



Eni S.p.A.

Circular no. 221, 26/6/2006

TYPE OF REGULATION:	Corporate Regulation		
TITLE:	Reports (including anonymous ones) received by Eni and its Subsidiaries, directly and indirectly controlled		
NOTES:			
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## 1. OBJECTIVE

This Regulation aims at establishing flows of information enabling the reception, analysis and processing of reports disclosing irregularities concerning the internal control system (hereinafter "ICS"), corporate reporting, company administrative liability, frauds, or other issues (violation of the Code of Practice, mobbing practices, thefts, security issues, etc.), submitted by employees (including top managers), members of company Boards or third parties, including reports received confidentially or anonymously.

## 2. SCOPE OF APPLICATION

This Regulation applies to Eni S.p.A.

Unlisted Subsidiaries of Eni S.p.A. shall adopt this Regulation by formal resolution.

Listed Subsidiaries shall adopt this Regulation or a similar one (also by reviewing previously issued regulations) by formal resolution, according to the specific characteristics of their company and the legal rights of their own Boards of Auditors, provided that: (i) the Internal Audit Office of the listed Subsidiaries promptly informs Eni S.p.A. Internal Audit Office (hereinafter "INAU") of the reports received, and (ii) INAU, upon receipt of the informative brief, is entitled to proceed with the investigations and checks it deems necessary, taking into account the relevance to the Group of the issue involved, working in collaboration, if need be, with the Internal Audit Office of the listed Subsidiary.

## 3. EXTERNAL REFERENCES

- ✓ *Art. 2408 of the Civil Code*, regarding reports of alleged irregularities submitted to the Board of Auditors by shareholders.
- ✓ *Art. 149 of Legislative Decree No. 58, 24 February 1998 ("Decreto Draghi")*, on the Board Of Auditors' duty to supervise the "Internal control system" and the "Administrative-accounting system".
- ✓ *Art. 6.2.d) of Legislative Decree No.231, 8 June 2001*, with regard to the duty to inform the Watch Structure of reports concerning the "*Organisational, management and control model, under Legislative Decree no. 231/2001*".
- ✓ *Self-regulation code of the Italian Stock Exchange*, regarding the Board of Directors' responsibility, assisted by the Internal Control Committee, to draw up guidelines and periodically assess the effectiveness and adequacy of the ICS, and the CEO's duty to implement the Board's decisions through planning, application and management of the ICS, continuously verifying its overall adequacy, effectiveness and efficiency.

- ✓ *Consob Communication No. DAC/RM/97001574, 20.02.1997*, about the extension of the Board of Auditors' duty to receive reports from persons other than shareholders, including employees (only for listed companies).
- ✓ *Section 301 of the "Sarbanes Oxley Act of 2002" and SEC Rule "Standards relating to listed company audit committees"* for standards concerning "Audit Committees" of company listed to U.S. stock-exchanges.
- ✓ *Coso Report – Internal Control System: An integrated reference model for management of company risk*, concerning the assignment of final responsibility for the ICS and its monitoring to the company executive board, which upholds and approves it.

#### **4. INTERNAL REFERENCES**

- ✓ *Eni Code of Practice*, approved by resolution of the Board of Directors on 21 October 1998 and 31 July 2003 (Addendum), about guiding principles concerning transparency and accuracy of company reporting and the employees' (including top managers') obligation to report omissions, falsifications and negligence in accounting or in the documentation on which accounting records are based.
- ✓ *Organisational, management and control model pursuant to Legislative Decree no. 231, 2001*, approved at meetings of Eni S.p.A. Board of Directors, dated 15 December 2003 and 28 January 2004; subsequently modified with regard to the composition of the Watch Structure, on 31 October 2005.
- ✓ *Regulation concerning functions of Eni Board of Auditors, pursuant to US regulations*, approved by the Board of Auditors itself on 15 June 2005, regarding its entitlement to approve this Regulation and examine reports by the CEO and Chief Financial Officer (CFO) related to any fraud involving managers or top positions within the ICS.
- ✓ *Regulation of Eni Internal Control Committee*, approved by a resolution of the Board of Directors on 29 June 2005, about the entitlement of said Committee to assist the Board of Directors in drawing up ICS guidelines and in the periodic monitoring of its effectiveness and adequacy.
- ✓ *Eni control system on company reporting – rules and guidelines*, approved by the Steering Committee of the Project "Verification and Compliance of Eni Control System to the Sarbanes-Oxley Act", whose principles were presented to Eni Board of Directors at a meeting of 11 February 2005.

## 5. DEFINITIONS

### 5.1. Reports

“Reports”, for the purposes of this Regulation, means any notification of possible violations, behaviours and practices not in keeping with Eni Code of Practice and/or which may damage or be detrimental to Eni S.p.A. (even if only in its the public image) or one of its Subsidiaries, perpetrated by employees (including top managers), members of company Boards (Board of Directors and Board of Auditors), auditors of Eni S.p.A. and its Subsidiaries, and third parties (partners, clients, suppliers, consultants, collaborators) in business relations with these companies, in one or more of the following areas:

- internal control system.
- accounting, internal accounting checks, auditing of accounts, frauds,
- company administrative responsibility under Legislative Decree 231/2001,
- other issues (such as, for instance: violation of the Code of Practice, mobbing practices, thefts, security, etc.).

Without prejudice to the instances of fraud, this Regulation does not apply to operational anomalies that might be detected by the company structures during internal controls under the Sarbanes-Oxley Act. These anomalies are managed within the periodic reporting structures.

### 5.2. Anonymous reports

“Anonymous reports” means any report originating from an individual whose contact details are not available, nor traceable.

### 5.3. “Bad faith” reports

"Reports in bad faith" means ungrounded reports, aimed at damaging, or otherwise being detrimental to, employees (including top managers), members of company Boards (Board of Directors, Board of Auditors), the auditors of Eni S.p.A. and its Subsidiaries, Subsidiaries, third parties (partners, clients, suppliers, consultants, collaborators) in business relations with Eni S.p.A. and/or its Subsidiaries.

### 5.4. Reports with a potentially serious impact

“Reports with a potentially serious impact” refers to those concerning operational anomalies and/or frauds which are liable to entail an estimated economic impact to Eni and/or its Subsidiaries, which is equal to or exceeding 20% of the "*threshold of substantiality of information*" as assessed by “Eni company information control system”<sup>1</sup>,

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<sup>1</sup> For the first application of the “Eni Control System on Company Reporting”, this threshold is fixed at 1.4% of consolidated profits before tax. Any modification to this percentage shall be communicated by the Administration and Balance Sheet (AMBIL) Manager of Eni S.p.A.

with reference to the balance sheet for the previous financial period and/or events which concern members of company Boards, top management, directors/managers of Eni S.p.A. or its controlled Subsidiaries.

## 6. GUIDING PRINCIPLES

Section 3.2 of Eni Code of Practice states: *“It is Eni’s policy to disseminate, at every level of its organization, a culture characterized by an awareness of the existence of controls and a control oriented mentality. A positive attitude toward control is to be achieved in order to increase its efficiency. Internal controls are all those necessary or useful tools for addressing, managing and checking activities in the company; they aim at ensuring respect of corporate laws and procedures, protecting corporate assets, efficiently managing operations and providing precise and complete accounting information. The responsibility for building an efficient internal control system rests on all levels of the organization; therefore all Eni employees, in their respective functions, are responsible for the definition and proper functioning of internal controls”.*

### 6.1. Guarantee of anonymity

Any organizational office/position within Eni S.p.A. and its Subsidiaries receiving and processing reports shall ensure complete **confidentiality and anonymity** concerning the whistleblowers.

### 6.2. Protection against reports in “bad faith”

*“Eni expects all its employees, at every level, to cooperate in maintaining a climate of reciprocal respect for a person’s dignity, honor and reputation. Eni shall do its best to prevent the emergence of attitudes that can be considered offensive”<sup>2</sup>.* Consequently, Eni S.p.A. and its Subsidiaries guarantee adequate protection against reports in “bad faith”, by condemning such conducts and informing the persons/companies affected in case of proven “bad faith”.

## 7. DESCRIPTION OF THE PROCESS

### 7.1. Communication flows

In order to facilitate the reporting concerning issues described in par. 5.1. “Reports” above, Eni deploys all possible channels of communication, including, for instance, ordinary post<sup>3</sup>, fax numbers<sup>4</sup>, voice mail<sup>5</sup> and e-mail<sup>6</sup>, communication channels on the intranet<sup>7</sup>/internet<sup>8</sup> sites of Eni S.p.A. and its Subsidiaries.

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<sup>2</sup> Eni S.p.A. Code of Practice, section 4.1.

<sup>3</sup> Address: Eni S.p.A., Internal Audit, P.le E. Mattei 1, 00144, Rome, Italy

<sup>4</sup> Fax number: +39 06 598.27335

<sup>5</sup> Voice mail number: +39 06 598.27323

<sup>6</sup> E-mail address: [Segnalazioni@Eni.it](mailto:Segnalazioni@Eni.it)

<sup>7</sup> MyEni Portal: <http://myeni.eni.it>

<sup>8</sup> Address: [http://www.eni.it/corporate\\_governance/segnalazioni.html](http://www.eni.it/corporate_governance/segnalazioni.html).

Provision and maintenance of such communication channels is ensured by INAU, which may resort to the Internal Audit Office of Subsidiaries to this end.

## 7.2. Whistleblowers

Reports may originate from any source: employees (including top managers), members of company Boards (Board of Directors and Board of Auditors), shareholders, partners, clients and suppliers of Eni S.p.A., its Subsidiaries, or other third parties.

## 7.3. Incriminated parties

Reports may concern employees (including top managers), members of company Boards (Board of Directors and Board of Auditors), auditors of Eni S.p.A. and its Subsidiaries, and others (partners, clients, suppliers and collaborators) in business relations with Eni S.p.A. and/or its Subsidiaries.

## 7.4. Report recipients

The recipients of the reports (employees, including top managers; members of company Boards, Watch Structures, Guarantors of the Code of Practice, auditors) shall promptly submit the original material received to INAU, maintaining the confidentiality required to ensure the effectiveness of the investigations and to protect the reputation of the persons involved.

Any additional documentation related to the reported event shall also be forwarded to INAU (e.g. results of controls, verifications, audits carried out at the request of Eni S.p.A. Subsidiaries' Control Bodies in relation to their own internal operations) for the relevant checks.

## 7.5. Preliminary investigation

INAU:

1. Enters each report received in the "**Register of reports**".
2. Records the information on each report in a "**Report Datasheet**", which is then filed in the "**Management, monitoring and presentation system of reports**" (see par. 10 "**Filing of documentation**" hereunder).
3. Submits the reports concerning "*other issues*" (mobbing practices, thefts, etc.) to the relevant authorities/offices.  
Subsequent investigations in relation to the reports are directly carried out by the relevant authority/office, who forwards a copy of the final report to INAU, which then updates the "Report Datasheet".
4. Promptly informs:
  - (i) Eni S.p.A. Board Of Auditors, in the event of reports concerning "*potentially serious matters*"; the latter decides whether to convene an extraordinary meeting to adopt a resolution;

- (ii) the Watch Structure of Eni S.p.A. for "*issues concerning company administrative responsibility under Legislative Decree 231/2001*" relating to Eni S.p.A.

### 7.5.1. Work Group

Throughout the preliminary investigation, the relevant Internal Audit Offices shall ensure that only expert, qualified and impartial investigators are involved.

### 7.5.2. Preliminary check

Reports concerning issues under par. 5.1. "*Reports*", with the exception of those regarding "other issues", assigned to the relevant authorities, are subject to a preliminary check.

The objective of the preliminary check is to assess the legal and practical implications of the report, and to decide whether or not to proceed with the investigation. The activities are carried out by INAU, in collaboration with the Human Resources and Organization Department (DIPERS), the Legal Affairs Department (DIALEG), and, with regard to accounting, internal accounting controls, auditing and frauds, the Administration and Balance Sheet Department (AMBIL) of Eni S.p.A.. When the recipient of the report is the Guarantor of the Code of Practice, the latter also takes part in the preliminary check.

As to "*issues concerning accounting, internal accounting controls, auditing and frauds, with reports affecting executives, managers, top managers, members of the company Boards and auditors of Eni S.p.A. and its Subsidiaries*", the decision to carry out further checks or to initiate a subsequent phase of investigation rests with Eni S.p.A. Board Of Auditors<sup>9</sup>. If the report concerns a Subsidiary company, the above is without prejudice to the legal prerogatives of the Subsidiary's Board of Auditors.

As to "*issues concerning the company's administrative liability under Legislative Decree. 231/2001*", the decision to undertake further checks or to initiate a subsequent phase of investigation rests with the Watch Structure of Eni S.p.A. or of the Subsidiary in question<sup>10</sup>. Eni S.p.A. Watch Structure informs Eni S.p.A. Board Of Auditors of the decisions taken.

The two bodies separately decide whether to proceed with investigations. A decision in favour by one of the two is sufficient.

Once the preliminary check is closed, INAU updates the "Report Datasheet" and, in cases where it is decided not to proceed, files the report.

### 7.5.3. Investigation

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<sup>9</sup> The Board of Auditors may engage independent consultants or other experts, also by resorting to company structures, if this is deemed necessary in order to fulfill its tasks (cf. Regulation on the functions assigned to Eni Board of Auditors, in compliance with US regulations).

<sup>10</sup> The Watch Structure may engage independent consultants or other experts, also by resorting to company structures, as it deems fit, under the "autonomous power of initiative and control" under Art. 6 paragraph 1 sub-paragraph. b) of Legislative Decree. 231/2001.

INAU acquires the necessary data from the company/office in question.

On the basis of the data available, INAU assesses, in collaboration with DIPERS, DIALEG, and, for "*issues concerning accounting, internal accounting controls, auditing and frauds*", with AMBIL, whether there are grounds for undertaking an audit. If the recipient of the report is the Guarantor of the Code of Practice, the latter also takes part in the preliminary checks.

As to "*issues concerning accounting, internal accounting controls, auditing and frauds, with reports affecting executives, managers, top managers, members of the company Boards and, members of the Board of Directors and Board of Auditors and auditors of Eni S.p.A. and its Subsidiaries*", the decision to undertake further checks or to initiate a subsequent phase of investigation rests with Eni S.p.A. Board Of Auditors<sup>11</sup>. If the reports concern a Subsidiary company, the above is without prejudice to the legal prerogatives of the Subsidiary Board Of Auditors.

As to "*issues concerning company administrative responsibility under Legislative Decree 231/2001*", the decision to undertake further checks or to initiate a subsequent phase of investigation rests with Eni S.p.A. Watch Structure or the Watch Structure of the Subsidiaries in question<sup>12</sup>. Eni S.p.A. Watch Structure informs Eni S.p.A. Board Of Auditors of the decisions taken.

The two bodies separately decide whether to proceed with investigations. A decision in favour by one of the two is sufficient.

INAU files reports for which an audit has not been activated and updates the "Report Datasheet".

INAU ensures that the phases of preliminary checks and investigations are carried out as promptly as possible.

#### 7.5.4. Audits

Auditing activities are carried out by INAU, either directly or through the Subsidiaries' Internal Audit Offices, with priority over scheduled annual audits.

In carrying out the audit, including all the required interviews to the reporter, to the person against whom allegations are made, and any witnesses, the work group complies with the operational standards of the relevant Internal Audit Office, drawn up in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors (IIA),

The audits are carried out as promptly as possible and the results are assessed by INAU, in collaboration with DIPERS, DIALEG, and, for "*issues concerning accounting, internal accounting controls, auditing and frauds*", with AMBIL.

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<sup>11</sup> See note 8.

<sup>12</sup> See note 9.

The top management of the entity subject to the audit defines an "Action Plan", in collaboration with the above-mentioned offices, to solve any critical situation. Each planning shall also include the relevant deadline for the corrective measure, and the organizational position and name of the person responsible for its implementation.

Once the audit process is finalized, INAU updates the "Report Datasheet".

#### 7.5.5. *Bad faith*

If the preliminary check/investigation/audit provides objective evidence of the whistleblower's "*bad faith*", Eni S.p.A. INAU, DIPERS and DIALEG shall agree on the action to be taken, ensure its implementation and promptly inform the party against whom the report was submitted.

#### 7.5.6. *Follow-up*

INAU, directly or through the Internal Audit office of the Subsidiaries, ensures that the development of the action plans for each audit is monitored.

The authorities responsible for implementation of the action plan for the individual audits may agree with INAU, directly or through the Internal Audit offices of the Subsidiaries, any extension to the set deadlines, by providing detailed grounds.

INAU may decide, during definition and implementation of the annual programme, on the basis of the results of monitoring or upon request of Eni S.p.A. Board Of Auditors or Eni S.p.A. Watch Structure, to proceed with operational follow-up on the ground, in order to verify that critical situations have been effectively resolved and monitor the development of the action plan.

Once the follow-up is finalized, INAU updates the "Report Datasheet".

## 8. REPORTING

INAU provides for the following reporting channels:

### ✓ **Periodic reporting**

- **Quarterly:** basic information included in the "Management, monitoring and reporting system", registering all reports received and the relevant work in progress,
- **Half-yearly:** statistics concerning the reports.

The above are submitted to:

- the Chairman, CEO, Board Of Auditors, Internal Control Committee and Auditors of Eni S.p.A.,
- as to *issues concerning accounting, internal accounting controls, auditing and frauds*, the above-mentioned list includes Eni S.p.A. CFO,

- with regard to *company administrative liability under Legislative Decree 231/2001*, the above-mentioned list includes Eni S.p.A. Watch Structure.
- ✓ **Executive Summary** of the Audit Report, submitted to the Chairman and CEO<sup>13</sup>, to the top management of the entity subject to the audit, to the Board Of Auditors, to the Internal Control Committee, and to the auditors of Eni S.p.A., and, for "*issues concerning company administrative liability under Legislative Decree 231/2001*", the above-mentioned list includes Eni S.p.A. Watch Structure. If the report was submitted to the Guarantor of the Code of Practice, an additional copy of the executive summary shall be provided to the latter.
  - ✓ **Audit Report**, submitted to the CEO, to the top management of the entity subject to the audit, to Eni S.p.A CFO, as well as to any other Director/Manager of the office concerned. The Audit Report is also disseminated to the Board Of Auditors, the Internal Control Committee, the Auditors and Eni S.p.A. Watch Structure, if required. If the report was submitted to the Guarantor of the Code of Practice, an additional copy of the Audit Report is to be provided to the latter, if requested.
  - ✓ **Informative Brief** on the outcome of the preliminary investigation (in the event of audits, transmission of the executive summary and, if requested, of the Audit Report) to Boards of Auditors, Internal Control Committees and Watch Structures of listed and unlisted Subsidiaries, with regard to reports affecting these companies, directly or through the relevant Internal Audit offices.
  - ✓ **Feedback** to the parties who submitted the report concerning the outcome of the preliminary investigation.

This is without prejudice to the system of reporting to and from Eni Watch Structure, under the organisational, management and control model, under Legislative Decree. No. 231/2001,.

In the event of fraud, established subsequent to the reports covered by this Regulation, INAU shall deliver the reporting required for the certification, under par. 5.B, section 302 of the Sarbanes Oxley Act.

INAU shall also ensure that all information concerning established frauds is made available to the relevant unit responsible for "Fraud risk assessment".

## 9. RESPONSIBILITY FOR UPDATE

INAU is responsible for the update of this Regulation, in collaboration with DIPERS, DIALEG and, for issues concerning accounting, internal accounting controls, auditing and frauds, with AMBIL.

## 10. DOCUMENTATION FILING

It is the responsibility of those who receive the reports to file a copy of all relevant documentation, including any attachment.

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<sup>13</sup> Attached to the full Audit Report.

In order to ensure the management and traceability of reports and the ensuing preliminary investigations, INAU provides and updates a “**Management, monitoring and reporting system**”, wherein the standard "Report Datasheets" are recorded, thus ensuring that all the relevant ancillary documentation is duly recorded.

INAU also ensures that the original reporting documentation is filed in ad-hoc paper/electronic archives, provided with the highest security/confidentiality levels used by Eni.

The work papers concerning audits on the reports are filed in the general INAU archive.

The processing of personal details of the persons involved in and/or referred to in reports is protected by the legislation in force and by company procedures on privacy.

## 11. DISTRIBUTION

This Regulation shall be submitted to all those potentially concerned. To this end, it is to be delivered or sent to:

- ✓ each member of the Board of Directors and Board of Auditors of Eni S.p.A. and its Subsidiaries;
- ✓ each member of the Watch Structure of Eni S.p.A. and its Subsidiaries;
- ✓ the Guarantor of the Code of Practice of Eni S.p.A. and its Subsidiaries;
- ✓ each employee of Eni S.p.A. and its Subsidiaries, directly or through the executive positions of the Subsidiaries and of Eni Divisions.

This Regulation shall also be available on the intranet and internet sites of Eni S.p.A. and its Subsidiaries.

During the distribution of this Regulation, recipients (including those who access the internet sites of Group companies) shall be informed that any report filed by third parties, concerning the issues under par. 5.1. herein, is to be promptly submitted (or, if received, forwarded) to INAU.

INAU shall supervise and monitor the distribution of this Regulation.