

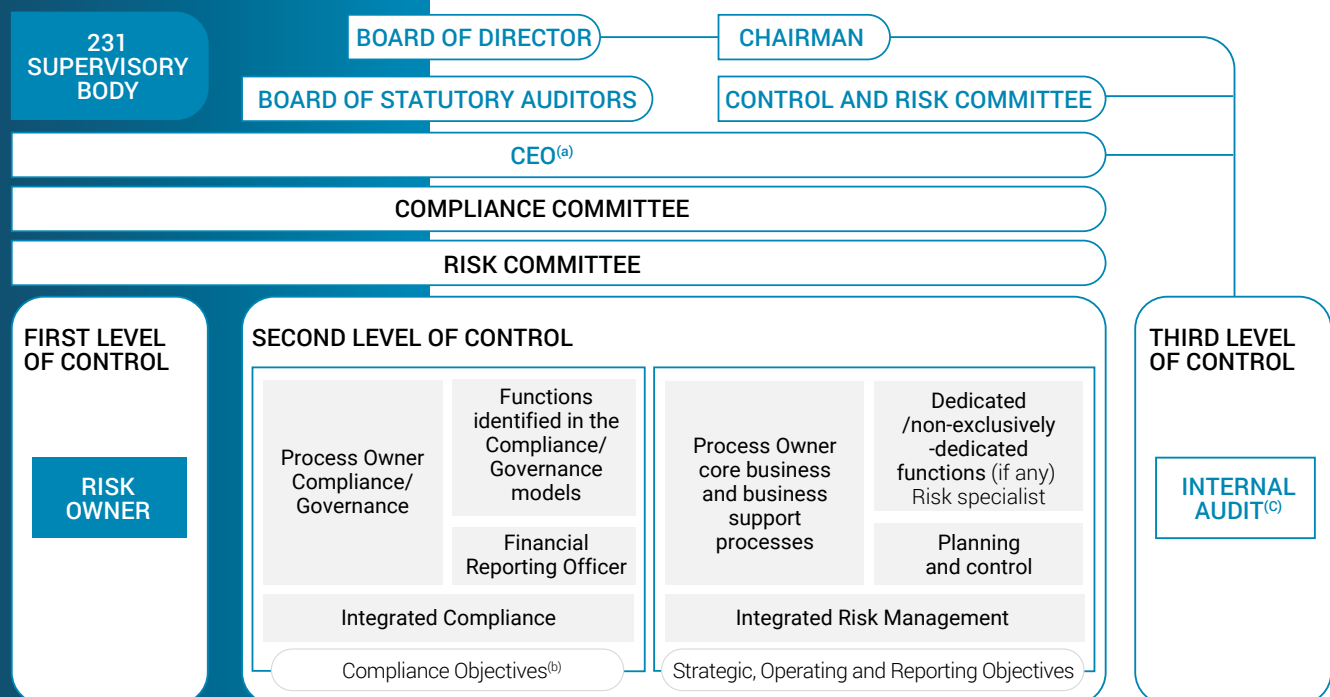
Integrated Risk Management

The Integrated Risk Management (IRM) process is aimed at ensuring that management takes risk-informed decisions, with adequate consideration of actual and prospective risks, including short, medium and long-term ones, within the framework of an organic and comprehensive vision. The IRM Model is based on a system of methodologies and skills that leverages on principle of the third parties assessments (data quality, objectivity of the detection and quantification of the mitigation actions) in order to improve the effectiveness of the analyses, ensure an adequate support for the main decision making processes (definition of the Strategic Plan and medium and long-term objectives) and guarantee the disclosure to the administration and control structures.

Integrated Risk Management Model

The IRM Model is characterized by a structured approach, based on international best practices and considering the guidelines of the Internal Control and Risk Management System (see page 42), that is structured on three control levels. Risk Governance attributes a central role to the Board of Directors (BoD) which defines the nature and level of risk in line with strategic targets, including in evaluation process all the elements that can be relevant in a view of the Company's sustainable success.

The BoD, with the support of the Control and Risk Committee, outlines the guidelines for risk management, so as to ensure that the main corporate risks are properly identified and adequately assessed, managed and monitored, determining the degree of compatibility with company management consistent with the strategic targets. For this purpose, Eni's CEO, through the IRM process, presents every three months a review of the Eni's main risks to the Board of Directors. The analysis is based on the scope of the work and risks specific of each business area and processes aiming at defining an integrated risk management policy; the CEO also ensures the evolution of the IRM process consistently with business dynamics and the regulatory environment. Furthermore, the Risk Committee, chaired by the CEO, holds the role of consulting body for the latter with regards to major risks. For this purpose, the Risk Committee evaluates and expresses opinions, at the instance of CEO, related to the main results of the IRM process.



(a) Director in charge of the Internal Control and Risk Management System.

(b) Including objectives on the reliability of financial reporting.

(c) Internal Audit Director reports hierarchically to the Board of Directors, and on its behalf, to the Chairman, without prejudice to the provisions relating to its appointment, termination, remuneration and resources and his functional reporting to the Control and Risk Committee and to the CEO, as director in charge of the Internal Control and Risk Management System.

Integrated Risk Management Process

The IRM process ensures the detection, consolidation and analysis of all Eni's risks and supports the BoD to verify the compatibility of the risk profile with the strategic targets, also in a medium-long term approach. The IRM supports management in the decision-making process by strengthening awareness of the risk profile and the associated mitigations. The process, regulated by the "Management System Guideline (MSG) Integrated Risk Management" is continuous, dynamic and includes the following sub-processes: (i) risk governance, methodologies and tools (ii) risk strategy, (iii) integrated risk management, (iv) risk knowledge, training and communication.

The IRM process starts from the contribution to the definition of medium and long-term plans and Eni's Strategic Plan (risk strategy) through the definition of proposals for de-risking targets and strategic treatment actions, the analysis of the risk profile underlying the proposed Plan and the identification of the main actions with effective de-risking of the company's top risks. The results of the activities were presented to the Administrative and Control structures in January 2021.

The "Integrated Risk Management" sub-process includes: periodic risk assessment and monitoring cycles ([Integrated Risk Assessment](#)) in order to understand the risks taken on the basis of the strategic and medium-long term targets and the initiatives defined to achieve them; [contract risk management](#) and analysis aimed at the best allocation of the contractual responsibilities with the supplier and their adequate management in the operational phase; integrated analysis of existing risks in the Countries of presence or potential interest (ICR) which represents a reference for risk strategy, risk assessment and project risk analysis activities; support to the decision-making process for the authorization of investment projects and main transactions ([Integrated Project Risk Management and M&A](#)).

The risks are assessed with quantitative and qualitative tools considering both the likelihood of occurrence and the impacts that would occur in a defined time horizon when the risk occurs.

The assessment is expressed following an inherent and a residual level (taking into account the effectiveness of the mitigation actions) and allows to measure the impact with respect to the achievement of the objectives of the Strategic Plan and for the whole life as regards the business. The risks are represented on the basis of the likelihood of occurrence and the impact on matrices that allow their comparison and classification by relevance.

Risks with economic/financial impact are also analyzed in an integrated perspective on the basis of quantitative models that allow to define on a statistical basis the distribution of risk flows or to simulate the aggregate impact of risks in the face of hypothetical future scenarios (what if analysis or stress test).

In 2021, two assessment sessions were performed: the Annual Risk Profile Assessment performed in the first half of the year, involving 125 subsidiaries in 43 Countries and the Interim Top Risk Assessment performed in the second half of the year, relating to the update of the evaluation and treatment of Eni's top risks and the main business risks.

The two assessment results were submitted to Eni's management and control bodies in July and December 2021. In addition, three monitoring processes were performed on Eni's top risks.

The monitoring of such risks and the relevant treatment plans allow to analyze the risks evolution (through update of appropriate indicators) and the progress in the implementation of specific treatment measures decided by management. The top risks monitoring results were submitted to the management and control bodies in March, July and October 2021.

▶ Risk Governance, methodologies and tools

▶ Risk Strategy

▶ Integrated Risk Management

► **Risk Knowledge, training and communication**

The **risk knowledge, training and communication** sub-process is aimed at increasing the diffusion of the culture of risk, at strengthening a common language among the resources that operate in the risk management area across the different Eni businesses as well as sharing information and experiences, also through the development of a community of practice.

Eni's top risks portfolio consists of 20 risks classified in: (i) external risks, (ii) strategic risks and, finally, (iii) operational risks (see Targets, risks and treatment measures on the following pages).

Targets, risks and treatment measures

STRATEGIC RISK

SCENARIO



MAIN RISK EVENTS

Price Scenario, risk of unfavourable fluctuations in Brent and other commodities prices compared to planning assumptions.

TREATMENT MEASURES

- Actions aimed at improving the resilience (reduction of cash neutrality), flexibility (in terms of investment decisions) and efficiency (capital discipline and action on structural costs) of the company;
- increase in value through the growth of production, M&A actions and business combinations;
- integration of gas portfolio with LNG activities also through the development of integrated initiatives for the enhancement of gas equity (pipes and LNG) leveraging commercial skills, access to the end and trading markets;
- targeted strategies for hedging the price of gas equity and hedging of commercial exposures with Value At Risk Limits, approved by top management;
- maximize the optimization/ABT activities of the portfolio by fully capturing the value linked to the increased volatility of the gas markets and the flexibility of physical withdrawals;
- maximization of synergies between the renewable capacity under development and power customer portfolio (integrated energy management and hedging with customer portfolio);
- optimization of traditional production structures and green, organic and recycling business development.

CLIMATE CHANGE



MAIN RISK EVENTS

Climate change referred to the possibility of change in scenario/climatic conditions which may generate physical risks and connected to energy transition (legislative, market, technological and reputational risks) on Eni's businesses in the short, medium and long-term.

TREATMENT MEASURES

- Structured governance with the central role of the Board in managing main issues connected with climate change, presence of specific committees;
- medium and long-term plan to 2050, which combines business development guidelines for progressive industrial transformation with ambitious targets for reducing GHG emissions associated with energy products sold by Eni as well as offsetting emissions; four-year plan with provision for each business of operational actions to support and implement the industrial transformation indicated in the medium and long-term plan;
- assessment of the resilience of the portfolio through stress tests based on low carbon scenarios;
- flexibility of strategy and investments;
- diversification with the development of new business/products;
- short-term and long-term management incentive plans that include objectives related to the "climate strategy" consistent with the guidelines defined in the Strategic Plan;
- leadership in disclosure and adherence to international initiatives;
- key role of low carbon research and technological development.

EXPOSURE TO LONG-TERM CONTRACTS

(LONG-TERM SUPPLY GAS CONTRACTS)



MAIN RISK EVENTS

Referred to the possible mismatch of the cost of supply and the minimum take constraints envisaged by supply contracts with respect to current market conditions.

TREATMENT MEASURES

- Diversified supply portfolio and prices-volumes renegotiation;
- portfolio balancing with sales to hubs (in Italy and in Northern Europe) of volumes not for mainstream distribution channels;
- legal defense, continuous control of arbitration management and negotiations by dedicated organisational structures.

STRATEGIC RISK

DECREASING DEMAND/COMPETITIVE ENVIRONMENT



MAIN RISK EVENTS

Contraction in demand/Competitive environment relating to the market demand and supply imbalance or an increase in competitiveness leading to: i) reduction of sale volumes, ii) increase difficulties in defending customer base/develop growth initiatives, iii) generate adverse dynamics in the prices of finished products, iv) reduction of demand.

TREATMENT MEASURES

- ▶ Optimization of portfolio management of equity volumes, also in relation to the different dynamics of the end markets;
- ▶ alignment of the supply portfolio with market prices;
- ▶ maximization of the export volumes of the LNG plants in the portfolio;
- ▶ differentiated strategy of exposure coverage by commodity market and daily monitored;
- ▶ integration of midstream and upstream activities and portfolio management of gas equity volumes, to facilitate the maximization of their value; identification of projects with low break even and fast time-to-market;
- ▶ consolidation of the Italian network market share with requalification of the Italian network of properties on premium levels;
- ▶ evolution towards the Mobility Services station with an integrated offer of carriers and services;
- ▶ specialization in the chemical portfolio towards products with greater added value and extension of the downstream supply chain towards compounding;
- ▶ development of chemical platforms from renewables and recycling;
- ▶ organic growth in the customer portfolio abroad and gas/power customer base rebalancing in Italy with Anti-Churn actions;
- ▶ loyalty of the retail customer base, also through the maximization of the contribution of businesses related to the provision of services for energy efficiency and distributed generation and E-mobility;
- ▶ consolidation of the market position in the renewable energy sector, in particular in the countries of retail presence through the development of the pipeline of acquired projects;
- ▶ increase in the flexibility of power plants through targeted investments, specialization in the capacity market and development of new services, ensuring the best integration with other business lines.

EXTERNAL RISK

BIOLOGICAL



MAIN RISK EVENTS

Risk related to **the spread of pandemics and epidemics** and the deterioration of health infrastructure and health response capacity.

TREATMENT MEASURES

- ▶ Eni Crisis Unit's constant management and monitoring to align, coordinate and identify reactions;
- ▶ preparation and implementation of a plan to react to health emergencies (Medical Emergency Response Plan - MERP) to be adopted by all Eni subsidiaries and employers. The plan is also aimed at defining a business continuity plan;
- ▶ restrictive and preventive measures (also through alternative working methods) in offices and operating sites;
- ▶ coordination and centralization of protection and medical devices procurement;
- ▶ centralized management of international health emergency services.

GEOPOLITICAL



MAIN RISK EVENTS

Impact of geopolitical issues on **strategic actions and business operations**.

TREATMENT MEASURES

- ▶ Institutional activities with national and international players in order to overcome crisis situations;
- ▶ continuous monitoring of the environment, mainly focused on the critical political/institutional developments and regulatory aspects which can potentially affect the business;
- ▶ enhancement of Eni's presence leveraging on economic and social issues of Countries where Eni operates.

EXTERNAL RISK

COUNTRY



MAIN RISK EVENTS

Political and social instability related to both political and social instability (in the countries where the Group operates) and criminal/bunkering events against Eni and its subsidiaries, with potential repercussions in terms of lower production, project delays, potential damage to people and assets. **Global security risk** relates to actions or fraudulent events which may negatively affect people and material and immaterial assets. **Credit and Financing risk** related to the credit proceeds delay and the financial stress of the partners.

TREATMENT MEASURES

- ▶ Geographical diversification of the portfolio with exit from marginal assets as well as targeted and synergic acquisitions of new assets;
- ▶ institutional relations and negotiations with Ministries/Local Authorities;
- ▶ presence of a security risk management system supported by specific sites and Countries analysis of the preventive measures; implementation of emergency plans aimed at maximum safety of people and the management of activities and assets;
- ▶ signing of specific repayment plans for some countries, using already tested contractual or financial instruments;
- ▶ request for sovereign guarantees and letters of credit to protect credit positions.

ENERGY SECTOR REGULATION



MAIN RISK EVENTS

Impacts on the operations and competitiveness of the businesses associated with the evolution of the **energy sector regulation**.

TREATMENT MEASURES

- ▶ Control of legislative and regulatory evolution; dialogue with institutions to represent Eni's position;
- ▶ definition of strategic and operational actions in line with regulatory changes: increase in the capacity of biorefineries and diversification of feedstock and products (phase out of palm oil, agro biofeedstock, Biojet production in Livorno and Gela, biomethane development); chemical development from renewable sources and development of products from advanced mechanical recycling; supply to retail customers of energy efficiency services, distributed generation development and synergies with the renewable business.

STAKEHOLDER



MAIN RISK EVENTS

Relationships with local stakeholders on Oil & Gas industry activities.

TREATMENT MEASURES

- ▶ Integration of targets and sustainability projects (i.e. Community Investment) within the four-year strategic Plan and incentive program;
- ▶ stakeholder management through a sustainable approach to activities and social and territorial development projects;
- ▶ enhancement of local content, collaboration agreements with international organizations (FAO, UNDP, UNESCO, UNIDO...);
- ▶ continuous dialogue with local institutions and the territory;
- ▶ respect for and promotion of Human Rights through the operation of the Human Rights Management Model, analysis of the impact on human rights in business processes.

PERMITTING



MAIN RISK EVENTS

Permitting, relating to the occurrence of possible delays or failure to issue authorizations, renewals or permits by the Public Administration with impacts on project times and costs as well as repercussions in social, environmental and image and reputation terms.

TREATMENT MEASURES

- ▶ Constant dialogue with the institutions also with the aim of proposing legislation;
- ▶ hearings in parliamentary committees;
- ▶ continuous involvement from the early stages of the authorities and stakeholders on project objectives and progress;
- ▶ transfer and sharing of know-how with the bodies involved, also through greater involvement of technical bodies;
- ▶ supervision and monitoring of sectoral authorization procedures with the competent Local Authorities;
- ▶ visits/inspections of representatives of the institutions to the sites concerned;
- ▶ acquisitions of renewable energy plants through strategic partnerships and M&A operations of already authorized projects;
- ▶ start-up of Eni's central platform functional to the management of the Permitting and Environmental Compliance process of the operating sites.

OPERATIONAL RISK

ACCIDENTS



MAIN RISK EVENTS

Blowout risks and other accidents affecting the upstream assets, refineries and petrochemical plants, as well as the transportation of hydrocarbons and derivatives by sea and land (i.e. fires, explosions, etc.) with damages on people and assets and impact on company profitability and reputation.

TREATMENT MEASURES

- ▶ Insurance coverage;
- ▶ real time monitoring for wells;
- ▶ proactive monitoring of incidental events with identification of weak signals in the Process Safety field and completion of the actions resulting from Audit and Risk Assessment related to Process Safety issues;
- ▶ technological and operational improvements and continuous implementation of the Asset Integrity Management system to prevent accidents together with the increase in plant reliability;
- ▶ standard contractual specifications (EniVoy for spot trips and EniTime for charter trips), sub-charters of Time Charter Ships to eligible counterparties and on the basis of international contractual standards;
- ▶ vetting: management and coordination of activities relevant for the assessment, inspection, technical selection of ships and operator ratings and assignment of a rating to operators;
- ▶ contract risk Management (Pre/Post award);
- ▶ continuing education.

CYBER SECURITY



MAIN RISK EVENTS

Cyber Security & Industrial espionage refers to cyber attacks aimed at compromising information (ICT) and industrial (ICS) systems, as well as the subtraction of Eni's sensitive data.

TREATMENT MEASURES

- ▶ Centralized governance model of Cyber Security, with units dedicated to cyber intelligence and prevention, monitoring and management of cyber attacks;
- ▶ strengthening of Cyber Security Operation infrastructures and services with a new management model, the extension of services to the cloud and the strengthening of technologies dedicated to the detection & reaction of attacks;
- ▶ cyber threat intelligence: analysis and investigations aimed at proactively identifying anomalies, threats and cyber breaches concerning accounts, assets or corporate information;
- ▶ constant updating and alignment of the rules dedicated to the information security management and data protection;
- ▶ strengthening of critical infrastructures in Italy through the execution of specific Cyber Protection Programs and Technological Enforcement and monitoring for foreign subsidiaries aimed at directing and implementing technological measures and solutions in the Field of Cyber Security;
- ▶ strengthening of the corporate culture in the Cyber Security with particular focus to the behaviors to be adopted (e.g. safe smart working).

INVESTIGATIONS AND PROCEEDINGS



MAIN RISK EVENTS

Environmental, health and safety proceedings may trigger impacts on company profitability (costs for remediation activities and/or plant implementation), operating activities and corporate reputation. **Involvement in anti-corruption investigations and proceedings.**

TREATMENT MEASURES

- ▶ Specialist assistance for Eni SpA and the Italian and foreign unlisted subsidiaries;
- ▶ continuous monitoring of regulatory developments and constant evaluation of the adequacy of existing presidium and control models;
- ▶ enhancement of the process of assigning and managing assignments to external professionals through new methods aimed at ensuring transparency and traceability;
- ▶ internal training activities at all levels on the topics of interest;
- ▶ monitoring of relations with the Public Administration and definition of routes for the management of relevant problems and for the development of the territory;
- ▶ constant discussion with the Ministry of the Environment on the authorization procedures as a part of remediation activities;
- ▶ continuous monitoring of the efficacy and efficiency of reclamation activities;
- ▶ focused communications;
- ▶ audit activities on compliance with anti-corruption regulations and 231 Legislative Decree;
- ▶ collaboration with stakeholders and the Public Administration (e.g. Ministries, Higher Institute of Health, Universities).