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An Analysis of Corporate Governance and Its Impact on the Firm's Financial Performance in Libya: (A Study in ENI Oil and Gas Company)

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Abstract : *Survive in competitive market good and established corporate governance essential and important for growth to modern corporations. Corporate governance effect firm's performance. In Libyan perspective, corporate governance practices have been established from earlier of 1950 when oil and natural gas were discovered. British and American companies are involved in oil and gas sectors since 1950. ENI is one of the well-known and established oil and gas companies in Libya. Aim of this study was to identify the impact of corporate governance on ENI's performance in Libya. It has found that there is a positive effect of corporate governance on ENI's financial performance in Libya. Admitted to a long-term basis, in a transparent and responsible corporate behavior of market confidence in the delivery of benefits to the establishment of a corporate governance practices and procedures.*
Keywords: *Corporate Governance, Financial Performance, Board of Directors, ENI, Libya,*

I. Introduction

In modern competitive market lack of self-reliance and confidence in financial markets and rigidity within public corporations sources of declining in investment performance, failure of financial institutions, and escalating unemployment (Reinganum, 2009), realistic exertion and attempts should have been made to reduce those situations. Besides, internal and external causes related to corporate executive behavior such as excessive and unnecessary risk taking, deficiency of transparency, lacking in board oversight, and also the system of remuneration are attributes not associated to corporate strategy and risk (Kirkpatrick, 2009). To survive in competitive market good and established corporate governance essential and important for growth to modern corporations.

Besides helping corporations meet legal requirements and to mitigate conflicts of interests, the wealthy and institutional investors should invest in corporate governance as well as make the corporation attractive to the investors. Corporate governance in other way likewise makes a corporation to other a winsome business alliance partner, in turns this helps to take advantage of profitable investment opportunities to the corporation (Julien & Riegel, 2003; De Nicolo, Laeven, & Ueda, 2006). In addition, Mehta (2006) stated that corporate governance moreover upsurges reliability, accountability, and predictability of decision-making.

In Libyan perspective corporate governance practices and auditor quality relationship of audited financial statements is enlightening to observe and analyze the country's auditing sector. Oil and natural gas were discovered in Libya in 1950, and Libya's current practices and the development auditing profession can be looked back to the earliest of 1950s (Shareia, 2010; Ritchie and Khorwatt, 2007).

Ritchie and Khorwatt (2007) has found and stated that the Libyan auditing profession closely modeled toward the British and the United States (US) systems more than a period of 50 years (p.41) for the preliminary production and exploration of resources such as oil and natural gas in Libya. Since late 1950s British and American companies employed their own business practices in oil and gas exploration and production in Libya, they applied accounting philosophies and their own systems as well. Till today this practice of accounting has continued (Mahmud, 1997; Bait-El-Mal et al., & 1973; Kilani, 1988). Such practices and investments of those foreign companies in the country's precarious and critical oil sector has given the new shape and system in Libyan accounting practices, also promoted the audit profession. Libyan Corporate governance main goal is to ensure that, the organizations of different sectors, like public banks, gas and oil operating in Libya have financially feasible and concerning about the legislation of the country's and betterment of the company and investors.

Notable researcher Shleifer and Vishny (1997) has defined corporate governance as "Corporate governance deals with the ways in which suppliers of finance to the corporations assure themselves of getting a return on their investment" (p.737). A good and well defined corporate governance is the significant element to the truthfulness of corporations, markets, and financial institutions. Besides that the central and key strength of Libyan economy and stability (Rogers, 2008). Regarding financial performance, corporate governance practices of listed companies in Libya is extremely influenced strong financial performance can be affected by imposing certain regulations.

Global and international financial scenery is changing dramatically. Economy and the financial system have undergone nocuous by years, globalization and technology are also more open to financial arenas are becoming marketed new products and services and are continuing the spread. Subsequently, regulators in everywhere are crawling to assess the variations and controlling the commotion (Rogers, 2006). Decreasing and the lacking of the confidence in the global financial markets is attributed to the failure of corporate governance practices, which are increasing (Kirkpatrick, 2009). Result of these failures increase the conflicts of interest among corporate managers and stockholders, stockholders and board of directors as well.

Furthermore interest of corporate managers often on short-term gains which has benefited them even more than stockholders (Mallin, 2008; Drucker, 1954). Media reports specified that eve during bad condition of economic excessive and unnecessary compensations approved by board for corporate managers. Hence, board of directors play role in favor of corporate managers and not oblige to act and perform on stockholders interest. Previous studies have identified several weaknesses in accounting standards, the regulations, and also in economic theories to resolve agency-related problems occurred in public corporations (Siegel, 2006; Colander, Follmer, and Haas 2009; and Rajan, Seru, and Vig, 2008).

As a developing country, deal of the Libyan government, such as corporate governance and public sector organizations as the stability of the parties concerned with the way that the stimulation. Its managers and other insiders to take action to protect the interests of stakeholders through a variety of initiatives to ensure that strategies are attempted. This initiative in the banking sector, consumer goods companies, and oil companies to attract foreign investment through the introduction of low-tax and customs fees, will encourage investment decisions. In the past four decades, Libya Petroleum Exporting Countries, such as the company which operates the government agency in Libya (OPEC) following a number of high-profile corporate collapses has attracted much attention. Regarding to the regulatory changes such as reducing the burden of taxes and customs fees on a number of public listed companies recently in Libya is aimed at improving corporate governance, which has been enacted. Thus this study has aimed to identify the factors of corporate governance that have impact on financial performance in Libya.

II. Literature Review

1.1 The Concept of Corporate Governance

The definitions of corporate governance have been given by several authors and most of their definitions specifically focused to assume in what way or manner ought to be followed to make the appropriate and reasonable decision in the corporate section. According to Prabhakar (2006), corporate governance is considered as a mirror which has the same sight as corporate sector itself is governed. However, the limitation exists in his definition, since the definition does not reflect proper justification of corporation's conflicts and interests deliberately. The effective management is one of most important corporate assets which has the legitimate value of enhancing corporation's performance, the explanation of this corporate governance does not provide a straight reflection of effective management's value. Wruck, (2008) stated that, the relationship between stockholder and managers in the corporation must have a consistency and ensuring this attachment has to be the major goal of the corporate governance system. Julien and Rieger (2003) have given the considerations to the stakeholder model of corporate governance through mentioning that, corporate governance system is the main contributor in the corporation to maintain and protect the interest of various stockholder.

The Australian Standard (2003) stated, the corporate governance is a continuous process through this the companies are accounted to right direction and control. It indicates that the process stands of organizing and coordinating organizational structure means that corporate governance supports to maintain and sustain the required authorization, accountability, management, proper form of leadership, direction and control of the practice right.

Audit Commission (2009) which emphasizes that, fundamental parts of accountability and controlling the management is important in the governance of every organization. Shortly, corporate governance is a system through that, the commercial corporation is straighten in the right direction and pulling up the control in a structural way where right and responsibility are distributed to top management of the company, likewise board, manager, shareholder and stakeholder (Economist Intelligence Unit 2002).

1.2 Elements of Corporate Governance

There are few evidences which are suggested by literatures, practicing corporate governance in the corporation and other study results has been influenced by geographical locations (Klapper, Laeven, & Love, 2006; Chhaochharia & Laeven, 2009). Dissimilar results have been shown in different regions where the existence of cultural differences, and other factors, such financial accounting, factors of legalization, factors of regulations. Few studies have been done to identify the influence of corporate governance and financial performances steered on corporations in some countries which operating healthy economy and practicing a proper corporate governance regulation, variation on the corporate governance practice and legalized heavy regulation and which is rated more sophisticated than developing countries. Mostly the economy in developing countries, corporate governance regulations are weaker or else has the lacking and there are haphazard corporate governance practices (La Porta, De-Silanes, Shleifer, & Visny, 2000).

However, perceptions of the corporate governance elements that molds good corporate governance vary from country to country, as the business environment is not available in all countries equally. Nevertheless, some insights of the key elements of good and well established corporate governance are provided by different professional body and author such the Australian Stock Exchange Corporate Governance Council (2003), company report of, Cadbury Report (1992), Sarbanes-Oxley Act (2002) and The Business Roundtable (2002) in different times.

According to the Business Roundtable (2002), a relationship of CEOs of American enterprises, shorten the standards of good corporate governance as takes after:

- Board has a significant commitment of selecting and dealing with competent managers and other senior leaders.
- The organization of a connection has an obligation to act in a timely and proper manner at this time stretching shareholder level in the organization.
- It is essential for clear and advantageous tax reporting.
- The company must plan the game with are specialists in a sensible and reasonable way.
- A company should have a corporate governance trustees who embodies autonomous leaders and speeches problems, for example the selection of managers, procurement data to a board of directors and assessing the viability of a board of directors.
- Independent manager must meet a chance. Outside the region of a president and other executives organization
- A company has an obligation to talk to its shareholders and stakeholders distinctive effectively.

1.3 The Importance of Corporate Governance

Practicing great corporate governance could be helpful to push general budgetary business uprightness and competence (Subrahmanyam, 2008). Corporate governance structure prompts worth business segment proficiencies, progress, business and fiscal change. This recommends that if affiliations have unbelievable governance drills, they will pull in quality and responsibility financing to help handle research and help change which will as necessities in order to upgrade the financial markets (Bernal & Lubrano, 2007; Cremers & Nair, 2005).

A few studies have concentrated on the need to look at basically administering body, and corporate supervisor concerning the matter of governance issues (Aglietta 2008; Clark & Urwin 2008; Julien & Riegel 2003) in light of the way that they influence corporate choices and their activities or inactions can have separating impact on money related execution. Drucker (1954) made an argument that, the entire arrangement execution of an affiliation is subject to the method for boss' choices, capacities and learning of administering body and their dedication towards applying for sounding association benchmarks. Thusly, while investigating for the statement of corporate governance for association cash related professional ought to examine the creation and autonomy of the board and uprightness of corporate association. The examination might be helpful for a ringleader to evaluate whether the affiliation is overseen in a way that will extend cash related execution, and stay away from budgetary misery or not. Lu and Chang (2009) struggled that phenomenal corporate governance practices could be helpful for an association to give quality cash related data that would be helpful for guidance against budgetary dissatisfaction.

1.4 Factors to Implement Corporate Governance

Board of Director

Board of directors is a critical corporate governance mechanism set up to help mitigate conflicts of interests. The major purpose of setting up board of directors of a corporation is to monitor activities of corporate managers (Black et al. 2003; Brown & Caylor 2004). The responsibilities of the board include the establishment of long-term strategic policies for the corporation, determination of compensation packages for corporate managers, evaluation of managers' performance, and enhancements of internal control systems (Drucker, 1954; Marciukaityte, Szewczyk, & Varma, 2009).

Board of directors is often seen as ineffective in carrying out their responsibilities for lack of independence. In order to improve the effectiveness and independence of the board some researchers have suggested the use of stock options to help align the interests of corporate managers with that of shareholders. They argued that appropriate stock ownership will provide incentives for corporate managers to take long-term perspectives of important corporate decisions (Eugene & Courtenay, 2006; Pergola, Gilbert, & Jenzarli, 2009). Arcay and Vasquez (2005) reported that board independence and stock option plans are positively related to transparency and full disclosure of information.

Shareholders and Stakeholders

Organizational and company shareholders should be ready to enter into a dialogue based on mutual understanding of objectives (Ponnu, Sarif, & Chan, 2007). The companies also should use the annual general meeting to communicate with private investors and encourage participation of all the stakeholders (Ponnu, Sarif, & Chan, 2007). According to Brown & Gorgens (2009), companies with better corporate governance performed better when looking into firm financial performance in areas of shareholder returns. Stakeholders can be instrumental to corporate success and have moral and legal rights (Donaldson & Preston, 1995; Ulrich, 2008). When stakeholders get what they want from a firm, they return to the firm for more (Freeman, 1984; Freaman & McVea, 2001).Therefore, corporate leaders have to consider the claims of stakeholders when making decisions (Blair, 1995) and conduct business responsibly towards the stakeholders (Manville & Ober, 2003; White, 2009). Participation of stakeholders in corporate decision-making can enhance efficiency (Turnbull, 1994) and reduce conflicts (Rothman & Friedman, 2001).

Audit Committee and Audit Oversight

The audit committee of the board is established to provide independent oversight of the company's financial reporting, non-financial corporate disclosure, and internal control systems (Laux & Laux, 2009). This function is essential to ensure that effective corporate governance and responsibilities to stockholders are fulfilled. According to Laux and Laux (2009) the audit committee has major responsibilities of appointing, retaining, and even dismissing external auditors if they perform poorly. It oversees the internal audit function, ensures quality of financial disclosure, assesses auditors' independence and determines the quality and transparency of financial reporting.

Audit committee members should have sufficient expertise in financial, accounting, auditing and legal matters to be able to adequately oversee and evaluate the control, compliance systems, risk management and the quality of financial disclosures (Bates & Leclerc, 2009). Financial expertise of audit committee members is positively related to earnings quality (Hoitash & Hoitash, 2008). Chen and Zhou (2007) also found that fraudulent firms have fewer financial experts on the audit committee. Audit committees that have financial experts are more likely to understand complex accounting issues and the need for auditors to perform inquiries to increase their level of assurance that the financial statements do not contain material misstatements.

Compensation Committee

Compensation may take the form of cash, bonuses, stock options, and long-term incentive plans such as pension funds (Brigham, 1999; Narayanan, 1996; Wheatey, Doty, & Harold, 2010). Compensation is used by directors acting on behalf of stockholders to attract, retain, and motivate the highest quality and most experienced managers for a corporation (Hawley & Williams, 1996; Kanagaretnam et al. 2009). According to Narayanan (1996), all-cash compensation may lead corporate managers to under invest in long-term capital projects so compensation should include long-term incentives that will help meet and exceed corporate long-term goals.

Excessive board-approved compensation package is highly detrimental to the interests of stockholders and firm value. Bebchuk and Grinstein (2005) examined the growth of executive pay of sampled period 1993-2003 and reported that executive compensation has grown geometrically that could not be explained by financial performance, changes in firms, or industry classification. Frydman (2008) agreed with Bebchuk and Grinstein, (2005) and reported that the growth of equity-based compensation has not led to reduction in non-equity compensation packages.

Reda et al. (2008) believed that compensation committees can help in designing and implementing a compensation system that effectively rewards and encourages participation in the achievement of core business activities. Compensation committees also review and approve corporate objectives that relate to management compensation. Several studies have suggested that excessive executive compensation package is a sign of strong financial performance (Dominguez-Martinez et al. 2008). But no significant relationship was found to exist between executive compensation and financial performance in Li et al. (2007) and Zheng and Cullinan (2010) research studies. Li et al. (2007) reported that excessive executive compensation leads to poor financial performance.

For compensation committees to be effective members should be independent and free of undue influence from corporate managers in order to have the ability to offer impartial advice. Zheng and Cullinan (2010) noted that given the limited board size, the corporation must critically examine how to assign individual directors among different committees to ensure independence and effectiveness.

III. Method

Purpose of this study is to identify and investigate the reasons, of corporate governance factors that influence on financial performance in Libya. The emphasis of this study is to gadget the corporate governance and financial performance. Thus in this section method of the study has explained to reach the objectives of the study. In this study case study method has applied.

The method of qualitative research in a "total situation" (Rummel & Ballaine, 1963) of the in-depth analysis. This is a special organizational behavior is described by the sequence of events leading to. A study by the research goals, the standard measure is supposed to allow greater understanding of causality than that clarify issues relevant to those events, and for more in-depth examination of the situation, an organizational process to allow an in-depth study of the methods (McLintock, Brannon, & Maynard - Moody, 1979).

Notable researcher Yin (1984) observed that presenting a case study of a data point is not only a watch, but also by cross-analysis provides insight should be regarded as a complete test. He suggests three ways to conduct a meaningful analysis of the case study: such a suggestion, question, or activities as well as the real thing, organized around the narrative accounts; To collect data using a quantitative method to flat meaningful events; Or, consider the alternative explanation of events, incidents and events by providing accurate rendition of the most congruent with the interpretation of the explanation for a phenomenon by drawing conclusions based on the build. Facilitation of organizational variables and methods of research around the subject chose to organize the narrative account. Do McLintock. (1979) for further qualitative analysis, and indeed the whole case, for each unit of analysis is strengthened by the use of different data sources and the analysis of the units, the point is that both contended.

In this study the source of the data using in this report in company's website of ENI. From this website financial data has been collected. Besides other information regarding the ENI collected from several websites. Secondary data has been used in this report to reach the objectives. Data collected from ENI website. From the year 2010 to 2013 annual report collected from ENI's websites. ENI is a public listed company in Libya.

Qualitative case study method used in this study. Similar to other qualitative research, data collection and analysis occur at the same time. Will depend on the type of analysis involved in the case study. Yin short analysis describes five techniques: pattern matching, proposals, explaining the building, time series analysis, logic models, and cross-linked to the synthesis of the data. Conversely, such as the analysis of categorical aggregation and direct interpretation of the betting line. In this report direct interpretation used to analyze the data for ENI.

IV. The Case of ENI

1.5 History of Company ENI in Libya

Since 1959 ENI's presence in Libya, in 1965, a desert area called Rimal where the oil was discovered it is situated in the Eastern Sahara, Agip 82 has been given the license by Libyan government. In 1966, a second agreement, license 100, discovered in 1967, is a giant in this Attifel fields reached for an area adjacent to where the 82 licenses.

In 1972 ENI, which licenses and the rights and duties of 82 and 100 to 50% associated with the National Oil Corporation (NOC). NOC Oil Company owned by Libyan government, and there was a joint venture agreement between NOC and ENI. Since then, production in The Bu Attifel reservoir had started its production since 1972, within few years increased production and reach into pre day 200,000 barrels of oil.

In 1974, another agreement signed between ENI and NOC, the area held by NOC like NC-41 located in offshore and other areas belongs to NOC was under the agreement of Exploration and Production Sharing Agreement (EPSA 74). Exploration activities in 1976, which came into production in 1988. Beginning in 1997, which led to an important discovery, 800 km south of Tripoli, Murzuk in the basin, NC-174 Bouri field was discovered in the area, resulting in the January 2004 El Feel (Elephant) production of the reservoir. Wafa is located 520 kilometers south-west of ENI and NOC joint development projects in the fields (gas, crude and condensates), for the introduction, in 1996 and 1999, signed by more 110 km north of the Mediterranean, offshore of Tripoli, Tripoli, and Bahr Essalam field (gas and condensates).

Tripoli in Libya is the ENI's exploration and production activities are conducted in the Mediterranean offshore in front of the Libyan Desert. ENI is currently a total area of 26.634 km2 (13.295 km2 ENI which), covering 10 is engaged in mineral licenses. ENI's production activities in Libya, including extensions, for the production of oil and gas in 2047 will expire in 2042 Exploration and Production Sharing Agreement (EPSA) is controlled by. In 2013 ENI's share of production in the hydrocarbon 228.000 BoE / D amounted.

On the other hand GreenStream Libyan gas fields in Italy (ENI 50%) produced by GreenStream gas import gas pipeline, has been created. It is approximately 520 km long and reaches depths of up to 1,127 meters under the Mediterranean Sea, Sicily Gela, with the Libyan coast to 32 inches, the diameter of the pipeline linking Mellitah, with. Gas exports from Italy began in October 2004 and the Italian needs green stream now accounts for 15%.

1.6 Factors Influence the Implementation of Corporate Governance in ENI

The ownership structure, internal controls and risk management, board of directors, board committees that affect the implementation of corporate governance in ENI. ENI's share capital consists of ordinary registered shares. Indivisible and each holder of shares grant the right to vote. ENI's shareholders of the company's ordinary and extraordinary Shareholders' meeting to vote on, and the latter and the company's by-laws, subject to certain limits to their corporate and property rights under the laws in force, have the right to exercise. As a result of the takeover - with a capital of at least 75% of voting shares will be purchased on the limit of the special provisions provided that the bidder, if a takeover bid for the shares exceeds the limit the following section shall not apply to the appointment or dismissal of directors in discussions right.

Principles and code Witten in ENI's governing system, Section 17 of the code stated that for ENI the board of directors fixes the limits of their number in the general shareholders' meeting, elected or chosen by not less than three and on the other hand no more than nine members, and was formed by that. According to the law of the company and Company Article 6.2, letter d), which is adopted by an additional non-voting Director, this Law No. 474/1994 stated in other words that the Government may be appointed that director. Besides that, non-controlling shareholders are embodied on the board to confirm that, the directors are being selected on the basis of schedules. So, this system fulfills the special rules that apply to the company by its own under the law of 1994 when it was formulated. That is how the board of directors of ENI affect the corporate governance, the board of directors of the recruitment process, controlling shareholder rights also cannot be presumed.

ENI has its control and risk committee, is one of the greatest influence factor affecting the implementation of corporate governance. About 99% of the members of this committee in the year 2013, participate in the meeting to control and assume the risk of the company, 20 times was the average participation rate. To meet the committee's objective board of directors ensure the competency level and the right person professional competence and diligence is performed to ensure that the required level, freedom, autonomy, harmony, efficiency and effectiveness of monitoring their work, oversees the activities of the internal audit unit of ENI Code of Ethics and in accordance with international standards has met.

Board in execution its management and synchronization activities of the model implemented by ENI with a collective strategic vision for the latter in the company and increase the value of the element specifies the accomplishment of an integrated company, similar to that established that. In pursuing this goal, ENI listed companies and those who are subject to special regulations, especially managerial independence of individual companies, according to the work and interests of the other shareholders, the company protect its commercial interests in respect of the privacy obligations and local regulations related to foreign companies.

1.7 Impact of Corporate Governance on the ENI's Financial Performance

July 28, 2010 ENI's regulatory System16, the Board of Directors regarding the founding principles of the system as a mark of integrity and transparency, which provides corporate governance policy, ENI's corporate governance system defines an integral policy. Implementing this new system in ENI's corporate governance, rights and relationships with its partners to complete safeguarding and timely, to provide clear and accurate information, even potentially, a situation that may have a conflict of interest that is taken to ensure proper handling. This new policy is also compared with the best Italian and foreign rule through models and, in particular, with the most representative organizations and bodies, including the best corporate governance principles published by the practice, pursue.

Sustainability is an integral part of the ENI governance model and constitutes a driving force behind a process of continual improvement that focuses on issues that arise from continual interaction with stakeholders, from analysis of energy scenarios and from multi-dimensional analysis of the contexts in which Eni operates, with respect to business strategies and integrated risk management.

Sustainability in ENI represents the Company's methods of operating that make value creation over the medium and Long-Term possible with a view that incorporates social and environmental responsibilities in its risk analysis and when exploring opportunities.

For this reason, Sustainability is fully integrated into all company processes: from planning, monitoring and control to risk prevention and management, from implementation of operations to reporting, and in communications regarding performance and activities with internal and external stakeholders.

Under this logic, all Company objectives are pursued with an approach that is strongly focused on operational excellence, technological innovation, cooperation for the development of the Countries where ENI operates, the importance of people, the responsibility to manage its business following strict financial rules, the highest ethical principles, and synergies deriving from integration throughout the entire energy chain.

Internal control mechanisms are firm-specific governance attributes (Jensen, 1993) which effect on firm's financial performance. The most notable of these mechanisms are the composition and activity level of the board of directors. The board of directors is the major oversight body within a firm. Directors are elected by shareholders to appoint top management and ensure that the interests of shareholders are not subordinated to the conflicting interests of management or other stakeholders. Directors are motivated to perform this role effectively by the potential for substantial legal liability from class action lawsuits. Thus board of director as a component of CG has most influential impact on financial performance of firm.

In line with the principles of its Corporate Governance Policy, ENI is committed to creating a Corporate Governance system that is inspired by excellence, in open dialogue with the market. ENI's commitment to sustainable development is also recognized by the leading financial Sustainability indexes. Thus day by day ENI's financial performance has increased.

Table 4.1: Return on Equity

Years	ROE (%)
2009	9.65%
2010	12.08%
2011	12.37%,
2012	13.16%
2013	14.8%.

Source: ENI Oil & Gas (2014)

After implementing new policy of corporate governance in 2010 in ENI, return on equity (ROE) improved from 2010 to 2011, 2011 to 2012 and 2012 to 2013.Table 4.1 shows that the improvement of firm performance from 2010. Before implementing corporate governance policy in ENI ROE was 9.6% in 2009. In 2011 it increased to 12.37%, in 2012 increased to 13.16% and in 2013 increased to 14.8%. Net profit in 2012 was 10,269 million USD. So it can be concluded that good corporate governance implementation has positive impact on financial performance of the company.

V. Discussion and Conclusion

To ensure the truthfulness and transparency, propriety as well as efficiency of the processes of ENI, ENI adopts the rules for the performance of several business activities, also the practice of powers, assuring observance of conducting general philosophies of traceability and isolation. Each of this component of the system is enhanced by the ENI's Code of Ethics, in which identifies the essential and basic values, between others, all staff members of corporate bodies and conduct formal and practical legitimacy, transparency and accounting exercises directed at the promotion of a mentality. ENI investors in our corporate organization, management and corporate staff in full compliance with the internal control system depends on making informed set of rules.

This presents a significant challenge to policy makers in the corporate governance guidelines and policy development to ensure that adequate and relevant to the current needs and to address the concerns of all stakeholders is an important step that will be taken. Admitted to a long-term basis, in a transparent and responsible corporate behavior of market confidence in the delivery of benefits to the establishment of a corporate governance practices and procedures.

Privatization process in order to ensure complete and accurate, and the promotion of ethics and compliance with corporate governance codes of code from the very beginning, ENI, institutional investors, with retail shareholders and the market has maintained an open and ongoing dialogue and timely information on its activities, with the exception of some secret information only. Periodic reports on related, four-year strategic plan, major events and transactions of press releases, meetings and conferences, institutional investors, financial analysts and the press is delivered via the call is immediately available to the general public.

In this study has found that the practice of good corporate governance plays an important role in the corporation's financial performance concludes. However, the leverage of good corporate governance, shareholder rights, enhancement, CEO duality, and the high proportion of non-executive independent board members, as well as the minimum number of committees, moderate executive compensation, and optimal use of corporate democracy should be considered to improve financial performance and reduce financial distress.

This study suggest that, there is an urgent need to create sufficient awareness of these issues; A strong audit committee, auditor independence, the importance of a greater understanding of the financial implications of this are very strong and you should be championed by the regulators and the accounting profession. Aspects of good governance and the organization of the stakeholders who are involved in a relationship with the understanding that the directors, who represent accountants and regulators of corporate governance responsibilities, and so on. Shareholders, too, not only for their interest in the current business activity, but a much wider range of stakeholders are mindful of the need to be aware of that. Shareholders, management and auditors are likely to always be the primary consideration, but it is the responsibility of all stakeholders will be enhanced to a greater can be envisaged.

The study has implications for the formation of the company's board. Activity cannot be stressed on the importance of board independence. This is indeed an effective and efficient organization of the board and key corporate governance. Inside directors (not independent) experience a conflict of interest. On the one hand, they are motivated by their desire to maintain their reputation as effective directors. On the other hand, as company executives, they may engage in aggressive accounting for the same reasons that non-director managers engage in aggressive accounting. Independent directors, those without explicit ties to the firm, do not face such a conflict of interest and can be expected to monitor management more objectively than inside directors. Thus, an independent board of directors of a dominant position without excessive dependence and pressure to be able to carry out its oversight responsibilities. The public and shareholders of the city "s" compensation and bonus culture "in the sense of" is particularly important in the current economic climate. Compensation limits and therefore reduce the number of directors and / or in the chair and chief executive officer of one may wish to include. This increase corporate transparency and accountability should be resisted by the regulators.

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