



# SUSTAINABILITY-LINKED FINANCING FRAMEWORK

May 2022



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## 1. Introduction

Eni is a global energy company with a long-term vision to play a key role in the energy transition towards a low-carbon future, supporting social and economic development in all its activities, operating in 69 Countries with more than 32,000 employees.

Eni develops its activities in a sustainable manner focusing mainly on operational and energy efficiency including carbon capture and storage projects. The implementation of Natural Climate Solutions initiatives, such as projects for forests conservation (REDD+) complements Eni's activities. Further information on the company is available at [www.eni.com](http://www.eni.com).

As highlighted in its corporate mission, which integrates a clear reference to the UN Sustainable Development Goals ("SDGs"), Eni's commitment aims to respond with concrete, rapid and economically sustainable solutions, to the challenge of improving access to reliable and clean energy, whilst fighting climate change.

Eni's mission expressly represents the transformation path taken by the company to play a defining role in the global "just transition" process towards a low carbon future.

Collaboration between companies, through new responsible business models, is necessary and fundamental to contribute through a holistic approach to a development able to combine economic growth with the protection of the environment and respect for principles of social equity. Eni is aware of these scenarios and sees providing the global population with efficient and sustainable access to energy resources, while simultaneously fighting climate change, as the main challenge facing its sector. Eni has adopted an integrated strategy that combines financial stability with social and environmental sustainability.

Eni is targeting to deliver sustainable value whilst decarbonising the business, setting some of the strongest targets in the sector across all activities and full life-cycle emissions. Eni's transformation to a competitive energy supplier through a comprehensive transition strategy encompasses the commitment to be fully carbon neutral by 2050, becoming a leader in producing clean energy and offering its customers a full set of decarbonized products. A low-cost conventional portfolio to financially sustain the transition plan, technology, research & development, governance and integration along the energy value chain will be the enablers to deliver on our roadmap to 2050.

## Energy Transition Strategy

Eni, aware of the climate emergency in progress, wants to be an active part of a virtuous path of the energy sector to contribute to carbon neutrality by 2050, in order to keep average global warming within the threshold of 1.5°C at the end of the century, in line with the most ambitious objectives of the Paris Agreement.

Following a phase of great transformation that began in 2014, which has allowed Eni to grow and diversify its portfolio while strengthening its financial organization, Eni reached a new milestone in the development of its business model in 2020, with its first comprehensive, radical strategy for the next 30 years which coupled the goals of continuous development in a rapidly changing energy market with a significant reduction of carbon footprint, taking full commitment to reduce all GHG emissions related to Eni's activities and energy products sold (Scope 1+2+3).

**In 2021, Eni took another step forward by committing to 100% decarbonization of all its products and processes** with a strategy that outlined the integrated and evolutionary path of individual businesses towards **carbon neutrality in 2050**. As part of its roadmap, Eni also reaffirmed its target to Net Zero (scope

1 and 2) Upstream by 2030 - and overall by 2040 with intermediate targets for GHG Scope 1+2+3 emissions, both in absolute and intensity terms, to give full visibility of the progress overtime.

Eni's decarbonization targets have been recognized by Transition Pathway Initiative as aligned in the long term with the more ambitious objective of the Paris Agreement to limit global temperature increase to 1.5°C by the end of the century. In the same year, Carbon Tracker's research on Integrated Energy Companies (IEC) placed Eni first among peers for the completeness of the GHG emissions accounting methodology, the medium-long term intermediate targets and the emission accounting boundary extended to the entire company.

In **2022, Eni relaunched its strategy**, leveraging on technology integration, new business models and close collaboration with stakeholders, to **accelerate its path towards Net Zero by 2050** and confirm Eni's commitment to further align its reduction trajectory to 1.5°C scenario. Eni's decarbonization path is reinforced by **new short and medium-term targets**, sustained by an industrial transformation plan that is designed around economically feasible solutions and available technologies. New business models will accelerate deployment of proprietary technologies at scale with dedicated entities focused on customers that will provide a growing offer of fully decarbonized energy solutions and services.

The evolution towards a fully decarbonised product portfolio will be supported by a progressive growth in the share of investments dedicated to new energy solutions and services, reaching about 30% of total investments in 2025, about 60% in 2030 and up to 80% in 2040. In ten years, these activities will generate positive Free Cash Flow and reach around 75% contribution to cash flow by 2040.

Eni's commitment is **further confirmed** by the **inclusion of decarbonization targets** in the short and long-term **management's remuneration policy**.

## GHG Lifecycle emissions reduction across Eni's value chain

Eni's decarbonization targets refer to a distinctive methodology<sup>1</sup> for the accounting of GHG emissions along the entire value chain of the energy products sold by Eni, with specific indicators and intermediate targets to track the progressive decarbonization of activities and products towards Net zero GHG Lifecycle emissions in 2050, and in particular:

- **Net GHG Lifecycle Emissions (Scope 1+2+3)** -35% @2030 vs. 2018, -55% @2035 e -80% @2040;
- **Net Carbon Intensity (Scope 1+2+3)** -15% @2030 vs. 2018 e -50% @2040;
- **Net Zero Carbon Footprint Upstream (Scope 1+2) @2030**, with new reduction target of -65% @2025 vs. 2018;
- **Net Zero Carbon Footprint Eni (Scope 1+2)** anticipated in **2035**, with new reduction target of -40% @2025 vs. 2018.

The residual emissions will be compensated through offsets, mainly from Natural Climate Solutions, which will contribute to around 5% of the overall value chain emissions reduction in 2050.

Eni's strategy towards Net Zero is supported by an industrial transformation plan which couples the synergistic although individual paths of the two General Business Groups: Natural Resources aimed at enhancing and decarbonizing the Upstream portfolio and Energy Evolution, to develop new renewables and circular economy business and implement the industrial transformation of legacy assets.

<sup>1</sup> Appendix I: Methodology for the assessment of GHG emissions along the value chains of Eni products.

## Natural Resources

Eni's commitments in the upstream are focused on enhancing and decarbonizing the O&G portfolio, through a set of levers mostly already in place:

- optimization of the flexibility of the portfolio with progressive exposure to gas in both exploration and production by increasing over time the **share of gas to 60% by 2030 and up to more than 90% beyond 2040**; decreasing oil volumes in the medium-long term.
- **Net Zero Carbon Footprint by 2030 for Scope 1 and 2** emissions associated to upstream activities with an intermediate target of - **65% by 2025 compared to 2018**.
- **Confirmation of the short term GHG reduction targets** on operated assets:
  - Zero routine flaring.
  - Reduction by 43% vs 2014 of the carbon intensity of upstream hydrocarbon production.
  - Reduction by 80% vs 2014 of upstream fugitive methane emissions, achieved six years in advance of the 2025 target date.
- **Reducing methane emissions**: plan in line with the Global Methane Pledge.
- **Development of CO<sub>2</sub> storage hubs** for hard-to-abate emissions from Eni and third-party industrial sites, reaching a storage capacity of around 10 MtCO<sub>2</sub> by 2030 and around 50 MtCO<sub>2</sub> in 2050.
- **Natural climate solutions** initiatives, such as forestry conservation projects (REDD+), will contribute to residual emissions compensation for around 15 MTPA of CO<sub>2</sub> by 2030 and less than 25 MTPA by 2050.

## Energy Evolution

- **Plenitude**: in 2021 Eni created a new company, Plenitude, that combines renewables generation, retail customers, electric vehicle charging and new energy services in a unique business model that will support Eni's product portfolio decarbonization.

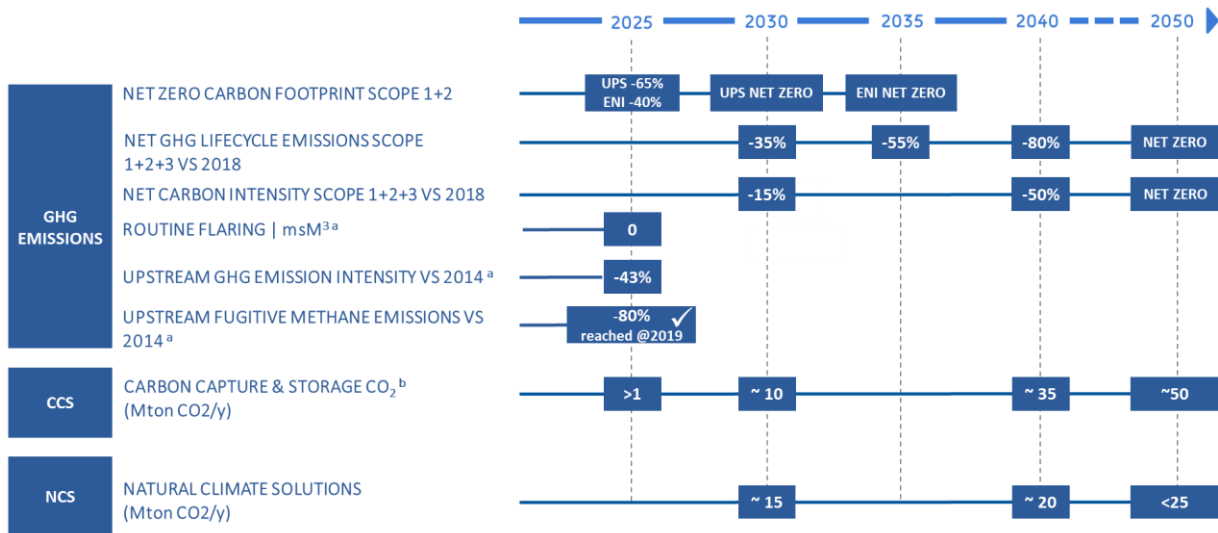
At the end of 2021, **Eni communicated** to the market its **intention to list shares in Plenitude** through an Initial Public Offering (IPO) during 2022, subject to market conditions. Eni will continue to fully consolidate Plenitude **retaining a majority stake** in the listed company.

This transaction will provide investors with greater visibility over the value of this business and will allow Plenitude to access additional capital **to fund its growth and the development of its activities**.

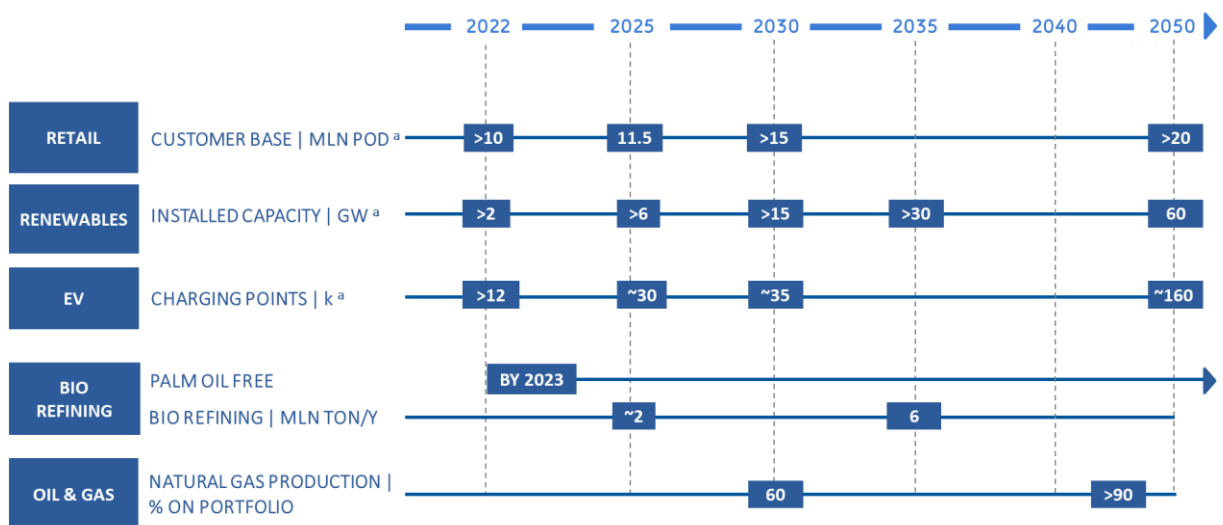
In particular, the main objectives communicated by Eni in relation to Plenitude are:

- **Boosting renewables growth** with more than 6 GW installed capacity by 2025 and more than 30 GW in 2035. These new objectives, improved compared to those communicated last year, allow Eni to confirm its own equity share targets notwithstanding the envisaged IPO and the consequent dilution of about 25% in Plenitude: 5 GW installed capacity by 2025 and more than 25 GW in 2035.
- Leveraging the existing **10 million customer base**, expected to increase to over **11 million by 2025**, and accelerating growth to over **15 million by 2030 and 20 million by 2050** increasingly supplied with **equity renewable energy** and **bio-methane**. From 2030 the electricity sold will be 100% green, and from 2040 the gas sold will be 100% green.
- **Expanding e-mobility network** with around 30,000 EV charging points by 2025 and around 160,000 in 2050.

- To further maximize value generation from the downstream value chains, Eni will merge its bio-refining and marketing operations into a **Sustainable Mobility** company, that will offer a multiple set of green, bio and low carbon products to customers, creating a sustainable mobility business that will focus on **Creating a sustainable mobility business combining biofuels and fuel stations**:
  - Expansion of bio-refining capacity**: up to 2 million tons by 2025, palm oil free starting 2023, and increasing capacity to 6 million tons by 2035.
  - Vertical integration to secure feedstock** through the development of agro-hubs that will ensure an integrated contribution of bio feedstock to our processes, targeting 35% of vertical integration by 2025.
  - Eni's service stations** will be transformed to a place where customers can access a full offer of sustainable fuels and retail services.
- Progressive increase in the production of new energy carriers will contribute to Eni's plan with about 4 MTPA of **Hydrogen** by 2050, and **Magnetic Fusion**, with the first operational plant expected in 10 years, potentially opening the route for a limitless source of clean, safe and secure energy.



a) 100% according to operatorship  
b) Including CCUS services for third parties



a) Plenitude 100%

## Assessing Eni's GHG emissions

Eni's medium-long term decarbonization targets refer to a distinctive accounting methodology for GHG emissions along the entire value chain of the energy products sold<sup>2</sup>. Currently, international protocols do not provide a univocal estimation methodology that allows concise and comparable representation of all GHG emissions associated with the Oil & Gas value chain (Scope 1+2+3).

In this context, Eni has developed a proprietary methodology based on international standards for GHG accounting and **life cycle analysis**. As such, the methodology considers all **GHG Scope 1, 2 and 3 emissions**, in absolute and relative terms, linked to the energy products sold, whether they derive from equity or third-party productions. It therefore includes all energy products managed by the various Eni's businesses and all the emissions they generate along the whole value chain, according to a **well-to-wheel approach**.

The volumes of energy products considered are quantified based on an extended perimeter, which includes both equity productions and volumes purchased from third parties. This methodology is third-party reviewed (RINA) and is being progressively improved to reflect the latest developments in emissions reporting standards.

The resulting indicators, which are published annually and certified by the financial auditor, quantify and measure Eni's progresses towards its decarbonization targets:

1. **Net Carbon Footprint** (MtCO<sub>2</sub>eq): Overall Scope 1 and 2 GHG emissions associated with operations, net of offsets mainly from Natural Climate Solutions.
2. **Net GHG Lifecycle Emissions** (MtCO<sub>2</sub>eq): Net GHG emissions in the life cycle, including all Scope 1, 2 and 3 emissions associated with Eni's activities and products, along the value chain, net of offsets mainly from Natural Climate Solutions.
3. **Net Carbon Intensity** (gCO<sub>2</sub>eq/MJ): Expressed as the ratio between net GHG Lifecycle emissions and the energy content of the products sold.

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<sup>2</sup> Appendix I: Methodology for the assessment of GHG emissions along the value chains of Eni products.

## 2. Rationale for establishing a Sustainability-Linked Financing Framework

Eni has embarked on a decarbonisation path to rise to the crucial challenge of the energy sector: transition towards a low carbon future and access to energy for a growing world population.

As one of the main energy company, Eni has the duty to address environmental issues by furthering its ESG commitments and outlying them through meaningful and challenging targets.

As such, in 2021, Eni published the **world's first Sustainability-Linked Financing Framework in its sector** and issued the first sustainability-linked bond, contributing to UN SDGs of climate action and affordable clean energy. At the end of 2021, Sustainable finance tools represent more than € 8 billion, these include bonds, loans, credit lines and rate derivatives.

Eni aims to capitalize this leading position and further strengthen it issuing Sustainability-Linked Securities ("SLSs"), which may include Sustainability-Linked Bonds ("SLBs"), Sustainability-Linked Loans ("SLLs") or any other Sustainability-Linked instruments (e.g. derivatives instruments, guarantees or any other form of financial instrument available).

The approach adopted consists in linking Eni's sustainability strategy with its funding policy, by incentivizing the achievement of pre-determined, relevant Sustainability Performance Targets (SPTs) to improve its sustainability performance, that are relevant, core and material to its business.

This **Sustainability-Linked Financing Framework** (the "**Framework**") provides a high-level approach to Eni's Sustainability-Linked Securities and investors should refer to the relevant documentation of each transaction for further details. Eni wishes that the issuance of Sustainability-Linked Securities will inspire other similar energy companies to adopt similar instruments.

## 3. Governance of the Sustainability-Linked Financing Framework

Eni pursues principles of integrity and transparency in defining its system of corporate governance, incorporating relevant general and special norms, the By-laws, the Code of Ethics, the recommendations outlined in the Corporate Governance Code which Eni adopted on December 23, 2020, internal regulations and established best practice.

The central role played by Eni's Board of Directors in the management of the main issues relating to climate change, sustainability and corporate debate on strategic issues is evidence of sound, cutting-edge governance.

The Board of Directors of Eni established the **Sustainability and Scenarios Committee (SSC)** on May 9, 2014. Among its tasks, the SSC periodically examines scenarios for the preparation of the Strategic Plan, monitors the Company's position in terms of sustainability with regard to financial markets, particularly with regard to annual reporting on new sustainable finance tools, as well as the Company's inclusion in the leading sustainability indexes; examines and evaluates other aspects of the sustainability policy, in accordance with the principles of sustainable development, as well as sustainability strategies and objectives.

The Board is supported by other committees with specific roles and responsibilities on sustainability issues.

Furthermore, the Corporate Governance Code 2020, with recommendations applying from January 1, 2021, identifies "sustainable success" as the objective that must guide the action of the management body and which takes the form of creating long-term value for shareholders, taking into account the interests of other relevant stakeholders. Since 2006 Eni has been considering the interest of stakeholders



other than shareholders as one of the necessary elements Directors must evaluate in making their decisions.

Roles and responsibilities of the Board of Directors on sustainability topics

BOARD OF DIRECTORS			
<b>Defines:</b> <ul style="list-style-type: none"> <li>the Corporate Governance system;</li> <li>the fundamental lines of the organisational, administrative and accounting set-up and the guidelines of the internal control and risk management system;</li> <li>the strategic lines and the objectives, including sustainability objectives, at the CEO’s proposal.</li> </ul>		<b>It reviews or approves:</b> <ul style="list-style-type: none"> <li>the basic outlines of the internal regulatory system and the main corporate regulatory instruments;</li> <li>the main risks, including socio-environmental ones;</li> <li>the Policy for the Remuneration of Directors and managers with strategic responsibilities;</li> <li>financial and non-financial reporting.</li> </ul>	
CHIEF EXECUTIVE OFFICER		CHAIRMAN	
<ul style="list-style-type: none"> <li>The main responsible for the management of the Company, without prejudice to the tasks reserved to the Board;</li> <li>Implements the resolutions of the BoD, informs and submits proposals to the BoD and to the Committees.</li> </ul>		<ul style="list-style-type: none"> <li>Central role in the internal control and risk management system;</li> <li>Steers the BoD’s activities and ensures that Directors are trained on sustainability matters.</li> </ul>	
COMMITTEES			
SUSTAINABILITY AND SCENARIOS COMMITTEE	CONTROL AND RISK COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE
It provides proposals and advice to the BoD on scenarios and sustainability and delves further into the integration between strategy, evolutionary scenarios and business sustainability in medium-long term.	It supports the Board in evaluations and decisions relating to the internal control and risk management system, and in particular in the quarterly review of the main risks, including ESG risks, and the approval of periodic financial and non-financial reports.	It makes proposals and provides advice to the BoD on remuneration topics, and in this context proposes annual and long-term incentive systems, defining their objectives, also supporting the guidelines adopted on sustainability issues.	It supports the BoD in the appointments, in the periodic assessments of the directors’ requirements and in the self-assessment process, formulating opinions to the BoD on the composition of the BoD and of its Committees also with respect to required competencies.

In 2021 Eni set up a dedicated cross-departmental **Sustainability-Linked Finance Committee (SFC)** for the overall governance of its Framework and related instruments.

KEY ROLE AND RESPONSIBILITIES OF THE SFC:
Supervise the integration of the core principles of sustainability in Eni’s financial policy
Select and monitor the KPIs and relative Targets included in the Framework
Oversee the correct implementation of the Framework in any relevant transaction
Monitor the publication of the annual reporting as defined in the Framework and in the outstanding Sustainability linked financings’ legal documentation
Monitor the on-going evolution in sustainable finance markets and funding instruments, in order to be in-line with market best practices
Manage any future updates of the Framework, including supervising the engagement of the independent provider to deliver the consequent update of the Second Party Opinion
Report at least on an annual basis to the Sustainability and Scenarios Committee (SSC) on the outstanding Sustainability-Linked Financings and on the activities listed above.

The SFC meetings take place at least on an annual basis or earlier when required.

The SFC is comprised of the Chief Financial Officer (Chair), the Head of Finance, the Head of Sustainable Development and other representatives of the CFO function.

On specific topics, representatives of any other teams may also be included as deemed appropriate.

#### **4. Alignment with Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2022**

This Framework has been established in accordance with the Sustainability-Linked Bond Principles (SLBP) 2020 as administered by ICMA<sup>3</sup>.

The following five components form the basis of Eni's Framework:

1. selection of Key Performance Indicators (KPIs)
2. calibration of Sustainability Performance Targets (SPTs)
3. financial characteristics
4. reporting on the above, and
5. independent verification of the components listed in points 1-4.

Substantially similar core components are outlined under the Sustainability Linked Loan Principles 2022, published by the LMA in connection with sustainability linked loans<sup>4</sup>.

Sustainability-Linked Bonds are any type of bond instruments for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined SPTs. In that sense, issuers are thereby committing explicitly (including in bond documentation) to future improvements in sustainability outcome(s) within a predefined timeline that are relevant, core and material to their overall business. SLBs are forward-looking performance-based instruments. The proceeds of SLBs are intended to be used for general purposes.

Eni is committed to the United Nations Sustainable Development Goals (SDGs) as it understands that the engagement of the private sector is essential to accelerate the fulfilment of the UN's 2030 Agenda for Sustainable Development. The selected KPIs contribute to the priority SDG 7 – Affordable Clean Energy and SDG 13 – Climate Action of Eni sustainability strategy.

Furthermore, Eni is willing to issue Sustainability-Linked Bonds that will comply with the eligibility criteria as collateral for Eurosystem credit operations, and also for outright purchases by the Eurosystem for monetary policy purposes, as defined at the time of the issuance<sup>5</sup>.

This Framework covers Sustainability-Linked Bonds, Sustainability-Linked Loans and any other instruments whose financial characteristics are linked to sustainability performance targets.

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<sup>3</sup> International Capital Market Association SLB 2020 : <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf>

<sup>4</sup> Loan Market Association SLLP 2022: <https://www.lma.eu.com/application/files/7716/4623/8945/SLLP.pdf>

<sup>5</sup> <https://www.ecb.europa.eu/paym/coll/standards/marketable/html/ecb.slb-ga.en.html>

## 5. Eni's Sustainability-Linked Financing Framework

### 5.1 Key Performance Indicators (KPIs)

Under this Framework, Eni has decided to focus on four KPIs, described below. These KPIs were chosen because they are core, relevant, and material to Eni's business and measure its sustainability improvements, and were therefore deemed the most suitable to match the requirement of the Sustainability-Linked Bond Principles administered by ICMA:

- #1. Renewable Installed Capacity (Eni share)**
- #2. Net Carbon Footprint Upstream (Scope 1 and 2)**
- #3. Net GHG Lifecycle Emissions (Scope 1, 2 and 3)**
- #4. Net Carbon Intensity (Scope 1, 2 and 3).**

Eni has selected these 4 KPIs as it believes they are perfectly aligned with Eni's strategy to reach the full carbon neutrality on its GHG emissions scope 1, 2 and 3 by 2050 – this could be achieved by:

- further increasing the share of low carbon products in its portfolio (KPI#1) and
- reducing the GHG emissions of its own upstream operations (KPI#2).

The main environmental impact of the industry is driven by the consumption of the fossil fuels and their related products.

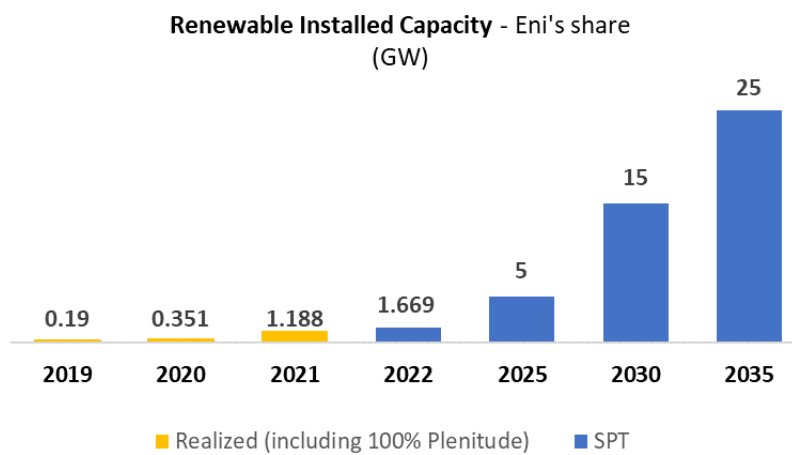
Therefore, reducing Scope 3 emissions is a paramount priority for Eni and that is why the company added KPI#3 and KPI#4. These last two KPIs are key to measure Eni's path towards its full decarbonization by 2050 and to mitigate climate change and address the climate crisis.

These four KPIs contribute to SDG 7 (Ensure access to affordable, reliable, sustainable and modern energy for all) and SDG 13 (Take urgent action to combat climate change and its impacts), both relating to climate change or environmental degradation, which are - amongst others - acceptable environmental goals to which coupon structures may be linked in order for sustainability-linked bonds to be considered potentially eligible by the European Central Bank as collateral for Eurosystem credit operations and for outright purchases in Euro system monetary policy operations, provided that all other eligibility criteria are also met.

**KPI #1: Renewable Installed Capacity**

**KPI:** Renewable Installed Capacity (expressed in GW, Eni's share, worldwide) is measured as the total amount of Eni's share of maximum generating capacity of power generation facilities that use renewable energy sources (wind, solar and wave, and any other non-fossil fuel source of generation deriving from natural resources, excluding, from the avoidance of doubt, energy from nuclear fission) to produce electricity. The capacity is considered "Installed" once the power plants are in operation or the mechanical completion phase has been reached. The mechanical completion represents the final construction stage excluding the grid connection.

**Intermediate and long-term goal:** Eni confirms its own equity shares targets published last year, notwithstanding the envisaged IPO and the consequent dilution of about 25% in Plenitude: 5 GW installed capacity by 2025 and more than 25 GW in 2035, from a Renewable Installed Capacity (Eni's share) of 1.188 GW in 2021 (this value included Plenitude at 100%).




**Strategy:** Eni, mainly through its subsidiary Plenitude, intends to become a major global integrated operator with a notable installed capacity.

Key pillars of the growth strategy in renewable are:

- a visible and de-risked pipeline of projects that support 2025 targets and a longer-term pipeline that will help to achieve 2030 targets
- investments in countries supporting renewables industry growth
- leverage on existing core capabilities and existing presence of Eni
- strong partnerships
- investing in own R&D, including new generation organic photovoltaic and marine wave energy.

In addition, Eni has the required geographical scale and the skills to simultaneously manage complex projects worldwide.

**7** AFFORDABLE AND CLEAN ENERGY



**KPI #1 contributes to the following SDGs:**

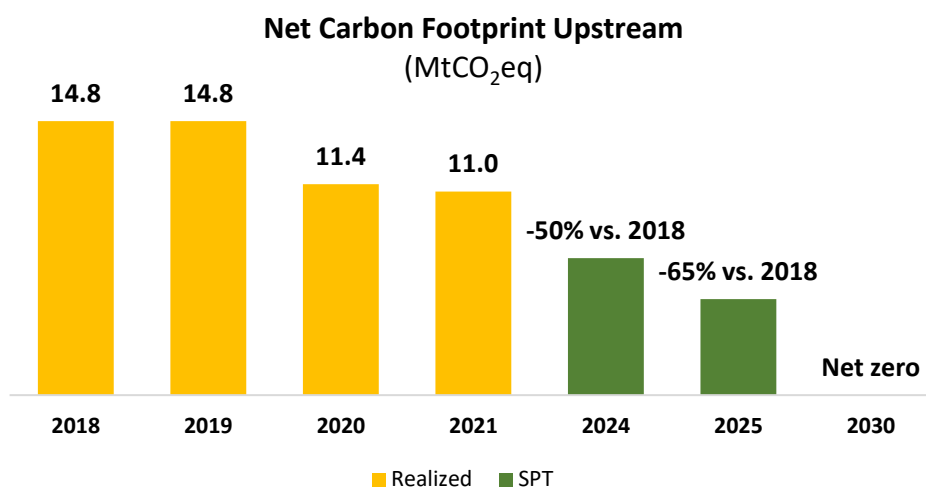
7.2 By 2030, substantially increase the share of renewable energy in the global energy mix.

**KPI #2: Net Carbon Footprint Upstream (Scope 1 and 2)**

**KPI:** Scope 1 and Scope 2 GHG emissions associated to hydrocarbons development and production activities, operated by Eni and by third parties, accounted for on an equity basis (Revenue Interest), net of offsets mainly from Natural Climate Solutions.

**Rationale:** Reaching Net zero carbon footprint Scope 1 and 2 for the Upstream hydrocarbons production portfolio by 2030 is the first step in Eni decarbonization roadmap towards the net-zero carbon footprint Scope 1 and 2 for all Eni activities by 2035 and the complete decarbonization of energy products in the long term (net-zero scope 1, 2 and 3 by 2050 both in absolute and intensity terms).

**Intermediate and long-term goals:** Eni is committed to decrease its net carbon footprint Upstream for Scope 1 and 2 emissions -50% by 2024 and -65% by 2025 from 2018 baseline upstream activities, and -100% by 2030.




**Scope:** The indicator represents the net impact of Upstream activities (operated by Eni and third parties) in terms of scope 1 and 2 GHG emissions accounted in equity share, after deduction of carbon offset compensation, mainly from Natural Climate Solutions. It includes all the material greenhouse gases from operations (CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O).

**Methodology:** Gross scope 1 and 2 Upstream emissions from hydrocarbon production and development are accounted according to Eni’s own GHG reporting methodology<sup>6</sup>, that refers to main international standards for GHG accounting. Net scope 1 and 2 emissions are calculated deducting the contribution of offsetting during the reporting year.

**Strategy:** Eni is committed to reach Net Zero Carbon Footprint for Upstream Scope 1+2 emissions through the implementation of emissions’ mitigation initiatives and by the residual compensation of hard-to-abate emissions with current technologies through high quality carbon offset.

**13** CLIMATE ACTION



**KPI #2 contributes to the following SDGs:**

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

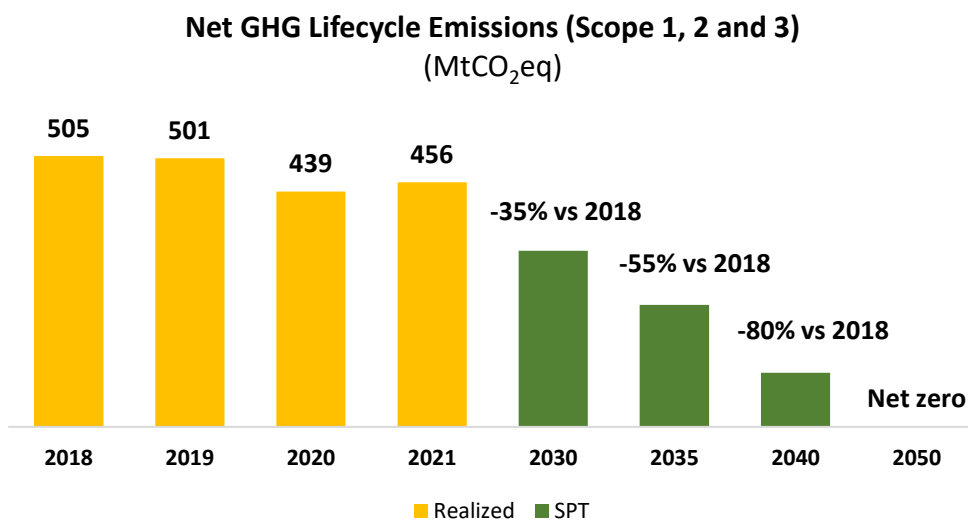
<sup>6</sup> For details please refer to Annex I.

**KPI #3: Net GHG Lifecycle Emissions (Scope 1, 2 and 3)**

**KPI:** Net GHG emissions in the life cycle. Overall Scope 1, 2 and 3 emissions associated with Eni’s activities and products, along their value chains, net of carbon offsets, mainly from Natural Climate Solutions.

**Rationale:** Net GHG Lifecycle Emissions (Scope 1, 2 and 3) measure Eni’s overall net impact in terms of GHG emissions coming from Eni activities. The reduction pathway towards net-zero by 2050 is in line with the full decarbonization of all products and processes.

**Intermediate and long-term goals:** Eni is committed to decrease its Net GHG Lifecycle Emissions (Scope 1, 2 and 3) by 35% in 2030, by 55 in 2035 and by 80% in 2040 from a 2018 baseline, in order to reach the net zero by 2050.



**Scope:** It includes all GHG emissions coming from energy products sold, produced by Eni and bought from 3<sup>rd</sup> parties, across their value chains.

**Methodology:** Gross Scope 1, 2 and 3 emissions are accounted according to Eni’s own GHG reporting methodology<sup>7</sup>, which refers to main international accounting standards. Net value is calculated deducting the contribution of offset occurred in the reporting year. The methodology implemented has been inspired by a “well-to-wheel” lifecycle approach, engaging with a major independent scientific advisor.

**Strategy:** The full decarbonization of our products and operations is achievable through technologies that already exist and that have already been proven, such as: bio-refineries, whose capacity will increase by 6 times by 2035; circular economy, with a larger use of biogas and the recycling of organic and inorganic waste material; efficiency and digital solutions in our operations and in our customer services; renewable capacity fully integrated with our clients; and blue and green hydrogen to lower CO<sub>2</sub> emissions in our bio-refineries and in other hard to abate activities.

**13**

CLIMATE ACTION

**KPI #3 contributes to the following SDGs:**

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

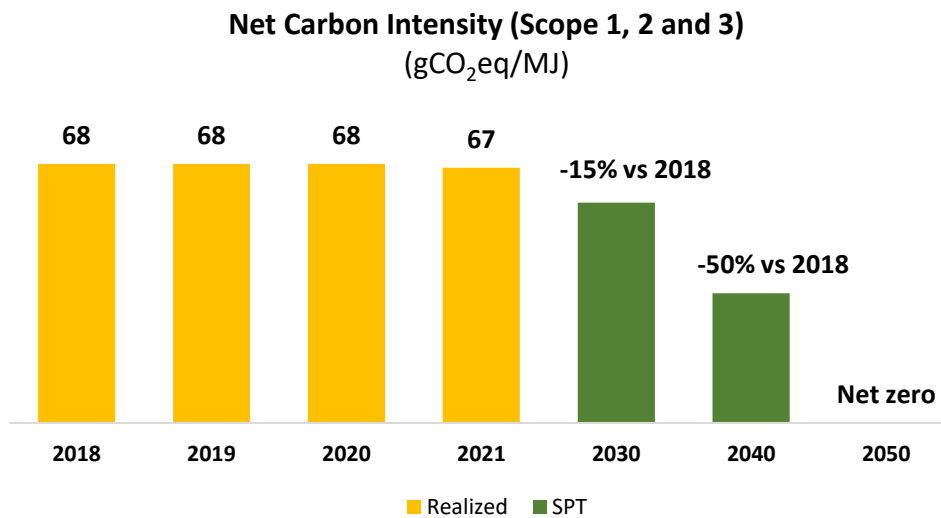
<sup>7</sup> For details please refer to Annex I.

**KPI #4: Net Carbon Intensity (Scope 1, 2 and 3)**

**KPI:** Ratio between net GHG emissions in the life cycle, and the energy content of sold products. All Scope 1, 2 and 3 emissions associated with Eni activities and products along the value chain are considered, net of carbon offsets mainly from Natural Climate Solutions.

**Rationale:** Net Carbon Intensity (Scope 1, 2 and 3) is key to measure Eni’s path towards full decarbonization by 2050 also considering the progressive evolution of energy portfolio towards green, blue and bio products.

**Intermediate and long-term goals:** Eni is committed to decrease its Net Carbon Intensity (Scope 1, 2 and 3) by 15% in 2030 and by 50% in 2040 from a 2018 baseline, in order to reach the net zero by 2050.




**Scope:** It includes all material GHG emissions coming from energy products sold both produced by Eni and bought from 3<sup>rd</sup> parties, across their value chains.

**Methodology:** Net Carbon Intensity is expressed in gCO<sub>2</sub>eq/MJ and is calculated by dividing the Net GHG lifecycle emissions by the energy content of sold products, which represents the overall amount of energy delivered to final customers, considering all volumes managed by Eni. For the calculation of the energy sold, all energy products are converted and homogenised on an energy basis according to the respective net calorific values. For renewable electricity, the reference unit for energy sold is the physical energy content of the electricity generated in the plant, as opposed to the use of the Partial Substitution Factor, where the reference unit is the amount of energy that would be necessary to generate an identical amount of electricity in conventional thermal power plants.

**Strategy:** The full decarbonization of our products and operations is achievable through technologies that already exist and that have already been proven, such as: bio-refineries, whose capacity will increase by 5 times; circular economy, with a larger use of biogas and the recycling of organic and inorganic waste material; efficiency and digital solutions in our operations and in our customer services; renewable capacity fully integrated with our clients; and blue and green hydrogen to lower CO<sub>2</sub> emissions in our bio-refineries and in other hard to abate activities.

**13** CLIMATE ACTION



**KPI #4 contributes to the following SDGs:**

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

## 5.2 Calibration of Sustainability Performance Target (SPTs)

All Sustainability Performance Targets are perfectly aligned with the Eni's strategy to reach Net Zero (Scope 1, 2 and 3) by 2050.

Also, all applicable SPTs will be detailed in the relevant documentation of the specific transaction, as applicable (e.g. Final Terms of any Sustainability Linked Bond or Facility Agreement of any Sustainability-Linked Loan).

Factors that support and/or might put at risk the achievement of the SPTs will be disclosed in the documentation of the relevant sustainability-linked transactions, according to applicable regulation and market practice.

### SPT #1: Renewable Installed Capacity

Renewable Installed Capacity of Eni (as of the Sustainability Performance Target #1 Observation Date) is equal to or exceeds the relevant Renewable Installed Capacity Threshold in each test date.

Final year	2022	2025	2030	2035
SPT	1.669 GW	5 GW	15 GW	25 GW

**Sustainability Performance Target #1 Observation Dates:** December 31<sup>st</sup>, 2022, December 31<sup>st</sup>, 2025, December 31<sup>st</sup>, 2030 and December 31<sup>st</sup>, 2035.

**2021 Baseline:** 1.188 GW of Renewable Installed Capacity Eni's share (this value included Plenitude at 100%).

**Alignment of the Sustainable Performance Target with Eni's Strategic Plan:** SPT #1 is perfectly aligned with the Eni's strategy to reach a carbon neutrality (scope 1, 2 and 3) by 2050, steepening the carbon intensity reduction curve.

### SPT #2: Net Carbon Footprint Upstream (Scope 1 and 2)

Net Carbon Footprint Upstream (Scope 1 and 2) (as of the Sustainability Performance Target #2 Observation Date) is equal to or lower than the relevant Net Carbon Footprint Upstream (Scope 1 and 2) Threshold, as applicable.

Final year	2024	2025	2030
SPT	-50% vs 2018	-65% vs 2018	-100% vs 2018

**Sustainability Performance Target #2 Observation Dates:** December 31<sup>st</sup> 2024, December 31<sup>st</sup> 2025 and December 31<sup>st</sup> 2030.

**Baseline:** 14.8 MtCO<sub>2</sub>eq in 2018.



**SPT #3: Net GHG Lifecycle Emissions (Scope 1, 2 and 3)**

Net GHG Lifecycle Emissions (Scope 1, 2 and 3) (as of the Sustainability Performance Target #3 Observation Date) is equal to or lower than the relevant Net GHG Lifecycle Emissions (Scope 1, 2 and 3) Threshold, as applicable.

Final year	2030	2035	2040	2050
SPT	-35% vs 2018	-55% vs 2018	-80% vs 2018	-100% vs 2018

**Sustainability Performance Target #3 Observation Dates:** December 31<sup>st</sup> 2030, December 31<sup>st</sup> 2035, December 31<sup>st</sup> 2040 and December 31<sup>st</sup> 2050, respectively.

**2018 Baseline:** 505 MtCO<sub>2</sub>eq

**SPT #4: Net Carbon Intensity (Scope 1, 2 and 3)**

Net Carbon Intensity (Scope 1, 2 and 3) (as of the Sustainability Performance Target #4 Observation Date) is equal to or lower than the relevant Net Carbon Intensity (Scope 1, 2 and 3) Threshold, as applicable.

Final year	2030	2040	2050
SPT	-15% vs 2018	-50% vs 2018	-100% vs 2018

**Sustainability Performance Target #4 Observation Dates:** December 31<sup>st</sup> 2030, December 31<sup>st</sup> 2040 and December 31<sup>st</sup> 2050 respectively.

**2018 Baseline:** 68 gCO<sub>2</sub>eq/MJ

### 5.3 Financial Characteristics

This section of the Framework only applies to Sustainability-Linked Bonds and Sustainability-Linked Loans.

The proceeds of Eni's Sustainability-Linked instruments will be used for **general corporate purposes**.

The failure by Eni to satisfy the chosen SPT(s) as of the relevant Sustainability Performance Target Observation Date will trigger a step-up margin or margin adjustment, as applicable, bringing to an increase in the interest rate applicable to interest periods following such reference date.

The achievement by Eni of the chosen SPT(s) as of the relevant Sustainability Performance Target Observation Date might trigger a margin adjustment applicable to interest periods following such reference date.

The step-up margin or margin adjustment, as applicable, will be specified in the relevant documentation of the specific transaction (e.g. Final Terms of any Sustainability Linked Bond or the Facility Agreement of any Sustainability-Linked Loan).

For the avoidance of doubt, no more than one step-up margin or margin adjustment, as applicable, can be applied over the life of a given Sustainability-Linked Bond.

### 5.4 Reporting

Eni's various SPTs will be reported by Eni at least on an annual basis on its website and/or in its Annual Reports.

Reporting may include:

- i. Up-to-date information on the performance of the selected KPI, including the baseline where relevant;
- ii. Up-to-date information on the SPT outlining the performance against the SPT and the related impact, and timing of such impact, on a financial instrument performance;
- iii. Any relevant information enabling investors to monitor the progress of the SPT; and
- iv. A verification assurance report relative to the reporting including the above points.

Information may also include when reasonably feasible and available:

- i. Qualitative or quantitative explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI on an annual basis;
- ii. Illustration of the positive sustainability impacts of the performance improvement; and/or
- iii. Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope, if relevant.

## 5.5 Verification

Eni's performance of its various KPIs, according to the relevant SPTs at the relevant reference date, will be verified by an **External Verifier**.

"External Verifier" means current audit firm PricewaterhouseCoopers SpA or any such other qualified provider of third party assurance or attestation services appointed by Eni, to review Eni's Consolidated Disclosure of non-financial information (NFI) that includes information on Renewable Installed Capacity, Net Carbon Footprint Upstream (Scope 1 and 2), Net GHG Lifecycle Emissions (Scope 1, 2 and 3) and Net Carbon Intensity (Scope 1, 2 and 3).

Eni's Framework has been reviewed by Moody's ESG Solutions who provided a **Second Party Opinion**, confirming the alignment with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA, and Sustainability-Linked Loan Principles (SLLP), administered by LMA.

Additional KPIs/SPTs may be added over time and other SPTs, for the various KPIs mentioned above, may be added over time.

Both Framework and Second Party Opinion are available on Eni's website.

## Amendments to this Framework

Eni will review this Framework from time to time, including its alignment to updated versions of the relevant principles as and when they are released, with the aim of adhering to best practices in the market. Eni will also review this Framework in case of material changes in the perimeter, methodology, and in particular KPIs and/or the SPT's calibration.

Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of Moody's ESG Solutions or any such other qualified provider of Second Party Opinion. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Verifier. The updated Framework, if any, will be published on Eni's website and will replace this Framework.

## Appendix I: Methodology for the assessment of GHG emissions along the value chains of Eni products

Eni has developed a rigorous methodology for the comprehensive estimation of GHG emissions associated to its energy products value chains. This methodology accounts for GHG emissions from all energy products traded by Eni, namely total emissions (Scope 1+2+3) including end use:

- covering all hydrocarbons traded by businesses within Eni's portfolio, regardless of whether they are self-produced or bought from third parties;
- calculated on an absolute basis and in terms of intensity per sale of energy product.

Eni's methodology provides an output of three main metrics:

- **Net Carbon Footprint** expressed in terms of million tons of CO<sub>2</sub> equivalent (MtCO<sub>2</sub>eq) and including scope 1 and scope 2 emissions of asset portfolio, net of carbon offset, mainly from Natural Climate Solutions.
- **Net GHG Lifecycle Emissions** expressed in terms of million tons of CO<sub>2</sub> equivalent (MtCO<sub>2</sub>eq) and include direct (Scope 1) and indirect (Scope 2 and 3) contributions, net of carbon offsets, mainly from Natural Climate Solutions.
- **Net Carbon Intensity** is expressed in gCO<sub>2</sub>eq/MJ and is calculated by dividing the Net GHG lifecycle emissions with the energy content of sold products, which represent the overall amount of energy delivered to final customers, considering all volumes managed by Eni.

Data input for the GHG emission calculation include, for each value chain:

- Activity data (volumes): produced and sold volumes by single value chain, for each segment considered (well-to-wheel)
- Emission factors and other calculation parameters:
  - GHG emissions per unit of product (or representative of a set of products)
  - Calculation parameters: these are used to estimate the production/consumption volumes within the value chain segments managed by both Eni and third parties (e.g. self-consumption/extraction, transport, refining losses, etc.)

A specific emission factor is defined for each segment of the value chains for each product, distinguishing between:

- Eni operations (e.g. production of oil&gas, processing in own refineries, etc.)
  - emission factors used are directly derived from our operations and based on an annual GHG emissions inventory (Scope 1 and 2 on an operated basis)
- 3<sup>rd</sup> party operations (e.g. production of oil&gas purchased by 3<sup>rd</sup> parties, end use of products by customers, etc.)
  - Scope 3 GHG emissions from the end-use of sold products, emission factors from literature are applied (source API/IPCC); for crude oil an average composition of the final barrel is assumed (from IEA sources) to convert it into final products.
  - For products other than oil & gas, the following criteria are applied:
    - Biofuels: emissions are estimated applying specific emission factors associated with feedstock production, as per feedstock sustainability certificates and with refining process. The biofuel's end use is assumed to have no significant GHG emissions.
    - Electricity from the grid: emissions are estimated through emission factor based on the fuel mix representative of the EU area (location-based approach).
    - Renewable energy is considered to have zero GHG emissions across all the segments of the value chain.

This methodology has been developed with independent experts from Academia and is third-party reviewed (RINA) while the resulting indicators are subject to limited assurance review.

For further details, please refer to:

<https://www.eni.com/assets/documents/investor/2020/eng/GHG-Emissions-along-the-value-chain-of-Eni-energy-product.pdf>

*Disclaimer*

This Sustainability-Linked Financing Framework (the “Framework”) contains certain forward-looking statements that reflect the Eni’s management’s current views with respect to future events and financial and operational performance of Eni and its subsidiaries. These forward-looking statements are based on Eni’s current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of Eni to control or estimate precisely including but not limited to , future market development, changes in the regulatory framework, general business and economic conditions globally, including in relation to the environment, health and safety and taxation, and political and economic uncertainty as a result of global pandemic and current geopolitical instability. You are cautioned not to place undue reliance on the forward-looking statements as well as information and opinions contained herein, which are made only as of the date of this Framework and could be subject to change. Eni does not undertake any obligation or responsibility to release any updates or revisions to any forward-looking statements and/or information contained herein to reflect events or circumstances after the date of publication of this Framework and does not give any guarantee as to the continuing correctness and completeness of such information. The information contained in this Framework does not purport to be comprehensive and, unless differently specified in this Framework, has not been independently verified by any independent third party.

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