria, the "TUF"), as well as by the Self-discipline Code of listed companies (the "Code") issued by the Committee for corporate governance of listed companies. As discussed below, Italian corporate governance standards differ for certain aspects from NYSE standards.

The civil code and the TUF assign specific binding and irrevocable powers and responsibilities to company's corporate bodies. The Code, based on this regulatory framework, provides recommendations on corporate governance intended to reflect generally accepted best practices. Although these recommendations are not binding, Borsa Italiana SpA requests listed companies to publish an Annual Report on corporate governance which contains, besides a general description of the corporate governance system adopted, also any recommendation that was not followed and the reasons for this choice. Eni adopted the self-discipline code. Eni's organizational structure follows the traditional Italian model of companies which provides for two main separate corporate bodies, the Board of Directors and the Board of Statutory Auditors to whom are respectively entrusted management and monitoring duties. This model differs from the US unitary model which provides for the Board of Directors as the sole

corporate body responsible for management and, through an audit committee established within the same Board, for monitoring.

Below is a description of the most significant differences between corporate governance practices followed by US domestic companies under the NYSE standards and those followed by Eni.

#### INDEPENDENT DIRECTORS

*NYSE Standards* Under NYSE standards listed US companies' Boards must have a majority of independent directors. A director qualifies as independent when the Board affirmatively determines that such director has no certain material relationship (commercial, industrial, banking, consultancy, etc.) with the listed company (and its subsidiaries), either directly, or indirectly. In particular, a director is not deemed independent if he/she or an immediate family member has a certain specific relationship with the issuer, its auditors or companies that have material business relationships with the issuer (e.g. he/she is an employee of the issuer or a partner/employee of the auditor). In addition, a director cannot be considered independent in the three-year "cooling-off" period following the termination of any relationship that compromised a director's independence.

*Eni Standards* In Italy, the Code recommends that the Board of Directors includes an adequate number of independent non-executive directors "in the sense that they: a) do not entertain, directly or indirectly or on behalf of third parties, nor have recently entertained business relationships with the company, its subsidiaries, the executive directors or the shareholder or group of shareholders who controls the company of a significance able to influence their autonomous judgement; b) neither own, directly or indirectly or on behalf of third parties, a quantity of shares enabling them to control the company or exercise a considerable influence over it nor participate in shareholders' agreements to control the company; and c) are not immediate family members of executive directors of the company or of persons in the situations referred to in points a) and b)." The independence of directors is periodically reviewed by the Board of Directors keeping into account the information provided by the directors themselves. The Code also recommends that to evaluate independence "in the case of earlier business dealings, reference should be made to the previous financial year and for work relationships and functions of executive director, to the three preceding financial years."

The Code provides for a qualitative evaluation, that considers the whole of the relationships held, in order to check as the case may be if the existing relationships

between the issuer and the director are such to impair the director's independence.

In 2005, Eni's Board of Directors judged that the Chairman and its non-executive members comply with the independence standards, as provided for by the Code. Director Marco Pinto is an employee of the Ministry of Economy and Finance.

#### MEETINGS OF NON EXECUTIVE DIRECTORS

*NYSE Standards* Non-executive directors, including those who are not independent, must meet at regularly scheduled executive sessions without management. Besides, if the group of non-executive directors includes directors who are not independent, independent directors should meet separately at least once a year. *Eni Standards* Neither Eni's non-executive directors nor Eni's independent directors must meet separately, under the Code's corporate governance rules.

#### AUDIT COMMITTEE

*NYSE Standards* Listed US companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 and that complies with the further provisions of the Sarbanes-Oxley Act and of Section 303A.07 of the NYSE Listed Company Manual.

*Eni Standards* In its meeting of 22 March 2005, Eni's Board of Directors, making use of the exemption provided by Rule 10A-3 for non-US private issuers, has identified the Board of Statutory Auditors as the body that, starting from June 1, 2005, is performing the functions required by the SEC rules and the Sarbanes-Oxley Act to be performed by the audit committees of non-US companies listed on the NYSE (see paragraph "Board of Statutory Auditors" earlier). Under Section 303A.07 of the NYSE listed Company Manual audit committees of US companies have further functions and responsibilities which are not mandatory for non-US private issuers and which therefore are not included in the list of functions shown in the paragraph referenced above.

#### NOMINATING/CORPORATE GOVERNANCE COMMITTEE

*NYSE standards* US listed companies must have a nominating/corporate governance committee (or equivalent body) composed entirely of independent directors that are entrusted, among others, with the responsibility to identify individuals qualified to become board members and to select or recommend director nominees for submission to the shareholders' meeting, as well as to develop and recommend to the Board of Directors a set of corporate governance guidelines. *Eni Standards* This provision is not applicable to non-US

private issuers. The Code allows listed companies to have within the Board of Directors a committee for directors' nominees proposals, above all when the Board of Directors detects difficulties in the shareholders submission of nominees proposals, as could happen in publicly-owned companies. Eni has not set up a nominating committee, considering the nature of its shareholding as well as the circumstance that, under Eni by-laws, directors are appointed by the Shareholders' Meeting based on lists presented by shareholders or by the Board of Directors.

## Shareholders' Meetings

The Shareholders' Meeting is the institutional meeting point of shareholders and the management of the company. During meetings shareholders can request information on issues in the agenda and on the general management of the company. Information is provided within the limits of confidentiality of price sensitive information.

The ordinary Shareholders' Meeting performs the functions described in article 2364 of the Civil Code and the extraordinary Shareholders' Meeting the ones described in article 2365, besides the others provided for by other laws.

With the aim of facilitating the attendance of shareholders, calls for meetings are published on Italian

and foreign newspapers, Eni's by-laws allow vote by correspondence and the collection of powers of attorney in articles 13 and 14. On 4 December 1998 Eni approved a regulation for its meetings, available on Eni's internet site, in order to guarantee an efficient deployment of meetings, in particular the right of each shareholder to express his opinion on the items in the agenda.

## Eni's shareholders

Eni SpA's share capital at 31 December 2005 amounted to €4,005,358,876, fully paid and was represented by 4,005,358,876 ordinary shares of nominal value €1 each. Shares are not divisible and give right to one vote. Shareholders can exercise the rights provided by the law.

Based on information available and received in accordance with Consob decision No. 11971/1999, as of 31 December 2005, shareholders holding more than 2% of Eni's share capital were:

Shareholders	Shares held	% of capital
Ministry of Economy and Finance	813,443,277	20.31
Cassa Depositi e Prestiti SpA	400,288,338	9.99
Eni SpA (own shares)	278,013,975	6.94

### Shareholders by area

Shareholders	Number of shareholders	Number of shares <sup>(1)</sup>	% of capital
Italy	261,174	2,543,555,459	63.52
UK and Ireland	963	93,619,599	2.34
Other EU	3,977	495,123,921	12.36
USA and Canada	1,552	192,803,507	4.81
Rest of world	1,783	304,605,396	7.61
Own shares at the dividend date		244,488,113	6.11
Other	n.a.	130,263,881	3.25
<b>Total</b>	<b>269,449</b>	<b>4,004,459,876</b>	<b>100.00</b>

**Shareholders by amount of shares held**

Shareholders	Number of shareholders	Number of shares <sup>(1)</sup>	% of capital
>10%	1	813,443,277	20.31
3%-10% <sup>(2)</sup>	3	680,861,792	17.00
2%-3%			
1%-2%	7	406,360,994	10.15
0.5%-1%	9	271,287,295	6.77
0.3%-0.5%	14	208,487,474	5.21
0.1%-0.3%	44	300,548,130	7.51
≤ 0,1%	269,371	948,718,920	23.69
Own shares at the dividend date		244,488,113	6.11
Other	n.a.	130,263,881	3.25
<b>Total</b>	<b>269,449</b>	<b>4,004,459,876</b>	<b>100.00</b>

(1) At the dividend payment date, 23 June 2005 (ex-dividend date was 20 June 2005).

(2) Shareholders Banca d'Intermediazione Mobiliare Imi and Banca Primavera informed that they reduced their interests below the 2% threshold (from 3.60 to 1.50% and from 3.41 to 0.48%, respectively).

## Special powers of the State - golden share

Under article 6.1 of Eni's by-laws only the Italian State can hold shares representing more than 3% of Eni's share capital. When this limit is exceeded, exceeding shares do not entail voting rights.

Eni's by-laws in article 6.1, modified by the Board of Directors in its meeting of 15 April 2005, attribute to the Minister for Economy and Finance, in agreement with the Minister of Productive Activities, the following special powers to be used in compliance with the criteria indicated in the Decree of the President of the Council of Ministers of 10 June 2004: (a) opposition to the acquisition of material interests representing 3% of the share capital of Eni SpA having the right to vote at ordinary Shareholders' Meetings. This must be communicated, if the transaction is considered of prejudice to vital interests of the State, at least ten days after the communication that Eni's directors are expected to make to the Minister when the new shareholder is entered in the record; (b) opposition to shareholders' agreements or other arrangements (as defined by article 122 of Legislative Decree No. 58 of 24 February 1998) involving 3% or more of the share capital of Eni SpA having the right to vote at ordinary Shareholders' Meetings; (c) veto power – duly motivated by the case of prejudice to the interests of the State – with respect to shareholders' resolutions to dissolve Eni SpA, to cause a transfer, merger or demerger, to transfer the registered office of Eni SpA outside Italy, to change the corporate purposes or to amend or modify any of the special powers described in this section; (d) appointment of a Board member without voting right.

Law No. 266 of 23 December 2005 (Budget Law) in article 1 paragraphs from 381 to 384 in order to favor the process of privatization and the diffusion of investments in companies held also by the State, introduced the option to include in the by-laws of companies formerly owned by the State, as Eni SpA, regulations against takeovers, which in particular provide for the issue of shares and financial instruments also at nominal value with the right to vote at ordinary and extraordinary Shareholders' Meetings in favor of one or more shareholders identified also in terms of the number of shares held. The introduction of these norms, also subject to approval by the EU, will cause the cancellation of the above mentioned special powers of the State contained in article 6.2 of Eni's By-laws.

## Law on the protection of savings

As concerns corporate governance aspects, the law on the protection of savings in force from 12 January 2006 among other things:

- sets new independence and honorability requirements for directors of listed companies;
- introduces the list vote for the election of directors as a protection of minority shareholders and delegates to Consob the power to regulate the appointment of a statutory auditor by minority shareholders. The law states that shareholders representing at least 2.5% of share capital can present a list. Eni's by-laws establish the list vote for directors and statutory auditors and set this threshold at 1% of share capital;
- delegates to Consob the determination of the limits to the number of memberships of Boards of Directors and Boards of Statutory Auditors that directors and

- auditors of listed companies can hold in other listed companies;
- states that the chairman of the Board of Statutory Auditors must be elected among the candidates of the minority list. Eni's by-laws will be amended to implement this new rule;
  - introduces the function of a "Manager responsible for the preparation of financial reporting documents" subject to authorization of the Board of Statutory Auditors to be appointed in accordance with the company's by-laws, that must be amended within twelve months from the entry into force of the law.

## Internal controls

Eni is aware that financial information plays a crucial role in the functioning of capital markets and in the creation and maintenance of satisfying relationships between the company and its increasingly wide area of stakeholders. Eni is also aware that investors' trust in listed companies is one of the essential elements for the functioning of global economy. Investors must be able to rely on the absolute moral integrity of the persons responsible of key positions in companies and on their respect of corporate codes of conduct, procedures and rules.

Eni's Code of Conduct identifies the fundamental values for the deployment of its activities in the completeness and transparency of information, the formal and substantial legitimacy of behavior of its employees at any organizational level and the clarity and truthfulness of its accounting, in accordance with laws and regulations in force.

As concerns internal controls, Eni's policy consists in disseminating at all levels a culture characterized by the awareness of the existence of controls and a control oriented mentality. Employees must have a positive attitude towards controls since the latter provide a positive contribution to the improvement of efficiency. The responsibility for establishing an efficient system of internal controls is shared by all levels of the organization, therefore all Eni employees in the functions they perform are responsible for the definition and proper functioning of controls. Within their competence, all managers must be part of corporate control systems and are expected to inform their employees. The Code of Conduct also states that accounting transparency is based on the truthfulness,

accuracy and completeness of the information contained in official records that must reflect the supporting materials, easily traceable and ordered according to logical methods, that favor the identification reconstruction of transactions. The internal audit function and external auditors have free access to data, documents and information required for the performance of audit tasks.

Eni's internal control system on financial information has been designed with the aim of providing investors and markets with truthful, complete and timely information. The Board of Directors determines the guidelines for the internal audit process and verifies the adequacy and functioning of the management of major corporate risks. In performing these tasks, the Board of Directors is assisted by the Internal Control Committee; in particular the regulation of the Internal Control Committee states that the Committee assists "the Board in the performance of the tasks related to: (i) defining the guidelines for the company's internal control systems; (ii) periodically checking their effectiveness and proper working; (iii) controlling that the main risks are recognized and managed properly".

As concerns the "administrative and accounting procedures for the preparation of statutory and consolidated financial statements and any other form of financial reporting" that is to be prepared by the "Manager in charge of the preparation of financial reporting documents" according to art. 154 bis of Legislative Decree 58/1998 included in the law on the protection of savings, Eni already approved regulations for the preparation of financial statements of Group companies and the collection of information necessary for quarterly and yearly reports in accordance with generally accepted accounting standards, ensuring also uniformity of behavior, an essential element for the provision of proper information on the Group.

These procedures concern in particular: (i) the Group's general accounting plan, which includes also statutory and reclassified tables<sup>4</sup> (profit and loss account, balance sheet, statements of cash flows) and tables connecting each account to a single line item in the aforementioned tables; (ii) Group norms for the preparation of annually and quarterly consolidated financial statements which define: (a) principles of consolidation; (b) scope of consolidation; (c) criteria for recognition of assets, liabilities, revenues and

(4) Summarized tables are used in the directors' operating and financial reviews.

expenses; (d) statements of profit and loss account, balance sheet and cash flow; (e) principles for the preparation of the directors' report and notes to the financial statements; (f) principles for the preparation of financial statements on Form 20-F<sup>5</sup>; (g) principles for the preparation of quarterly reports.

Group norms are published in a section of Eni's intranet site called Lince, which contains all these norms and guidelines on administrative, financial, fiscal, and corporate matters and is accessible to most Eni employees.

Quarterly reports and consolidated financial statements are prepared by means of the unified integrated reporting system MASTRO (Management and Statutory Reporting Object) which represents the information platform for Eni companies included in consolidation. The system is provided with safety measures and automatic controls that ensure consistency of information input by individual companies and at Group level.

From 2003 Eni implemented a comprehensive project for monitoring and updating its control on financial reporting in order to check its compliance with the norms of Section 404 of the Sarbanes-Oxley Act applicable to Eni as foreign private issuer in force from 2006. This deadline has been considered as an opportunity for improving the existing system and within this process Eni published a regulation on disclosures controls and procedures.

A relevant role in Eni's internal control system is played by the Internal Audit function, directly reporting to the CEO<sup>6</sup>.

Among the tasks entrusted to the internal audit function are: (i) updating the risk assessment system in order to plan auditing, control and monitoring activities as defined by the "Model for organization, management and control according to Legislative Decree No. 231/2001"; (ii) implementing the auditing and monitoring plan and performing any required activities not included in the plan; (iii) keeping proper relations and information flows with the Internal Control Committee and the Board of Statutory Auditors; (iv) performing the necessary activities for the appointment of external auditors, (v) keeping relations with external auditors.

The Internal Control Committee and the Board of Statutory Auditors evaluate the auditing plan and the results of auditing activities. The watch structure created under Legislative Decree No. 231/2001 approves the auditing plan and evaluates the results of auditing activities.

## Legislative Decree No. 231/2001

In the meetings of 15 December 2003 and 28 January 2004 the Board of Directors approved a "Model for organization, management and control according to Legislative Decree No. 231/2001" which defines and regulates the administrative responsibility of persons, companies and partnerships, according to article 11 of Law No. 300 of 29 September 2000 and established a watch structure. The principles of the "231 model" are published on Eni's internet site. The criteria for the preparation of this model are those included in a guidebook prepared by Confindustria. The model was transmitted to all Group companies for application.

## Investor relations and information processing

In concert with the launch of its privatization process, Eni adopted a communication policy, confirmed by the Code of Conduct, aimed at promoting an ongoing dialogue with institutional investors, shareholders and the markets to ensure systematic dissemination of exhaustive complete, transparent, selective and prompt information on its activities, with the sole limitation imposed by the confidential nature of certain information. Information made available to investors, markets and the press is provided in the form of press releases, regular meetings with institutional investors and the financial community and the press, in addition to general documentation released and constantly updated on Eni's internet site. Investor and shareholder relations are handled by special Eni functions. Relations with investors and financial analysts are held by the Investor Relations office. Information is available on Eni's web site and can be requested to the investor.relations@eni.it mailbox.

(5) Eni shares in the form of ADRs are listed at the New York Stock Exchange, that requires Eni to file Form 20-F with the SEC. In this form the company has to prepare financial statements in accordance with accounting principles generally accepted in the United States. For facilitating comparisons Eni also includes this information in the notes to its consolidated financial statements.

(6) Until 30 June 2005, this function reported directly to the Chairman. The Chairman and the CEO jointly supervise this activity and make decisions related to the appointment of the manager responsible for this function and his direct collaborators.

Relations with the press are held by the Relations with the press unit.

Relations with shareholders are held by the Corporate Secretary office. Information is available on Eni's web site and can be requested to the [segreteria.societaria.azionisti@eni.it](mailto:segreteria.societaria.azionisti@eni.it) mailbox and the toll-free number 800940924 (Outside Italy 80011223456).

Information regarding periodic reports and major events/transactions is promptly released to the public, also through the internet site. A specific section of Eni's site contains all press releases, procedures concerning corporate governance, presentations provided in meetings with the press and financial analysts, notices to shareholders and bond holders and information concerning shareholders' and bond holders' meetings, including proceeds thereof.

Documents available to the public free of charge are mailed on request.

On 28 February 2006, Eni's Board of Directors updated the "Procedure for the disclosure of information to the market concerning Group activities" approved on 18 December 2002 and published on Eni's internet site.

The procedure acknowledges Consob guidelines and the "Guidelines for information to the market" issued in June 2002 by the Ref Forum on company information and those included in the laws implementing the European directive on market abuse, defines the requirements for disclosure to the public of price sensitive events (materiality, clarity, homogeneity, information symmetry, consistency and timeliness) and the information flows for acquiring data from Group companies and providing adequate and timely information to the Board and the market on price sensitive events. It also contains sanctions applied in case of violation of its rules in accordance with the crimes identified and sanctioned by the new law on the protection of savings.

Eni's Code of Conduct defines confidentiality duties upheld by Group employees relating to the treatment of sensitive information.

## Internal dealing

On 28 February 2006 the Board of Directors approved a procedure concerning the creation and updating a register of persons with a right to access privileged information at Eni, as provided for by art. 115 of Legislative Decree No. 58 of 24 February 1998 which states that "listed issuing companies and the subjects who have a control relation with them, or acting in their name, must establish and regularly update a register of

the persons that, due to their professional activity or functions performed have access to information as described in article 114 (privileged information)". The procedure implementing Consob Decision No. 11971/1999, as amended, defines: (i) terms and procedures for the recording and possible cancellation of the persons that, due to their professional activity or functions performed on behalf of Eni, have access to privileged information; (ii) terms and procedures of information of said persons of their recording or cancellation and relevant reasons. The procedure is in force from 1 April 2006.

In the same meeting the Board approved the "Internal dealing procedure" for the identification of relevant persons and the communication of transactions involving financial instruments issued by Eni SpA and its listed subsidiaries, which substitutes the Internal Dealing Code approved by the Board on 18 December 2002.

The procedure implements the provisions of article 114, paragraph 7 of Legislative Decree No. 58 of 24 February 1998 which states that "subjects performing administration, control or management activities for a listed issuer and managers having regular access to privileged information as per paragraph 1 and having the power to make operating decisions that can affect the development and future situation of the issuer and whoever holds shares corresponding to at least 10% of the company's share capital and any other person controlling the issuer are obliged to inform Consob and the market of any transaction involving financial instruments issued by the issuer, also when performed by others on their behalf. This communication is due also by spouses not legally separated, children, parents, relatives living with the subject and in the other cases indicated by Consob in implementation of Directive 2004/72/CE of the European Commission. Eni's procedure: (i) identifies relevant persons; (ii) defines the transactions involving financial instruments issued by Eni SpA; (iii) determines the terms and conditions for the disclosure to the public of such information; (iv) reports the sanctions introduced by the law for the case of non compliance. The procedure in force from 1 April 2006 is published on Eni's internet site.

## Transactions with related parties

In the ordinary course of its business, Eni enters into transactions concerning the exchange of goods, provision of services and financing with related parties as defined by IAS 24. These include non consolidated



subsidiaries and affiliates as well other companies owned or controlled by the Italian Government. All such transactions are conducted on an arm's length basis and in the interest of Eni companies. Directors, general managers, managers with strategic responsibilities disclose every six months any transactions with Eni SpA and its subsidiaries that require disclosure under IAS 24.

Amounts and types of trade and financial transactions with related parties are described in Note 32 to the consolidated Financial Statements.

Follow the tables included in the "Handbook for the preparation of the report on corporate governance" issued by Assonime and Emittente Titoli SpA in March, 2004.

## Structure of the Board of Directors and its Committees

Members	Board of Directors					Internal Control Committee		Compensation Committee		International Oil Committee	
	executive	non executive	independent	% attendance <sup>(1)</sup>	other appointments <sup>(2)</sup>	members	% attendance <sup>(1)</sup>	members	% attendance <sup>(1)</sup>	members	% attendance <sup>(1)</sup>
<b>Chairman</b>											
Roberto Poli		X	X	100	6			X <sup>(3)</sup>	100		
<b>CEO</b>											
Paolo Scaroni	01.06-31.12	X		100	5					X	100
Vittorio Mincato	01.01-27.05	X		100						X	100
<b>Directors</b>											
Alberto Clô <sup>(*)</sup>		X	X	86	4	X	79			X	100
Renzo Costi <sup>(*)</sup>		X	X	71		X	71	X <sup>(4)</sup>	83		
Dario Fruscio		X	X	71						X	100
Marco Pinto	28.05-31.12	X		100		X	86	X	100		
Marco Reboa <sup>(*)</sup>	28.05-31.12	X	X	92	7	X	100			X	100
Mario Resca		X	X	81	3			X	100		
Pierluigi Scibetta	28.05-31.12	X	X	100	1	X	100	X	100		
Mario Giuseppe Cattaneo <sup>(*)</sup>	01.01-27.05	X	X	88		X	100				
Guglielmo Moscato	01.01-27.05	X	X	88		X	100			X	100
Number of meetings in 2005		21				14		7		3	
01.01-27.05		8				7		2		2	
28.05-31.12		13				7		5		1	

(\*) Designated by the minority list.

(1) For the directors appointed by the Shareholders' Meeting of 27 May 2005, the percentage was determined based on the numbers of meetings held during membership.

(2) Appointments as director or statutory auditor in other listed companies, also outside Italy.

(3) From 1 January to 27 May.

(4) From 1 January to 27 May and from 14 June to 31 December.

The Code suggests the creation of a "Nomination Committee" in the companies with shares held widely by the public, especially when the Board notices that shareholders find it difficult to prepare proposals for appointments. This committee has not been formed in consideration of the shareholding characteristics of Eni and of the fact that Directors are appointed on the basis of candidate lists submitted by shareholders or by the Board of Directors.

## Board of Statutory Auditors

Members		% attendance <sup>(1)</sup> Meetings of the Board of Directors	% attendance <sup>(1)</sup> Meetings of the Board of Statutory Auditors	Number of other appointments <sup>(2)</sup>
<b>Chairman</b>				
Paolo Andrea Colombo <sup>(3)</sup>		90.4	91	8
Andrea Monorchio	01.01-27.05	87.5	78	
<b>Auditors</b>				
Filippo Duodo		90.4	82	1
Edoardo Grisolia	28.05-31.12	69.2	69	
Riccardo Perotta <sup>(*)</sup>		85.7	91	3
Giorgio Silva <sup>(*)</sup>	28.05-31.12	100.0	77	
Luigi Biscozzi <sup>(*)</sup>	01.01-27.05	87.5	78	
Number of meetings in 2005		21	22	
01.01-27.05		8	9	
28.05-31.12		13	13	

(\*) Designated by the minority list.

(1) For the auditors appointed by the Shareholders' Meeting of 27 May 2005, the percentage was determined based on the numbers of meetings held during membership.

(2) Appointments as director or statutory auditor in other listed companies.

(3) Chairman from 28 May 2005, formerly statutory auditor.

For presenting a list, the shareholder or group of shareholders must hold at least 1% of voting shares in an ordinary shareholders' meeting.

### Other information to be disclosed under the Self-discipline Code

	Yes	No
<b>System of delegated powers and transactions with related parties</b>		
The Board of Directors delegated powers defining		
a) limitations	X	
b) exercise	X	
c) periodicity of information	X	
The Board of Directors reserved examination and approval of relevant transactions (including transactions with related parties)	X	
The Board of Directors defined guidelines for identifying relevant transactions	X	
Such guidelines are described in the report	X	
The Board of Directors defined procedures for examination and approval of transactions with related parties		X (*)
Such procedures are described in the report		X (*)
<b>Procedures for the latest appointment of Directors and Statutory Auditors</b>		
Lists of candidate directors were deposited at least 10 before the date set for appointment	X	
Lists were accompanied by sufficient information on candidates	X	
Candidates to the role of director disclosed information that qualified them as independent	X	
Lists of candidate auditors were deposited at least 10 before the date set for appointment	X	
Lists were accompanied by sufficient information on candidates	X	
<b>Meetings</b>		
The company approved regulations of meetings	X	
The regulations are attached to the report (indication of where to find it online is provided)	X	
<b>Internal Control</b>		
The company appointed persons responsible for internal control	X	
Such persons do not report to managers of operating divisions	X	
Internal office responsible of internal control (art. 9.3 of the code)		Internal Audit
<b>Investor relations</b>		
The company appointed an investor relations manager	X	
Information on investor relations manager (telephone, address, e-mail) and unit		Investor Relations (**)

(\*) Procedures will be prepared after the publication by Consob of the general principles as per art. 2391 bis of the Civil Code introduced by Legislative Decree No. 310 of December 28, 2004.

(\*\*) Eni SpA - Piazza Vanoni, 1 - San Donato Milanese (Milan) 20097 Italy - Tel. 02 52051651 - Fax 02 52031929.