



Eni Shareholders' Meeting, 11 May 2022

Message from the Chairman of the Board, Lucia Calvosa and the Chief Executive Officer, Claudio Descalzi on climate strategy

Focused on net zero emissions target at 2050, in the perspective of energy security and the creation of long-term value for stakeholders through a distinctive approach based upon: proprietary technologies, new business models, stakeholder alliances

Dear Shareholders,

The persistence of war in Ukraine - with its dramatic consequences both for the people involved and for the international order based on the rule of law - has placed a spotlight on the dimension of **energy security**, which has been added to the volatility of a market already characterized by **tight supply and high energy prices in 2021**.

As Eni, we are actively engaged in addressing the risks to Europe's gas supply and we are working to **input in the market about 14 trillion cubic feet of gas resources for the short to medium term**, available thanks to our exploration success, our investments and established alliances with producing countries.

Concurrently, we keep on working to **create value for our stakeholders, offering progressively decarbonised services and products** to our customers to contribute to their emissions reduction (scope 3), as well as pursuing the commitment to **reduce both our direct emissions (scope 1) and the emissions related to the purchased energy (scope 2)**.

Our business model leverages on **proprietary and breakthrough technology** to decarbonize products and cut Scope 3 emissions, developing **new business models** to accelerate transition while sustaining shareholder remuneration and building **stakeholder alliances** for a **just transition** which includes our people, suppliers, clients, institutions, producing nations and industrial partners. This strategic progress is backed by our strong financial position and cash neutrality at a low Brent price.

Technological Innovation is part of Eni DNA. Over the years we have developed dozens of proprietary technologies that have significantly improved both safety and operational performance of upstream activities, enabling **Eni as the industry leader in technologies aimed at exploration and development, jointly to the longstanding excellent results achieved in HSE**. In 2014 Eni was also the first in the world to **convert traditional refineries into refineries for biofuels production** thanks to the proprietary technology Ecofining™. Currently, thanks to both the Gela and Venice bio-refineries we are the second largest producer of biofuels in the world with over 1 million tons capacity, planned to reach 6 million tons in the next decade.

More recently, we have seized additional technological success. For example, we are particularly excited by the prospect of deploying our **first Magnetic Fusion Industrial plant** in the next decade, based on the competitive advantages built over recent years, potentially opening the route for a **limitless source of clean energy**. Our commitment to technology leadership also underpins the development of new businesses to respond to the specific decarbonization challenges of our clients. This is the case of our **Carbon Capture and Storage (CCS)** Hynet project, where we teamed up with industrial emission-intensive companies to decarbonize one of the most important industrial districts in United Kingdom.

We have conceived **new business models** to support our growth through dedicated entities focused on their customers and with independent access to capital markets, offering Eni greater capital flexibility for further opportunities. This is a defining characteristic of Eni's strategy.

Plenitude is the dedicated company that will supply green power to more than 10 million clients in Europe, resulting from the combination of our retail and renewable businesses together with e-mobility. **Plenitude is expected to be listed within this year**, subject to market conditions.

Following on from Plenitude, at our March Capital Market Day we announced the **creation of a Sustainable Mobility company**, combining our growing biorefining with our marketing operations. Furthermore, we will ensure the direct supply of sustainable bio-feedstock through vertical integration of the activities, targeting to cover 35% of the feedstock by 2025 through the development of an agro-hubs network mainly in countries where Eni has upstream activities already in place. The new company will be uniquely positioned as a multi-energy, multi-service, customer-centric business.

Upstream remains core to Eni. We are committed to **enhancing the sustainability and value of the portfolio, increasing profitability through fast-track development of reserves and capital**

discipline, while lowering the carbon footprint. In the Upstream, we have also successfully tested the new model with the listing of Vår Energi in Norway and our asset combination with BP in Angola in a new company named Azure Energy. Meanwhile our strategy emphasizes reducing both GHG emissions from the operations including flaring and methane emissions, shifting towards a greater gas portfolio weighting and building out a pipeline of offset projects through CCS and Natural Climate Solutions. We have set the target to **reach net zero Scope 1+2 carbon footprint by 2030 in our Upstream Business.**

No strategy can be successfully executed without appropriate **financial resources.** The actions implemented by Eni immediately at the start of the pandemic in 2020 ensured a rapid recovery of the company's performance with strengthening of the balance sheet. This has meant that in 2022 we have been able to improve our decarbonization targets, deliver stronger operating and financial performance and enhance our shareholder remuneration policy.

Within the financial strategy, capital allocation is aligned to our decarbonization strategy by progressively expanding the share of investments in gas projects, shifting the capital mix with lower contribution to oil and gas activities and increasing allocation of funds to expand renewable generation, circular economy, and new energy vectors as hydrogen. We apply a rigorous **methodology in investment selection**, both in terms of emission profile and CO₂ costs, to ensure that each investment is compatible with our Eni's GHG reduction plan and the objectives of the Paris Agreement. A sensitivity analysis on the lowest carbon scenarios, including the IEA Net Zero "NZE 2050", is also performed on assets book value to stress test their resilience even under these scenarios.

In terms of decarbonization targets, our strategy accelerates the path towards net zero by 2050, with new intermediate targets inclusive of all GHG Scope 1+2+3 emissions that confirm Eni's commitment to further align the reduction trajectory to 1.5°C scenarios. We are also **bringing forward Eni's net zero operational emissions (scope 1+2) in 2035** and setting a **new intermediate target** of -40% by 2025. As for methane emissions, Eni's plan is aligned with the Global Methane Pledge launched at COP 26. These intermediate objectives allow our stakeholders to keep track of our progress in the execution of our decarbonization strategy.

Thanks to the ambition of these targets and the rigorousness of our methodology, **our pathway towards net-zero was recognized by Transition Pathway Initiative as in line with a 1.5°C scenario**

in the long term. Also, the recent CA100+ Net Zero Benchmark has indicated Eni as one of the companies most aligned with the investor coalition requirements for the second year in a row.

For us being carbon neutral is a target, not just an ambition. In the executives' variable incentive plan, the decarbonization component has a sizeable weight (35% of the equity incentive). Our plan entails an industrial transformation that is designed around economically feasible solutions and available technologies that can be readily deployed.

Looking into the business, **around 90% of our long-term target will be met through the reshaping of our conventional businesses. Carbon Capture and Storage projects** will be complementary to reduce hard-to-abate emissions. Only a residual **5%** of emissions at **2050** will be compensated for, using high quality offsets.

In the Upstream, **production will plateau at 2025**, with the share of gas progressively increasing to 60% by 2030 and up to more than 90% beyond 2040. Oil volumes will reduce in the medium-long-term contributing more than 50% to our full decarbonization target.

About **40%** of emissions reduction will come from **midstream and downstream** with actions focused, respectively, on equity gas and LNG valorization and accelerated conversion of traditional refineries into bio refineries and circular economy hubs, while de-risking feedstock through vertical integration in the value chain originating from crops.

To this end, agreements have been signed with seven African countries to support the decarbonisation process and promote circular economy initiatives. These agreements highlight a new phase of our business model, strongly oriented towards the value creation for all stakeholders in the long term, combining economic, financial and environmental sustainability to contribute to the **United Nations Sustainable Development Goals**.

Thanks to the transformation of our processes, we can **expand our offer to a complete range of decarbonised energy products and services for our customers**, thus reducing the scope 3 emissions associated to the use of our products. Plenitude is expected to expand to more than 15 Giga Watt renewable capacity by 2030, biorefining capacity will grow from 2 million ton per year in 2025 up to 6 in the next decade. Finally, Hydrogen will contribute around 4 million ton per year by 2050.

To fund this growth, **we will progressively increase the share of investments for new energy solutions** reaching almost 30% by the end of the plan, doubling to 60% by 2030 and up to 80% around 2040.

In a decade, these businesses will be Free Cash Flow positive, and increasing to around **75%** of group Free Cash Flow from **2040**.

Our plan is supported by **continued strengthening of our financial position**, through efficient capital investment, a cumulative organic cash flow from operations of about €55 billion in the next four years at our scenario's assumptions and portfolio optimization with an expected €3 billion disposal program that will underpin a robust balance sheet. Our innovations include the above-mentioned satellite companies but also the recent listing of New Energy One Acquisition (NEOA), London's first SPAC focused on the energy transition again illustrating how we are seeking to draw new investment into Eni and strike the right balance in cash allocation and returns. Likewise, we are aligning our financing instruments to our strategic targets, and we envisage more than €13 billion of sustainable instrument issuance by 2025, following the successful launch one year ago of the **first sustainability-linked bond in the industry**.

In pursuing our energy transition strategy, the values of **integrity and business ethics** remain crucial, as well as transparency and the promotion of **sustainable development**.

In fact, Eni's business is constantly aimed at **operational excellence** which applies towards a continuous commitment to valorize people, to safeguard both health and safety and asset integrity, to protect the environment, to integrity and respect for human rights, resilience and diversification of activities and to ensure sound financial discipline. In particular, despite the speed of our transformation, **HSE and Asset Integrity remain at the top of our priorities**, ensuring that the best safety and operating standards of our assets are always guaranteed. Thanks to this approach, over the last two years, characterized by the spread of the pandemic, we have been able to ensure the protection of our people and the operational continuity of our businesses.

Underlying the significant transformation of the company there is also a system of **corporate governance** that ensures an adequate and complete risk assessment and effective multilevel controls. **The internal control and risk management system** - aligned with international best practices - is subject to periodic evaluation by both the Board and Statutory Auditors. Eni's approach is integrated both in risk management and towards the integrated compliance function, which adopts a risk-based approach to controls and is separate from the legal function that monitors legal

risks in all areas. Since 2014, the Internal Audit function has been dependent on the Board through the Chairman, ensuring the necessary independence.

The commitments we are taking leverage on the fruitful dialogue we have in place with our institutional investors. **In continuity with last year, we are looking forward to receiving our shareholders' views on our climate strategy, as outlined in this letter, at our forthcoming Annual General Meeting, through the shareholders' designated representative.**

The Board of Directors, considering the uncertainties of the current geopolitical situation and in order to take into account the views that will be expressed by the shareholders at the upcoming Annual General Meeting, is planning to put on the agenda of next year's AGM a consultative vote on the company's climate strategy.

Lucia Calvosa

Claudio Descalzi

21 April 2022