

# Corporate Governance

## Code of Conduct

The Board of Directors of Eni 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 ensure that others observe them.

The belief of working for the advantage of Eni is not a justification for behaviours 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 on Eni's website [www.eni.it](http://www.eni.it).

## Self-discipline Code

In its meeting of January 20, 2000, Eni's Board of Directors resolved to adopt the first "Self-discipline Code of Listed Companies" published by Borsa Italiana S.p.A. and 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 its meeting of December 13, 2006, the Board of Directors decided to conform to the Code of Conduct

for listed companies, as issued by Borsa Italiana in March 2006 ("Borsa Italiana Code") by adopting an Eni Code (the "Code"). The Eni Code is based on the Borsa Italiana Code and adapts certain recommendations of the Borsa Italiana Code to the specific circumstances of Eni, clarifying certain others which resulted in a further improvement of Eni's corporate governance. The aim of the Code is to clearly and fully disclose Eni's corporate governance system.

The Code takes into consideration the fact that Eni is a parent company, is not controlled by any other company and – in the light of the recent provisions of the companies law reform – is not subject to direction and co-ordination by any Italian or foreign entity (company or body); hence, all the principles expounded in the Borsa Italiana Code not consistent with this status have been adjusted to avoid misunderstanding among Eni's shareholders and stakeholders.

Similarly, the By-Laws currently in force foresee a traditional administration and control model (removing the possibility to adopt a one-tier or a two-tier model of management and control system as foreseen in the Borsa Italiana Code), the separation of the positions held by the Chairman and the CEO (making the appointment of a lead independent director unnecessary), and specific rules on the appointment and composition of the Board of Directors and of the Board of Statutory Auditors.

The Eni Code directly makes specific choices where the Borsa Italiana Code leaves this option to listed companies, making further amendments unnecessary and guaranteeing more transparency and

understanding (*i.e.*, the choice not to re-allocate or modify the Board's internal committees functions, the choice to entrust internal control responsibilities to only one managerial position, to require the internal control manager to refer to the CEO and the choice not to entrust internal auditing activities to third parties).

Certain principles regarding Shareholders' Meeting's duties proposed by the Borsa Italiana Code were merely indicated or suggested by the Board of Directors that cannot impose decisions to the Shareholder's Meeting. All this notwithstanding, the Board is committed to ensure that the Shareholders and the Shareholders' Meeting focus a fair deal of attention on such issues, or otherwise promote integrations to Eni By-laws. Certain generic recommendations of the Borsa Italiana Code have been specified in the Eni Code, in particular criteria regarding the independence of directors by clearly wording the definition of "supplementary remuneration", which jeopardizes the independence requirement, and the meaning of "close relatives".

The Eni Code establishes certain principles that enhance the level of governance suggested by the Borsa Italiana Code; in particular:

- the directors have adopted a guideline which takes into consideration the interests of all stakeholders when pursuing the objective of creating value for the Company's shareholders;
- the minimum frequency of the information to be supplied to the Board of Directors by the directors holding proxies has been reduced to two months as compared with the minimum three-month period envisaged by the Borsa Italiana Code;
- the Board's self-evaluation can be performed with the support of a specialized external consultant, to ensure its objectiveness;
- directors and auditors shall hold their positions only as long as they deem to be able to devote the necessary time to diligently perform their duties;
- the number of members of Board committees shall be lower than the majority of Board members in order not to interfere with the Board's decision-making process;
- the Internal Control Committee's opinion on corporate rules has been introduced, ensuring that all transactions carried out with related parties and transactions in which a director has an interest, are performed in a transparent way and according to the criteria of substantial and procedural fairness;
- the proposal of appointment of the manager delegated to internal control to the Board of Directors is drafted by the CEO, in agreement with the Chairman;

- at least two members of the Internal Control Committee must have adequate experience in accounting and finance (the Borsa Italiana Code foresees only one member with these skills).

The Board of Statutory Auditors was invited to expressly agree to the provisions of the Borsa Italiana Code on the Board of Statutory Auditors, and promptly adhered during their December 13, 2006 meeting.

In its meeting of December 13, 2006, the Board of Directors approved several rules regarding the implementation and specifying the provisions of the Code; in particular:

- the tasks of the Board of Directors have been redefined: the Board maintains an absolute central role in Eni's corporate governance system, with wide responsibilities that cover also Eni and its subsidiaries' organization;
- the most important transactions of Eni and its subsidiaries, that require the approval of the Board of Directors, have been defined;
- the Board of Directors has a central role in defining sustainability policies and approving the sustainability report submitted also to the Shareholders' Meeting;
- the subsidiaries with strategic relevance have been identified;
- the Board of Directors has expressed its position on the admissible maximum number of positions in other companies that can be held by Eni's directors to ensure a sufficient amount of time for the effective performance of their duties;
- the principle of the respect of managerial autonomy of subsidiaries that are also listed on a regulated market (as Saipem and Snam Rete Gas) has been expressly stated as well as Eni's commitment to observing such principles as defined in the Borsa Italiana Code regarding persons holding significant positions in the share capital of listed companies.

In its meeting of March 16, 2007, the Board of Directors implementing the prescriptions of the Code and with the positive opinion of the Internal Control Committee, entrusted the Internal Audit Manager as manager delegated for the Internal control.

In its meeting of March 29, 2007, the Board of Directors approved changes in the regulations regarding the functioning and the tasks of the Internal Control Committee and the Compensation Committee, to align them to the prescriptions of the Eni Code.

\* \* \*

Eni's corporate governance model, therefore, complies with the provisions of the Borsa Italiana Code and foresees certain provisions intended to improve the level of corporate governance. In relation to the compliance with the recommendations of the Code, the only items still to be implemented, but currently under realization, deal essentially with:

- the editing of a procedure for transactions with related parties, waiting for the issuing of general principles which Article 2391-bis of the Civil Code assigns to Consob. Pending the publication of such rules by Consob, Eni's internal rules provide that transactions with related parties are submitted to the Board of Directors, even when amounting to less than the materiality threshold set for the transactions to be approved by the Board;
- the alignment of the number of members of Board Committees which, as foreseen by the Eni Code, should not represent the majority of Board's members.

Eni's Code of Conduct has been published on Eni's website. The "Comment" present in the Borsa Italiana Code has not been included, in order to not lengthen the document, Eni took it into account in the implementation of principles and criteria.

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In accordance with the requirements and indications of Borsa Italiana S.p.A., in particular, the "Guidelines for the preparation of the yearly report on corporate governance" of February 12, 2003, follows information on Eni's corporate governance system. The "Guide to the preparation of the report on corporate governance" published by Assonime and Emittenti Titoli S.p.A. in March 2004 has also been taken into account in preparing this report.

## Eni's organizational structure

Eni's organizational structure follows the traditional model of companies in which management is entrusted exclusively 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.

According to Article 25 of Eni's By-laws, the Chairman and the CEO represent the company. The Board of Directors established committees with consulting and proposing functions.

## The Board of Directors

### Competencies

On June 1, 2005, the Board of Directors appointed Mr. Paolo Scaroni as Chief Executive Officer and delegated all necessary powers for the administration of the Company to him, with the exception of those powers that cannot be delegated in accordance with current legislation (Article 2381 of the Italian Civil Code) and those retained by the Board of Directors (as amended by the Board of Directors in its meeting on October 11, 2005).

As mentioned above, in its meeting of December 13, 2006, the Board of Directors modified these resolutions in order to update their contents to the Code's prescriptions, implement a more effective coordination with the By-laws and entrust the Board of Directors with a central role in the Group's sustainability policies.

The Board, in accordance to these rules, retained the following powers, in addition to those that cannot be delegated under applicable laws:

1. Establishes the Company and Group Corporate Governance system and rules. In particular, after consulting the Internal Control Committee, the Board approves the rules that ensure the substantial and procedural transparency and correctness of the transactions carried out with related parties and those in which a director holds an interest, on his behalf or on behalf of third parties. The Board adopts a procedure for the management and disclosure to third parties of documents and information concerning the Company, having special regard to price sensitive information.
2. Establishes among its members one or more committees with proposing and consulting functions, appoints their members, establishes their responsibilities, determines their compensation and approves their regulations.
3. Appoints and revokes the powers of the Chief Executive Officer and the Chairman; establishes the terms, limits and operating methods of the exercise of such powers and determines the compensation related to the powers, on the basis of proposals from the Compensation Committee and after consulting the Board of Statutory Auditors. The Board may issue instructions to the Chief Executive Officer and the Chairman and reserve to itself any operations that pertain to its powers.
4. Establishes the guidelines of the organizational, administrative and accounting structure of the Company, of the most important controlled subsidiaries and of the Group; evaluates the adequacy of the organizational, administrative and accounting structure set up by the Chief Executive Officer in particular with regard to the management of conflicts of interest.

5. Establishes, in particular, based on the recommendations of the Internal Control Committee, the guidelines of the internal control system, in order to ensure the identification, measurement, management and monitoring of the main risks faced by the Company and its subsidiaries. Evaluates the adequacy, effectiveness and effective functioning of the internal control system managed by the Chief Executive Officer on an annual basis.
  6. Establishes, based on the recommendation of the Chief Executive Officer, Company and Group strategies and objectives, including sustainability policies. Examines and approves the Company's and Group's strategic, operational and financial plans and the strategic agreements to be signed by the Company.
  7. Examines and approves annual budgets for Eni's Divisions and the Company, as well as the Group's consolidated budget.
  8. Evaluates and approves interim quarterly and half-yearly reports, as per current regulations. Evaluates and approves the sustainability report, submitted also to the Shareholders' Meeting.
  9. Receives from Board members with powers, at every Board meeting or at least every two months, reports informing the Board of activities carried out in exercising the powers attributed as well as updates on activities carried out by the Group and on atypical or unusual transactions or transactions with related parties that were not previously submitted to the evaluation and approval of the Board.
  10. Receives half-year updates on the Board Committees' activities.
  11. Evaluates the general performance of the company and the Group, on the basis of information received from Board members with powers, with particular attention to situations of conflicts of interest and compares results achieved - as contained in the annual report and interim financial statements, as per current regulations - with the budget.
  12. Evaluates and approves any transaction executed by the Company and its subsidiaries that have a significant economic, patrimonial and/or financial impact, with particular attention to situations in which Board members hold an interest on their own behalf or on behalf of third parties, and to related parties transactions. The Board ensures the principle of operational autonomy with specific regard to the listed companies of the Eni Group.
- Transactions with a significant economic, patrimonial and/or financial impact include the following:
- a) acquisition and sale of shares, companies, branches of companies, and properties, capital contributions in kind, mergers and de-mergers exceeding €50 million, notwithstanding Article 23.2 of the By-laws;
  - b) investments in fixed assets exceeding €100 million, or less if of particular strategic importance or particularly risky;
  - c) any exploration initiatives and portfolio operations in the E&P sector in new areas;
  - d) sale and purchase of goods and services other than investments, for an amount exceeding €1 billion or a duration exceeding twenty years;
  - e) financing to non-controlled companies: i) for amounts exceeding €50 million or, ii) in any case, if the amount is not proportionate to the interest held;
  - f) issuing by the Company of personal and real guarantees to non-controlled companies: i) for amounts exceeding €200 million, if in the interest of the Company or of Eni subsidiaries, or ii) in any case, if the guarantees are issued in the interest of non-controlled companies and the amount is not proportionate to the interest held. In order to issue the guarantees indicated in section i) of letter f), if the amount is between €100 million and €200 million, the Board confers powers to the Chief Executive Officer and the Chairman, to be exercised jointly in case of urgency.
13. Appoints and revokes, on recommendation of the Chief Executive Officer and in agreement with the Chairman, the General Managers of Divisions and attributes powers to them.
  14. Appoints and revokes, on recommendation of the Chief Executive Officer and in agreement with the Chairman, and with the approval of the Board of Statutory Auditors, the Manager charged with preparing the Company's financial reports as per Legislative Decree No. 58/1998 delegating to him adequate powers and resources.
  15. Appoints and revokes, on recommendation of the Chief Executive Officer and in agreement with the Chairman, after consulting the Internal Control Committee, the person in charge of internal control and determines his/her compensation in line with the Company's remuneration policies.
  16. Ensures a person is identified as responsible for handling the relationships with the Shareholders.
  17. Establishes, on the basis of the proposals received from the Compensation Committee, the criteria for top management compensation and implements the stock incentive plans approved by the Shareholders' Meeting.

18. Examines and decides on proposals submitted by the Chief Executive Officer with respect to voting powers and to the appointment of members of the management and control bodies of the most important controlled subsidiaries. With specific regard to the shareholders' meetings of listed companies of the Eni Group, the Board ensures the observance of the Corporate Governance Rules regarding the shareholders' meetings.
19. Prepares the proposals to be submitted to the Shareholders' Meetings.
20. Examines and resolves on other matters that the Chief Executive Officer deems appropriate to submit to the Board because of their importance and sensitivity.

Pursuant to Article 23.2 of the By-laws, the Board resolves on: mergers by incorporation and proportional demergers of at least 90% directly owned subsidiaries; establishment and winding up of branches; amendments to the By-laws in order to comply with applicable legislation.

On June 1, 2005, the Board of Directors entrusted the Chairman with powers to conduct strategic international relations, pursuant to Article 23.1 of Eni's By-laws.

In accordance with Article 27 of Eni's By-laws, the Chairman chairs Shareholders' Meetings and oversees the implementation of decisions made by it.

### Appointment

In accordance with Article 17 of Eni's By-laws, the Board of Directors is made up of three to nine 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 Economic Development, may appoint one member of the Board without voting rights in addition to those appointed by the Shareholders' Meeting.

The Minister for Economy and Finance chose not to appoint such member.

The Board of Directors presently in office is made up of nine members appointed by the Shareholders' Meeting of May 27, 2005, for a three-year term; their mandate expires with the Meeting convened to approve financial statements for fiscal year 2007.

The appointment of the Board of Directors calls for a list vote.

Shareholders representing at least 1% of voting shares, alone or together with other shareholders, and the Board of Directors have the right to present lists for the appointment of directors. Each shareholder can present or participate in presenting only one list.

Companies controlling a shareholder and companies controlled by the same entity are forbidden from presenting or otherwise concurring to the presentation of additional lists.

Lists are to be filed 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 in national newspapers. Lists must include statements in which each candidate attests the possession of the honorability and independence requirements as provided for by the applicable legislation and Eni's By-laws. A professional curriculum of each candidate is recommended.

### 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.

Since June 1, 2006, the Secretary of the Board of Directors is Roberto Ulissi, the Group's senior vice president for Corporate Affairs and Governance.

### Positions held in other Boards

Based on information received, follows information on positions held in other Boards of Directors or Boards of Statutory Auditors of companies listed in regulated markets also outside Italy, financial, banking or insurance or large companies by members of Eni's Board of Directors. The professional curriculum of Directors is available on Eni's website.

#### ROBERTO POLI

Board member of Mondadori SpA, Fininvest SpA, Merloni Termosanitari SpA e G.D. SpA

#### PAOLO SCARONI

Board member of Il Sole 24 Ore and Il Teatro alla Scala. Member of the Supervisory Board of ABN AMRO Bank, Board member of the Columbia University's Business School and Veolia Environment (Paris)

#### ALBERTO CLÔ

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

RENZO COSTI

Board member of Editrice Il Mulino SpA

DARIO FRUSCIO

Chairman of Italia Turismo SpA

MARCO REBOA

Board member of Seat PG SpA, Interpump Group SpA, IMMSI SpA and, among others Intesa Private Banking SpA. Chairman of the Board of Statutory Auditors of Luxottica Group SpA

MARIO RESCA

Chairman of Italia Zuccheri SpA, Board member of Mondadori SpA, Special manager of the Cirio Del Monte Group, under special management

PIERLUIGI SCIBETTA

Board member of Nucleco SpA, Istituto Superiore per la Previdenza e la Sicurezza del Lavoro (I.S.P.E.S.L.), Gestore del Mercato Elettrico SpA and of Ente per le nuove tecnologie, l'energia e l'ambiente - ENEA.

#### **Board's opinion on the matter of the admissible number of positions held by directors in other companies**

In its meeting of December 13, 2006, the Board of Directors expressed its opinion on the matter of the admissible number of positions held by directors in other companies, as required by Eni's Self-discipline Code:

- an executive director should not hold: i) the position of executive director in any other Italian or foreign listed company, or in any finance, banking or insurance company or any company with a net equity exceeding €10 billion and ii) the position of non-executive director or statutory auditor (or member of any other advisory committee) in more than three of said companies;
- a non-executive director, should not hold further positions than the one held in Eni, as: i) executive director in more than one of the companies mentioned above and non-executive director or statutory auditor (or member of any other control body) in more than three of the mentioned companies, or as ii) non-executive director or statutory auditor in more than six of the mentioned companies.

All the positions held in Eni's subsidiaries are excluded for the purposes described above.

In case a director exceeds said limits in terms of positions held, he should timely inform the Board, who shall judge the situation taking into account the interest of the Company and call upon the interested director to make a decision on the matter.

On the basis of available information, Eni's directors comply with these limits on the number of positions held in other companies.

#### **Independence and honorability**

Legislative Decree No. 58 of February 24, 1998 (TUF), as amended by Legislative Decree No. 303 of December 29, 2006 states that at least two members in a Board composed by more than seven members must possess the independence requirements provided for Statutory Auditors of listed companies.

Article 17.3 of Eni's By-laws states that at least three Board members shall have the independence requirement, in case the Board is made up by more than five members. This rule actually increases the number of independent directors in Eni's Board. Eni's Code foresees further independence requirements, in line with the ones provided by the Borsa Italiana Code.

On February 22, 2007, Eni's Board of Directors, in accordance with the provisions of Eni's By-laws and Code, determined that six out of its nine members are independent, specifically: non-executive Directors Alberto Clô, Renzo Costi, Dario Fruscio, Marco Reboa, Mario Resca and Pierluigi Scibetta.

Renzo Costi was confirmed to be independent notwithstanding his permanence as board member for a period longer than nine years, due to the fact that he has been nominated by minority shareholders (specifically institutional investors) and has demonstrated ethical and professional qualities and independence when expressing his opinion during this period.

The Board of Statutory Auditors verified the proper application of criteria and procedures adopted by the Board to evaluate the independence of its members. In accordance with the TUF, implemented in Article 17.3 of the Eni's By-laws, the Directors and General Managers of listed companies shall possess the honorability requirements prescribed for statutory auditors.

On February 22, 2007, the Board of Directors verified that all its members possess the honorability requirements.

In accordance with Article 17.3 of Eni's By-laws, should the independence and honorability requirements be impaired or cease or the minimum number of independent Directors diminish below the threshold set by Eni's By-laws, the Board declares the termination of office of the member lacking said requirements and provides for his substitution.

#### **Meetings and functioning**

In 2006, the Board of Directors met 16 times (21 in 2005) for an average duration of three hours.

The general public is informed, with advance notice, of: (i) the dates of meetings convened for the approval of annual, semi-annual, preliminary and interim accounts; (ii) the dates of meetings convened to announce the amount of interim dividends and final dividends, and related ex-dividend and payment dates, and (iii) the dates of the general Shareholders' Meeting approving the annual financial statements.

The financial calendar is available on Eni's website. In its meeting of June 1, 2005, the Board of Directors defined the rules for the calling of its meetings; in particular, the Chairman convenes Board meetings, and, in agreement with the CEO, defines agenda items. Notice is sent to the Directors, Statutory Auditors and the Magistrate of the Court of Accounts, 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.

Board members, Statutory Auditors and the Magistrate of the Court of Accounts receive in advance adequate and thorough information on all issues subject to Board evaluation and resolutions, except when confidentiality is deemed necessary.

During meetings directors can meet managers of Eni and its subsidiaries in order to obtain information on specific matters of the agenda items.

In 2006, an average 85% of Board members participated to Board meetings and 84% of independent non-executive Board members.

In the attached table, the percentage of attendance of each member of the Board to the Board of Directors' and Board committees' meetings is presented.

On September 21, 2006, the Board of Directors' meeting was held on the Sabratha platform, off the Libyan coast, to allow non-executive directors to increase their knowledge on how Eni's businesses operate.

Until this date, non-executive and independent members have always met in presence of the other members of the Board; Eni's By-laws allow them to decide whether it is necessary to hold meetings attended exclusively by non-executive and independent members.

### **Board self evaluation**

The Board of Directors performed its first evaluation of size, composition and functioning of the Board itself, in accordance with Eni's and Borsa Italiana Codes.

In accordance with Eni's Code, the Board of Directors has received support by a specialized consulting firm, Egon Zehnder, to guarantee the objectiveness of its evaluations.

Egon Zehnder's work was focused on: a) gaining insight on the level of functioning and efficiency of the Board;

b) identifying areas of improvement or weakness in the functionality and efficiency of the Board. Consultants performed an in-depth interview of each member and analyzed the quantitative and qualitative aspects of all the information obtained.

The results of the interviews performed by Egon Zehnder were presented to the Board of Directors, being present the Board of Statutory Auditors. In its meeting of February 22, 2007, the Board reviewed the findings of the consultant and judged the size, composition and functioning of the Board and of the committees of the Board to be substantially positive. This conclusion is shared by the consultant.

The main qualifying items underlined by the Board of Directors are: the open and direct discussion during the meetings; the respect for the contribution of each member; a constructive approach on part of all Board members to reach consensual solutions; the completeness, transparency and timeliness of information prepared by the CEO for Board meetings, and of explanations provided by the CEO during the meetings in order to allow the Board to perform its role being well informed and aware of the issues on the agenda.

All Directors have agreed on the personal contribution of each member to the optimization of the reviews made by the Board, thus allowing the Board to fully benefit from the different skills and professional backgrounds of each member, resulting in a more informed and consensual influence on the resolutions of the Board.

The Directors also agreed upon holding informal meetings to gain more insight on specific managerial and business matters, in order to better perform assigned duties.

### **Remuneration**

Board members' emoluments are determined by the Shareholders' Meeting, while the emoluments of the Chairman and CEO, in relation to the powers attributed to them, are determined by the Board of Directors, based on proposals of the Compensation Committee and after consultation with the Board of Statutory Auditors.

On May 27, 2005 the Shareholders' Meeting resolved to determine the annual emolument of the Chairman in €265,000 and of Board members in €115,000. It also resolved a bonus up to a maximum of €80,000 for the Chairman and €20,000 for each Board member. The amount of the bonus is determined in accordance with the performance of Eni shares in the reference year as compared with the performance of the seven largest international oil companies for market capitalization.

The share performance takes account of the dividend paid. Said bonus amounts to €80,000 or €40,000, and €20,000 or €10,000 for the Chairman and each Board member, respectively, depending on whether the performance of Eni shares is rated first or second, or third or fourth in the reference year, respectively. No bonus is paid in case Eni scores a position lower than the fourth one.

In the meeting of June 21, 2006, the Board verified that Eni rated third in the mentioned positioning in 2005. In the meeting of July 27, 2006, the Board of Directors, as proposed by the Compensation Committee and advised by the Board of Statutory Auditors, determined an additional element of remuneration for the Board members holding positions in Board's committees, with the exclusion of the Chairman and CEO. Said fee amounts to €30,000, and €20,000 for the position of chairman of a committee and of member of a committee, respectively. This amount decreases to €27,000 and €18,000 in case a member holds positions in more than one committee.

The remuneration of the Chairman is made up of both a fixed emolument and a variable part in relation to the powers delegated to him by the Board.

The remuneration of the CEO, the general managers and other managers with strategic responsibilities<sup>1</sup> is made up by a salary, a bonus, and a long term incentive. The CEO also earns a fixed emolument and a variable part in relation to the powers delegated to him by the Board.

The salary of the three General Managers of Eni divisions and of other key managers is defined considering the position held and their specific responsibilities, taking into account the compensation level adopted by domestic and worldwide companies (in oil and gas, industrial and service sectors) and aligning it on a yearly base considering individual performance and career progression.

The variable part of the remuneration is paid yearly, based on the achievement of specific financial, operational and strategic targets and of individual performance goals pertaining to each business or functional unit. The variable part of the Chairman's and CEO's remuneration is determined based on the achievement of specific company objectives.

The variable part paid in 2006 was determined based on the achievement of Eni's target for 2005 as approved by the Board of Directors on proposal of the Compensation Committee and defined consistently

with the targets of the strategic plan and yearly budget. Said targets included a set level of cash flow from operations (with a 40% weight), profitability (30%) and divisional operating performance (30%). Results achieved have been assessed assuming a constant trading environment and have been verified by the Compensation Committee and approved by the Board of Directors. Based on these results, a variable amount equal to 125% of the target level was determined, within an interval ranging from 85% to 130% of said target level.

In March 2006, the Board of Directors approved a new long-term incentive plan for senior managers of Eni and its subsidiaries (excluding listed subsidiaries), as proposed by the Compensation Committee. This new scheme is intended to motivate more effectively and retain managers, linking incentives to targets and performance achieved in a tighter way than previous incentives schemes. This new incentive scheme applies to the 2006-2008 three year period and is composed of a deferred monetary incentive, linked to the achievement of certain business growth and operating efficiency goals, replacing the previous stock grant plan, and by a stock option incentive focused on the achievement of certain targets of total shareholder return. This stock-based incentive was approved by the General Shareholders' Meeting of May 25, 2006. This scheme has a structure that balances the monetary and stock-based components of the remuneration, as well as links economic and operating performance to share performance in the long term. The deferred monetary incentive assigned in 2006 is paid after three years from the assignment depending on the achievement of the annual EBITDA targets preset for the 2006-2008 period. Results in terms of EBITDA are assessed by comparing actual results with set targets under a constant trading environment for each year. Stock options assigned in 2006 can be exercised after three years from the assignment in a percentage depending on the performance of Eni shares measured in terms of Total Shareholder Return<sup>2</sup> as compared to that achieved by a panel of major international oil companies over the three-year period 2006-2008 (see below).

At the end of the three year period, the results of the long term incentive plan are analyzed by the Compensation Committee and approved by the Board of Directors.

The CEO, being the General Manager of the company, is

(1) These managers together with the CEO and the General Managers are permanent members of Eni's Management Committee.

(2) For a definition of TSR see "Glossary".



entitled to take part to both legs of this scheme, adding also a deferred bonus linked to the increase in the Eni share price, to be paid after three years (see the paragraph “Stock options and other share-based compensation”, below).

Follows the breakdown of the 2006 remuneration of the Chairman, the CEO, the divisional General Managers and other managers with strategic responsibilities taking account of the fixed and variable components paid in the year, and the assigned long term incentive:

	Chairman	CEO	Divisional General Managers	Other managers with strategic responsibilities
Fixed remuneration	65%	32%	38%	41%
Variable remuneration (linked to performance)	35%	18%*	26%	26%
Long term incentive (linked to performance)**	-	50%	36%	33%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Determined on the actual period of office from June 1, 2005.

\*\* Evaluation of the deferred bonus (discounted) and the fair value of stock options assigned for target results. For the CEO, the deferred bonus comprises also the deferred bonus linked to the market performance of Eni shares.

Eni's Shareholders' Meeting of May 25, 2006, determined to extend to all Board Directors and to Statutory Auditors the insurance against professional risks included in agreements for Eni managers. This insurance reflects market terms and standard conditions.

#### **Remuneration earned by members of the Board of Directors, Statutory Auditors, general managers, and other managers with strategic responsibilities**

Pursuant to Article 78 of Consob Decision No. 11971 of May 14, 1999, and to its subsequent modifications, remuneration earned by members of the Board of Directors, Statutory Auditors, General Managers and other managers with strategic responsibilities is reported in the table below. Remuneration earned by managers who held a position in 2006 for a fraction of the year is reported too.

Pursuant to Consob decisions:

- in the column “Emoluments for service at Eni SpA” are reported fixed fees paid to non-executive and executive directors, fixed fees paid to Directors attending the Committees formed by the Board of Directors, and fees paid to Statutory Auditors. Fixed fees earned by the Chairman and the CEO include also fees earned for the powers delegated to them by the Board;
- in the column “Non-cash benefits” are reported amounts referring to all fringe benefits, including insurance policies;

- in the column “Bonuses and other incentives” are reported the portion of fees linked to performances which was awarded in the year to both non-executive directors and executive directors, and the portion of salaries linked to performances which was awarded in the year to the CEO, the General Managers of Eni's divisions and other managers with strategic responsibilities;
- in the column “Salaries and other elements” are reported base salaries paid to the CEO, the General Managers of Eni's divisions and other managers with strategic responsibilities, and indemnities paid upon termination of the employment contract. Referring to the Statutory Auditors, fees paid for positions held on the Board of Statutory Auditors in Eni's subsidiaries are also reported.

(thousand euro)

Name	Position	Term of office	Expiry date of the position <sup>(1)</sup>	Emoluments for service at Eni SpA	Non-cash benefits	Bonuses and other incentives <sup>(2)</sup>	Salaries and other elements	Total
<b>Board of Directors</b>								
Roberto Poli	Chairman	01.01-12.31	05.30.08	765	15	415		1,195
Paolo Scaroni	CEO	01.01-12.31	05.30.08	430	62	834 <sup>(3)</sup>	1,014	2,340
Alberto Clô	Director	01.01-12.31	05.30.08	134		10		144
Renzo Costi	Director	01.01-12.31	05.30.08	130		10		140
Dario Fruscio	Director	01.01-12.31	05.30.08	124		10		134
Marco Pinto	Director	01.01-12.31	05.30.08	130		10		140
Mario Resca	Director	01.01-12.31	05.30.08	128		10		138
Marco Reboa	Director	01.01-12.31	05.30.08	134		10		144
Pierluigi Scibetta	Director	01.01-12.31	05.30.08	130		10		140
<b>Board of Statutory Auditors</b>								
Paolo Andrea Colombo	Chairman	01.01-12.31	05.30.08	115			89 <sup>(4)</sup>	204
Filippo Duodo	Auditor	01.01-12.31	05.30.08	80			55 <sup>(5)</sup>	135
Edoardo Grisolia <sup>(6)</sup>	Auditor	01.01-12.31	05.30.08	80				80
Riccardo Perotta	Auditor	01.01-12.31	05.30.08	80			63 <sup>(6)</sup>	143
Giorgio Silva	Auditor	01.01-12.31	05.30.08	80			44 <sup>(7)</sup>	124
<b>General Managers</b>								
Stefano Cao	Exploration & Production	01.01-12.31				643	966	1,609
Domenico Dispenza	Gas & Power	01.01-12.31				386	669	1,055
Angelo Taraborrelli	Refining & Marketing	01.01-12.31				400	645	1,045
				2,540	77	2,748	3,565	8,910
<b>Other managers with strategic responsibilities <sup>(9)</sup></b>						1,932	7,846 <sup>(10)</sup>	9,778

(1) Office ends with the Meeting approving financial statements for the year ending December 31, 2007.

(2) Based on performance achieved in 2005.

(3) Amount accrued for the duration of office from June 1 to December 31, 2005.

(4) Includes the compensation obtained as Chairman of the Board of Statutory Auditors of Saipem and EniServizi.

(5) Includes the compensation obtained as Statutory Auditor in Snamprogetti SpA, Chairman of the Board of Statutory Auditors of CEPAV Uno and CEPAV Due.

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

(7) Includes the compensation obtained as Chairman of the Board of Statutory Auditors of Snam Rete Gas and as Statutory Auditor in Enifin SpA.

(8) Includes the compensation obtained as Statutory Auditor in Snamprogetti SpA and as Chairman of the Board of Statutory Auditors of TSKJ Italia Srl.

(9) Managers, who during the year with the CEO and the General Managers of Eni divisions, have been members of Eni's Steering Committee (nine managers).

(10) Also includes indemnities paid upon termination of employment contract.

### Deferred bonus awarded to the CEO, the General Managers and managers with strategic responsibilities

The deferred bonus plan approved for the 2006-2008 three-year period envisages a basic bonus paid after three years according to a variable amount equal to a percentage ranging from 0 to 170% of the amount

established for the target performance in relation to the performances achieved in a three-year period as approved by the Board of Directors.

The following table sets out the basic bonus awarded in the year 2006 to the CEO and to the General Managers of Eni's Divisions, and the total amount awarded to other managers with strategic responsibilities.

(thousand euro)

Name	Deferred bonus awarded	
Paolo Scaroni	CEO	787
Stefano Cao	General Manager of the E&P Division	468
Domenico Dispenza	General Manager of the G&P Division	328
Angelo Taraborrelli	General Manager of the R&M Division	307
<b>Other managers with strategic responsibilities<sup>(1)</sup></b>		1,293

(1) No. 6 managers.

## Stock options and other share-based compensation

### STOCK GRANTS

With the aim of improving motivation and loyalty of the managers of Eni SpA and its subsidiaries as defined in Article 2359 of the Civil Code 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, in 2003 Eni started a stock grant scheme envisaging the offering of its own shares purchased under its buy back program (treasury shares) for no consideration to those managers of Eni

who achieve corporate and individual objectives. Said scheme applied to the three year-period 2003-2005. Assignment vested within 45 days after the end of the third year from the date of the offer.

Under this stock grant plan, on December 31, 2006, a total of 1,873,600 grants were outstanding for the assignment of an equal amount of treasury shares (equal to 0.05% of capital stock) pertaining to 2003, 2004 and 2005 assignments as follows: (i) a total of 2.500 grants (fair value €11.20 per share) related to 2003, (ii) a total of 798,700 grants (fair value € 14.57 per share) related to 2004 and (iii) a total of 1,072,400 grants (fair value € 20.08 per share) related to 2005. The following is a summary of stock grant activity for the years 2005 and 2006:

(euro)	2005		2006	
	Number of shares	Market price in € <sup>(a)</sup>	Number of shares	Market price in € <sup>(a)</sup>
<b>Stock grants as of January 1</b>	<b>3,112,200</b>	<b>18.461</b>	<b>3,127,200</b>	<b>23.460</b>
New rights granted	1,303,400	21.336	-	-
Rights exercised in the period	(1,273,500)	23.097	(1,236,400)	23.933
Rights cancelled in the period	(14,900)	22.390	(17,200)	23.338
<b>Stock grant outstanding of December 31</b>	<b>3,127,200</b>	<b>23.460</b>	<b>1,873,600</b>	<b>25.520</b>
<b>of which exercisable at December 31</b>	<b>38,700</b>	<b>23.460</b>	<b>156,700</b>	<b>25.520</b>

(a) Market price relating to new rights granted, rights exercised in the period and rights cancelled in the period corresponds to the average market value (arithmetic average of official prices recorded on Mercato Telematico Azionario in the month preceding: (i) the date of the resolution of the Board of Directors regarding the stock grants assignment; (ii) the date of the recording in the grantee's securities account of the emission/transfer of the shares granted; (iii) the date of the unilateral termination of employment for rights cancelled) weighted with the number of shares. Market price of stock grants at the beginning and at the end of the year is the price recorded at December 31.

The following table presents the amount of stock grants awarded to Eni's CEO, general managers and other managers with strategic responsibilities.

(euro)	Name		Grants outstanding at beginning of 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 market price at date of exercise	Number of grants	Average maturity in months
	Paolo Scaroni	CEO	-	-	-	-	-	-
	Stefano Cao	General Manager of the E&P Division	43,700	21	14,700	24.117	29,000	15
	Domenico Dispenza <sup>(1)</sup>	General Manager of the G&P Division	12,100	14	6,300	24.117	5,800	8
			53,900 <sup>(2)</sup>	25	-	-	53,900 <sup>(2)</sup>	13
	Angelo Taraborrelli	General Manager of the R&M Division	28,100	24	6,300	24.117	21,800	17
	Other managers with strategic responsibilities <sup>(3)</sup>		111,400	21	60,500	23.478	50,900	15

(1) Appointed on January 1, 2006.

(2) Snam Rete Gas' shares. These grants have been assigned by Snam Rete Gas to Domenico Dispenza who was Chairman of Snam Rete Gas position until December 23, 2005.

(3) No. 5 managers.

## STOCK OPTIONS

Eni offers managers of Eni SpA and its subsidiaries as defined in the Article 2359 of the Civil Code holding 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 award of options for purchasing Eni treasury shares.

On May 25, 2006, the Shareholders' Meeting approved the 2006-2008 stock option plan and authorized the Board of Directors to make available a maximum amount of 30 million treasury shares (equal to 0.749% of the share capital) for the stock option plan.

This stock option plan foresees three annual awards. Unlike previous schemes, the 2006-2008 stock option plan introduced a performance condition upon which options can be exercised. At the end of each vesting period with a three-year duration, the Board of Directors determines the number of exercisable options, in a percentage ranging from 0% to 100% of the total amount awarded for each year of the plan, depending on the performance of Eni shares measured in terms of Total Shareholder Return as compared to that achieved by a panel of major international oil companies in terms of capitalization. On July 27, 2006, the Board of Directors approved: (i)

the award pertaining to 2006 within the three-year period covered by the plan; (ii) its regulation; and (iii) the criteria to be followed in the identification of managers to whom the option will be assigned. The Board of Directors delegated to the CEO the task to identify eligible managers by the end of each year covered by the plan. Under this plan, 7,050,000 options were awarded pertaining to 2006 with a strike price of €23.119. Previous stock option plans provided that grantees had the right to purchase treasury shares in a 1 to 1 ratio after three years from the award, with a strike price calculated as arithmetic average of official prices registered on the Mercato Telematico Azionario in the month preceding award or, if greater, as the average carrying cost of treasury shares held by Eni as of the date preceding the award.

At December 31, 2006, a total of 15,290,400 options were outstanding for the purchase of an equal amount of ordinary shares nominal value €1 of Eni SpA, carrying an average strike price of €21.022.

The weighted-average remaining contractual life of options outstanding at December 31, 2003, 2004, 2005 and 2006 was 4.6 years, 5.6 years, 6.6 years and 5.6 years, respectively.

The following is a summary of stock option activity for the years 2005 and 2006:

(euro)	2005			2006		
	Number of shares	Weighted average exercise price	Market price (a)	Number of shares	Weighted average exercise price	Market price (a)
<b>Options as of January 1</b>	<b>11,789,00</b>	<b>15.111</b>	<b>18.461</b>	<b>13,379,600</b>	<b>17.705</b>	<b>23.460</b>
New options granted	4,818,500	22.512	22.512	7,050,000	23.119	23.119
Options exercised in the period	(3,106,400)	15.364	22.485	(4,943,200)	15.111	23.511
Options cancelled in the period	(121,500)	16.530	23.100	(196,000)	19.119	23.797
<b>Options outstanding as of December 31</b>	<b>13,379,600</b>	<b>17.705</b>	<b>23.460</b>	<b>15,290,400</b>	<b>21.022</b>	<b>25.520</b>
<b>of which exercisable at 31 December</b>	<b>1,540,600</b>	<b>16.104</b>	<b>23.460</b>	<b>1,622,900</b>	<b>16.190</b>	<b>25.520</b>

(a) Market price relating to new rights assigned, rights exercised in the period and rights cancelled in the period corresponds to the average market value (arithmetic average of official prices recorded on Mercato Telematico Azionario in the month preceding: (i) the date of assignment; (ii) the date of the recording in the securities account of the managers to whom the options have been assigned; (iii) the date of the unilateral termination of employment for rights cancelled). Market price of shares referring to options as of the beginning and the end of the year, is the price recorded at December 31.

The fair value of stock options granted during the years ended December 31, 2003, 2004, 2005, 2006 of €1.50, €2.01, €3.33 and €2.89 respectively, was calculated

applying the Black-Scholes method using the following assumptions:

		2003	2004	2005	2006
Risk free interest rate	(%)	3.16	3.21	2.51	4
Expected life	(years)	8	8	8	6
Expected volatility	(%)	22	19	21	16.8
Expected dividends	(%)	5.35	4.5	3.98	5.26

The following table presents the amount of stock options awarded to Eni's CEO, general managers and other managers with strategic responsibilities.

	CEO	General Manager E&P Division	General Manager G&P Division	General Manager R&M Division	Other managers with strategic responsibilities <sup>(1)</sup>	
	Paolo Scaroni	Stefano Cao	Domenico Dispenza <sup>(2)</sup>	Angelo Taraborrelli		
Options outstanding at the beginning of the period:						
- number of options	699,000	201,500	43,000	269,500 <sup>(3)</sup>	123,000	686,500
- average exercise price (euro)	22.509	17.0920	14.171	3.988	18.308	18.208
- average maturity in months	91	82	64	85	83	79
Options granted during the period						
- number of options	681,00 <sup>(4)</sup>	175,500	122,500	-	115,00	552,500
- average exercise price (euro)	23.100	23.100	23.100	-	23.100	23.100
- average maturity in months	72	72	72	-	72	72
Options exercised at the end of the period						
- number of options	-	62,500	28,500	-	-	312,500
- average exercise price (euro)	-	13.743	13.743	-	-	16.478
- average market price at date of exercise (euro)	-	23.341	24.095	-	-	23.256
Options outstanding at the end of the period						
- number of options	1,380,000	314,500	137,000	269,500	238,000	926,500
- average exercise price (euro)	22.801	21.641	22.244	3.988	20.624	21.709
- average maturity in months	73	70	65	73	68	69

(1) No. 9 managers.

(2) Appointed on January 1, 2006.

(3) Options on Snam Rete Gas shares: assigned by the company to Domenico Dispenza who held the position of Chairman of Snam Rete Gas until December 23, 2005.

(4) The assignment to the CEO has been integrated by a deferred bonus linked to the market performance of Eni shares, to be paid after a three year period and corresponding to 96,000 options with a strike price of €23.100 and a vesting period of three years.

### Overall remuneration of key management personnel

On a whole, remuneration of persons responsible of key positions in planning, direction and control functions of Eni Group companies, including executive and non-executive directors, general managers and

other managers holding strategic responsibilities amounted to €23 million for 2006 consisting of: (i) fees and salaries for €16 million; (ii) post-employment benefits for €1 million; (iii) other long term benefits for €3 million; and (iv) fair value of stock grant/option for €3million.

## Board committee

The Board has instituted three committees with proposal and advisory functions. Their composition, tasks and functioning are defined by the Board of Directors in respect of the criteria established by Eni Code. They are: a) the Internal Control Committee, b) the Compensation Committee and c) the International Oil Committee, composed almost exclusively of independent Directors.

In its meeting of June 1, 2005, the Board appointed the following directors as members of the Committees:

*Internal Control Committee:* Marco Reboa (Chairman, independent), Alberto Clô (independent), Renzo Costi (independent), Marco Pinto (non-executive) and Pierluigi Scibetta (independent);

*Compensation Committee:* Mario Resca (Chairman, independent), Renzo Costi (independent), Marco Pinto (non-executive) and Pierluigi Scibetta (independent);

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

The Code, in line with the Borsa Italiana Code, suggests the creation of a "Nominating Committee". The Board of Directors has not formed this Committee in consideration of the shareholding characteristics of Eni.

### Internal Control Committee

The Internal Control Committee is entrusted with advisory and consulting tasks in respect of the Board in the area of monitoring general management issues.

In the course of 2006, the Internal Control Committee convened 15 times, with an average participation of 80% of its members, and reviewed the following:

- (i) the 2006 audit plan prepared by Eni, Saipem and SnamReteGas' internal audit functions and their progress;
- (ii) findings and results from Eni's internal auditing interventions;
- (iii) initiatives undertaken and effects of measures applied in order to eliminate the weaknesses highlighted by Eni's Internal Audit department;
- (iv) the essential features of the 2005 financial statements, making suggestions intended to improve the level of disclosure through meetings with top level representatives of administrative functions of the main Eni subsidiaries, chairmen of boards of statutory auditors and responsible partners from external audit companies;
- (v) Eni's 2006 draft Half Year Report;
- (vi) the "recommendations on the internal accounting control system" presented on 2004 financial statements by the external audit company;
- (vii) the external audit

company reports on "Facts and circumstances of interest in the governance activity"; (viii) the situation of appointments of external auditors of main group companies, the recognition of costs incurred and the observations contained in the reports of external auditors pertaining to the financial statements of Eni's subsidiaries;

- (ix) the proposal to integrate the task of Eni's external auditors, to also include the certification of Eni's internal control system, under Section 404 of the Sarbanes-Oxley Act (SOA) for fiscal year 2006, and the proposal extending the task of the external auditor currently in charge to audit the financial statements for of Group companies and to certify the Group internal control system over financial reporting as well as all other admissible tasks for the period 2007-2009;
- (x) the report on the implementation of SOA activities;
- (xi) the report presented by the Watch Structure established as required by Legislative Decree N. 231/2001;
- (xii) the general aspects of rules on recommendations received by Eni, which also include confidential or anonymous recommendations, issued also in respect of the Sarbanes-Oxley Act, and the periodic reports concerning the received recommendations;
- (xiii) the new organizational structure and the tasks of Eni Internal Audit function;
- (xiv) the reorganization of the Group supply activities;
- (xv) issues on hydrocarbons reserves and relevant classification criteria, also including accounting issues;
- (xvi) appointments of consultants and legal counsellors supporting the Company on legal matters for the 2005-2006 two year period;
- (xvii) antitrust procedures and the recognition of the relevant provisions to the risk reserve;
- (xviii) the reports on additional information submitted to SEC and accounting treatment of the merger of Enifin with the parent company Eni;
- (xix) the report on Eni administrative and accounting organization to be submitted to the Board of Directors.

The Internal Audit Manager is the secretary of the Committee. In its meeting of March 16, 2007, the Board of Directors, as proposed by the CEO, in agreement with the Chairman and after asking the internal control committee for its opinion, entrusted the Internal Audit Manager as manager delegated for the internal control.

### Compensation Committee

The Compensation Committee, established by the Board of Directors in 1996, is entrusted with proposing tasks with respect to the Board on the matters of compensation of the Chairman and CEO as well as of the Board Committees members, and following the indications of the CEO, on the following:

- (i) stock-based incentive plans;
- (ii) the definition of the

criteria for the compensation of top managers of the Group; (iii) the setting of objectives and the evaluation of results of performance and incentive plans. In 2006, the Compensation Committee met nine times with an average participation of 96% of its members, and accomplished the following:

- (i) verified functions and tasks of the Committee, defined by the new regulation approved by the Board of Directors in June 2005 (available on Eni's website), in accordance with the national and international corporate governance principles, confirming their substantial alignment with international and national standards;
- (ii) examined the objectives of the 2006 performance and incentive plan and appraised 2005 results, to be submitted to the Board of Directors for approval;
- (iii) examined the revised long-term incentive system for managers, and drafted a proposal based on which the Board of Directors requested the Shareholders' Meeting's approval of the 2006-2008 stock option plan and the authorization to use treasury shares for servicing the stock option plan;
- (iv) examined the issue of the insurance against professional risks included in agreements for Eni managers, extended to Directors and Statutory Auditors, as approved by the Board of Directors in its meeting of March 30, 2006, and the issue of the insurance against managerial risks, on which the Shareholders' Meeting's approval has been requested;
- (v) examined the Chairman variable compensation and drafted a proposal for determining the variable part of the remuneration of the Chairman and CEO based on 2005 performance to be submitted to the Board of Directors;
- (vi) examined the benchmarks for top management remuneration, the criteria of the annual remuneration policy, as well as the implementation of incentive plans for the year and in the long-term in order to draft a proposal to submit to the Board of Directors;
- (vii) examined the compensation to be attributed to the Directors, related to functions and activities performed in their role as members of the Committees established by the Board, in order to draft a proposal approved by the Board of Directors' meeting of July 27, 2006;
- (viii) examined the impact of the new stock-based incentive scheme on CEO compensation, and drafted an integration proposal in order to maintain the incentive level established in 2005, to be submitted to the Board of Directors (see "Stock grant and stock option for the Board of Directors, the general managers and managers with strategic position").

In 2006, the Committee appointed external consultants to acquire analysis and advices on its specific matters.

### **International Oil Committee**

The International Oil Committee is entrusted with the monitoring of trends in oil markets and the study of their aspects.

In 2006 the International Oil Committee met five times with a 75% participation of its members.

The first meeting concerned trends and conditions of the oil and gas industry, as well as the key variables of the energy scenarios for Eni's four-year strategic plan. The other meetings concerned the analysis of worldwide energy market prospects to 2020, to identify the main issues and challenges to be addressed in Eni Master Plan – a key document in the planning process defining Eni industrial strategies. In particular, the meetings dealt with: (i) worldwide energy consumption trends to 2020 – discussed in two meetings – aimed at identifying fundamentals, underlying assumptions and possible uncertainties in consumption trends in the most important world areas; (ii) a survey of the supply of natural gas in the world and (iii) a survey of the worldwide oil supply, highlighting hydrocarbons and infrastructure development trends, in relation to the its industrial and market trends in the next 15 years.

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

#### **Board of Statutory Auditors**

The Board of Statutory Auditors, in accordance with Legislative Decree No. 58/1998 (TUF), 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 covered by the Board responsibility, of its internal control system and administration and accounting systems as well as the reliability of the latter in fairly representing the management of the company; (iv) the adequacy of instructions conveyed by the parent company to its subsidiaries according to Article 114, paragraph 2 of the above mentioned decree; (v) the actual implementation of corporate governance rules foreseen by the codes of conduct prepared by market regulators and the associations the company belongs, that the company publicly declares to respect. In accordance with the Eni Code, in line with the Borsa Italiana Code, the Board of Statutory Auditors monitors the independence of the external auditing firm, verifying both the compliance with the provisions of applicable laws and regulations governing the matter, and the nature and extent of services other than the accounting

control provided to Eni by the auditing firm and the entities belonging to its network.

According to the TUF (as amended by Legislative Decree No. 303/2006), the Board of Statutory Auditors drafts a proposal regarding the appointment of the external auditors and their fee to be submitted to the Shareholders' meeting for approval.

The Board of Directors, in its meeting of March 22, 2005, in accordance with the provision of the SEC Rule 10A-3 for non-US companies listed on US stock exchanges, elected the Board of Statutory Auditors to fulfill the role of the audit committee in US companies under the Sarbanes-Oxley Act and SEC rules, within the limits set by Italian legislation on June 1, 2005. On June 15, 2005, the Board of Statutory Auditors approved the regulation for carrying out the functions attributed to the audit committee under US laws. This regulation is published on Eni's website.

### **Composition and appointment**

The Board of Statutory Auditors is comprised of five auditors and two alternate auditors, appointed by the Shareholders' Meeting for a three-year term.

On May 27, 2005, Eni's Shareholders' Meeting appointed the following statutory auditors for a three-year period 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 website. The same Meeting also determined the yearly compensation of 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. According to Article 28.2 of Eni's By-laws, as revised by the Shareholders' Meeting of May 25, 2006, to implement the provision of Law No. 262 of December 28, 2005 (law on the protection of savings), the Shareholders' Meeting elects Chairman of the Board of Statutory Auditors a member elected from a list other than the one obtaining the majority of votes; this prescription will be applied in the next Board election. The lists of candidates include declarations made on by

the candidates on the possession of independence and expertise requirements prescribed by applicable regulation and a professional resume of each candidate, must be filed at the company's headquarters at least 10 days before the date of the Shareholders' Meeting on first call and are published in national newspapers.

### **Expertise and independence**

In accordance with the TUF, Statutory Auditors have to possess the specific requirements of independence, and the professional and honorability requirements as prescribed by a regulation of the Minister of Justice. As also reported in the Code, the Statutory Auditors shall act with autonomy and independence also vis-à-vis the shareholders who elected them.

As for professional qualifications of the candidates, Article 28 of the Eni's By-laws, in line with the said Decree of the Minister of Justice, foresees that the professional requirements can also be acquired with at least three years of professional experience or by teaching business law, business administration and finance, as well as at least a three year experience in a managerial position in geological or engineering businesses.

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 management control committee of at least five companies with registered securities in regulated markets not subsidiaries of Eni SpA. In case such persons are elected, their task is terminated. This prescription should be replaced by a Consob regulation defining the maximum allowed number of appointments of a statutory auditor in line with the TUF. In its meeting of March 16, 2007, the Board of Statutory Auditors verified that all its members comply with the independence criteria prescribed by the rules of the Eni Code intended to ensure the Statutory Auditors' possession of required independence after their appointment, also based on the criteria defined by the Code for the member of the Board of Directors.

### **Meetings and functioning**

Statutory auditors receive information on all issues on the agenda of the Board of Directors at the same time as the Directors.

In line with the provisions of the Eni Code, an Auditor who has an interest, either own or on behalf of third parties, in a certain transaction of the issuer, shall inform the Board of Directors and the other Auditors. In 2006, the Board met 20 times with an average participation of 78% of its members.



The table attached at the end of this section indicates, the percentage of participation of each auditor to the Board of Auditors meetings is provided.

#### **Further Auditors' appointments**

Based on information received, information on positions held by the members of Eni's Board of Statutory Auditors in other Boards of Directors and Boards of Statutory Auditors of listed companies, also abroad, financial, banking, insurance or large companies is provided below.

The curriculum of each Auditor is available on Eni's website.

PAOLO ANDREA COLOMBO

Chairman of Sintesi SpA, independent Director of Mediaset SpA, Interbanca SpA, Iniziative Gestione Investimenti SpA, RCS Quotidiani SpA, SIAS SpA, Director of Versace SpA. Chairman of the Board of Statutory Auditors of Ansaldo STS and Saipem SpA. Auditor of Aviva SpA, Lottomatica SpA and Sirti SpA

FILIPPO DUODO

Chairman of the Board of Statutory Auditors of Banca Meridiana SpA. Auditor of Benetton Group SpA

RICCARDO PEROTTA

Chairman of the Board of Statutory Auditors of Snam Rete Gas SpA and Gewiss SpA, Auditor of ECS International Italia SpA

GIORGIO SILVA

Auditor of Luxottica SpA and RCS Mediagroup SpA

#### **External Auditors**

As provided for by Italian law, the auditing of financial statements is entrusted to external auditors registered on the register held by Consob. The external auditor is appointed by the Shareholders' Meeting. Eni's external auditor, PricewaterhouseCoopers SpA, was appointed by the Shareholders' Meeting of May 28, 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 audit activities performed by other auditors on certain Eni fully consolidated subsidiaries representing, however, a negligible part of Eni's consolidated assets and revenues.

Eni's external auditor and the companies belonging to its network are not to be entrusted with tasks not

pertaining to audit activities, except for rare and motivated cases for tasks – not prohibited by Consob and the Sarbanes-Oxley Act – subject to authorization by Eni's Board of Statutory Auditors and to approval by the Board of Directors of Eni Group companies upon favorable opinion of their Board of Statutory Auditors. Eni's Board of Statutory Auditors must be informed of all tasks entrusted to external auditors by Eni Group companies.

#### **Other auditing**

The accounts of the parent company Eni SpA are subject also to the review of the Italian Court of Accounts. The relevant activity is performed by the Magistrate delegated to control, Lucio Todaro Marescotti (alternate Magistrate Angelo Antonio Parente), replacing Luigi Schiavello, as decided on July 19-20, 2006, by the Governing Council of the Italian Court of Accounts.

The Magistrate delegated to control attends the meetings of the Board of Directors, the Board of Statutory Auditors and the Internal Control Committee.

#### **Internal controls**

Eni is aware that financial information plays a crucial role in the creation and maintenance of satisfying relationships between the company and its increasingly wide area of stakeholders, and contributes, as well as the group performance, to the creation of value for the shareholders.

Eni is also aware that investors rely on Eni managers and employees respecting procedures and rules of the company's internal control system.

In this area a special relevance is attributed to Eni's Code of Conduct that identifies the fundamental values for the deployment of Eni activities in the formal and substantial legitimacy of behavior of its employees at any organizational level, the transparency of accounts and disclosure, and the spreading of a control oriented attitude.

The Board of Directors evaluates the consistency of the internal control system with the company structure and characteristics. The CEO monitors the functionality of the internal control system, supported by the manager in charge of the internal control and by the Internal Audit department. In particular, the Board of Directors is assisted by the Internal Control Committee in the performance of the tasks related to: (i) defining the guidelines for the company's internal control system intended to ensure that the main company risks are correctly identified, measured, managed and monitored, also determining whether such risks are compatible with a sound and a correct management of the company; (ii)

annually evaluating the suitability, effectiveness and efficient operation of the internal control system; (iii) disclosing the key elements of the internal control system, and evaluating its overall adequacy in the annual report on corporate governance. In performing those tasks, the Board of Directors refers to available conceptual models and domestic and international best practices. Special attention is paid to organization and management models adopted according to Legislative Decree No. 231/2001 and to the Code of Conduct.

In line with these principles, Eni adopted regulations for the preparation of financial statements of the Group companies and the collection of information necessary for timely and fair disclosure in quarterly and yearly reports in accordance with generally accepted rules and accounting standards, ensuring also uniformity of behavior, an essential element for the provision of proper financial information on the Group. With the aim of ensuring the effective and correct enactment of such rules, principles and standards and of general rules governing processes for information to be recorded, processed, summarized and reported, Eni adopted an internal control system designed with the aim of providing investors and markets with fair, complete and timely information.

Eni internal control system has been designed in accordance with the provisions from the Sarbanes-Oxley Act of 2002 (SOA) which Eni has to comply with as its securities are listed on the New York Stock Exchange. Such control system was designed in accordance with two fundamental principles:

- to extend control to all the levels of the organizational structure, consistently with the operating task entrusted to each level;
- sustainability of controls in the long term, so as to ensure that the performance of controls is increasingly integrated in and compatible with operating needs; for this purpose, specific controls have been selected in order to identify such critical controls as to mitigate the level of risk.

The objectives of the internal control system have been defined consistently with applicable provisions of US rules distinguishing two systemic components:

- disclosure controls and procedures;
- internal control over financial reporting.

Disclosure controls and procedures are defined as controls and other procedures of the company that are designed to ensure that information required to be disclosed by the company in its reports is collected and communicated to Eni management, including Eni's CEO and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Eni's internal control over financial reporting has been designed to be consistent with the Internal Control-Integrated Framework created and published by the Committee of Sponsoring Organizations of the Treadway Commission and comprises five interrelated components: control environment, risk assessment, control activities, information and communication, and monitoring. Such components in relation to their own features operate at entity level (Group, business segment, divisions, subsidiary) and/or at a process level, including both operational and financial administration process (transaction, evaluation processes and closing the books).

The key objective of internal control over financial reporting is to mitigate risks due to negligence and risks of fraud, significantly impacting financial statements. In addition, a specific risk assessment has been performed on fraud risks, and from this anti-fraud measures and controls have been designed. Management has developed its own assessment procedures to evaluate the design of Eni's internal control over financial reporting and its operating effectiveness. To that end, management has implemented ongoing monitoring activities entrusted to managers who are responsible of conducting primary processes or activities, and separate evaluations have been entrusted to Eni's Internal Audit department. This department operates according to a preset plan of interventions defining scope and objectives of each intervention.

Outcomes from all monitoring activities are reported periodically in order to ascertain the state of Eni's internal control over financial reporting. All levels of Eni's organizational structure are involved in this reporting process.

A primary role in Eni's internal control over financial reporting is played by the Internal Audit department, directly reporting to the CEO and to the Board of Statutory Auditors in its quality of audit committee under the SOA.

The Internal Audit Manager, in his role as responsible for internal control activities, reports to the CEO, to Eni's Internal Control Committee and to the Board of Statutory Auditors. Among the tasks entrusted to the Internal Audit department are: (i) to ensure implementation of the following activities: vigilance activity as required by Legislative Decree No. 231/2001;

separate evaluations as required by the SOA, operational, financial, information technology and fraud auditing activities on behalf of Eni divisions and Eni's fully-owned subsidiaries lacking their own Internal Audit departments; (ii) to update Eni's system for identifying, classifying and assessing risks areas in order to plan control activities; (iii) to implement planned and non-planned control activities, and to identify possible gaps with respect to adopted conceptual models, also making proposals on corrective measures and monitoring subsequent follow-up activities; (iv) to maintain relationships with external auditors; (v) to maintain relationships with and ensure information flows to the watch structure, the Internal Control Committee and the Board of Statutory Auditors; (vi) to ensure the management of the recommendations received by Eni, also under an anonymous form, during the internal preliminary investigations and supporting the entrusted company bodies in their evaluation process, always in full compliance with Eni procedures.

The integrated auditing plan and the outcomes of the activities performed are evaluated by the Internal Control Committee, the Board of Statutory Auditors, and the Watch structure within the boundaries of those matters covered by Legislative Decree No. 231/2001.

The Internal Audit department and the external auditors have complete access to data, information and documentation which can support the performance of auditing activities.

#### **Legislative Decree No. 231/2001**

In its meetings of December 15, 2003 and January 28, 2004 the Board of Directors approved a "Model for organization, management and control according to Legislative Decree No. 231/2001" and established a watch structure. Legislative Decree No. 231/2001 states the administrative responsibility of entities such as companies and partnerships, according to Article 11 of Law No. 300 of September 29, 2000. The principles of the "231 model" are published on Eni's website. The criteria for the preparation of this model are those included in a guidebook prepared by Confindustria (the Italian association of industrial companies) as verified by the Ministry of Justice as required by the same Decree. The model was transmitted to all Group companies for application.

#### **Transactions in which a director has an interest and transactions with related parties**

In accordance with the TUF and with Article 23.3 of Eni's By-laws, the Directors shall timely inform the Board of Statutory Auditors on transactions in which they have an interest.

During each Board of Directors' meeting, the Chairman expressly asks the Directors to declare any of their potential interest in transactions on the agenda. The Eni Code, in accordance with the Borsa Italiana Code, foresees the adoption, by the Board of Directors, of measures ensuring that transactions in which a director has an interest, directly or on behalf of third parties, and all transactions carried out with related parties, are performed in a transparent way and meet criteria of substantial and procedural fairness.

In addition, the Eni Code foresees a specific opinion of the Internal Control Committee on the rules adopted by the Board of Directors.

Preparation of a procedure regarding transactions with related parties is underway; however its finalization is stalling due to the circumstance that Italian listed companies are awaiting the emission on part of Consob of certain guidelines that Art. 2391-bis of the Civil Code assigns to Consob. Pending the emission of such guidelines, Eni's internal rules provide that transactions with related parties be submitted to the Board of Directors, even though of amounts lower than the materiality threshold set for the transactions to be approved by the Board;

The Board of Directors' resolution defining the powers of the Board itself points out the needs to pay particular attention to those situations in which a director has an interest and to transactions with related parties.

Moreover, Eni is committed to observing principles as defined in the Borsa Italiana Code regarding such persons holding significant positions in the share capital of listed companies and in particular respecting their managerial autonomy.

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 Group companies. Eni's Directors, General Managers and 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 and their impact on consolidated earnings and cash flow, and on the Group's assets and financial condition are reported in Note 33 to the consolidated financial statements.

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

*Corporate governance* As discussed above, 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 management and monitoring duties are respectively entrusted. This model differs from the U.S. unitary model which provides for the Board of Directors as the sole corporate body responsible for management and for audit committee established within the same Board for monitoring.

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

#### INDEPENDENT DIRECTORS

*NYSE Standards* Under NYSE standards listed U.S. companies' Boards must have a majority of independent directors. A director qualifies as independent when the Board affirmatively determines that such director does not have a material relationship with the listed company (and its subsidiaries), either directly, or indirectly. In particular, a director may not be 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 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 Borsa Italiana Code recommends that the Board of Directors includes an adequate number of independent non-executive directors" in the sense that they do not maintain, nor have recently maintained, directly or indirectly, any business relationships with the issuer or persons linked to the issuer, of such a significance as to influence their autonomous judgement.

The directors' independence shall be periodically assessed by the Board of Directors.

The results of the assessments of the Board shall be communicated to the market.

The Board of Directors shall evaluate the independence of its non-executive members having regard more to the contents than to the form and keeping in mind that a director usually does not appear independent in the

following events, to be considered merely as an example and not limited to:

- a) if he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or through a third party, or is able to exercise over the issuer dominant influence, or participates in a shareholders' agreement through which one or more persons may exercise a control or considerable influence over the issuer;
  - b) if he/she is, or has been in the preceding three fiscal years, a relevant representative of the issuer, of a subsidiary having strategic relevance or of a company under common control with the issuer, or of a company or entity controlling the issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders' agreement;
  - c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g., through subsidiaries or companies of which he/she is a significant representative, or in the capacity of partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship:
    - with the issuer, one of its subsidiaries, or any of its significant representatives;
    - with a subject who, jointly with others through a shareholders' agreement, controls the issuer, or - in case of a company or an entity - with the relevant significant representatives;
    - or is, or has been in the preceding three fiscal years, an employee of the abovementioned subjects;
  - d) if he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer, a significant additional remuneration compared to the "fixed" remuneration of non-executive director of the issuer, including the participation in incentive plans linked to the company's performance, including stock option plans;
  - e) if he/she was a director of the issuer for more than nine years in the last 12 years;
  - f) if he/she is vested with the office of executive director in another company in which an executive director of the issuer holds the office of director;
  - g) if he/she is shareholder or quotaholder or director of a legal entity belonging to the same network as the company appointed for the accounting audit of the issuer;
  - h) if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.
- The Eni Code foresees further independence requirements, in line with the ones provided by the

Borsa Italiana Code. In its meeting of February 22, 2007, Eni's Board of Directors judged that six out of eight of its non-executive members comply with the independence standards, set by the Eni Code. Non-executive 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. In addition, 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 U.S. 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 March 22, 2005, Eni's Board of Directors, making use of the exemption provided by Rule 10A-3 for non-U.S. 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-U.S. 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 U.S. companies have further functions and responsibilities which are not mandatory for non-U.S. 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* U.S. 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-U.S. 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's By-laws, directors are appointed by the Shareholders' Meeting based on lists presented by shareholders or by the Board of Directors.

## The shareholders

### The Shareholders' Meeting

During meetings, shareholders can request information on issues in the agenda. Information is provided within the limits of confidentiality, taking account of applicable rules regulating the matter of price sensitive information. With the aim of facilitating the attendance of shareholders, calls for meetings are published in 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 December 4, 1998, Eni approved a regulation for its meetings, available on Eni's website, 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.

The Shareholders' Meeting held on May 25, 2006, in order to align Eni's By-laws to the prescriptions of the TUF regulating the protection of investors, modified the By-laws stating that all the shareholders representing also with others, at least 1/40 of the share capital, can ask to add items to the agenda, within five days of the publication of the convening notice.

### Eni's shareholders

Eni SpA's share capital at December 31, 2006, amounted to €4.005.358.876 fully paid and was represented by 4.005.358.876 ordinary shares, at a nominal value €1 each. Shares are not divisible and give right to one vote. Shareholders can exercise the rights provided by the law.

In accordance with Article 6 of Eni's By-laws, no shareholder, excepted the Italian Government, can directly or indirectly own more than 3% of Eni SpA's share capital; the shares held above this limit do not allow to exercise the rights exceeding the 3% threshold.

In 1995 Eni issued a sponsored ADR (American Depositary Receipts) program directed to U.S.

investors. One ADR is equal to two Eni ordinary shares; ADRs are listed on the New York Stock Exchange. Based on information available and received in accordance with Consob Decision

No. 11971/1999, as of December 31, 2006, shareholders holding more than 2% of Eni's share capital were the following:

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)	324,959,866	8.11

### Shareholders by area

Shareholders	Number of shareholders	Number of shares	% of capital <sup>(1)</sup>
Italy	337,133	2,499,529,005	62.40
UK and Ireland	1,160	208,488,751	5.21
Other EU	4,270	511,666,488	12.77
USA and Canada	1,848	327,231,932	8.17
Rest of world	1,387	146,093,376	3.65
Own shares at the dividend date		312,264,429	7.80
Other		84,895	(...)
<b>Total</b>	<b>345,798</b>	<b>4,005,358,876</b>	<b>100.00</b>

(1) At the dividend payment date, June 22, 2006 (ex-dividend date was June 19, 2006).

### Shareholders by amount of shares held

Shareholders	Number of shareholders	Number of shares	% of capital <sup>(1)</sup>
>10%	1	813,443,277	20.31
3%-10	1	400,288,338	9.99
2%-3% <sup>(2)</sup>	1	93,040,000	2.32
1%-2%	8	510,288,948	12.74
0.5%-1%	9	218,486,106	5.46
0.3%-0.5%	15	238,443,980	5.95
0.1%-0.3%	56	377,681,072	9.43
≤ 0.1%	345,707	1,041,337,831	26.00
Own shares at the dividend date		312,264,429	7.80
Other		84,895	(...)
<b>Total</b>	<b>345,798</b>	<b>4,005,358,876</b>	<b>100.00</b>

(1) At the dividend payment date, June 22, 2006 (ex-dividend date was June 19, 2006).

(2) Shareholder Banca Intesa informed that it reduced its interest from 2,32 to 0,57%.

**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.

Eni's By-laws in Article 6.2 attribute to the Minister for Economy and Finance, in agreement with the Minister of Economic Development, 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 June 10, 2004: (a) opposition with respect to the acquisition of material shareholdings representing 3% of the share capital of Eni SpA having the right to vote at ordinary Shareholders' Meetings. Such opposition is required to be expressed within 10 days of the date of the notice to be filed by the Board of Directors at the time a request is made for registration in the Shareholder' register, should the transaction be considered prejudicial to vital interests of the State; (b) opposition with respect to the subscription of shareholders' agreements or other arrangements (as defined by Article 122 of Legislative Decree No. 58 of February 24, 1998) whereby 3% or more of the share capital of Eni SpA having the right to vote at ordinary Shareholders' Meetings is involved; (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 transfer the business, to merger or to 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 December 23, 2005 (Budget Law) in Article 1, paragraphs 381 to 384 in order to favor the process of privatization of and the diffusion among the public of shareholdings in companies in which the State holds significant stakes, introduced the option to include in the by-laws of listed companies formerly entirely owned by the State, as in the case of Eni SpA, regulations providing the issuance of shares and securities also at par 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 in Eni's By-laws, subject to approval by the EU, will entail the cancellation of the 3% threshold to individual shareholdings, except for the State, as contained in Article 6.2 of Eni's By-laws.

**Eni's By-laws modifications**

Legislative Decree No. 303/2006 introduced changes to the law on protection of savings. In the meeting of March 29, 2007, the Board of Directors convened the

Shareholders' Meeting also in extraordinary session, to approve the changes to Eni's By-laws, that align the by-laws to the said Decree.

Adjustments introduced by the law on protection of savings had already been adopted by the May 25, 2006 Shareholders' Meeting.

**Shareholder and investor relations**

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 website. Relations with individual investors, institutional investors, shareholders and the press are handled by dedicated Eni departments.

Relations with investors and financial analysts are held by the Investor Relations manager. Information is available on Eni's website and can be requested by sending an email to [investor.relations@eni.it](mailto:investor.relations@eni.it).

Relations with the press are held by the press manager.

Relations with shareholders are held by the Corporate Secretary office. Information is available on Eni's website and can be requested by sending an email to [segreteria.societaria.azionisti@eni.it](mailto:segreteria.societaria.azionisti@eni.it) or calling the toll-free number 800.940.924 (Outside Italy 800.11.22.3456).

Information regarding periodic reports and major events/transactions are promptly made available to the public, and are also published on Eni's website. 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 are mailed on request free of charge.

**Handling of company information**

On February 28, 2006, Eni's Board of Directors updated the "Procedure for the disclosure of information to the market concerning Group

activities” approved on December 18, 2002 and published on Eni’s website. 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.

Directors and Auditors ensure the confidentiality of documents and information acquired during their tasks and respect the procedure defined by Eni for the treatment of information and for the and the disclosure of information to the market.

## Register of the persons having access to privileged information

On February 28, 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 bis of Legislative Decree No. 58 of February 24, 1998.

The procedure implementing Consob Decision on listed issuing companies, states:

(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 April 1, 2006 and was updated on September 29, 2006 to take into account the Consob position expressed on March 28, 2006.

The procedure is published on Eni website.

## Internal Dealing

On February 28, 2006, the Board of Directors 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 made by these persons, which substitutes the Internal Dealing Code approved by the Board on December 18, 2002.

The procedure implements the provisions of Article 114, paragraph 7 of Legislative Decree No. 58 of February 24, 1998.

Eni’s procedure, implementing Consob Decision on listed issuing companies: (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.

The procedure states that managers having regular access to privileged information, during specific periods of the year (*blocking periods*), are not allowed to buy or sell shares.

The procedure went into effect on April 1, 2006, and was updated on September 29, 2006 to take into account the Consob position expressed on March 28, 2006. The procedure is published on Eni website.

\* \* \*

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	other appointments <sup>(1)</sup>	members	% attendance	members	% attendance	members	% attendance
<b>Chairman</b>											
Roberto Poli		X		100	4						
<b>CEO</b>											
Paolo Scaroni	X			100	4					X	40
<b>Directors</b>											
Alberto Clò <sup>(*)</sup>		X	X	94	4	X	87			X	100
Renzo Costi <sup>(*)</sup>		X	X	69		X	67	X	100		
Dario Fruscio		X	X	56						X	60
Marco Pinto		X		81		X	60	X	78		
Marco Reboa <sup>(*)</sup>		X	X	100	5	X	100			X	100
Mario Resca		X	X	81	3			X	100		
Pierluigi Scibetta		X	X	81	1	X	87	X	100		
<b>Number of meetings in 2006</b>	<b>16</b>					<b>15</b>		<b>9</b>		<b>5</b>	

(1) Appointments as director or statutory auditor in other listed companies, also outside Italy, in financial, banking, insurance or large companies.

(\*) Appointed by the minority list.

The Self-discipline Code foresees the possibility to form, within the Board, a Committee for the proposal of Directors "nomination" especially when cases the Board of Directors notices the difficulty of the shareholders in organizing the proposal for the appointment, as being in listed companies". The Board of Directors has not formed this Committee in consideration of the shareholding characteristics of Eni.

## Board of Statutory Auditors

Members	% attendance Meeting of the Board of Statutory Auditors	% attendance Meeting of the Board of Directors	Number of other appointments <sup>(1)</sup>
<b>Chairman</b>			
Paolo Andrea Colombo	100	94	6
<b>Auditors</b>			
Filippo Duodo	45	81	1
Edoardo Grisolia	55	63	
Riccardo Perotta <sup>(*)</sup>	95	88	3
Giorgio Silva <sup>(*)</sup>	95	100	2
<b>Number of meetings in 2006</b>	<b>20</b>	<b>16</b>	

(1) Appointments as director or statutory auditor in other listed company, also outside Italy, or in financial, banking, insurance or large companies.

(\*) Appointed by the minority list.

For presenting a list 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  
(required by to the Self Discipline Code published by Borsa Italiana in 2002)**

	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 annual report		X (*)
<b>Procedures for the latest appointment of Directors and Statutory Auditors</b>		
List of candidate directors were deposited at least 10 days 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 list 10 days 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)		<i>Internal Audit</i>
<b>Investor relations</b>		
The company appointed an investor relations manager	X	
Information on investor relation manager (telephone, address, e-mail) and unit		<i>Investor Relations (**)</i>

(\*) 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.

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