

Corporate Governance Report **2016**



## Mission

We are an energy company.

We are working to build a future where everyone can access energy resources efficiently and sustainably.

Our work is based on passion and innovation, on our unique strengths and skills, on the quality of our people and in recognising that diversity across all aspects of our operations and organisation is something to be cherished.

We believe in the value of long term partnerships with the countries and communities where we operate.

### Countries of activity

#### EUROPE

Austria, Belgium, Croatia, Cyprus, Czech Republic, Denmark, France, Germany, Greece, Greenland, Hungary, Ireland, Italy, Luxembourg, Montenegro, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, the Netherlands, the United Kingdom, Turkey, Ukraine

#### AFRICA

Algeria, Angola, Congo, Egypt, Gabon, Ghana, Ivory Coast, Kenya, Liberia, Libya, Morocco, Mozambique, Nigeria, South Africa, Tunisia

#### ASIA AND OCEANIA

Australia, China, India, Indonesia, Iraq, Japan, Jordan, Kazakhstan, Kuwait, Malaysia, Myanmar, Oman, Pakistan, Russia, Saudi Arabia, Singapore, South Korea, Taiwan, the United Arab Emirates, Timor Leste, Turkmenistan, Vietnam

#### AMERICA

Argentina, Canada, Ecuador, Mexico, Puerto Rico, the United States, Trinidad & Tobago, Venezuela

# Corporate Governance and Shareholding Structure Report 2016\*

Approved by the Board of Directors on March 17, 2017



[\*] The Report is published in the "Governance" section of the Company website [eni.com](http://eni.com). The Italian text prevails over the English version.



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# Corporate Governance and Shareholding Structure Report 2016

This Report, approved by the Board of Directors of Eni SpA on March 17, 2017, provides a broad and comprehensive overview of the Corporate Governance system adopted by Eni SpA (hereinafter referred to as “Eni” or the “Company”).

In compliance with the applicable legal<sup>1</sup> and regulatory requirements, and taking account of the guidelines and recommendations of Borsa Italiana SpA (hereinafter “Borsa Italiana”) and of the most representative business associations, this Report provides information on Eni’s ownership structure and on its compliance with the Corporate Governance Code<sup>2</sup> for listed companies, as updated on July 9, 2015 (“Corporate Governance Code”), explaining the choices made in implementing the corporate governance principles and on the corporate governance practices actually instituted.

The Corporate Governance Code is available to the public at the internet address [www.borsaitaliana.it](http://www.borsaitaliana.it)<sup>3</sup> and on the Company’s website<sup>4</sup>, which contains a description of the governance solutions adopted by Eni. Furthermore, the Report on Operations, which is a part of the 2016 Annual Report<sup>5</sup>, contains a section entitled “Governance”, which describes Eni’s Corporate Governance system with an integrated view of the creation of sustainable value through business support.

Finally, for a more detailed treatment of compensation matters, please refer to the Remuneration Report<sup>6</sup>, approved by the Board on February 28, 2017 and published simultaneously with this Report.

The information contained in this Report refers to 2016 and, with respect to certain issues, is up-to-date as of the date of the meeting of the Board of Directors called to approve it.

This Report, which is published in the “Governance” section of the Company’s website<sup>7</sup>, consists of three sections: the first describes Eni’s profile, structure and values; the second focuses on information on the ownership structure; and the third analyses and provides information on corporate governance, specifically compliance with the Corporate Governance Code, on the main features of the Internal Control and Risk Management System, including with regard to the financial reporting process and, more generally, the primary governance practices followed.

[1] Art. 123-bis of Legislative Decree no. 58/1998 (Consolidated Law on Financial Intermediation).

[2] The Code was produced by the Corporate Governance Committee sponsored by Abi, Ania, Assonime, Assogestioni, Borsa Italiana and Confindustria. More information on the various editions of the Code and the composition of the Committee can be found on Borsa Italiana’s website.

[3] Available at: <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovernance.en.htm>.

[4] Available at: [https://www.eni.com/en\\_IT/company/governance/corporate-governance-code.page](https://www.eni.com/en_IT/company/governance/corporate-governance-code.page).

[5] Available at: [https://www.eni.com/en\\_IT/documentations.page](https://www.eni.com/en_IT/documentations.page).

[6] This is the Report envisaged by art. 123-ter of the Consolidated Law on Financial Intermediation, published with this Report in the manner required by art. 84-quater of Consob Resolution no. 11971 of May 14, 1999, as amended (“Consob Issuers’ Regulation”). The Report is published on Eni’s website.

[7] Available at: [https://www.eni.com/en\\_IT/company/governance/corporate-governance-report.page](https://www.eni.com/en_IT/company/governance/corporate-governance-report.page).

# Eni: profile, structure and values

## Profile and structure

Eni is a company that issues shares listed on the electronic stock exchange (Mercato Telematico Azionario) operated by Borsa Italiana SpA and securities traded on the New York Stock Exchange (NYSE) in the United States.

Eni is an energy company with operations in **73 countries** and a workforce of **33,536** (12,626 abroad). The Company operates in oil, natural gas, and energy in general.

On May 28, 2014, the Board introduced a new organisational structure, in effect as from July 1, 2014 (subsequently updated with the Board resolutions of February 17, 2015, May 28, 2015 and July 28, 2016), in order to maximise the delivery of its strategy based on selective growth in the upstream sector and a turnaround in the mid-downstream segments<sup>8</sup>.

The new organisational structure replaces the divisional model with an integrated operational model built around business lines, each specialising in a business and responsible for achieving performance and operating targets for its segment, as well as achieving excellence in key competencies.

More specifically, Eni operates the following business lines:

- (i) **Exploration:** responsible for hydrocarbon discovery and exploration;
- (ii) **Development, Operations & Technology:** responsible for carrying out industrial asset development projects and the related technical support, managing R&D activities and upstream procurement;
- (iii) **Energy Solutions:** responsible for the development of the renewable energy business;
- (iv) **Upstream:** responsible for the management and development of upstream activities, guiding, controlling and coordinating the geographical units and districts in Italy and monitoring activities not carried out directly for the guidance, control and coordination of geographical units and districts in Italy as well as the business development activities of the upstream sector;
- (v) **Midstream Gas & Power:** responsible for procurement and optimisation of the Gas & Power portfolio, for the sale of LNG and Gas & Power to large customers, for the production of electricity, and for the management of commodity price risk, trading, and oil and gas transport;
- (vi) **Refining & Marketing:** responsible for the supply, refining, production, distribution and sale of petroleum products and lubricants, for procurement for industrial activities and logistics, as well as for environmental reclamation;
- (vii) **Retail Market Gas & Power:** responsible for sales of gas and electricity to retail and mid customers in Italy and Europe.

The business lines are assisted by business support functions, whose services are centralised to ensure quality and efficiency. These functions include: (i) the units that report to the Chief Financial Officer and the Chief Services & Stakeholder Relations Officer; (ii) Corporate Affairs and Governance, Legal Affairs, Government Affairs, External Communication, Integrated Compliance Departments and Integrated Risk Management unit.

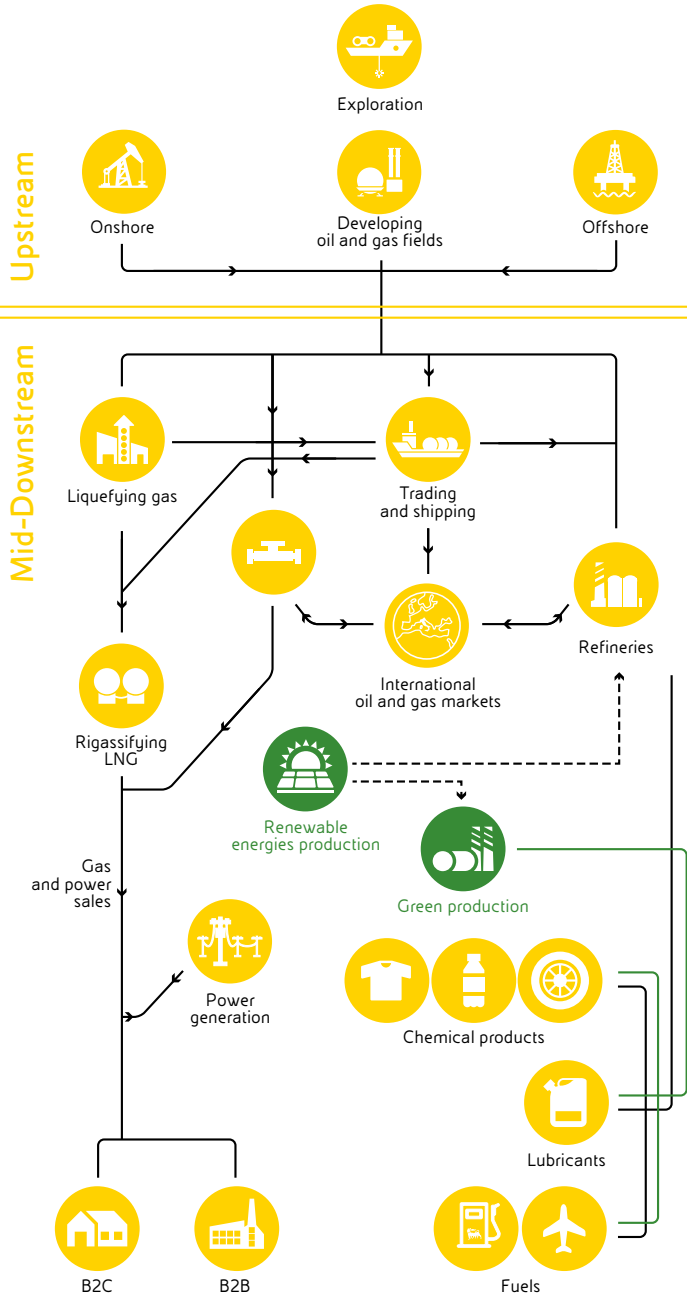
## Eni's mission

We are an energy company.  
We are working to build a future where everyone can access energy resources efficiently and sustainably.  
Our work is based on passion and innovation, on our unique strengths and skills, on the quality of our people and in recognising that diversity across all aspects of our operations and organisation is something to be cherished.  
We believe in the value of long term partnerships with the Countries and communities where we operate

<sup>(8)</sup> For more information on Eni's new organizational structure, please consult the "Company" section of the Company's website and the Annual Report.

The chart below shows Eni's activities<sup>9</sup>:

Eni engages in oil and natural gas exploration, field development and production, mainly in Italy, Algeria, Angola, Congo, Egypt, Ghana, Libya, Mozambique, Nigeria, Norway, Kazakhstan, the UK, the United States and Venezuela, overall in 44 countries.



Eni sells gas, electricity, LNG and oil products in the European and extra-European markets, also leveraging on trading activities. Products availability is ensured by oil and gas production in the upstream segment, long-term gas supply contracts, CCGT power plants, Eni's refinery system as well by Versalis' chemical plants. The supply of commodities is optimized through trading activity. Integrated business units enable the company to capture synergies in operations and reach cost efficiencies.

### Eni worldwide presence

	E&P	G&P	R&M & C
<b>Europe</b>			
Austria			
Belgium			
Croatia			
Cyprus			
Czech Republic			
Denmark			
France			
Germany			
Greece			
Greenland			
Hungary			
Ireland			
Italy			
Luxembourg			
Montenegro			
Norway			
Poland			
Portugal			
Romania			
Slovakia			
Slovenia			
Spain			
Sweden			
Switzerland			
the Netherlands			
the United Kingdom			
Turkey			
Ukraine			
<b>Africa</b>			
Algeria			
Angola			
Congo			
Egypt			
Gabon			
Ghana			
Ivory Coast			
Kenya			
Liberia			
Libya			
Morocco			
Mozambique			
Nigeria			
South Africa			
Tunisia			
<b>Asia and Oceania</b>			
Australia			
China			
India			
Indonesia			
Iraq			
Japan			
Jordan			
Kazakhstan			
Kuwait			
Malaysia			
Myanmar			
Oman			
Pakistan			
Russia			
Saudi Arabia			
Singapore			
South Korea			
Taiwan			
the United Arab Emirates			
Timor Leste			
Turkmenistan			
Vietnam			
<b>America</b>			
Argentina			
Canada			
Ecuador			
Mexico			
Puerto Rico			
the United States			
Trinidad & Tobago			
Venezuela			

[9] For more information, please consult the "Company" section of the Company's website and the Annual Report.



At December 31, 2016, Eni controlled **218 companies** in Italy and abroad.

On January 22, 2016, the disposal by Eni SpA to Fondo Strategico Italiano SpA ("FSI", renamed CDP Equity SpA) of 12.503% of Saipem SpA share capital took effect, causing the shareholders' agreement signed on October 27, 2015 between Eni and FSI concerning Saipem shares to come into force<sup>10</sup>. Following the disposal and the entry into force of the shareholders' agreement, Eni no longer exercises sole control over Saipem.

### Principles and values. The Code of Ethics

Integrity and transparency are the principles that guide Eni's action in formulating a management and control structure that is suited to its size, complexity and operating structure, in adopting an effective internal control and risk management system, and in communicating with shareholders and other stakeholders, also by reviewing and updating the information on its website.

These values are set forth in the **Eni Code of Ethics**, approved by the Board of Directors on March 14, 2008, which replaces the previous 1998 Code of Conduct. The Code of Ethics was most recently updated on October 27, 2016.

Eni's values are set forth in the Eni Code of Ethics

Directors, Statutory Auditors, management and all Eni's employees, as well as those who operate in Italy or abroad to achieve Eni's objectives, are required to uphold, in the context of their own functions and duties, the principles set out in the Code of Ethics.

The Code contains concrete rules of behaviour, so that the principles contained therein form a practical guide for corporate operations.

For that purpose, the Code of Ethics has been translated into **21 languages**. It has been distributed widely and is explained through a range of initiatives, including special training courses<sup>11</sup>.

The Code represents an essential general principle of Compliance Model (Model 231 under Legislative Decree no. 231/2001)<sup>12</sup>, as well as a key element of the anti-corruption framework<sup>13</sup>, of which it is an integral part: the synergies between the Code of Ethics and the Model are underlined by the assignment to the Eni Watch Structure – established by Model 231 – of the function of **Guarantor of the Code of Ethics**, with the duty of promoting and verifying its implementation.

The Guarantor of the Code of Ethics presents a **report every six months** on the implementation of the Code and any updating needed to the Control and Risk Committee, to the Board of Statutory Auditors and to the Chairman and Chief Executive Officer (CEO) of Eni, who in turn report to the Board<sup>14</sup>.

**The Code of Ethics applies to all direct or indirect subsidiaries**, both in Italy and abroad. Each subsidiary assigns the function of Guarantor of the Code of Ethics to its own Watch Structure. Listed subsidiaries adjust the Code – where necessary – to their specific characteristics, in accordance with their own managerial independence.

The representatives designated by Eni on the corporate bodies of associated companies, consortia and joint ventures promote the principles and contents of the Code within their respective spheres of responsibility.

[10] Certain provisions of the shareholders' agreement relating to information flows between Saipem SpA and Eni SpA / CDP Equity, although in force, they have not been implemented, pending a clarification from Consob, requested by Saipem.

[11] For more information on the dissemination and communication of the Code, please refer to the "Sustainability" section of the Eni website: [https://www.eni.com/en\\_IT/sustainability.page](https://www.eni.com/en_IT/sustainability.page).

[12] For more information, please refer to the section on "Model 231" of this Report.

[13] For more information, please refer to the section on the "Anti-Corruption Compliance Program" of this Report.

[14] The report is submitted together with that required from the Watch Structure.

The Board defined the inalienable principles of Eni's Corporate Governance system

## Corporate Governance Policy

In the context of Eni's Regulatory System<sup>15</sup>, on July 28, 2010 the Board of Directors defined the **inalienable principles of Eni's Corporate Governance system**, issuing the Corporate Governance Policy in which, identifying **integrity and transparency** as the founding principles of its system, it stated its commitment to:

- adopting measures that ensure **correct handling** of any situation that may involve a **conflict of interest, even potential**, while safeguarding the rights of and relations with its stakeholders and providing complete, timely, clear and correct information, ensuring shareholders have equal access to information;
- pursuing the best Corporate Governance practices, including through comparison with the best Italian and foreign governance models and, in particular, with the principles issued by the most representative institutions and associations;
- promoting its Corporate Governance principles outside by encouraging observations and introducing new ideas, in particular through participation in institutional and sector working groups and by promoting relevant initiatives;
- promoting and maintaining an **adequate, effective and efficient Internal Control and Risk Management System**.

In performing its **management and coordination** activities, Eni acts in accordance with the managerial **independence of the individual companies**, in particular of the listed companies and those subject to special regulations, and respects the **interests of other shareholders**, the **confidentiality obligations** that safeguard the commercial interests of the companies involved and, regarding foreign companies, local regulations.

More specifically, among the aims pursued, actions designed to ensure an adequate and effective internal control and risk management system are of fundamental importance – both overall and in its main components – in addition to compliance with the rules the Company is subject to in its role as parent company<sup>16</sup>.

## Responsible and sustainable approach

A responsible and sustainable approach represents the Company's methods of operating under a logic of **value creation over the medium and long-term** and is based on an integrated view of all company processes: from planning, monitoring and control to risk prevention and management, from implementation of operations to reporting, and in communications with internal and external stakeholders.

All Company objectives are pursued with an approach that is strongly focused on **operational excellence, research innovation**, cooperation for countries development, the importance of people (developing their professional capabilities and skills), integrity in managing its business following strict financial rules, the highest ethical principles, respect for and promotion of human rights, and synergies deriving from integration between financial and non-financial aspects in all corporate decisions and processes.

Eni's commitment to respecting and promoting human rights is described in its Sustainability Policy, approved by the Board of Directors on April 27, 2011 and adopted by all of Eni's subsidiaries, which sets out the binding principles that guide its activities everywhere.

In seeking to continuously improve these efforts, Eni undertakes targeted awareness projects and adopts the best international tools.

Eni reinforces this commitment by requiring its partners to comply with the Eni Guidelines on the Protection and Promotion of Human Rights. This document, published on Eni's website, establishes the principles of reference regarding the protection and promotion of human rights in the conduct of business.

[15] For more information on Eni's Regulatory System, please refer to the "Internal Control and Risk Management System" section of this Report.

[16] All Eni subsidiaries adopt the "Eni Internal Control System for Financial Reporting" Management System Guidelines. For further information, please refer to the section "Internal Control and Risk Management System" of this Report.

Eni operates under a logic of value creation over the medium and long-term

The **Board of Directors of Eni** has always sought to play a **key role in defining sustainability policies and strategies and checking sustainability results**, which are also presented to the Shareholders' Meeting.

The role of the Board of Directors

In performing its duties in this area, the Board is assisted by the Sustainability and Scenarios Committee, which it established in 2014.

In 2016 the Committee's work focused, among other things, on the issue of climate change and renewable energy partnerships<sup>17</sup>.

In order to maintain high sustainability standards in operations, Eni sets annual targets, pursued through projects and initiatives carried out by all the relevant functions at Eni and its subsidiaries. Approval of the relative action plans and review of the main results achieved is done by the Company's highest decision-making bodies.

In order to emphasize the contribution to creating value for the Company and stakeholders stemming from operating in a sustainable manner, the **sustainability results**, as well as all the main activities that determine the same, are **communicated in the Annual Report**, as provided for under the integrated reporting framework supported by the International Integrated Reporting Council (IIRC), which Eni has followed since 2011.

Eni's Audit Firm (Ernst & Young) verifies the appropriateness of the overall business planning and management process, as well as the transparency and traceability of the sustainability data from the operational sites, which are then consolidated and audited at a country, business areas, and sustainability unit level.

This certification process complies with the criteria set forth in the ISAE 3000 standard, issued in 2004 by the International Auditing and Assurance Standards Board (IAASB), which is also responsible for issuing auditing principles.

The sustainability initiatives undertaken by Eni in terms of corporate governance in 2016 include, in particular:

Initiatives in 2016

- (i) **training programmes for the Eni SpA corporate bodies** (i.e. board induction and on-going training)<sup>18</sup>. More specifically, during the year, a training session was held on anti-bribery United States law;
- (ii) the organisation of a **new cycle** of corporate governance roadshows by the Chairman of the Board of Directors for the leading institutional investors to present, in addition to the Company's governance system, also the main sustainability and corporate social responsibility initiatives (see the next section);
- (iii) making Eni management more aware of issues relating to business and human rights through the "Raising awareness on human rights in Eni activities" event. Eni's CEO participated in the event as part of a panel of international experts; it was attended by around 400 persons, including members of Eni management and those of its subsidiaries, and members of Eni Board of Directors and Board of Statutory Auditors. The event was followed by the introduction, starting in November 2016, of an e-learning training course, developed with the assistance of the Danish Institute for Human Rights, for a large portion of Eni's personnel in Italy and abroad (around 22,000 employees), called "Business and Human Rights" and offered in Italian, English and French;
- (iv) **promoting shareholders participation in Company life**, through clear and complete communication of information, so that they may exercise their rights in an informed manner.

Thanks to its commitment to decarbonisation, Eni was the only major oil and gas company to receive the highest score (A) in the CDP2016 ranking, an independent rating that evaluates the

Awards

[17] For further information, please refer to the section "Sustainability and Scenarios Committee" of this Report.

[18] With regard to sustainability, the Board participated in the UN Global Compact LEAD Board Programme for training Directors on these issues, completing it in 2015.

actions and strategies adopted by the world's major companies in response to climate change<sup>19</sup> Eni also received the highest mark in the CDP Italy 2016 ranking.

In addition, Eni was once again included for the tenth straight year in the **FTSE4Good Index** following the half-yearly review in December 2016.

For more information, please refer to the "Sustainability" section of Eni's website.

### Eni's Corporate Governance initiatives

In line with the principles of its Corporate Governance Policy, adopted by the Board of Directors on July 28, 2010, Eni is committed to creating a corporate governance system that is inspired by excellence, in open dialogue with the market.

Accordingly, the Company has pursued a number of initiatives for improving its own system and that of the nation, focusing heavily on communication with its stakeholders and demonstrating an on-going commitment to helping shareholders exercise their rights effectively.

More specifically, in 2011 Eni provided a contribution to the debate on the corporate governance of listed Italian companies, based on the analysis of foreign best practices that are not yet established in the national system and to which Eni pays particular attention due to the international scope of its business. The results of the analysis, filtered through the Company's experience, led to the drafting of **35 proposals (regulatory and voluntary) to improve the efficiency of the Italian system**. A large portion of the proposals were incorporated as recommendations or comments in the 2011 edition of the Corporate Governance Code.

In the Governance Roadshows, held in 2016 and 2017, the Chairman presented Eni's governance innovations to institutional investors

In recent years, responding to the need for a more thorough dialogue with the market on corporate governance issues, in 2016 and early 2017 **Eni organized a new cycle of corporate governance roadshows** by the Chairman of the Board of Directors for the leading institutional investors to present the Company's governance system and the main sustainability and corporate social responsibility initiatives.

In addition to Italy, the roadshows were held in the United States, France and the United Kingdom, with investors representing a total of 15% of share capital attending in 2016 and 6.5% in early 2017.

Investors expressed particular appreciation for the open and constructive dialogue with the Company that the initiative provided.

More specifically, investors had positive opinions on the composition of the Board of Directors, including its diversity, the governance measures adopted and the completeness and transparency of the information provided to shareholders and the market<sup>20</sup>. In addition, during the meetings, investors demonstrated great interest in developments in the risk governance and control system, its organization and the primary role of the Board and the Chairman in the system.

Other corporate governance initiatives, which will be described in more detail further on in this Report, include:

- the Board assigned its Secretary the role of **Corporate Governance Counsel**, reporting directly and functionally to the Board, and on its behalf, to the Chairman. He is tasked with providing **independent assistance and advice** to the Board and the Directors. The Secretary reports periodically to the Board on the functioning of Eni's governance system<sup>21</sup>;
- Eni's commitment to promoting a greater degree of involvement by its shareholders in the life of the Company through dedicated initiatives<sup>22</sup>;
- the adoption of governance solutions that go beyond the recommendations of the Corporate Governance Code, by the Board in applying the recommendations of the Code itself in the

[19] The CDP (Carbon Disclosure Project) is a non-profit organisation that has developed a system to measure, share and publish information on the environmental performance of companies or cities. CDP2016 (Global Climate Change Report 2016) is the annual report published by the CDP reporting performances and the response of companies to the causes of global warming.

[20] For more information on the recognition received by Eni for its online communication of governance information, please refer to the "Relations with shareholders and the market" section of this Report.

[21] For more information, please refer to the "Board Secretary and Corporate Governance Counsel" section of this Report.

[22] For more information, please refer to the "Relations with shareholders and the market" section of this Report.

Company and the publication of the Code incorporating the solutions adopted by Eni on the Company's website<sup>23</sup>.

## Corporate Governance Model

### *The Corporate Governance Model of Eni SpA*

Eni's Corporate Governance structure is based on the **traditional Italian model that** – respecting the duties of the Shareholders' Meeting – assigns the strategic management of the Company to the Board of Directors, the heart of the organisational system, and supervisory functions to the Board of Statutory Auditors.

The statutory audit is carried out by an Audit Firm appointed by the Shareholders' Meeting.

In accordance with the By-laws, the Board of Directors appointed a **Chief Executive Officer** to manage the Company, while reserving decisions on certain issues exclusively to itself. The CEO is therefore the main person responsible for the management of the company, apart from those tasks reserved to the Board.

The Board of Directors appointed by the Shareholders' Meeting of May 8, 2014 attributed to the **Chairman a major role in internal controls**, entrusting her to oversee the Internal Audit unit, the head of which reports directly to the Board and, on its behalf, to the Chairman, without prejudice to his being functionally subject to the authority of the Control and Risk Committee, and to the CEO, as director in charge of the internal control and risk management system. The Chairman is also involved in the appointment of the main Eni officers responsible for the internal control and risk management system, including the Head of Integrated Risk Management and the Head of Integrated Compliance, as well as the internal regulatory process for controls, approving among other things the rules governing internal audit activities.

The model adopted therefore makes a **clear separation between the functions of the Chairman and those of the CEO**, both of whom are empowered to represent the Company, in accordance with Art. 25 of the By-laws.

The Board also decided that the Chairman will, in accordance with the By-laws, be legal representative of the Company, responsible for managing institutional relationships in Italy, together with the CEO.

The Board of Directors has created **four internal Committees** having consulting and advisory functions: the Control and Risk Committee, the Compensation Committee, the Nomination Committee and the Sustainability and Scenarios Committee. These Committees report to the Board at every meeting, through their respective chairmen, on the most significant matters that they have addressed.

Moreover, on a proposal of the CEO and in agreement with the Chairman, and with the approval of the Board of Statutory Auditors, the Board of Directors has appointed the Chief Financial Officer of the Company as the officer in charge of preparing financial reports (**Financial Reporting Officer**). The proposed nomination of the Financial Reporting Officer is also examined by the Nomination Committee.

Certain organisational and managerial decisions, highlighted in this Report, were made to achieve compliance with US regulations, to which the Company is subject as a NYSE-listed company.

Specifically, on March 22, 2005, the Board of Directors, electing the exemption granted by the Securities and Exchange Commission (SEC) to foreign issuers of securities listed on regulated US markets, designated **the Board of Statutory Auditors as the body** that, as from June 1, 2005, performs,

Eni adopts the traditional management and control model

The Chief Executive Officer

The Chairman

The Committees

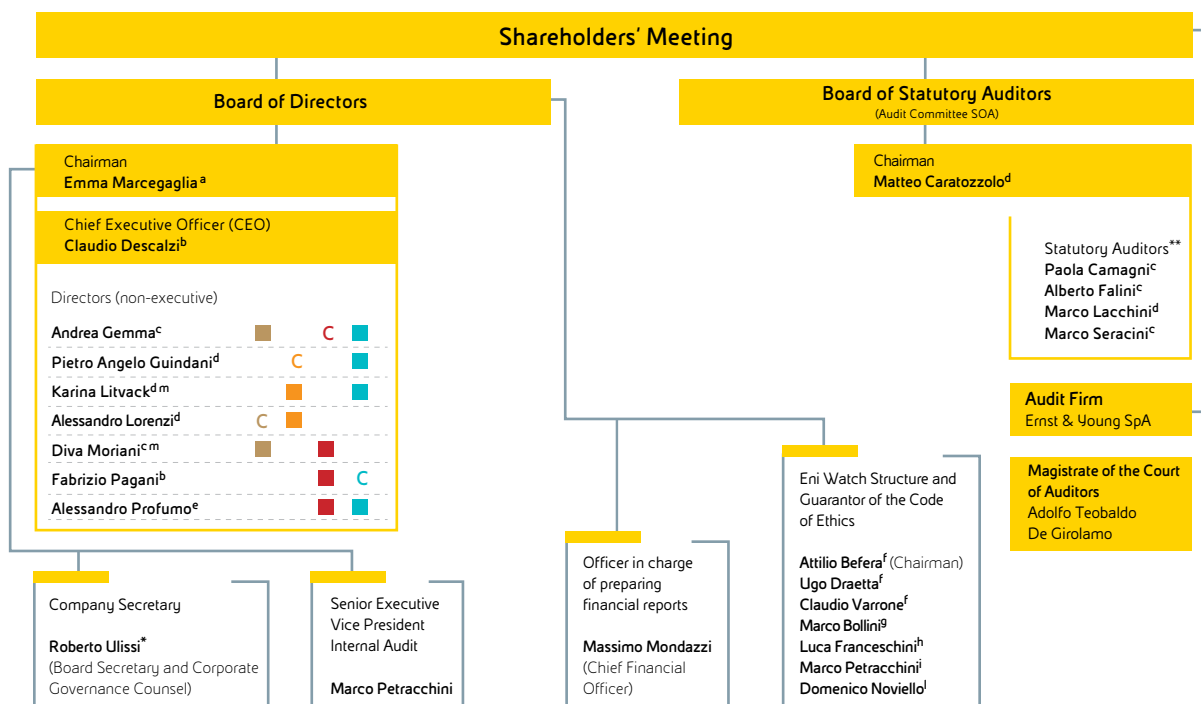
The Financial Reporting Officer

The Board of Statutory Auditors

<sup>[23]</sup> For more information, please refer to the "Compliance with the Corporate Governance Code for Listed Companies" section of this Report.

to the extent permitted under Italian regulations, the **functions attributed to the audit committee** of foreign issuers by the Sarbanes-Oxley Act and SEC rules. The Board of Statutory Auditors also performs the duties assigned to it by law in its role as **Internal Control and Financial Auditing Committee**.

The following chart represents the Company's governance structure at December 31, 2016:

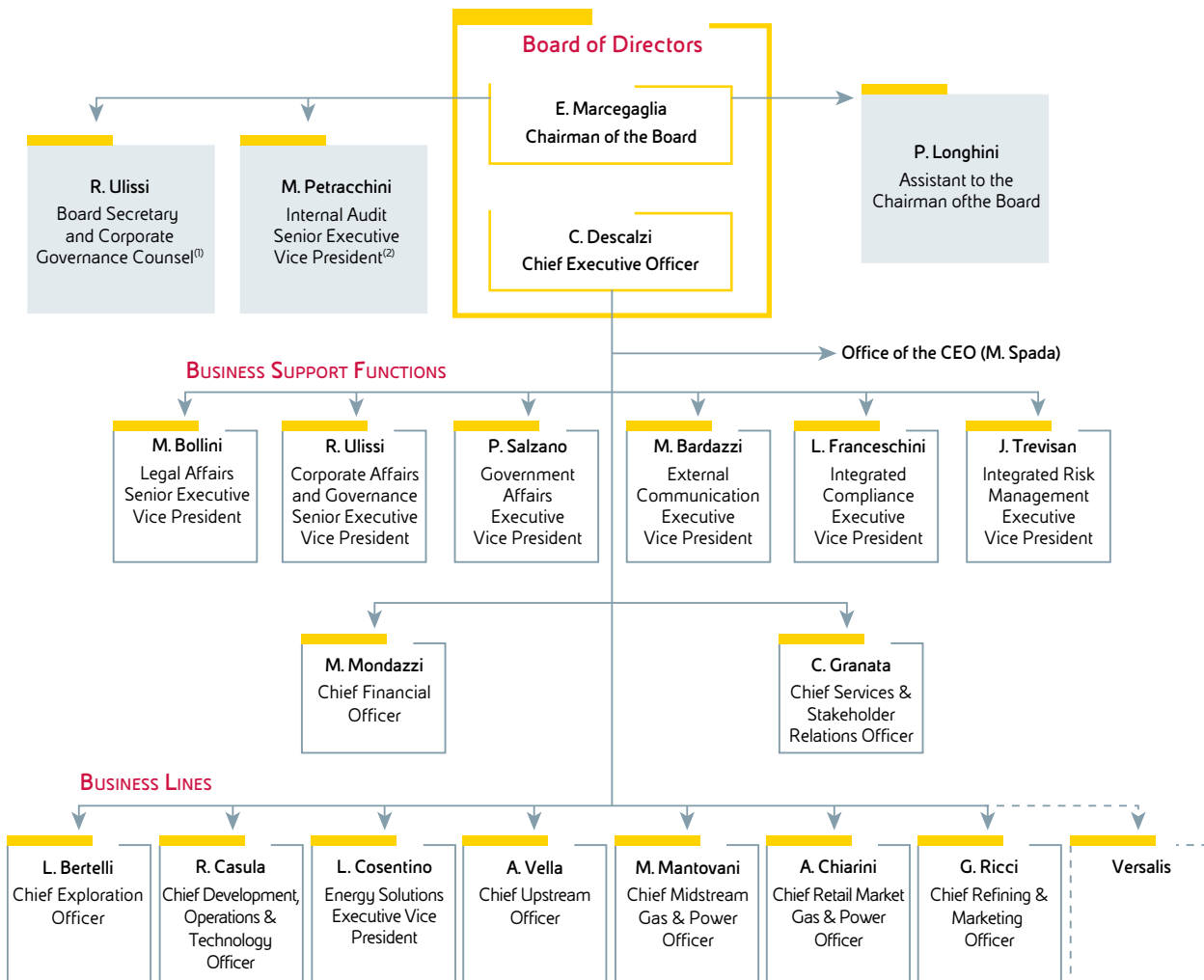


CRC - Control and Risk Committee NC - Nomination Committee SSC - Sustainability and Scenarios Committee CC - Compensation Committee C Chairman

a - Member appointed from the majority list, non-executive and independent pursuant to law.  
 b - Member appointed from the majority list.  
 c - Member appointed from the majority list and independent pursuant to law and Corporate Governance Code.  
 d - Member appointed from the minority list and independent pursuant to law and Corporate Governance Code.  
 e - He is independent pursuant to law and Corporate Governance Code, being co-opted by the Board on July 29, 2015, in the place of the Director Luigi Zingales who had resigned from the Board on July 2, 2015, and confirmed as Director by the Shareholders' Meeting on May 12, 2016.  
 f - External member.  
 g - Senior Executive Vice President Legal Affairs.  
 h - Executive Vice President Integrated Compliance.  
 i - Senior Executive Vice President Internal Audit.  
 l - Executive Vice President Labour Law and Dispute.  
 m - On July 28, 2016, the Eni Board of Directors approved the rotation of Director Karina Litvack out of the Control and Risk Committee with another Director selected by the Board itself on September 15, 2016 in the person of Director Diva Moriani. Moriani left the Compensation Committee effective as of December 22, 2016.  
 \* Also Senior Executive Vice President Corporate Affairs and Governance.  
 \*\* The following are Alternate Auditors:  
**Stefania Bettoni** - Member appointed from the majority list.  
**Mauro Lonardo** - Member appointed from the minority list.

Eni's organisational management structure is divided into "business lines" and "business support functions" that report directly to the CEO of Eni SpA.

The following is a chart setting out the current macro-organisational structure at December 31, 2016:



[1] The Board's Secretary reports hierarchically and functionally to the Board and, on its behalf, to the Chair.

[2] The Senior Executive Vice President Internal Audit reports hierarchically to the Board of Directors and, on its behalf, to the Chair, without prejudice to its functional reporting to the Control and Risk Committee and to the CEO (in his capacity as director in charge of the Internal Control and Risk Management System).

## The main management committees

### Management Committee

The Management Committee<sup>24</sup>, presided over by the CEO of Eni, is composed of the: Chief Exploration Officer, Chief Development, Operations & Technology Officer, Chief Upstream Officer, Chief Midstream Gas & Power Officer, Chief Refining & Marketing Officer, Chief Retail Market Gas & Power Officer, Executive Vice President Energy Solutions Department, Chief Financial Officer, Chief Services & Stakeholder Relations Officer, Senior Executive Vice President Legal Affairs Department, Senior Executive Vice President Internal Audit Department, Senior Executive Vice President Corporate Affairs and Governance Department, Executive Vice President for External Communication Department, Executive Vice President for Government Affairs Department, Executive Vice President Integrated Compliance Department, Executive Vice President Integrated Risk Management, the CEO of Versalis SpA and the CEO of Syndial SpA.

The Management Committee, which provides advice and support to the CEO, meets on monthly basis and, normally, prior to the meetings of the Board of Directors, and whenever the CEO of Eni SpA

[24] The composition of the Management Committee is current as of October 17, 2016.

believes it necessary, to consider the issues he indicates, including those that may be proposed by Committee members, other persons reporting to him or by the CEOs of the Group companies.

The Chairman of the Board is invited to attend Management Committee meetings. Other persons may also be invited to attend those meetings where their duties relate to items on the agenda.

The Senior Executive Vice President Corporate Affairs and Governance Department serves as the Management Committee's Secretary.

#### *Compliance Committee and Risk Committee*

Other managerial committees in addition to the Management Committee have been formed. Those with responsibilities involving corporate governance, particularly control, include the Risk Committee and the Compliance Committee, described in more detail herein:

The **Risk Committee**<sup>25</sup> is presided over by the CEO of Eni SpA and has the same composition as the Management Committee.

The Risk Committee provides advice to the CEO on the major risks facing Eni and, specifically, reviews and offers its opinion on the main results of the Integrated Risk Management process. The Chairman of the Board of Directors of Eni SpA is also invited to attend the meetings. Other persons may also be invited to attend those meetings where their duties relate to items on the agenda. The Executive Vice President Integrated Risk Management serves as the Committee's Secretary.

The **Compliance Committee**<sup>26</sup> is composed of: the Senior Executive Vice President Corporate Affairs and Governance, Senior Executive Vice President Internal Audit, Executive Vice President Integrated Compliance, Executive Vice President Accounting and Financial Statements, Executive Vice President Human Resources and Organisation.

The Compliance Committee, as a whole, is responsible for:

- identifying the process owners for each compliance and governance matter and suggesting them to the CEO;
- reporting to the CEO on the need to examine any new issues, suggesting a process owner and, if necessary, a working group;
- in the event that the Management System Guidelines for compliance and governance are updated, providing its opinion on the formal and substantive aspects of the changes made;
- assess beforehand, in its role as audit committee, the Management System Guidelines for compliance and governance.

#### *Corporate Governance Model for Eni companies*

On May 30, 2013, the Eni Board of Directors, on the proposal of the CEO, having it first being examined by the Nomination Committee with regard to those matters in which it has expertise, and having received the opinion of the Control and Risk Committee, approved the Management System Guideline (hereinafter "MSG") "Corporate Governance of the Eni companies", which updates the previous relevant guidelines.

Using this regulatory instrument, the Board of Directors of Eni, consistent with its duties, established the corporate governance system and rules for Eni's subsidiaries and associated companies, adapting them to incorporate legislative developments, changes in internal organisation and rules and to the best practices in the field<sup>27</sup>.

More specifically, the MSG:

- (i) governs the **legal form and management and control system** of Eni subsidiaries, indicating the size, composition and operating principles for the relative bodies;

MSG Corporate Governance of the Eni companies

Legal form

[25] The composition of the Risk Committee is current as of October 17, 2016.

[26] The composition of the Compliance Committee is current as of September 21, 2016.

[27] For more information, refer to the section "Eni Regulatory System" of this Report.



- (ii) defines the **requirements that the members of the management and control bodies** of Eni investees appointed by Eni must meet in order to be given and retain such position, particularly as regards integrity, independence and the absence of any conflict of interest:
- in addition to requiring Directors (usually Eni employees) to comply with the law and the By-laws, the MSG describes in greater detail the criteria already imposed upon Directors under the prior rules, focusing on issues such as technical and professional skills, managerial experience, opportunities for job rotation and the absence of any conflict of interest;
  - in addition to the requirements provided for by the law and the By-laws, the MSG imposes upon the Statutory Auditors and the members of the control bodies new requirements concerning integrity, independence and the absence of any conflict of interest, based upon the integrity requirements for Statutory Auditors of listed companies (expanded even further) and on the provisions of the Corporate Governance Code;
- (iii) provides that, **in order to appoint the members of the management and control bodies**, the following must be ascertained, including through the submission of declarations: (i) the non-existence of privileged relations with (a) important members of local government and (b) suppliers, customers or third-party contractors of the company, (ii) the non-existence of other relationships prohibited by the Eni Code of Ethics. With regard to the appointment of members of the control bodies, the Guidelines call for the creation of a database containing the names of potential candidates who meet the requirements. Only persons recorded in the database may be nominated;
- (iv) focuses special attention **on diversity, not limited to gender diversity**, in the composition of the bodies<sup>28</sup>.

Requirements

Diversity

[28] For more information, please refer to the section "Gender balance in corporate Board composition and initiatives to ensure diversity" of this Report.

# Information on the ownership structure<sup>29</sup>

Eni's share capital amounts to €4,005,358,876 - fully paid-up - and comprises 3,634,185,330 ordinary shares without par value

## Share capital structure, significant shareholdings and shareholders' agreements

Eni's share capital is made up of ordinary registered shares. The shares are indivisible and each one grants the holder the right to one vote. Holders of Eni shares have the right to vote in the Company's ordinary and extraordinary Shareholders' Meetings, and exercise the corporate and property rights given them under the laws in force, subject to the limits specified by the latter and by the Company's By-laws.

At December 31, 2016 the Company's share capital amounted to €4,005,358,876 – fully paid-up – and comprises 3,634,185,330 ordinary shares without par value<sup>30</sup>.

The Company's shares have been listed on the electronic stock exchange (Mercato Telematico Azionario) managed by Borsa Italiana SpA since November 1995. Also in 1995, Eni issued an American Depositary Receipts (ADR) programme for the US market. An ADR consists of a share certificate representing foreign company shares traded on stock exchanges of the United States. Each Eni ADR represents two ordinary shares and is traded on the New York Stock Exchange<sup>31</sup>.

Eni is therefore subject to the **control of the Ministry of the Economy and Finance**, which has enough votes to exercise a dominant influence in the ordinary Shareholders' Meeting of the Company, through stakes held directly in the Company (with 4.34%) and indirectly through Cassa Depositi e Prestiti SpA (CDP SpA), a company controlled by the Ministry (with 25.76%).

But Eni is **not subject to the management and coordination** of the Ministry of the Economy and Finance<sup>32</sup> or of CDP SpA, pursuant to Art. 2497 of the Italian Civil Code, nor is the Company aware of any agreements between shareholders, pursuant to Art. 122 of the Consolidated Law on Financial Intermediation.

## Major holdings

The following table shows the percentage of Eni's share capital owned, at the date of approval of this Report, directly or indirectly by shareholders or persons whose declared holdings **exceed a major holding threshold<sup>33</sup>** pursuant to Art. 120 of the Consolidated Law on Financial Intermediation and to Consob Resolution. This threshold is updated based on information available to the Company.

[29] Information on the shareholding structure is provided in accordance with the provisions of Art. 123-bis, first paragraph, of the Consolidated Law on Financial Intermediation. Information is provided on:

- the mechanism for the exercise of voting rights in any employee share scheme where voting rights are not exercised directly by the employees, as specified in letter e) of the above-mentioned regulation; please note that the Company does not provide employee share schemes and, since 2009, no stock-grant and stock-option plans have been approved for which, in any case, no special mechanism for exercising voting rights was envisaged. As to the proposed long-term share incentive plan, approved by the Board of Directors on February 28, 2017, that will be submitted to the Shareholders' Meeting on April 13, 2017, please refer to the Eni 2017 Remuneration Report, published with this Report, and the informational documents on the plan published pursuant to law;
- rules that apply to the appointment and replacement of Directors, as specified in letter l) of the above-mentioned regulation, please refer to the paragraph "Appointment", of the section "Board of Directors";
- amendments to the By-laws, as specified in letter l) of the above-mentioned regulation; please refer to the paragraph, "Shareholders' Meeting and rights".

[30] The extraordinary Shareholders' Meeting held on July 16, 2012, resolved to eliminate the par value of all ordinary shares representing the share capital, previously equal to €1.00 each, and therefore to amend the By-laws and cancel 371,173,546 treasury shares without par value, leaving the amount of share capital unchanged.

[31] For more information on the ADR program, please refer to the relevant FAQ section of the Eni internet site.

[32] Art. 19, paragraph 6, of Italian Decree-law no. 78/2009, ratified by Law no. 102/2009, specifies that the reference to management and coordination activity contained in Art. 2497, first paragraph, of the Italian Civil Code must be interpreted with reference to the fact that "entities" refers to "collective legal subjects other than the State having shareholdings in the company in the context of their entrepreneurial activity, or for economic or financial purposes".

[33] The Legislative Decree no. 25 of February 15, 2016, published in the Gazzetta Ufficiale on March 3, 2016, increased the major holding threshold from 2% to 3%. This Legislative Decree entered force on March 18, 2016.

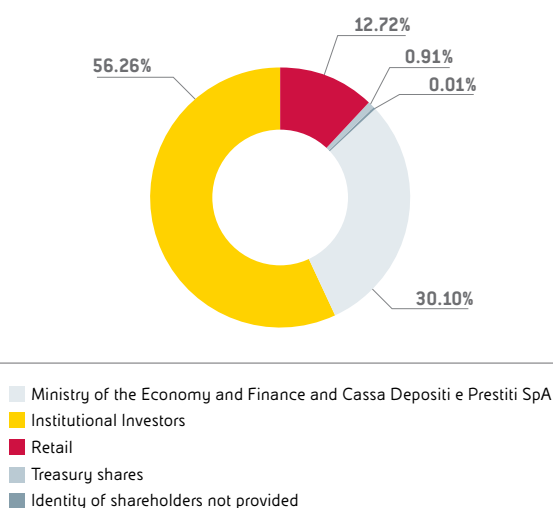
### Controlling shareholders

Shareholders	Number of shares	% of total ordinary shares
Ministry of the Economy and Finance	157,552,137	4.34
CDP SpA	936,179,478	25.76
<b>Total</b>	<b>1,093,731,615</b>	<b>30.10</b>

No changes had been reported at March 17, 2017.

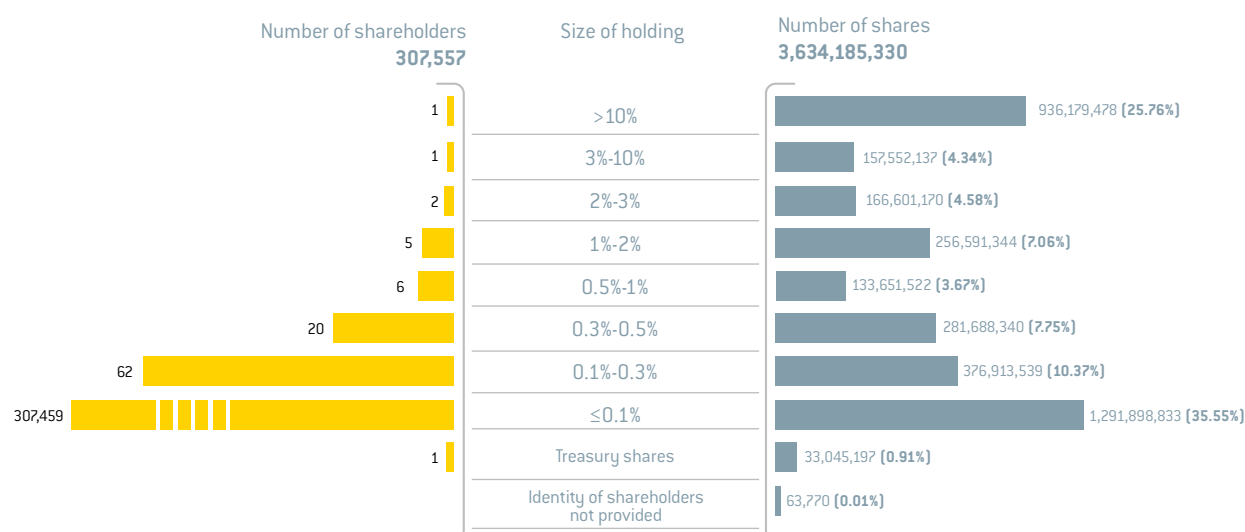
The following is a graphical representation of the share capital structure and the distribution of shares by amount and geographical area based on the registered share owners who received the interim dividend paid for 2016 made by intermediaries (ex-dividend date of September 19, 2016 – record date September 20, 2016 – payment date of September 21, 2016).

### Share capital structure based on 2016 interim dividend payment

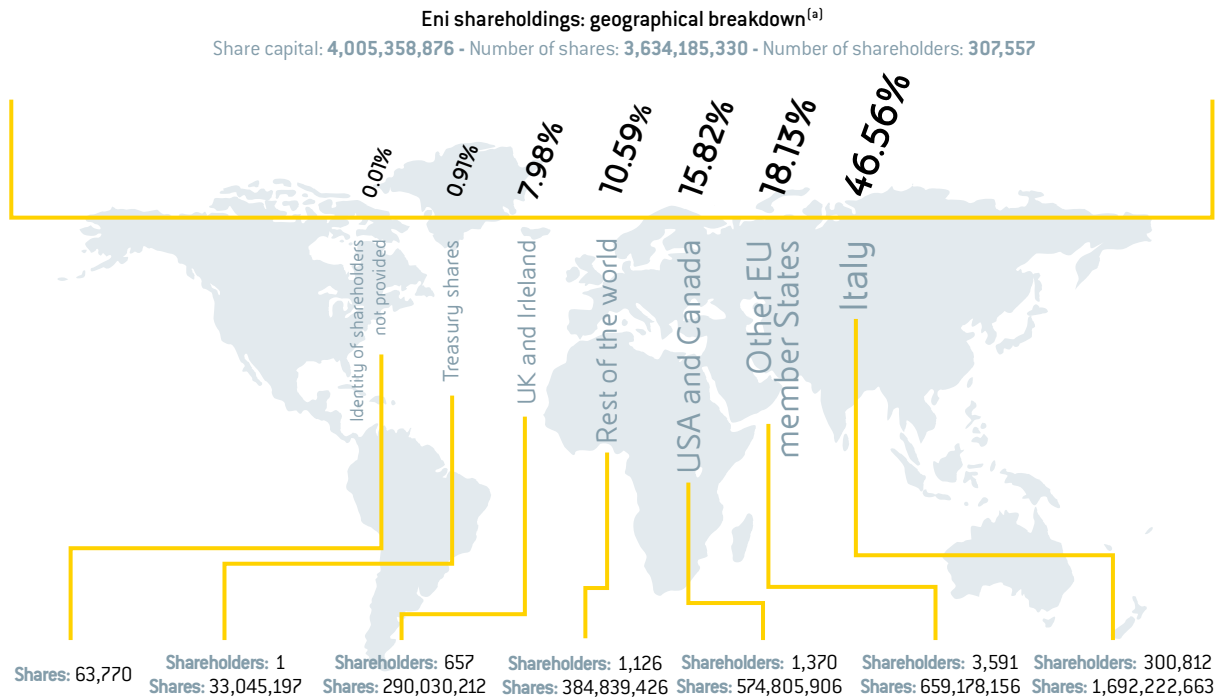


### Eni shareholdings: breakdown by number of shares held<sup>(a)</sup>

Share capital: **4,005,358,876**



(a) Eni's share capital is equal to €4,005,358,876, represented by 3,634,185,330 ordinary nominative shares without par value.



(a) Eni's share capital is equal to €4,005,358,876, represented by 3,634,185,330 ordinary nominative shares without par value.

3% limit in By-laws

### Shareholding limits and restrictions on voting rights

Pursuant to Art. 6.1 of the By-laws, in accordance with the special provisions specified in Art. 3 of Decree-law no. 332 of 1994<sup>34</sup>, ratified by Law no. 474 of 1994 (Law no. 474/1994), under no circumstances whatsoever may any party directly or indirectly hold more than 3% of the share capital. Exceeding these limits shall lead to a suspension of the exercise of voting rights or any other rights (except property rights) related to the shares exceeding the aforementioned limit, but leaving the property rights for such shares unchanged.

Therefore, while formally placing a limit on share ownership, in reality the rule restricts the exercise of voting rights and any other rights except property rights related to shares exceeding 3% of the share capital.

For the purposes of calculating the shareholding limit (3%), shares held through trustees and/or intermediaries are also taken into account.

Pursuant to Art. 32 of the By-laws and the aforementioned regulations, shareholdings in the share capital of the Company held by the Ministry of the Economy and Finance, public bodies, or organisations controlled by the latter are exempt from this provision.

Lastly, the special provision states that the clause regarding shareholding limits shall not apply if the above limit is exceeded following a takeover bid, provided that the bidder – as a result of the takeover – will own a shareholding of at least 75% of the capital with voting rights in deliberations regarding the appointment or dismissal of Directors<sup>35</sup>.

### Securities that confer special rights

The Company has not issued securities that confer special controlling rights. The By-laws of Eni do not provide for shares that give the holder a weighted vote.

[34] Art. 3 of Law no. 474/1994 was formally amended by Decree-law no. 21 of March 15, 2012, ratified, with amendments, by Law no. 56 of May 11, 2012.

[35] Pursuant to Italian Law no. 266 of 2005 (2006 Finance Act), to which a specific paragraph of this Report is dedicated, this clause would cease to apply if the rules regarding the issue of shares or participating financial instruments – such as those specified in the law itself – were included in the By-laws.

## Special powers of the State

Decree Law no. 21 of March 15, 2012, ratified with amendments, by Law no. 56 of May 11, 2012, brought the Italian laws on the special powers of the State in line with European Union rules<sup>36</sup>.

The new special powers no longer apply to specific State-controlled companies, identified by name, but to **companies that hold strategic assets** vital to the interests of the Italian State as defined by the abovementioned ministerial regulations.

In brief, the current arrangements include: a) veto power (or the power of imposing conditions or requirements) over transactions involving strategic assets that could result in a situation, not regulated by Italian or EU laws, that threatens serious injury to interests regarding networks and systems security, as well as continuity of supply; b) power of attaching conditions or opposing the acquisition by a non-EU party<sup>37</sup>, of an equity interest in the company that directly or indirectly holds strategic assets such as to give rise to the assumption of control of the company, when such an acquisition may result in a threat of serious harm to the abovementioned essential interests of the Italian State. In the calculation of a material equity interest, account shall be taken of interests held by third parties that have entered into a shareholders' agreement with the acquiring party. As a general rule, the acquisition, for any reason, by an entity outside of the EU of the stock of a company that holds strategic assets is allowed on condition of reciprocity, in compliance with international agreements signed by Italy or the EU.

With specific regard to the power referred to in point b), the regulations require that non-EU acquiring parties shall notify the Prime Minister's Office, as well as establishing procedural time limits. Until such notification and, subsequently, until the time period for any exercise of such power has begun, the voting rights or any rights other than property rights attaching to the material equity interest are suspended.

In the event of breach of the commitments imposed, for the entire relevant period the voting rights or any rights other than property rights attaching to the material equity interest are suspended. Any resolutions adopted with the decisive vote of such equity interest, or any other resolutions or acts adopted in violation or breach of the commitments imposed are void. In addition, except where the situation represents a criminal offence, non-compliance with the commitments imposed shall be punishable by a pecuniary administrative penalty.

In the event of objection, the acquiring party may not exercise the voting rights or any rights other than property rights attaching to the material equity interest, which such party shall sell within one year. In the event of failure to comply, at the request of the Government, the courts shall order the sale of the material equity interest. Resolutions of the shareholders' meeting adopted with the decisive vote of such equity interest are void.

These powers are exercised exclusively on the basis of objective and non-discriminatory criteria.

## Shares and participating financial instruments referred to in Italian Law no. 266 of December 23, 2005

With the aim of "promoting privatisation and the diffusion of investment in shares" of companies in which the State holds a material shareholding, Art. 1, paragraphs 381-384 of Italian Law no. 266 of 2005 (2006 Finance Act) allowed companies primarily controlled by the State, such as Eni, to insert provisions in their By-laws, whereby shares or participatory debt financial instruments can be issued that grant the special Shareholders' Meeting of the

[36] The previous provisions (Art. 2 of Decree Law no. 332/1994, ratified by Law no. 474/1994 and the relative enabling decrees), as well as the clauses in the By-laws (such as Art. 6.2 of the Eni By-laws) deemed incompatible with the new rules, were repealed with the entrance into force of the last of the ministerial regulations implementing the rules affecting the energy, transportation and communications industries. However, those provisions regarding limits on shareholdings and restrictions on voting rights pursuant to Art. 3 of Law no. 474/1994 remain in effect, with certain formal modifications. These implementing regulations were approved on March 14, 2014 by the Council of Ministers, were published in the Gazzetta Ufficiale on June 6, 2014 and came into force on June 7, 2014 (in particular, the measures were (i) Presidential Decree no. 85 of March 25, 2014, containing rules concerning the identification of strategic assets in the energy, transportation and communications industries pursuant to Art. 2, paragraph 1, of Decree-law no. 21 of March 15, 2012; (ii) Presidential Decree 86 of March 25, 2014 containing rules for the specification of procedures for the activation of special powers in the energy, transportation and communications industries pursuant to Art. 2, paragraph 9, of Decree-law no. 21 of March 15, 2012). The Board of Directors of Eni, at its meeting on November 20, 2014, amended the By-laws of Eni SpA to bring them into line with the regulatory provisions that came into force in June 2014, removing clauses that are incompatible with the new legislation on special powers.

[37] Pursuant to Art. 2, paragraph 5, last phrase, of Law no. 56/2012: "A non-EU party is any natural or legal person who does not have their resident, habitual abode, registered office or administrative headquarters or the centre of their principle activity in a Member State of the European Union or the European Economic Area or is not otherwise established therein".

The new regulation

holders of these instruments the right to request that new shares – even at par value – or new participatory debt financial instruments with voting rights in the ordinary and extraordinary Shareholders' Meeting be issued to them. Adopting this amendment would imply the elimination of the shareholding limit indicated in Art. 6.1 of the By-laws. At present, Eni's By-laws do not include this provision.

### **Material agreements that would become effective, be modified or extinguished in the event of a change of control of Eni<sup>38</sup>**

Except as specified below, Eni and its subsidiaries are not parties to any material agreements that can be disclosed without causing serious prejudice to the Company, and that would become effective, be modified or extinguished should the Shareholders who control Eni change.

Material agreements are agreements that have been examined and approved by the Board of Directors since they fall within its exclusive responsibility.

On January 22, 2016 the disposal by Eni SpA to Fondo Strategico Italiano SpA ("FSI", now CDP Equity) of 12.503% of Saipem SpA share capital took effect, causing the shareholders' agreement signed on October 27, 2015 between Eni and FSI concerning Saipem shares to come into force<sup>39</sup>. Under the provisions of that agreement, the agreement itself will immediately cease to have effect if the parties should no longer be directly or indirectly subject to the common control of the Ministry of the Economy and Finance. For more information, please see the documentation made available to the public in accordance with applicable law on the websites of Consob and Saipem SpA.

### **Agreements between the Company and Directors which envisage indemnities in the event of resignation or dismissal without just cause, or if their employment contract should terminate as the result of a takeover bid**

Information on any agreements between the Company and Directors concerning indemnities in the event of resignation or dismissal without just cause or termination of employment as the result of a takeover bid are provided – in accordance with the recommendations of Borsa Italiana for the preparation of this Report – in the Remuneration Report pursuant to Art. 123-ter of the Consolidated Law on Financial Intermediation, to which the reader should refer for more information<sup>40</sup>.

### **Powers to Directors to increase share capital, issue participatory debt financial instruments and authorisation to purchase treasury shares**

The Board of Directors has not been given the power to increase the share capital pursuant to Art. 2443 of the Italian Civil Code nor to issue participatory debt financial instruments.

The ordinary Shareholders' Meeting held on May 8, 2014 cancelled, for the portion not yet implemented at the date of the Shareholders' Meeting, the authorisation to acquire treasury shares as resolved by the Shareholders' Meeting of May 10, 2013 and authorised the Board of Directors to purchase on the Mercato Telematico Azionario – in one or more transactions and in any case within 18 months from the date of the resolution – up to a maximum number of 363 million ordinary Eni shares, for an amount of up to €6 billion, including, respectively, the number and the value of treasury shares purchased subsequent to the Shareholders Meeting of July 16, 2012 authorising the share buy-back, for a unit price of no less than €1.102 and no more than the official price registered on Borsa Italiana in the trading day prior to each individual transaction, plus 5% in accordance with the operating methods established in the organisation and management regulations of Borsa Italiana. In order to respect the limit set forth in the third paragraph of Art. 2357 of the Italian Civil Code, the number of shares to be acquired and the relative amount shall take into account the number and amount of Eni shares already held in the portfolio.

#### Treasury shares

On May 28, 2014, the Board of Directors approved the procedures for carrying out the purchases by authorising an intermediary to begin purchasing shares in accordance with the resolution

[38] In accordance with Borsa Italiana's recommendations on the preparation of this Report, the By-laws of the Company do contain an exception to the passivity rule set out in Art. 104, paragraphs 1 and 1-bis, of the Consolidated Law on Financial Intermediation, nor do they require the application of the neutralisation rule provided for under Art. 104-bis, paragraphs 2 and 3 of such Consolidated Law.

[39] Certain provisions of the shareholders' agreement relating to information flows between Saipem SpA and Eni SpA / CDP Equity, although in force, have not been implemented yet, pending a clarification from Consob, requested by Saipem.

[40] The Eni Remuneration Report can be found in the "Governance" and "Investors" sections of the Eni website ([www.eni.com](http://www.eni.com)).

of the ordinary Shareholders' Meeting of May 8, 2014. The programme was initiated on June 23, 2014. **On March 13, 2015, the suspension of the share buy-back plan was announced.**

The Board of Directors has not subsequently been authorized to buy back Eni shares. As of December 31, 2016, **Eni held** a total of 33,045,197 **treasury shares**, equal to **0.909% of share capital.**

In addition to making the disclosure via press releases to the market on purchases made, as required by law, the Company has set up a web page on the treasury share purchases under the "Governance" section of its website, where the disclosures made to the market are summarised<sup>41</sup>.

[41] Available at: [http://www.eni.com/en\\_IT/governance/shareholders/treasury-shares/treasury-shares.shtml](http://www.eni.com/en_IT/governance/shareholders/treasury-shares/treasury-shares.shtml).

# Corporate Governance Information<sup>42</sup>

Eni adopted the Corporate Governance Code for listed companies issued in July 2015

Trasparenza di scelte

The strategic role of the Board

## Compliance with the Corporate Governance Code for Listed Companies

Eni has adopted<sup>43</sup> the Corporate Governance Code for listed companies<sup>44</sup> prepared by the Corporate Governance Committee<sup>45</sup>.

With a resolution of the Board of February 25, 2016, Eni has adopted the new recommendations issued on July 9, 2015.

The adoption of the Corporate Governance Code for listed companies is formally resolved by the Board of Directors of Eni, with the support of the competent committees where necessary. The adoption is announced to the public in a press release.

In addition, in order to provide the market with a simple, transparent and comparable assessment of the choices made by the Company, and maintain the continuity of disclosures, the text of the Code is published on Eni's website before publication of the annual Corporate Governance Report, with an indication of the solutions and improvements adopted by Eni with respect to individual Code recommendations, along with explanations of these choices<sup>46</sup>.

Following adoption, an "action plan" is developed to update the Eni governance system, if necessary, and any needed modifications of corporate documentation are made to incorporate the new recommendations.

The following sections details the decisions taken by the Eni Board of Directors in adopting the recommendations of the Corporate Governance Code:

### *Role of the Board of Directors (Art. 1 of the Corporate Governance Code)*

In line with the recommendations of the Corporate Governance Code the functions of the Board of Directors have been defined, thereby confirming its **strategic role** and central position **within the Company's Corporate Governance system** and its wide range of responsibilities, including in terms of Company and Group **organisation** and **the internal control and risk management system**<sup>47</sup>.

In addition, since 2006, **the interests of stakeholders other than shareholders have been considered a key variable** that the Directors of Eni must assess in taking informed decisions and in creating value over the medium to long term (Criterion 1.P.2 of the Corporate Governance Code).

More specifically, the Board of Directors has reserved itself **a central role in the definition of sustainability policies** and in approving the associated reporting<sup>48</sup>.

The **most significant transactions** of the Company and its subsidiaries were therefore defined and submitted to the Board for approval (Criterion 1.C.1 letter f) Corporate Governance Code), while **conduct and procedural controls** were adopted regarding those cases in which the **Directors and Statutory Auditors have an interest of their own** or on behalf of another, including in the case of **transactions with related parties** of Eni.

[42] Corporate Governance information is provided in accordance with the provisions of Art. 123-bis, first paragraph, letters e) and l), and second paragraph, of the Consolidated Law on Financial Intermediation.

[43] The Board adopted the Corporate Governance Code for the first time (ed. 1999) with a resolution of January 20, 2000 and, subsequently, with resolutions of December 13, 2006, December 15, 2011, April 26, 2012 and December 11, 2014.

[44] The text of the Corporate Governance Code, including the amendments made in July 2015, is available on Borsa Italiana's website ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

[45] The current configuration of the Committee was formed in June 2011 by industry associations (Abi, Ania, Assonime, Confindustria) and associations of professional investors (Assogestioni), along with Borsa Italiana SpA.

[46] The Corporate Governance Code is published on the Eni website in the Governance section at: <https://www.eni.com/en/IT/company/governance/corporate-governance-code.page>. The document, which replaced the Eni Code of December 13, 2006, was updated the subsequent adoptions to the Corporate Governance Code of 2011, 2014 and 2015.

[47] For more information, please see the section "Internal Control and Risk Management System" of this Report.

[48] For the sixth year, in 2017, Eni will present an integrated report to the market (2016 Annual Report) to allow stakeholders, investors and others to completely understand the interconnections existing between the financial results and those in the environmental and social fields, outlining the dimensions of Eni's integrated business model.



As required by the Code, the Board has specified **those subsidiaries that are of strategic importance** (Saipem SpA<sup>49</sup>, Versalis SpA and Eni International BV) and has expressly recognised the **principle of safeguarding the managerial independence of listed subsidiaries**, with the commitment on the part of Eni to comply with the provisions of the Code that refer to the shareholders of the issuer.

As regards the changes made in July 2015 to the comments to Criterion 1 of the Corporate Governance Code concerning the **role of the Board of Directors in assessing the actual operation of the system of internal controls and management of risks** that could potentially jeopardise the medium/long-term sustainability of the issuer's activity, the Eni Board clarified that: (i) the Board of Directors exercises the **role and duties assigned to it under Criterion 7 of the Corporate Governance Code** with regard to the internal control and risk management system, in addition to those provided for by law and the Eni By-laws. More specifically, pursuant to Criteria 7.P.3 and 7.C.1 of the Code, the Board is charged with providing **strategic guidance and evaluating the adequacy of the system and assessing its effectiveness**; and (ii) **the Board does not conduct ex post assessment of the actual results of the control system**, which would not be consistent with its duties and the provisions of Articles 7.P.3 and 7.C.1 of the Code and would partially overlap with the roles of other control bodies (such as the Board of Statutory Auditors and the internal audit function). The indications contained in these comments on the role of the Board in assessing the actual operation of the internal control and risk management system are also considered by Eni in the possible future development of the system in the light of best practices.

The role of the Board on the internal controls and risk management system

Moreover, the minimum frequency with which Directors with delegated powers must report to the Board has been reduced from three to two months since 2006 (Criterion 1.C.1 letter d) of the Corporate Governance Code)<sup>50</sup>.

With specific regard to **policy on the maximum number of management and control positions** in other companies compatible with effective performance of the office of director, with a resolution of September 17, 2015<sup>51</sup>, amending the earlier policy of May 9, 2014, the Eni Board of Directors, acting on a proposal of the Nomination Committee, **reduced the maximum number of non-executive positions** in relevant companies for (i) the CEO from three to one; and (ii) for non-executive Directors, from six to five.

Policy on the maximum number of management and control positions

In line with the recommendation contained in Criterion 1.C.1 letter j) of the Corporate Governance Code, on October 29, 2012, acting on a proposal of the CEO and after consultation with the Control and Risk Committee, approved the internal rules concerning market abuse and, specifically, for the protection of company information, including confidential and inside information. These rules will be updated, taking account of organisational and regulatory changes that have occurred, in particular in order to comply with the new EU Market Abuse Regulation (Regulation no. 596/2014/EU, in force as of July 2016, relative implementing and delegated regulations, and ESMA Guidelines)<sup>52</sup>.

Finally, in accordance with the recommendations of the Corporate Governance Code (Criterion 1.C.1 letter g)), the Board of Directors, with the assistance of the Nomination Committee, which monitors the process, performs an annual self-assessment (**Board Review**)<sup>53</sup> of the Board as a whole and its committees, **again acting with the support of an external consultant** to ensure objectivity in the process.

Board Review

Following the Board Review, the Eni Board, if necessary, develops an action plan to improve its performance and that of its committees. In addition, in line with international best practice, the

[49] Since January 22, 2016 Saipem is no longer under the sole control of Eni in accordance with Art. 93 of the Consolidated Law on Financial Intermediation.

[50] This frequency is reported in the resolution delegating the powers of the Board of Directors. For more information, please refer to the section on the "Responsibilities" of the Board of Directors of this Report.

[51] For more information, please refer to the "Policy of the Board of Directors on the maximum number of offices held by its members in other companies" section of this Report.

[52] For more information, please refer to the "Market Abuse regulations" section of this Report.

[53] For more information, please refer to the section "Board Review and advice for shareholders on the composition of the Board" of this Report.

Board, in determining how the Board Review is carried out, also assesses whether to **conduct a Peer Review** of the Directors, in which each director expresses his or her assessment of the contribution made by the other Directors to the work of the Board. Peer Review, which has been performed three times in the last few years – starting from 2011 and most recently in May 2015 – represents an important innovation for Italian listed companies. For additional innovative initiatives in terms of board review refer to the specific paragraph of this Report.

#### The Chairman role

#### *Composition of the Board of Directors (Art. 2 of the Corporate Governance Code)*

In line with the recommendations of the Corporate Governance Code and applicable best practice, the current Board of Directors has assigned the **Chairman, who qualifies as independent in accordance with applicable law, a major role in internal controls**, not assigning her any operational responsibilities and ensuring that in the performance of her duties she has the support of the **Secretary of the Board of Directors, including in his capacity as Corporate Governance Counsel**<sup>54</sup>, appointed by the Board itself.

#### Board Induction

In order to ensure the effective and informed performance by each Director of his or her role, in line with the recommendations of the Corporate Governance Code (Criterion 2.C.2), since 2008 Eni has conducted a **training programme for its Board of Directors** (the “**Board induction**”<sup>55</sup>), overseen by the Chairman of the Board of Directors with the support of the Board Secretary and the Corporate Governance Counsel, with the active participation of top management. The Board induction, in which the Statutory Auditors and the magistrate of the Court of Auditors are also invited to participate, is intended to provide new Directors with a firm grounding in the activities and organisation of the Company, the industry, the applicable regulatory and corporate governance frameworks, company operations and their evolution, as well as the principles of sound risk management. In addition, in accordance with international best practice, during their term the Directors undergo additional training (“**ongoing-training**”) and **at least once a year the Board holds a meeting abroad at an operating facility in Italy or abroad**.

Considering the **separation of the offices of Chairman and Chief Executive Officer** provided for in the Eni By-laws, so that the position of Chairman is not held by someone who controls the issuer and the **Chairman is a non-executive Director**, to date the independent Directors have not considered it necessary for the Board to designate a **Lead Independent Director** (Criterion 2.C.3 of the Corporate Governance Code).

#### Eni specifications

#### *Independent Directors (Art. 3 of the Corporate Governance Code)*

Since 2006 the Eni Board of Directors has specified the recommendations in Article 3 of the Corporate Governance Code on the criteria governing the independence of Directors, setting a threshold of 30% of fixed remuneration as the amount of “additional remuneration” that could compromise the independence of Directors<sup>56</sup>, and defining “close relatives” more specifically to include the spouse, relatives and relatives-in-law within the second degree of kinship (Criterion 3.C.1 letters d) and h) of the Corporate Governance Code).

#### The number of independent Directors

Furthermore, going above and beyond the Corporate Governance Code recommendation that at least one-third of the boards of directors of issuers belonging to the FTSE-Mib (of which Eni is one) be made up of independent directors (Criterion 3.C.3 of the Corporate Governance Code), Eni’s Board is composed of 6 independent Directors out of a total of 9 (therefore comprising a majority of the Directors).

#### Periodical checks and the role of the Nomination Committee

With the support of the Nomination Committee, the Board periodically verifies that the Directors continue to satisfy the independence requirements. The Nomination Committee assists in this task by conducting enquiries on the basis of the statements made and the information available to the Company.

[54] For more information, please refer to the “Board Secretary and Corporate Governance Counsel” section in this Report.

[55] For more information, please refer to the section “Board Induction” in this Report.

[56] The Board also clarified that the remuneration received by the Directors for their participation on the Sustainability and Scenarios Committee is not considered additional remuneration for the purposes of the independence requirements, as occurs for the other committees envisaged by the Corporate Governance Code (Criterion 3.C.1 letter d).

### *Formation and operation of Board committees (Art. 4 of the Corporate Governance Code)<sup>57</sup>*

The Eni Board has always had **all of the committees provided for under the Corporate Governance Code** (Criterion 4.C.2), establishing that the number of members of such committees (Control and Risk Committee, Nomination Committee and Compensation Committee) shall represent a majority of the Board, so as to avoid altering the Board's decision-making process (Criterion 4.C.1 letter a) of the Corporate Governance Code).

Board Committees

On May 9, 2014, the Eni Board of Directors formed the **Sustainability and Scenarios Committee**<sup>58</sup> to offer recommendations and advice concerning sustainability issues, thereby anticipating the amendments made to the Corporate Governance Code in July 2015 (Criterion 4.C.2 and comments to Article 4 of the Corporate Governance Code).

With specific regard to the **composition of the committees**, the **chairmen of the Control and Risk Committee** and the **Compensation Committee** are independent Directors in accordance with the provisions of law and Corporate Governance Code, and are appointed by the Shareholders' Meeting from the **minority slate**, presented by Italian and foreign institutional investors.

In addition, the Board has strengthened the requirements beyond the recommendations of the Corporate Governance Code (Criterion 7.P.4) to establish that **at least two members of the Control and Risk Committee possess adequate experience in accounting and financial or risk management matters**, as specified in the committee rules.

With regard to **reporting**, since 2012, at each Board meeting the chairmen of the committees report to the Board itself on the most significant issues examined by them at their most recent meetings. The Eni Board also receives reports at least every six months on the committees' activities (Criterion 4.C.1 letter d) of the Corporate Governance Code).

Reporting

### *Appointment of Directors (Art. 5 of the Corporate Governance Code)*

In accordance with the recommendations of the Corporate Governance Code (Criterion 1.C.1 letter h)), the Eni Board of Directors, after consultation with the Nomination Committee, and taking into account the outcome of the self-evaluation, submitted its advice on **the size and composition of the Board** to the shareholders, for the first time on February 21, 2014, prior to the election of the corporate bodies on May 8, 2014, and most recently on March 1, 2017, prior to the election of April 13, 2017, providing guidance on the **managerial and professional qualifications considered most appropriate**<sup>59</sup>.

Policy on the size and composition of the Board

As regard the recommendations concerning the succession plan for the CEO (Criterion 5.C.2 of the Code), at its meeting of February 17, 2015 the Board of Directors, following assessment by the Nomination Committee and in view of the shareholder structure of the Company, decided not to prepare a succession plan for the CEO, but did adopt a **contingency plan** that sets out the actions to take if unexpected events should prevent the CEO from performing his duties<sup>60</sup>.

Contingency plan

### *Remuneration of Directors (Art. 6 of the Corporate Governance Code)*

In accordance with the suggestions of Borsa Italiana on preparing this Report, details on compliance with the recommendations concerning compensation are contained in the **Remuneration Report**, prepared pursuant to Art. 123-ter of the Consolidated Law on Financial Intermediation, to which the reader is referred.

[57] For more information, please refer to the section "Board Committees" in this Report.

[58] Replacing the Oil-Gas Energy Committee.

[59] For more information, please refer to the section "Board Review and advice for shareholders on the composition of the Board" of this Report.

[60] For more information, please refer to the section "Succession plan for executive Director and key personnel" of this Report.

### *Internal control and risk management system (Art. 7 of the Corporate Governance Code)<sup>61</sup>*

Eni's internal control and risk management system (ICRMS) is integrated into the organisational, administrative and accounting arrangements of the Company and, more generally, the structure of corporate governance and complies with the recommendations of the Corporate Governance Code.

#### The role of the Board

The Company rules and regulations, which will be described in more detail in the section of this Report on the ICRMS, define its architecture, operating procedures and processes for coordinating those involved. The Board, in establishing these rules and regulations, has maintained a central role for itself in approving the ICRMS guidelines and the compliance and governance rules and regulations generally.

#### The role of the CEO and the Chairman

Accordingly, with the new corporate bodies taking office in 2014, at its meeting of May 9, 2014 the Eni Board of Directors undertook a number of important steps to strengthen the internal control system even further, confirming the assignment to the CEO of the duty of **overseeing the internal control and risk management system** and assigning the **Chairman of the Board of Directors a major role** in the control system. To that end, it has been provided that:

- in line with the most recent best practice, the **Head of the Internal Audit unit<sup>62</sup> reports to the Board**, and on its behalf, to the Chairman, without prejudice to **his being functionally subject to the authority of the Control and Risk Committee and the CEO**, as director in charge of the internal control and risk management system. The Control and Risk Committee oversees the activities of the Internal Audit unit with respect to the Board's duties in this area (solution adopted starting from 2012). It also reports to the Board of Statutory Auditors in its capacity as "audit committee" under US law (solution adopted starting from 2006) - (Criterion 7.C.5 letter b) of the Corporate Governance Code;
- **proposals concerning the appointment, the removal, the budget and the remuneration of the Head of the Internal Audit unit are made by the Chairman of the Board of Directors** in agreement with the director in charge of the internal control and risk management system (CEO) - (Criterion 7.C.1, final part, of the Corporate Governance Code);
- in addition, the Chairman is involved in proposals **to nominate or terminate the main bodies and officers of the Company, especially those involved in controls** (Watch Structure, Financial Reporting Officer, Head of Integrated Compliance and Head of Integrated Risk Management);
- the Chairman of the Board of Directors is consulted during the process of the approval by the Board of Directors of the guidelines for the internal control and risk management system, with regard to the part on internal audit activities (Criterion 7.C.1 letter a) of the Corporate Governance Code);
- the Internal Audit guidelines ("Internal Audit Charter") are approved by the Board of Directors, acting on a proposal of the Chairman of the Board of Directors, in agreement with the director in charge of the internal control and risk management system (CEO) and after consulting with the Control and Risk Committee (Criterion 7.C.1 letter a) of the Corporate Governance Code);
- internal rules (Management System Guidelines) governing the internal audit process are approved by the Chairman of the Board of Directors, after consulting with the director in charge of the Internal Control and Risk Management System (CEO) and the Control and Risk Committee (Criterion 7.C.1 letter a) of the Corporate Governance Code);
- the plan prepared by the Head of the Internal Audit unit is approved by Board of Directors, after consulting with the Chairman of the Board of Directors (Criterion 7.C.1 letter c) of the Corporate Governance Code);

[61] For more detailed information on method for implementing the criteria and the principles of the Corporate Governance Code relating to the Internal Control and Risk Management System, refer to the relevant section of this Report.

[62] The internal audit function is performed by an internal Department.

- requests for audits may be submitted by the Chairman of the Board of Directors, who must simultaneously notify the director in charge of the internal control and risk management system (CEO), the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors (Criterion 7.C.4 letter d) of the Corporate Governance Code).

With specific regard to managing corporate risks<sup>63</sup>, on May 9, 2014 the Board decided that the CEO will **report on the main business risks at least once every quarter**, thereby further strengthening the model, developed in accordance with international principles and best practices.

Quarterly reporting on risks

As regards the new comments to Article 7 of the Corporate Governance Code concerning **whistleblowing systems**, given that fact that Eni is also listed on the US stock market and in application of the provisions of the Sarbanes-Oxley Act, **it has drafted internal rules on anonymous complaints**<sup>64</sup>, which also govern reports received from third parties. These rules were approved by the Board of Statutory Auditors in its role as audit committee under US law (comments to Article 7 of the Corporate Governance Code).

Whistleblowing

### Statutory auditors (Art. 8 of the Corporate Governance Code)

Since December 13, 2006, the Board of Statutory Auditors has expressly complied with the Code provisions that apply to it.

With specific regard to **independence**, in January 2016 the Board of Statutory Auditors expressed its view that the limit of 30% established by the Board for additional remuneration that could compromise the independence (see the governance solution in Criterion 3.C.1, letter d) of the Corporate Governance Code) does not include any remuneration received by the Statutory Auditors for positions held on the control bodies of subsidiaries of Eni, taking due account of the 1997 Consob recommendation on the "group statutory auditor".

Independence of the Statutory Auditors

As regards the recommendation concerning the **remuneration of Statutory Auditors** (Criterion 8.C.3 of the Corporate Governance Code), which was introduced in July 2015, the Eni Board has clarified that it should be referred to the shareholders.

In addition, the Board of Statutory Auditors, acting as the Internal Control and Financial Auditing Committee pursuant to Legislative Decree no. 39/2010 (Consolidate Law on Statutory Audits), at its January 16, 2017 meeting, evaluates its composition verifying that it meets the requirements imposed by the new provisions of Art. 19 of that law, as amended by Legislative Decree no. 135/2016, providing that *"the members of the internal control and financial auditing committee, as a body, are competent in the sector in which the company being audited operates"*.

Competence requirement

## Gender balance in corporate Board composition and initiatives to ensure diversity

Starting from the election of the new members of the boards of Eni SpA in 2014, the composition of the Board of Directors and of the Board of Statutory Auditors is balanced with regard to gender, as required by law<sup>65</sup> and as contained in the Company's By-laws since 2012.

Specifically, the less-represented gender must obtain, in the first term of office, at least one-fifth of the positions of Director and standing Statutory Auditor, and at least one-third of such positions in the subsequent two terms<sup>66</sup>.

The Shareholders Meeting of Eni SpA, in appointing the new Board in 2014, took the opportunity to elect three female Directors, equal to one-third of the Directors and a number that exceeds

Appointments in 2014:  
3 of the 9 Directors are women  
1 Standing Auditor and 1 Alternate are women

[63] For more information, refer to the "Management System Guidelines for Integrated Risk Management" section of this Report.

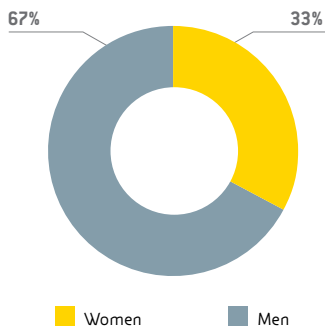
[64] For more detailed information, please refer to the section "Procedure for whistleblowing reports (including anonymous complaints) received by Eni SpA and subsidiaries in Italy and abroad" of this Report.

[65] Law no. 120/2011 and Consob Resolution no. 18098 of 2012.

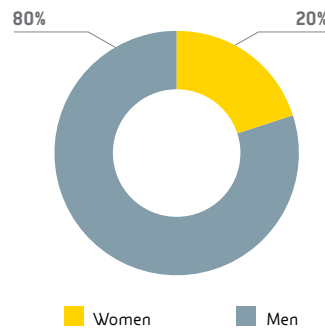
[66] For more information, please refer to the section "Appointment" of this Report.

the minimum required by law: Chairman Emma Marcegaglia and Diva Moriani, drawn from the majority slate, and Karina Litvack, from the minority slate. The Shareholders' Meeting also chose one female standing Auditor (Paola Camagni, from the majority slate) and one female alternate Auditor (Stefania Bettoni, from the majority slate).

Composition of the Board of Directors of Eni SpA



Composition of the Board of Statutory Auditors of Eni SpA



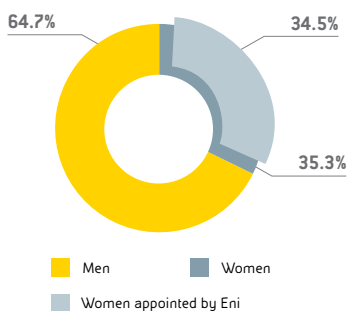
Eni's subsidiaries

As to Eni's **subsidiaries**, since 2011, the Board of Directors of Eni has recommended that the unlisted Italian subsidiaries move forward the effects of the law on gender balance, thereby achieving in 2012 the goal that at least one-third of the members of the board appointed are women with regard to those appointments that Eni may make as a shareholder.

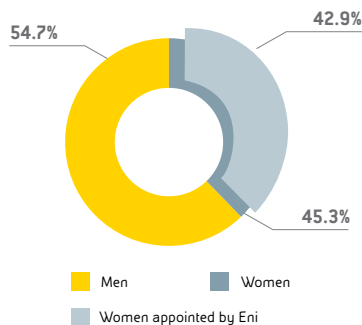
In 2013, these companies amended their by-laws to ensure that, for three consecutive terms, the compositions<sup>67</sup> of the boards of directors and the boards of statutory auditors, including in the case of replacement of a member respect this policy. More specifically, they must ensure that the less-represented gender receives at least one-fifth of the positions of each board in the first election and one-third of the positions in the next two elections.

The following chart illustrates the representation of women on the corporate bodies of Eni subsidiaries at December 31, 2016.

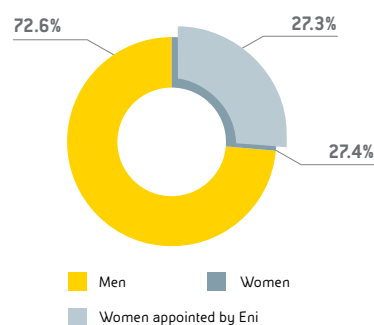
Boards of Directors Eni Italian subsidiaries\* 31.12.2016



Boards of Statutory Auditors Eni Italian subsidiaries\* 31.12.2016



Boards of Directors Eni Italian and foreign\*\* subsidiaries\*\*\* 31.12.2016



\* For consistency with the representation in the 2016 Annual Report, the companies considered are consolidated Eni subsidiaries, excluding consortia [2]. Accordingly, the chart refers to 33 Italian subsidiaries.  
 \*\* Control bodies are not indicated in consideration of the fact that the control body is not always equivalent to the Board of Statutory Auditors in Italy, reflecting different governance models and the applicable legislation.  
 \*\*\* For consistency with the representation in the 2016 Annual Report, the companies considered are Eni's foreign and Italian (excluding 2 Italian consortia) consolidated subsidiaries. Accordingly the chart refers to 33 Italian companies and 183 foreign companies.

[67] Specified in Art. 2 of Presidential Decree no. 251 of November 30, 2012.

The Management System Guideline for “Corporate Governance of the Eni companies”<sup>68</sup> approved by the Board of Directors on May 30, 2013 – which updates the previous Corporate Governance guidelines issued by the Board – provides that, subject to legal requirements, in choosing the members of the management and control bodies of its foreign subsidiaries, Eni must consider gender diversification, where possible.

## Shareholders’ Meeting and rights<sup>69</sup>

The Shareholders’ Meeting is the body through which shareholders may actively participate in Company life by expressing their will, in the manner and on the issues specified by the law and the Company By-laws. The Shareholders’ Meeting meets on an ordinary or extraordinary basis. The call and operation of the Meeting and the methods for exercising the rights of the shareholders are those provided for by law and the By-laws.

### Responsibilities of the Shareholders’ Meeting

Pursuant to the law, the ordinary Shareholders’ Meeting (i) approves the annual report (which, for Eni, ends as at December 31); (ii) appoints and removes Directors<sup>70</sup>, and determines their number within the limits set forth in the By-laws; (iii) appoints the Statutory Auditors and the Chairman of the Board of Statutory Auditors; (iv) assigns the engagement to perform the statutory audit, upon a proposal of the Board of Statutory Auditors; (v) determines the remuneration of the Directors and Statutory Auditors; (vi) deliberates on the responsibilities of the Directors and Statutory Auditors; (vii) deliberates on any other issues ascribed to it by law, as well as the authorisations required by the By-laws<sup>71</sup>; (viii) approves the Shareholders’ Meeting rules.

The extraordinary Shareholders’ Meeting is called to resolve upon amendments to the By-laws and on extraordinary operations such as, for example, capital increases, mergers and demergers, excluding those matters for which the Board of Directors is responsible in accordance with the By-laws, pursuant to Art. 2365, paragraph 2, of the Italian Civil Code, namely: (i) merger through acquisition and proportional demerger of companies in which the Company holds shares or shareholdings equivalent to 90% or more of the share capital; (ii) opening or closing of secondary offices and (iii) updating the By-laws to bring them in line with legislative changes.

Specifically with regard to regulations that apply to amendments to the By-laws, Eni is subject to ordinary legislation, except in those cases mentioned in the section of this Report on the special power given the State, to which the reader may refer.

### Methods of calling and participating in the Shareholders’ Meeting

#### Calling the Shareholders’ Meeting

The Shareholders’ Meeting is usually called by the Board of Directors<sup>72</sup>. In addition, in order to ensure greater clarity for shareholders, the By-laws clarify the minimum threshold – equivalent to **one-twentieth of share capital** – required for **calling the Shareholders’ Meeting at the request of the shareholders**, while also outlining the restrictions and methods specified by law for exercising said option<sup>73</sup>.

Ordinary Shareholders’ Meeting

Extraordinary Shareholders’ Meeting

Minimum threshold for calling the Shareholders’ Meeting

[68] For more information, refer to the section “Management System Guideline for the Corporate Governance of the Eni companies” of this Report.

[69] Information provided in accordance with Art. 123-bis, first paragraph, letters e) and l) with reference to the By-laws and second paragraph, letter c) of the Consolidated Law on Financial Intermediation.

[70] Pursuant to Art. 18 of the Eni By-laws: “If the Shareholders’ Meeting has not appointed a Chairman, the Board shall elect one from among its members”.

[71] More specifically, under Art. 16.1 of the By-laws, the ordinary Shareholders’ Meeting authorises the transfer of business.

[72] Pursuant to Art. 24 of the Eni By-laws, the Board of Auditors may, having first notified the Chairman of the Board of Directors, call the Shareholders’ Meeting. The power to call the Shareholders’ Meeting may be exercised if supported by at least two Statutory Auditors.

[73] Pursuant to Art. 2367 of the Italian Civil Code, shareholders may not request that a Shareholders’ Meeting be called for matters which, under the law, the Shareholders’ Meeting deliberates upon a proposal of the Directors or on the basis of a project or report of the Directors; apart from these cases, shareholders who request a Meeting be called must prepare a report on the proposals concerning the issues to be discussed; the Board of Directors should make it available to the public, together with any comment, at the time the notice calling the meeting is published, in accordance with the provisions of Art. 125-ter, third paragraph, of the Consolidated Law on Financial Intermediation. In the event of a delay by the Board of Directors, the Board of Statutory Auditors will make the shareholders’ report, along with its own comments, available to the public.

Shareholders' Meeting to approve the annual report

In line with the applicable law, the By-laws state that the Board of Directors may call the **Shareholders' Meeting to approve the annual report** within 180 days from the close of the financial year, subject to the publishing of the draft annual report approved by the Board of Directors within 120 days from the close of the financial year.

Both the Ordinary and Extraordinary Shareholders' Meetings are normally held after a single call

Both the **ordinary and extraordinary Shareholders' Meetings**, pursuant to Art. 16.2 of the By-laws, are normally held after a single call. The Board of Directors may decide to hold both kinds of Shareholders' Meetings after more than one call, if appropriate. In any case, the constitutive and deliberative majority specified by the law shall apply.

Notice publication

#### *Notice calling the Shareholders' Meeting*

The Shareholders' Meeting is called by a **notice published** no later than thirty days prior to the date of the Shareholders' Meeting at first or single call<sup>24</sup>, **on the Company's website and in the other manners set forth by Consob in a regulation**, including publication of an extract in daily newspapers, and circulation through the centralised storage mechanism authorised by Consob called "1Info" (viewable at [www.1info.it](http://www.1info.it)). This deadline, in accordance with Art. 125-bis, second paragraph, of the Consolidated Law on Financial Intermediation, is moved to forty days for Shareholders' Meetings called to elect members of the management and control bodies through the use of slates.

The notice calling the meeting, the content of which is defined by the law and the By-laws, contains all the **necessary instructions on how to participate in the Shareholders' Meeting** including, in particular, information on how to obtain proxy forms and mail-in ballots, including via the Company's website.

The report of the Board of Directors

#### *Report containing the Shareholders' Meeting agenda*

In the same manner and within the same time period for publishing the notice calling the meeting, unless otherwise specified by the law, the Board of Directors issues a **report to the public containing the Shareholders' Meeting agenda**.

When items are contained in the agenda that, in the abstract, require different deadlines for calling the Shareholders' Meeting, the reports explaining these items are published by the deadlines for publication of the notices for each of the items on the agenda.

The record date mechanism applies to participate and vote in a Shareholders' Meeting

#### *Record date*

With regard to Shareholders' Meeting attendance and voting, the so-called "record date" mechanism applies (Art. 13.2 of the By-laws), which establishes that the right to participate in a Meeting and vote must be certified by a statement submitted by an authorised intermediary on the basis of its accounting records to the Company on behalf of the person entitled to vote.

This statement shall be submitted on the basis of the balances recorded at the end of the seventh trading day prior to the date of the Shareholders' Meeting. Credit or debit records in the intermediary's accounts after this date have no effect in terms of legitimising the exercise of voting rights in the Shareholders' Meeting.

The Company must receive the statements submitted by the intermediary by the end of the third trading day prior to the date set for the Shareholders' Meeting, or by the date established by Consob regulations, in agreement with the Bank of Italy, without prejudice to legitimate attendance and the right to vote in the event that the certifications reach the Company after the deadline, provided that it reaches the Company by the start of the Shareholders' Meeting at each call.

The Eni By-laws clarify that the record date is determined with reference to the date of the Meeting at first call, provided that subsequent call dates are indicated in the notice at first call; otherwise, it is determined with reference to the individual meeting dates.

[24] This term is moved back to twenty-one days for Shareholders' Meetings specified in Art. 2446 (reduction of share capital due to financial losses), Art. 2447 (reduction of share capital to below the legal limit), and Art. 2487 (appointment and removal of the liquidators; criteria for the liquidation procedure) of the Italian Civil Code.



### *Tools for participating in and voting at the Shareholders' Meeting*

The Company aims to provide shareholders with tools to facilitate participation in Shareholders' Meetings and exercise the right to vote.

In particular, without prejudice to the possibility of voting by mail in compliance with the law, the following provisions have been set forth in the By-laws:

- assignment of Shareholders' Meeting **proxies via electronic means**<sup>75</sup>;
- **electronic notification of the proxies**, which the shareholder may do through the appropriate section of the Company's website, in the manner set forth in the notice calling the meeting;
- attending Shareholders' Meeting by means of **telecommunications systems** or voting by mail-in or electronic ballot. The By-laws defer to the notice calling the meeting regarding the instructions on using these telecommunications systems.

### *Designated Representative and other initiatives for shareholders*

Furthermore, the Company may designate a person (the "**Designated Representative**") to whom shareholders may grant proxies, with the relevant instructions, for all or some of the proposals on the agenda up until the end of the second trading day prior to the date for the Shareholders' Meeting.

Since the Shareholders' Meeting held in 2011, Eni has made use of its right to appoint a Designated Representative to whom shareholders can freely grant proxies.

Lastly, in order to simplify proxy voting by shareholders who are employees of the Company and who belong to shareholders' associations that meet applicable legal requirements, the By-laws provide that Eni shall make available to these shareholders' associations locations for communications and collecting proxies, in accordance with the terms and conditions agreed with the legal representatives of said associations.

To ensure that shareholders can exercise the rights established in Eni's By-laws, **a special section of the Company's website is dedicated to the Shareholders' Meeting** through which it is possible, among other things, to submit questions before the Shareholders' Meeting and provide electronic notification of proxies.

In addition, to make it easier for shareholders to exercise their rights, the simple proxy form, the form used to grant a proxy to the Designated Representative, and the mail-in ballot are available in the special section on the Eni website, together with the relevant documentation and information on providing notification, including electronically, of proxies, granting a proxy to the Designated Representative and voting by mail-in ballot.

In order to stimulate the interest of shareholders and promote a greater degree of involvement in Company life, the Company has created a video and a Shareholder's Guide available on its website with clear and direct information on attendance procedures and on the rights that can be exercised at an event that is of primary importance for the Company.

### *Additions to the agenda and proposed resolutions*

Pursuant to the law and the By-laws, **Shareholders who severally or jointly represent at least one-fortieth of the Company's share capital** may:

- **ask for items to be added to the agenda** by submitting a request within ten days of publication of the notice calling the meeting. The request, which cannot include matters upon which the Shareholders' Meeting must resolve upon a proposal of the Directors or on the basis of a project or report of the Directors, must specify the additional items proposed and must be accompanied by a report to the Board of Directors on the matters proposed for discussion. This report must be made available to the public at the Company's registered office, on the Company's website and as otherwise provided for by applicable regulations, together with any evaluations by the Board of Directors, at the same time as publication of the notice of the additions to the agenda and within fifteen days prior to the date of the Shareholders' Meeting;

The Designated Representative

Special section of the Company's website dedicated to the Shareholders' Meeting

Eni has created a video and a Shareholder's Guide available on its website with information on attendance procedures and on the rights that can be exercised in the Shareholders' Meeting

Additions to the agenda and proposed resolutions

[75] Pursuant to Art. 135-novies, paragraph 6, of the Consolidated Law on Financial Intermediation, an electronic proxy can be granted via computer document signed electronically in accordance with the Digital Government Code (Art. 21, paragraph 2, of Legislative Decree no. 82/2005).

- submit **proposed resolutions on items already in the agenda** in the manner and within the time period given for adding items to the agenda. Proposed resolutions on the items in the agenda **may be presented by individual shareholder entitled to vote at the Shareholders' Meeting**, even if such shareholders do not meet the share capital threshold indicated above.

Additions to the agenda and proposed resolutions may also be submitted electronically, provided that the shareholder complies with any requirements indicated by the Company in the notice calling the meeting for identifying such shareholder.

### *Shareholders' Meeting Rules*

The efficient and orderly running of the Shareholders' Meetings and the right of each shareholder to comment on individual items on the agenda are guaranteed by the **Shareholders' Meeting Rules** available on the Eni website.

### *Questions prior to the Shareholders' Meeting*

Questions prior to the Shareholders' Meeting

The Board of Directors strives to ensure timely and easy access to any Company information regarded as important for shareholders so that they may exercise their rights in an informed manner<sup>76</sup>. Furthermore, those entitled to vote may **submit questions** on matters on the agenda even **before the start of the Shareholders' Meeting**.


























Any questions received prior to the Shareholders' Meeting shall be answered at the latest during the Meeting itself, including in paper form distributed at the start of the Meeting to those entitled to vote. The Company may provide a single answer to questions with similar content and is not required to reply when the information is already available in "question and answer" format in the appropriate section of its website.






The notice calling the Meeting indicates the date by which questions must be submitted to the Company: no more than three days prior to the Shareholders' Meeting at first or single call, or five days if the Company indicates in the notice that it plans to answer questions prior to the Meeting. In the latter case, the answers must be provided at least two days prior to the Shareholders' Meeting and must be published in the appropriate section of Eni's website.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors, or in the event of his absence or impediment, by the CEO, or in their absence, by a person named by the Shareholders' Meeting. The Chairman of the Shareholders' Meeting explains the items to be discussed and conducts the Meeting to ensure a fair discussion and that shareholders have the right to comment and receive answers on each of the agenda items.

[76] For more information, please refer to the section on "Relations with shareholders and the market" of this Report.

Board of Directors<sup>77</sup>

Member	Position	M/m	CRC	CC	NC	SSC	Year of first appointment	Term
 Emma Marcegaglia	Independent Chairman*	M					May 2014	Shareholders' Meeting called to approve 2016 financial statements
 Claudio Descalzi	Chief Executive Officer	M					May 2014	Shareholders' Meeting called to approve 2016 financial statements
 Andrea Gemma	Independent Director	M					May 2014	Shareholders' Meeting called to approve 2016 financial statements
 Pietro Angelo Guindani	Independent Director	m					May 2014	Shareholders' Meeting called to approve 2016 financial statements
 Karina Litvack <sup>(a)</sup>	Independent Director	m					May 2014	Shareholders' Meeting called to approve 2016 financial statements
 Alessandro Lorenzi	Independent Director	m					May 2011	Shareholders' Meeting called to approve 2016 financial statements
 Diva Moriani <sup>(a)</sup>	Independent Director	M					May 2014	Shareholders' Meeting called to approve 2016 financial statements
 Fabrizio Pagani	Non executive Director	M					May 2014	Shareholders' Meeting called to approve 2016 financial statements
 Alessandro Profumo	Independent Director	C**					July 2015***	Shareholders' Meeting called to approve 2016 financial statements
<b>Board Secretary and Corporate Governance Counsel</b>								 Roberto Ulissi

 CRC - Control and Risk Committee   
  SSC - Sustainability and Scenarios Committee   
  Chairman  
 NC - Nomination Committee   
  CC - Compensation Committee

(a) On July 28, 2016, the Eni Board of Directors approved the rotation of Director Karina Litvack out of the Control and Risk Committee with another Director selected by the Board itself on September 15, 2016 in the person of Director Diva Moriani. Moriani left the Compensation Committee effective as of December 22, 2016.

\* The Chairman meets the independence requirements provided for by law, as referred to in the Company By-laws.

In accordance with the provisions of the Corporate Governance Code, the Chairman cannot be designated as independent as she is key officer of the Company.

\*\* Director Profumo was co-opted by the Board on July 29, 2015, in the place of the Director Luigi Zingales who had resigned from the Board on July 2, 2015, and confirmed as Director by the Shareholders' Meeting on May 12, 2016.

\*\*\* Before July 29, 2015, Alessandro Profumo was a Director on the previous Board (May 5, 2011 - May 8, 2014).

[77] Information provided in accordance with Art. 123-bis, second paragraph, letter d) of the Consolidated Law on Financial Intermediation.

## Composition

Pursuant to Art. 17 of the By-laws, the Board of Directors is composed of **no fewer than three and no more than nine members**, elected by the ordinary Shareholders' Meeting, which determines their number within these limits.

The By-laws state that non-controlling shareholders can appoint three-tenths of the total number of Directors on the Board<sup>78</sup>.

The Board is composed by 9 Directors, 3 of whom designated by minority shareholders

The Shareholders' Meeting of May 8, 2014:

- set the number of Directors at nine;
- set the duration of the Board's term at three financial years and in any case until the date of the Shareholders' Meeting that will be called to approve the financial statements for the 2016 financial year;
- appointed the Board of Directors and Chairman of the Board, in the persons of Emma Marcegaglia (Chairman), Claudio Descalzi, Andrea Gemma, Pietro A. Guindani, Karina A. Litvack, Alessandro Lorenzi, Diva Moriani, Fabrizio Pagani and Luigi Zingales<sup>79</sup>, specifically:
  - 1) Emma Marcegaglia, Claudio Descalzi, Andrea Gemma, Diva Moriani, Fabrizio Pagani and Luigi Zingales were **nominated from the slate of candidates submitted by the Ministry of the Economy and Finance**, which at the time owned 4.335% of the share capital. Present at the vote was 60.187% of the share capital. The slate was elected by the majority of the shareholders that participated in the Shareholders' Meeting (about 57.124% of the voting capital), equal to 34.382% of the share capital;
  - 2) Pietro A. Guindani, Karina A. Litvack and Alessandro Lorenzi were **nominated from the slate of candidates submitted by institutional investors**, holding a total of 0.703% of the share capital. Present at the vote was 60.187% of the share capital. The slate was elected by the non-controlling shareholders that participated in the Shareholders' Meeting (about 42.038% of voting capital), equal to 25.302% of share capital.

The Shareholders' Meeting also appointed **Emma Marcegaglia as Chairman of the Board of Directors**. She was the candidate listed first in the majority slate, submitted by the Ministry of the Economy and Finance. Around 60.06% of the share capital took part in the voting, with 58.974% of the entire share capital voting in favour of her appointment (equal to around 97.989% of the shares present at the Meeting).

On May 9, 2014, the Board appointed **Claudio Descalzi as Chief Executive Officer and General Manager** of the Company.

On July 29, 2015, the Board of Directors appointed Mr Profumo to the Board of Directors, in replacement of Luigi Zingales, who submitted his resignation from the Board on July 2, 2015. Mr Profumo was subsequently reappointed by the Shareholders' Meeting of May 12, 2016.

On May 9, 2014, Roberto Ulissi, Corporate Affairs and Governance Senior Executive Vice President of the Company, was confirmed by the Board as the Secretary of the Board of Directors upon a proposal of the Chairman. In addition, the Board of Directors appointed its **Secretary to be Corporate Governance Counsel**, reporting hierarchically and functionally to the Board and, on its behalf, to the Chairman. He provides independent assistance and advice to the Board and to the Directors and once a year presents a report to the Board on Eni's governance.

Below are some personal and professional profiles of Eni's current Board members<sup>80</sup>.

[78] Art. 4, paragraph 1-bis, of Law no. 474/1994 (as amended by Legislative Decree no. 27/2010), providing that privatized listed companies apply the general framework set down in the Consolidated Law on Financial Intermediation, confirms that at least one-fifth of the voting directorships must be allocated to slates submitted by non-controlling shareholders.

[79] Mr Zingales resigned on July 2, 2015.

[80] The information provided on participation in Board Committees is current as of the date of approval of this Report, with further details provided on any changes that occurred during their term of office.

**Emma Marcegaglia**

Date of birth: 1965

Position: Chairman

Participation on committees: -

In office since: May 2014

Number of positions held in other companies for the purposes of the Corporate Governance Code: 1

Slate elected on: majority (Ministry of the Economy and Finance)

Emma Marcegaglia was born in Mantua in 1965 and has been Chairman of Eni since May 2014. She has been Chairman of the Fondazione Eni Enrico Mattei since November 2014. She is also Chairman and CEO of Marcegaglia Holding SpA and Deputy Chairman and CEO of the subsidiary companies operating in the processing of steel. She is also Chairman and CEO of Marcegaglia Investments Srl, the holding company of the diversified activities of the group. She is President of *BusinessEurope* and of the *Luiss Guido Carli University*, a member of the Board of Directors of *Bracco SpA* and *Gabetti Property Solutions SpA*. From 1994 to 1996 she was National Deputy President of *Young Entrepreneurs of Confindustria*, from 1997 to 2000 she was President of the European Confederation of the Young Entrepreneurs (YES), from 1996 to 2000 President of *Young Italian Entrepreneurs of Confindustria* and from 2000 to 2002 she was Vice President of *Confindustria for Europe*. From May 2004 to May 2008 she was *Confindustria Vice President for infrastructures, energy, transport and environment* and Italian Representative of the top High Level Group for energy, competitiveness and environment set up by the European Commission. From May 2008 to May 2012 she was President of *Confindustria*. She was a member of the Management Board of *Banco Popolare* and Director of *Fincobank SpA* and *Italcementi SpA*. She also held the position of Chairman of the *Aretè Onlus Foundation*. She graduated with a degree in business administration from the *Bocconi University* in Milan and attended a Master's in Business Administration at *New York University*.

**Claudio Descalzi**

Date of birth: 1955

Position: Chief Executive Officer

Participation on committees: -

In office since: May 2014

Number of positions held in other companies for the purposes of the Corporate Governance Code: -

Slate elected on: majority (Ministry of the Economy and Finance)

Claudio Descalzi was born in Milan and has been Eni's CEO since May 2014. He is a member of the General Board and of the Advisory Board of *Confindustria* and Director of *Fondazione Teatro alla Scala*. He is a member of the National Petroleum Council for 2016/2017. He joined Eni in 1981 as Oil & Gas field petroleum engineer and then became project manager for the development of North Sea, Libya, Nigeria and Congo. In 1990 he was appointed Head of Reservoir and operating activities for Italy. In 1994, he was appointed Managing Director of Eni's subsidiary in Congo and in 1998 he became Vice President & Managing Director of *Naoc*, a subsidiary of Eni in Nigeria. From 2000 to 2001 he held the position of Executive Vice President for Africa, Middle East and China. From 2002 to 2005 he was Executive Vice President for Italy, Africa, Middle East, covering also the role of member of the board of several Eni subsidiaries in the area. In 2005, he was appointed Deputy Chief Operating Officer of Eni's Exploration & Production Division. From 2006 to 2014 he was President of *Assomineraria* and from 2008 to 2014 he was Chief Operating Officer of Eni's Exploration & Production Division. From 2010 to 2014 he held the position of Chairman of *Eni UK*. In 2012, Claudio Descalzi was the first European in the field of Oil&Gas to receive the prestigious "Charles F. Rand Memorial Gold Medal 2012" from the Society of Petroleum Engineers and the American Institute of Mining Engineers. He is a Visiting Fellow at the University of Oxford. In December 2015 he was made a member of the "Global Board of Advisors of the Council on Foreign Relations". He graduated with a degree in physics in 1979 from the University of Milan.



#### Andrea Gemma

Date of birth: 1973

Position: Director

Participation on committees: Nomination Committee (Chairman); Control and Risk Committee (member); Sustainability and Scenarios Committee (member).

In office since: May 2014

Number of positions held in other companies for the purposes of the Corporate Governance Code: 3  
Slate elected on: majority (Ministry of the Economy and Finance)

Andrea Gemma was born in Rome in 1973 and has been Director of Eni since May 2014. He is Professor of Private Law at The Third University of Rome and was visiting professor at European Universities and at Villanova University. He is member of the strategic board of the American University of Rome. He is Appeal Court Lawyer. He is also Deputy Chairman of Serenissima SGR SpA and member of the Board of Directors of Banca UBAE SpA and of Global Capital PLC. He is President of Board of Statutory Auditors of PS Reti SpA and Sirti SpA. He is also Official Receiver of Valtur SpA, Liquidator of Novit Assicurazioni SpA and Sequoia Partecipazioni SpA.



#### Pietro Guindani

Date of birth: 1958

Position: Director

Participation on committees: Compensation Committee (Chairman); Sustainability and Scenarios Committee (member).

In office since: May 2014

Number of positions held in other companies for the purposes of the Corporate Governance Code: 2  
Slate elected on: minority (Italian and foreign institutional investors)

Pietro A. Guindani was born in Milan in 1958 and has been Director of Eni since May 2014. He is currently Chairman of the Board of Directors of Vodafone Italia SpA, Board member of FINECOBank SpA, Salini-Impregilo SpA and Cefriel S.cons.r.l. and of the Italian Institute of Technology, Board Member of Civita Foundation, Assonime and Confindustria, Member of the Executive Board of Assotelecomunicazioni, member of the Executive Board of Confindustria Digitale and Vice President for Universities, Innovation and Human Capital of Assolombarda. From 1982 to 1986 he was Relationship Banker at Citibank N.A. He then became International Finance Director in Montedison SpA (Enimont SpA) until 1992. He was Group Finance, Budget and Reporting Manager at European Vinyls Corporation SA/NV (1992-1993). In 1993 he became Head of Foreign Finance in Olivetti SpA. From 1995 to 2004 he was Chief Financial Officer of Vodafone Italy and of Vodafone South Europe, Middle East & Africa Region. From 2004 to 2008 he was Chief Executive Officer of Vodafone Italy. He was also Director of Pirelli & C. SpA (2011-2014), Carraro SpA (2009-2012) and Sorin SpA (2009-2012). He graduated with a degree in business from the Università Luigi Bocconi in Milan.

**Karina A. Litvack**

Date of birth: 1962

Position: Director

Participation on committees<sup>(81)</sup>: Compensation Committee (member); Sustainability and Scenarios Committee (member).

In office since: May 2014

Number of positions held in other companies for the purposes of the Corporate Governance Code: -  
Slate elected on: minority (Italian and foreign institutional investors)

Karina A. Litvack was born in Montreal in 1962 and has been a Director of Eni since May 2014. She is currently a member of the Global Advisory Council of Cornerstone Capital Inc., a member of the Advisory Board of Bridges Ventures LLC, a member of the CEO Sustainability Advisory Panel of SAP AG, a member of Business for Social Responsibility and of Yachad and a member of the Advisory Council for Transparency International UK. From 1986 to 1988 she was a member of the Corporate Finance team of PaineWebber Incorporated. From 1991 to 1993 she was a Project Manager of the New York City Economic Development Corporation. In 1998 she joined F&C Asset Management plc where she held the position of Analyst Ethical Research, Director Ethical Research and Director Head of Governance and Sustainable Investments (2001-2012). She was also a member of the Board of the Extractive Industries Transparency Initiative (2003-2009) and of the Primary Markets Group of the London Stock Exchange Primary Markets Group (2006-2012). She graduated with a degree in political economy from the University of Toronto and in finance and international business from Columbia University Graduate School of Business.

**Alessandro Lorenzi**

Date of birth: 1948

Position: Director

Participation on committees: Control and Risk Committee (Chairman); Compensation Committee (member).


In office since: May 2011

Number of positions held in other companies for the purposes of the Corporate Governance Code: 1  
Slate elected on: minority (Italian and foreign institutional investors)

Alessandro Lorenzi was born in Turin in 1948 and has been Director of Eni since May 2011. He is a founding partner of Tokos Srl, a consulting firm for securities investment, Chairman of Società Metropolitana Acque Torino SpA and Director of Ersel SIM SpA and of Mutti SpA. He began his career at SAIAG SpA in the Administration and Control area. In 1975 he joined Fiat Iveco SpA where he held a series of positions: Controller of Fiat V.I. SpA, Head of Administration, Finance and Control, Head of Personnel of Orlandi SpA in Modena (1977-1980) and Project Manager (1981-1982). In 1983 he joined GFT Group where he was Head of Administration, Finance and Control of Cidat SpA, a GFT SpA subsidiary (1983-1984), Central Controller of GFT Group (1984-1988), Head of Finance and Control of GFT Group (1989-1994) and Managing Director of GFT SpA, with ordinary and extraordinary powers over all operating activities (1994-1995). In 1995 he was appointed Chief Executive Officer of SCI SpA, where he oversaw the restructuring process. In 1998 he was appointed Operating Officer and was subsequently Director of Ersel SIM SpA until June 2000. In 2000 he became Executive Officer of Planning and Control at the Ferrero Group and General Manager of Soremartec, the technical research and marketing company of the Ferrero Group. In May 2003 he was appointed CFO of Coin Group and in 2006 he became Chief Corporate Officer at Lavazza SpA, serving as a Board member from 2008 to June 2011.

(81) On July 28, 2016, the Eni Board of Directors approved the rotation of Director Karina Litvack out of the Control and Risk Committee with another Director selected by the Board itself on September 15, 2016 in the person of Director Diva Moriani.


**Diva Moriani**



Date of birth: 1968  
 Position: Director  
 Participation on committees<sup>82</sup>: Nomination Committee (member);  
 Control and Risk Committee (member).  
 In office since: May 2014  
 Number of positions held in other companies for the purposes of the Corporate Governance Code: 4  
 Slate elected on: majority (Ministry of the Economy and Finance)

Diva Moriani was born in Arezzo in 1968 and has been a Director of Eni since May 2014. She is currently Executive Vice Chairman of Intek Group SpA, CEO of KME AG Vorstand, a German holding company of KME Group, Chairman of KME Srl, Member of the Supervisory Board of KME Germany GmbH and Director of Assicurazioni Generali SpA, Moncler SpA, Ergycapital SpA, Dynamo Academy, Dynamo Foundation and Associazione Dynamo. From 2007 to 2012 she was CEO of I2Capital Partners, a private equity fund sponsored by Intek SpA, with an investment strategy focused on “Special Situations”. She graduated with a degree in economics from the University of Florence<sup>82</sup>.

**Fabrizio Pagani**



Date of birth: 1967  
 Position: Director  
 Participation on committees: Sustainability and Scenarios Committee  
 (Chairman); Nomination Committee (member)  
 In office since: May 2014  
 Number of positions held in other companies for the purposes of the Corporate Governance Code: -  
 Slate elected on: majority (Ministry of the Economy and Finance)

Fabrizio Pagani was born in Pisa in 1967 and has been a Director of Eni since May 2014. He is currently the Head of the Technical Secretariat of the Ministry of Economy and Finance. He was Deputy Director of the International Training Programme for Conflict Management at the S. Anna School of Advanced Studies in Pisa from 1995 to 1998, Professor of International Law in the Faculty of Political Science at the University of Pisa from 1993 to 2001, Deputy Chief of the Legislative Office at the Department of European Affairs from 1998 to 1999 and Counsellor for International Affairs in the Ministry of Industry and Foreign Trade from 1999 to 2001. He was Senior Advisor at the OECD from 2002 to 2006, Head of the Office of the State Undersecretary, within the Prime Minister’s Office from 2006 to 2008, a board member of SACE SpA from 2007 to 2008, Political Counsellor of the OECD General Secretary from 2009 to 2011, Director of the G8/G20 Office at the OECD from 2011 to 2013 and Senior Economic Counsellor to the Prime Minister and G20 Sherpa from 2013 to 2014. He was a NATO Fellow and was a visiting scholar at Columbia University, New York. He graduated with a degree in international studies from the Sant’Anna School of Advanced Studies, Pisa, and has a Master’s Degree from the European University Institute, Florence.

[82] On July 28, 2016, the Eni Board of Directors approved the rotation of Director Karina Litvack out of the Control and Risk Committee with another Director selected by the Board itself on September 15, 2016 in the person of Director Diva Moriani. Moriani left the Compensation Committee effective as of December 22, 2016.



**Alessandro Profumo**

Date of birth: 1957

Position: Director

Participation on committees: Nomination Committee (member);  
Sustainability and Scenarios Committee (member)In office since: July 2015<sup>83</sup>Number of positions held in other companies for the purposes of the Corporate Governance Code: 2  
Director appointed by the Board of Directors on July 29, 2015 and reappointed by the Shareholders' Meeting of May 12, 2016

Alessandro Profumo was born in Genoa in 1957 and has been Director of Eni since July 2015. He is currently Chairman of Equita SIM, of Appeal Strategy & Finance Srl and member of the Supervisory Board of Sberbank. He is also a Board member of TOG "Together To Go". In February 2012 he was appointed member of the International Advisory Board of Itau-UniBanco. He began his career in 1977 at the Banco Lariano, becoming Branch Manager in Milan. In 1987 he joined McKinsey, where he was Project Manager in the strategy area for the finance sector. In 1989 he was appointed Head of relations with financial institutions and integrated development and organization projects at Bain, Cuneo e Associati (now Bain & Company). In 1991 he left the field of company consultancy to join RAS, Riunione Adriatica di Sicurtà, where as General Manager he was responsible for the banking and parabanking sectors. He was also in charge of the yield increase of RAS's bank and of the other companies in the group operating in the field of asset management. In 1994 he joined Credito Italiano as Joint Central Manager and was in charge of Programming and Control, becoming General Manager in 1995. In 1997 he was appointed Chief Executive Officer of Credito Italiano and subsequently of Unicredit, a position he held until September 2010. On an international level he was Chairman of the European Banking Federation and Chairman of the IMC in Washington. In May 2004 he was decorated as Cavaliere del Merito del Lavoro. From 2006 to 2014 he was Director of Bocconi University in Milan and from 2011 to 2014 he was Director of Eni and he was Chairman of Banca Monte dei Paschi di Siena from 2012 to 2015. He was Chairman of CASL (Comitato per gli Affari Sindacali e del Lavoro dell'ABI) from 2014 to 2015 and in February 2012 he was appointed a member of the "High-level Expert Group" on structural reform of the EU banking sector; he left the Group when he was appointed Chairman of Banca Monte dei Paschi di Siena. He graduated with a degree in business administration from the Università Luigi Bocconi of Milan.

## Appointment<sup>84</sup>

### *Voting slates*

To ensure that non-controlling shareholders are represented on the Board, Directors are elected on the basis of slates.

This system has been set out in the Company By-laws since 1994, in compliance with the special rules that apply to the Company itself, foreseen by Art. 4 of Law no. 474/1994. The rule, however, which was amended by Legislative Decree no. 27/2010, with the introduction of paragraph 1-bis of Art. 4, states that during Shareholders' Meetings called after October 31, 2010, the procedure for appointing members of the Company bodies must comply with the provisions established for all listed companies, with the exception of the number of Board members allotted to non-controlling shareholders. Art. 4, paragraph 1-bis, of Law no. 474/1994 confirms that at least one-fifth of the voting directorships (rounded up) must be allocated to slates submitted by non-controlling shareholders. Eni By-laws reserve to non-controlling shareholders the three-tens of the Board members.

Directors are elected  
on the basis of slates

[83] Mr Profumo was appointed for the first time to the Eni Board by the Shareholders' Meeting of May 5, 2011 and served until the end of the term, on the date of the Shareholders' Meeting of May 8, 2014.

[84] Information also provided pursuant to Art. 123-bis, first paragraph, letter l) of Consolidated Law on Financial Intermediation.

### Share capital threshold to submit slates

#### *Right to submit slates*

Pursuant to Art. 17 of the By-laws, which were appropriately amended to align its provisions with those of the above-mentioned decree, slates of candidates may be submitted by shareholders<sup>85</sup> when – either alone or together with others – they represent at least 1% of Eni's share capital or any other threshold established by Consob regulations. Since 2011, and most recently with its resolution dated January 25, 2017, Consob set the threshold for Eni at **0.5% of share capital**.

Ownership of the minimum holding needed to submit slates shall be determined with regard to shares registered in the name of the shareholder on the date on which the slates are filed with the Company, without considering any subsequent transfer of the shares.

Each shareholder may only submit (or contribute towards submitting) and vote for a single slate. Controlling persons, subsidiaries and companies under common control may not submit or participate in the submission of other slates, nor can they vote on them, either directly or through nominees or trustees.

### Terms for the submission and publication of slates

#### *Composition, submission and publication of slates*

Slates must list candidates in numerical order and expressly indicate those who fulfil the independence requirements specified by the law and By-laws. They are filed with the Company's registered office at least twenty-five days prior to the date of the Shareholders' Meeting convened to appoint the members of the Board of Directors, and are made available to the public at the Company's registered office, on its website and in any other manner established by law<sup>86</sup> and by Consob regulations at least twenty-one days prior to the meeting date. Slates of candidates are also communicated to Borsa Italiana SpA.

### Requirements for candidates

All candidates must satisfy the integrity requirements established by applicable law. Together with the filing of each slate, on penalty of inadmissibility, the following shall also be filed: the curriculum vitae of each candidate, statements of each candidate accepting his nomination and affirming the absence of any grounds making him ineligible or incompatible for such position and that he satisfies the requirements of integrity and independence required by the law and the By-laws<sup>87</sup>.

Furthermore, in line with legislative provisions, the By-laws of Eni<sup>88</sup> provide that – for the first three elections of the Board of Directors subsequent to August 12, 2012 – slates that contain three or more candidates must include **candidates of both genders**, as specified in the notice calling the Meeting, in order to achieve gender balance<sup>89</sup>.

### Eni's By-laws provide rules to ensure gender balance in the composition of the Board

If the slate voting mechanism does not yield the minimum gender representation required by law, an impartial mechanism is used based upon the number of votes received by the candidates to identify those of the over-represented gender to be replaced by the members of the less-represented gender who may be listed on the same slate or chosen by the Shareholders' Meeting.

The shareholders who submitted the slates must also be identified, indicating the percentage of the share capital held<sup>90</sup>.

### Voting slates

Once the voting formalities are satisfied, **seven-tenths of the Directors** to be elected **are drawn from the slate that receives the most votes** of the shareholders, rounded off in the event of a decimal number to the next lowest whole number, in the order that they appear on the slate.

[85] Pursuant to Art. 17.3 of the By-laws, the Board of Directors may submit a slate of candidates.

[86] In accordance with Art. 147-ter of the Consolidated Law on Financial Intermediation, amended by Legislative Decree no. 91/2012, and adopted in the Eni By-laws, slates may also be filed with the Company via distance communication methods, provided that they comply with any requirements stated by the Company in the notice calling the meeting that are strictly required to confirm the identity of the submitters.

[87] It is also requested that the statements indicate whether the candidate satisfies the independence requirements pursuant to Art. 3 of the Corporate Governance Code.

[88] Refer to Art. 17 and 34 of the Company's By-laws.

[89] For the second term, the law requires that one-third of the Board be persons of the less-represented gender. Eni has already reached this objective in the first term.

[90] In addition, in the case of slates filed via distance communication methods, the requirements for confirming the identity of the submitters as specified in the notice calling the Meeting must be satisfied.

The **remaining Directors are drawn from the other slates**, which shall not be connected in any way, directly or indirectly, to the shareholders who have submitted or voted for the slate that receives the largest number of votes<sup>91</sup>. For this purpose, the votes received by each slate shall be divided by one or two or three depending upon the number of Directors to be elected.

The quotients, or points, thus obtained shall be assigned progressively to candidates of each slate in the order given in the slates themselves. The candidates of all the slates shall be ranked by the points assigned in a single list in descending order. Those who receive the most points shall be elected. In the event that more than one candidate receives the same number of points, the candidate elected shall be the person from the slate that has not hitherto had a director elected or that has elected the least number of Directors.

In the event that none of the slates has yet had a director elected or that all of them have had the same number of Directors elected, the candidate among all such slates who has received the highest number of votes shall be elected. In the event of equal slate votes and equal points, the entire Shareholders' Meeting shall vote again and the candidate elected shall be the person who receives a simple majority of the votes.

If the minimum number of independent Directors required under the By-laws has not been elected following the above procedure, the By-laws provide for **supplemental mechanisms** to be used.

Supplemental mechanisms

If, for any reason, including not being able to seat a full Board through slate voting, Directors are not appointed using this procedure, the Shareholders' Meeting shall resolve, with the required **legal majorities**, so as to ensure that the composition of the Board is compliant with the law and the By-laws.

**The slate voting procedure shall apply only to the election of the entire Board of Directors.**

Pursuant to Art. 2386 of the Civil Code, referred to in Art. 17.5 of the Eni By-laws, if during the year one or more positions on the Board are vacated, the other members shall replace them with a resolution approved by the Board of Statutory Auditors, as long as the majority of the remaining Directors have been appointed by the Shareholders' Meeting. The Nomination Committee proposes candidates to serve as Directors to the Board, ensuring compliance with the requirements concerning the minimum number of independent directors and the percentage reserved to the less represented gender. The Directors so appointed shall remain in office until the subsequent Shareholders' Meeting, which shall either confirm the appointment or appoint other Directors.

The substitution

If a majority of the Directors should vacate their offices, the entire Board shall be considered to have resigned, and the Board shall promptly call a Shareholders' Meeting to elect a new Board.

### Succession plan for executive Director and key personnel

With reference to plans for the succession of executive Directors, the **Nomination Committee** has been entrusted by the Board of Directors with **developing a proposed succession plan** for the CEO, **to be submitted to the Board**, where possible and appropriate in relation to the Company's shareholding structure.

The Board adopted a contingency plan in the event the CEO is unexpectedly unable to perform his duties

At its meeting of February 17, 2015, after reviewing the Nomination Committee's evaluation, the Board of Directors decided to not prepare a succession plan for the CEO given the current shareholding structure of the Company. However, it decided upon a **contingency plan**, which sets out the steps to be taken in the event the CEO is unexpectedly unable to perform his duties.

The process and methodology for the **succession plans for those holding key positions**, including the plans for those positions that Eni's Board of Directors is responsible for appointing, **have been used at Eni since 2012.**

The process and methodology for the succession plans for those holding key positions

[91] The criteria for connection are set out in Art. 144-quinquies of the Consob Issuers' Regulation.

The process, which has been presented on a number of occasions to the Nomination Committee since 2012, has been developed by the related Eni Human Resources functions, with the support of an external consultant, specifically with regard to updating the methodology and activities that involve making comparisons with the market.

#### Nomination Committee activities in 2016

In 2016, the Nomination Committee addressed the issue of succession plans for key management positions, examining the following aspects:

- confirmation of the process and methodology used;
- effective application of the succession plan methodology for a number of positions, falling within the scope of responsibilities of the Board, for which there was turnover during the year (Eni International BV and Versalis SpA).

The application of the succession plan process and methodology was addressed within a broader presentation to the committee of the tools for attracting and developing “critical” Eni human resources, during which the results of the application of the succession plan process to key positions within Eni and its consistency with other development processes were discussed.

## Independence requirements

### *The law and By-laws*

#### The independence requirements established by law and By-laws

The Consolidated Law on Financial Intermediation establishes that at least one Director, or two if the Board is comprised on more than seven members, must satisfy **the independence requirements for Statutory Auditors of listed companies** as set out in Art. 148, paragraph 3 of that law, as well as any other requirements set out in codes of conduct if the By-laws so provide.

Art. 17.3 of Eni's By-laws improve on the existing law by establishing that at least one Director, if there are no more than five Directors, or at least three Directors, if there are more than five, shall satisfy the independence requirements. The same article also provides for a mechanism beyond the ordinary election system for ensuring that the requirement of a minimum number of independent Directors is satisfied. By doing so, Eni seeks to strengthen the presence of independent Directors on its Board.

### *Corporate Governance Code recommendations*

#### The independence requirements established by Corporate Governance Code

Art. 3 of the Corporate Governance Code also recommends that an adequate number of non-executive Directors be independent, meaning that they **do not maintain** nor have they recently maintained, **directly or indirectly, any business relationships with the issuer or persons linked to the issuer of such a significance as to influence their autonomous judgement**. The number and competences of independent Directors must be adequate in relation to the size of the Board and the activity performed by the issuer and they must be such as to enable the formation of committees within the Board, in accordance with the guidelines set out in the Code.

As for issuers belonging to the FTSE-Mib index, such as Eni, the Code recommends that at least one-third of the Board members should be independent Directors, rounded down in the event of a decimal number to the next lowest whole number. In any event, there shall be no fewer than two independent Directors.

### *Eni specifications*

As to these requirements, Eni has further specified three points of the Code:

- **“strategically important subsidiaries”** in which the Director may have been a leading officer are identified<sup>[92]</sup>;
- the amount of “additional remuneration” that could compromise the independence of a non-executive Director has been established in the amount of **30% of “fixed remuneration”**<sup>[93]</sup>;

[92] Criterion 3.C.1.b).

[93] Criterion 3.C.1.d). The Board also clarified that the compensation paid to the Directors for serving on the Sustainability and Scenarios Committee is not treated as additional remuneration for independence purposes, as it is for the other Committees envisaged by the Code.

- “**close relative**” was defined to include spouse, relatives and relatives-in-law within the second degree of kinship<sup>94</sup>.

### *Board assessments*

The Board of Directors assesses the independence of Directors, after verification by the Nomination Committee, based on the criteria established by the Consolidated Law on Financial Intermediation and on the requirements set forth in the Corporate Governance Code.

The evaluation of the Nomination Committee and the Board assessment

**Upon appointment, periodically thereafter**, and where necessary owing to specific events that could affect their independence, the non-executive Directors must provide statements that they satisfy the independence requirements and the Board assesses the independence of these Directors, taking account of all the above criteria and prioritising substance over form, as required by the Corporate Governance Code. The Board also evaluates the independence of Directors when circumstances arise that could affect their independence. The Nomination Committee is responsible for enquiries connected with the Board’s verification that the Directors satisfy the independence requirements.

The assessments of independence made during the term are as follows:

- on **May 9, 2014**, shortly after its appointment, the Board of Directors, on the basis of statements made by the Directors and other information available to the Company, determined that Chairman Emma Marcegaglia and Directors Andrea Gemma, Pietro A. Guindani, Karina Litvack, Alessandro Lorenzi, Diva Moriani and Luigi Zingales satisfy the independence requirements established by law, as referenced in Eni’s By-laws<sup>95</sup>. Furthermore, Directors Gemma, Guindani, Litvack, Lorenzi, Moriani and Zingales were deemed independent by the Board pursuant to the criteria and parameters recommended by the Corporate Governance Code. Chairman Marcegaglia, in compliance with the Corporate Governance Code, could not be deemed independent as she is a key officer of the Company<sup>96</sup>;
- at its meeting of **February 17, 2015**, based upon the investigation performed by the Nomination Committee on the basis of the statements of the Directors and the information available to the Company, the Board of Directors confirmed the previous conclusion;
- at its meeting of **July 29, 2015** the Board of Directors appointed Alessandro Profumo to replace Luigi Zingales on the Board. On that occasion, the Board, following an investigation by the Nomination Committee on the basis of the statements provided by the new Director and the information available to the Company, determined that Mr Profumo met the independence requirements provided for by law, as referred to in the By-laws of the Company, and recommended by the Corporate Governance Code. With regard to Mr Profumo’s marriage to an employee of the Company, the Board, in upholding the assessment made by the Board in the previous term of the Board<sup>97</sup>, determined that this circumstance did not violate the independence requirements provided for by the Corporate Governance Code, bearing in mind the Director’s ethical and professional conscientiousness and international reputation and the fact that his spouse works at a foundation independent of Eni SpA<sup>98</sup>.
- at its meeting of **February 25, 2016, and most recently at its meeting of February 28, 2017**, the Board of Directors, following an investigation by the Nomination Committee on the basis of the statements provided by the Directors and the information available to the Company, confirmed the previous assessments. At the last assessment, the Board of Directors also determined that

[94] Criterion 3.C.1.h).

[95] Resigned from this position as Director on July 2, 2015.

[96] Although the Chairman of the Board of Directors is a non-executive director, the Code treats her as a significant representative of the Company (Application Criterion 3.C.2 of the Corporate Governance Code).

[97] Mr Profumo was appointed for the first time to the Eni Board by the Shareholders’ Meeting of May 5, 2011 and served until the end of the term, on the date of the Shareholders’ Meeting of May 8, 2014.

[98] The assessment also considered the position of Chairman then held by Alessandro Profumo with Banca Monte dei Paschi di Siena SpA, which ended on August 6, 2015. At its meeting of May 26, 2016, the Board, after investigation by the Nomination Committee, confirmed its prior assessments that Mr Profumo, who was reappointed by the Eni Shareholders’ Meeting of May 12, 2016, satisfied the independence requirements as required by law and the Corporate Governance Code.

the commercial relationships between Eni and Vodafone Italy, a company of which Director Guindani is a significant officer, are not significant for the purpose of assessing the independence of the Director himself, having regard to the nature and the amounts of these relationships.

The Board of Statutory Auditors always verified again the proper application of the criteria and procedures adopted by the Board in assessing the independence of its members.

The assessments of the Board carried out on February 28, 2017 are reported in the tables attached to this Report.

Requirements established by law

### Integrity requirements, reasons for ineligibility and incompatibility

The Consolidated Law on Financial Intermediation specifies that individuals who perform management and administration functions in listed companies must fulfil the **integrity requirements established for members of control bodies** in the guidelines issued by the Minister of Justice<sup>99</sup> pursuant to Art. 148 of the Consolidated Law on Financial Intermediation.

In particular, Art. 17.3 of the By-laws, in transposing this provision, establishes that all candidates for the position of Director must fulfil the integrity requirements specified in current regulations. In addition, the Directors are required to fulfil additional specific requirements established by any special rules applicable to them.

Periodical evaluation of the Board

The same provision also requires the Board to periodically evaluate the independence and integrity of Directors and ascertain the absence of circumstances that would render them ineligible or incompatible.

Pursuant to Art. 17.3 of the By-laws, if a Director does not or no longer satisfies the independence and integrity requirements declared and established by law or if circumstances arise that render him ineligible or incompatible, the Board shall declare that the Director has forfeit the position and replace him, or shall invite him to rectify the circumstances rendering him incompatible by a deadline set by the Board itself, on penalty of forfeiture.

Nomination Committee is responsible for enquiries

The **Nomination Committee is responsible for enquiries** connected with the periodic verification that the Directors satisfy the integrity requirements and the absence of circumstances that would render them ineligible or incompatible.

**Upon appointment and thereafter on a periodic basis**, the Directors are required to issue **statements** that they satisfy the integrity requirements under applicable law, as well as the absence of grounds for ineligibility, incompatibility or forfeiture, and the Board verifies that the integrity requirements have been satisfied, in accordance with current regulations. The appointed Directors must notify the Company if they should no longer satisfy the independence and integrity requirements or if cause for ineligibility or incompatibility should arise.

The evaluations carried out

At its meetings of May 9, 2014 and, after investigation by the Nomination Committee, during the meeting of February 17, 2015, July 29, 2015 (concerning Mr Profumo, who was appointed Director by the Board at that meeting), February 25, 2016, May 26, 2016 (assessment following re-election of Mr Profumo by the Shareholders' Meeting) and February 28, 2017, the Board of Directors – on the basis of the statements made and the information available to the Company – verified that the integrity requirements have been satisfied by all the Directors and that there are no circumstances rendering any of the Directors ineligible or incompatible, including with regard to any Eni holdings in financial, banking and/or insurance companies

### Policy of the Board of Directors on the maximum number of offices held by its members in other companies

With its resolution of May 9, 2014 (confirming the guidelines established by the previous Board), the Board of Directors specified the general criteria for determining the maximum number of management and control offices that can be held by its members in other companies that are compatible with effective performance of their role as Director of Eni.

[99] Ministerial Order no. 162 of March 30, 2000.

Subsequently, with a resolution of **September 17, 2015**, the Board, modifying the previous policy, acting on a proposal of the Nomination Committee, **reduced the maximum number of additional non-executive positions** Eni directors may hold in other relevant companies (i) **for the CEO from three to one**; and (ii) **for non-executive Directors, from six to five**.

On September 17, 2015, the Board reduced the maximum number of additional non-executive positions in other relevant companies

That decision was made following an analysis conducted by the Secretary of the Board of Directors with the support of Company units at the request of the Nomination Committee, which provided guidance and oversight of the activities.

Following the changes, the Eni policy is more closely aligned with international best practice and, in particular, the recommendations of proxy advisors in this field.

The Board resolved that:

- an **executive Director** should not hold: (i) the office of executive director in any other listed company, whether Italian or foreign, or in any financial<sup>100</sup>, banking or insurance company or in a company with shareholders' equity exceeding €10 billion and (ii) the office of non-executive Director or Statutory Auditor (or member of another controlling body) in more than one of the aforesaid companies; (iii) the office of non-executive director in another issuer of which a Director of Eni is an executive Director<sup>101</sup>;
- a **non-executive Director**, in addition to the office held in Eni, should not hold the office of: (i) executive Director in more than one of the aforesaid companies and non-executive Director or Statutory Auditor (or member of another controlling body) in more than three of the such companies; or as (ii) non-executive Director or Statutory Auditor (or member of another control body) in more than five of such companies; or as (iii) executive Director of another issuer of which an executive Director of Eni is a non-executive Director.

The executive Director

The non-executive Director

The limit on multiple offices excludes offices held in Eni Group companies.

If these **limits are exceeded**, the **Director will promptly inform the Board**, which will assess the situation in light of the interests of the Company and will call upon the Director to take action in accordance with its decision.

Communication to the Board

In any case, before taking up the office of director or statutory auditor (or member of another control body) in another company that is not a direct or indirect subsidiary or associated company of Eni, the executive Director shall inform the Board of Directors, which will prohibit him from taking up the office where it believes such to be compatible with the functions attributed to the executive Director and with the interests of Eni. The rules applicable to executive Director also apply to Chief Operating Officers, if any, with the exception of the prohibitions on cross-directorships.

On the basis of information provided, the Board of Directors following its appointment and periodically, after investigation by the Nomination Committee, verifies that the Directors have complied with the aforementioned limits on multiple offices. It most recently verified the compliance of the Directors, after investigation by the Nomination Committee, at its meeting of **February 28, 2017**.

The evaluation of the Nomination Committee and the Board assessment

Detailed information on the number of offices held by Board members with reference to the most recent verification of February 28, 2017 is available in the chart attached with this Report. The section of the Report on Board Review provides information on the results of such review with respect to whole level of commitment, motivation and participation of the Directors in Board and Committee meetings<sup>102</sup>. In addition, the above chart also shows how many Board and Committee meetings each Director attended.

[100] For the purposes of assessing the number of offices held, financial companies are those companies defined under Art. 106 of Legislative Decree no. 385/1993 [Consolidated Law on Banking] and companies that provide investment or collective portfolio management activities or services pursuant to the Consolidated Law on Financial Intermediation.

[101] Criterion 2.C.5 of the Corporate Governance Code.

[102] For more information, please refer to the section "Board Review and advice for shareholders on the composition of the Board" of this Report.

## Powers and responsibilities

The Board of Directors has been granted the broadest powers for the ordinary and extraordinary administration of the Company to pursue its purpose.

On May 9, 2014, the Board of Directors appointed Claudio Descalzi<sup>103</sup> as Chief Executive Officer and General Manager, granting him the broadest powers for the ordinary and extraordinary administration of the Company, excluding those the Board reserved solely to itself and those that cannot be delegated by law.

At that same meeting, the Board also decided, in accordance with the Corporate Governance Code for listed companies, that the Head of Internal Audit will report to the Board, and on its behalf, to Chairman Emma Marcegaglia, without prejudice to his being functionally subject to the authority of the Control and Risk Committee and the CEO, as director in charge of the internal control and risk management system. In addition, the Board also decided that the Chairman shall perform her duties under the By-laws as legal representative managing institutional relationships in Italy, together with the CEO.

### Reserved powers of the Board

In accordance with the resolution on reserved powers, the Board:

- 1) defines the **system and rules of corporate governance** for the Company and the Group and approves the Corporate Governance and Shareholding Structure Report, after consulting with the Control and Risk Committee with regard to the internal control and risk management system. It approves the guidelines for the internal **regulatory system**, the policies and, usually, the compliance and governance Management System Guidelines. After consulting with the Control and Risk Committee, it adopts rules on the transparency and the substantive and procedural fairness of transactions with **related parties** and those in which a Director or a Statutory Auditor holds a personal **interest** or an interest on behalf of third parties, assessing on an annual basis whether any revision is needed. At the proposal of the CEO, it also adopts a procedure for the internal handling and the disclosure of Company documents and information, particularly **inside information**;
- 2) establishes the Board's internal **committees**, which provide recommendations and advice, and appoints their members and chairmen, determines their duties and compensation and approves their rules of procedure and annual budgets;
- 3) acting on the proposal of the Nomination Committee, it expresses its policy on the maximum **number of director or statutory auditor positions** that can be held by its members in any other listed company, whether Italian or foreign, or in any financial, banking or insurance company or in a company of significant size that are compatible with the effective performance of their role as director, taking into account the positions held on the Board's internal committees as well;
- 4) **delegates** and revokes powers to/from the Chief Executive Officer and the Chairman, establishing the limits and methods for exercising these powers and determining, after examining the proposals of the Compensation Committee, and consulting with the Board of Statutory Auditors, the **compensation** connected with these duties. The Board may impart directives to the delegated bodies and itself undertake any operations falling within the delegated powers;
- 5) establishes the basic guidelines for the **organisational, administrative and accounting structure of the Company (including the internal control and risk management)**, its strategically important subsidiaries and the Group as a whole. It evaluates the adequacy of the organisational, administrative and accounting structure, of the Company, its strategically important subsidiaries and the Group as a whole, put in place by the Chief Executive Officer;
- 6) after examining the proposals of the Control and Risk Committee, it establishes the guidelines for the **internal control and risk management system** to ensure that the main risks to the Company and its subsidiaries are correctly identified, measured, managed and monitored, furthermore determining the degree of compatibility of such risks<sup>104</sup> with a management consistent with identified corporate objectives. It establishes the financial risk

[103] Claudio Descalzi was appointed Chief Executive Officer of the Company for the first time on May 9, 2014. From 2008 to May 2014 he was the Chief Operating Officer of the Exploration & Production Division of Eni SpA.

[104] The Board also established that the Chairman of the Board must be consulted during the process of approval by the Board of Directors of the guidelines for the internal control and risk management system, with regard to the part on Internal Audit activities.



limits for the Company. Having first received the opinion of the Control and Risk Committee it (i) examines the **main risks facing the Company**, identified by taking into account the nature of the business of the Company and its subsidiaries, as reported by the Chief Executive Officer at least once every three months and (ii) **every six months evaluates the adequacy of the internal control and risk management system** with regard to the nature of the business and its risk profile, as well as its effectiveness;

- 7) at least annually, it approves the **Audit Plan** prepared by the Head of the Internal Audit Department, having first received the opinion of the Control and Risk Committee and in consultation with the Board of Statutory Auditors and the Chief Executive Officer<sup>105</sup>. Having first received the opinion of the Control and Risk Committee and in consultation with the Board of Statutory Auditors, it evaluates the **findings contained in the suggestion letter**, if any, of the audit firm and in its report on the fundamental issues that arose during the statutory audit;
- 8) defines, based upon a proposal of the Chief Executive Officer, the **strategic guidelines and objectives**, including sustainability policies. It examines and approves the **budgets**, the strategic, industrial and financial **plans** of the Group, periodically monitoring their implementation, as well as agreements of a strategic nature for the Company. It examines and approves the plan for the Company's **non-profit activities** and approves operations not included in the plan whose cost exceeds €500,000, provided that reports on operations not included in the plan and not subject to Board approval are periodically submitted to the Board, in accordance with paragraph 10 below;
- 9) examines and approves the annual financial report, which includes Eni's draft Financial Statements and the Consolidated Financial Statements, and the semi-annual and quarterly financial reports of the Company and the Group in accordance with applicable regulations<sup>106</sup>. It examines and approves the Sustainability Report not already contained within the annual financial report;
- 10) receives **reports** from Directors with delegated powers at Board meetings, on at least a bi-monthly basis, on actions taken in exercising their delegated powers as well as on Group activities and on atypical or unusual transactions that have not been submitted to the Board for examination and approval, as well as on the execution of transactions with related parties and those in which the Directors and Statutory Auditors hold an interest in accordance with the relevant internal procedures. More specifically, it receives a semi-annual report explaining any changes in investment transactions previously approved by the Board, in accordance with points 14.b and 14.c below, on the basis of guidelines established by the Board itself. It also receives periodic reports on the implementation of the business and financial plans;
- 11) receives report from the Board's internal Committees on at least a semi-annual basis<sup>107</sup>;
- 12) assesses **general trends in the operations** of the Company and the Group on the basis of information received from Directors with delegated powers, paying particular attention to conflicts of interest and comparing results – as reported in the annual financial statements and interim financial reports – with budget forecasts;
- 13) examines and approves, having received the opinion of the Control and Risk Committee, **transactions by the Company and its subsidiaries with related parties** as provided for in the relative procedure approved by the Board, as well as transactions in which the Chief Executive Officer holds an interest pursuant to Art. 2391, first paragraph, of the Italian Civil Code, that fall under the responsibility of the Chief Executive Officer;
- 14) evaluates and approves any **transaction executed by the Company and its subsidiaries that has a significant impact on the Company's strategy, performance and financial position**. The Board ensures compliance with the principle of operational autonomy with

[105] The Board also established that the Chairman of the Board must be consulted in approving the Audit Plan.

[106] Legislative Decree no. 25/2016, transposing Directive no. 2013/50/EU, in force as of March 18, 2016, has eliminated the obligation of publishing quarterly financial results. In accordance with Art. 82-ter of the Consob Issuers' Regulation, as announced to the market in a press release on January 20, 2017 concerning the "2017 Financial Calendar", Eni plans to announce, on a voluntary basis, its consolidated quarterly results each year following approval by the Board of Directors due to be published on the dates indicated in the financial calendar. The results will be communicated in the same way as in 2016 following a Company policy of providing the market with regular information about its financial and operating performances considering the disclosure policy followed by peers that are reporting on a quarterly basis. The results will include, at the least, information on: operating profit (for the group and by sector); adjusted operating profit (for the group and by sector); net profit (for the group), adjusted net profit (for the group), net financial position; shareholders' equity; leverage.

[107] Since 2012, at each Board meeting the Chairmen of the Committees report to the Board on the most important issues addressed by the Committees in their most recent meetings.

specific regard to the listed companies of Eni Group and companies subject to unbundling regulations. It also ensures the confidentiality of transactions between said subsidiaries and Eni or third parties for the protection of the subsidiaries' interests.

Transactions with a significant impact include the following:

- a) acquisitions and disposals of equity investments, companies or business units, mineral and property rights, transfers of assets, mergers, demergers and liquidations of companies exceeding €100 million, without prejudice to Art. 23.2 of the By-laws;
  - b) investments in fixed assets exceeding €300 million, or less if of particular strategic importance or if exposed to particular risk;
  - c) any exploration initiatives and portfolio operations in the E&P sector in new Countries;
  - d) sale and purchase contracts relating to goods and services other than investments and gas supplies with a total price exceeding €1 billion – except for ordinary business operations – or of a duration exceeding twenty years; gas supply contracts, or modifications to such contracts, in the amount of at least 3 billion cubic metres per year and with a ten-year duration;
  - e) financing granted to entities other than subsidiaries: (i) for amounts exceeding €200 million, if the amount is proportionate to the interest held or, (ii) in any amount, if to unrelated companies or the amount is not proportionate to the interest held;
  - f) issuing by the Company of unsecured and secured guarantees to entities other than subsidiaries: (i) for amounts exceeding €200 million, if in the interest of the Company or of Eni subsidiaries or associated companies, as long as the guarantee is proportionate to the interest held, or (ii) in any case, if the guarantees are issued in the interest of associated companies and the amount is not proportionate to the interest held. The Board delegates joint power to the Chief Executive Officer and to the Chairman to issue guarantees referred to in point (i) if the amount is between €100 million and €200 million;
  - g) Eni SpA intermediation agreements;
- 15) appoints and removes – acting upon a proposal of the Chief Executive Officer and in agreement with the Chairman and in consultation with the Nomination Committee – the **Chief Operating Officers** and grants their associated powers. In the case of appointment of the Chief Executive Officer as General Manager, the proposal is made by the Chairman;
  - 16) appoints and removes – acting upon a proposal of the Chief Executive Officer and in agreement with the Chairman, in consultation with the Nomination Committee, and subject to the approval of the Board of Statutory Auditors – **the officer in charge of preparing financial reports (Financial Reporting Officer)**, and ensures that he has adequate powers and means to carry out his statutory duties and monitors compliance with the administrative and accounting procedures established by the abovementioned office;
  - 17) appoints and removes, acting upon a proposal of the Chairman, in agreement with the Chief Executive Officer and having received the favourable opinion of the Control and Risk Committee, and in consultation with the Board of Statutory Auditors and the Nomination Committee, the **Head of Internal Audit Department**, ensuring that he has adequate resources to carry out his duties and establishing his remuneration structure in accordance with the Company's compensation policies, as well as approving the internal audit guidelines<sup>108</sup>. The Head of Internal Audit Department reports hierarchically to the Board and, on its behalf, to the Chairman, without prejudice to its functional dependence on the Control and Risk Committee and on the Chief Executive Officer, in his capacity as the director in charge of the internal control and risk management system;
  - 18) appoints, acting upon a proposal of the Chief Executive Officer, in agreement with the Chairman and following consultation with the Nomination Committee, and having received the opinion of the Board of Statutory Auditors, the members of **Eni Watch Structure** (pursuant to Legislative Decree no. 231/2001) determining its composition;
  - 19) ensures the designation of a manager responsible for **shareholder relations**;
  - 20) examines and approves, acting upon the proposal of the Compensation Committee, the **Remuneration Report** and, in particular, the compensation policy for Directors and key

[108] The guidelines for Internal Audit activities (the Internal Audit Charter) are approved by the Board of Directors, on a proposal of the Chairman of the Board of Directors, in agreement with the Director in charge of the internal control and risk management system (the Chief Executive Officer) and having consulted the Control and Risk Committee.

management personnel to be presented to the Shareholders' Meeting called to approve the financial statements. After examining the proposals of the Compensation Committee, it also establishes the criteria for the **compensation for the senior executives** of the Company and of the Group and implements the share-based or financial instrument-based **compensation plans** approved by the Shareholders' Meeting;

- 21) decides – acting upon a proposal of the Chief Executive Officer – on the exercise of **voting rights** and, in consultation with the Nomination Committee, on the **appointment** of members of corporate bodies of the **strategically important subsidiaries**. In the case of listed companies, the Board must guarantee compliance with the provisions of the Corporate Governance Code that fall under the competence of the Shareholders' Meeting;
- 22) formulates proposals to present to the **Shareholders' Meeting**;
- 23) examines and decides on other issues that Directors with delegated powers believe should be presented to the Board due to their particular importance or sensitivity.

In accordance with Art. 23.2 of the By-laws, the Board also decides upon: mergers and proportional spin-offs of companies in which the Company's shareholding is at least 90%; the establishment and closing of secondary offices; and the amendment of the By-laws to comply with regulatory provisions.

For the purpose of the resolution referred to above and the application of the recommendations of the Corporate Governance Code that Eni has adopted, the term "strategically important subsidiaries" at the date of the resolution refers to Saipem SpA<sup>109</sup>, Eni International BV and Versalis SpA.

Strategically important subsidiaries

Pursuant to Art. 27 of the By-laws, the Chairman of the Board presides over the Shareholders' Meeting, convenes and chairs meetings of the Board of Directors and verifies that resolutions passed by the Board are implemented.

With regard to the recommendations in Art. 1 of the Corporate Governance Code, in addition to the general provisions referred to in the resolution on reserved powers, the Board:

- on January 17, 2017, evaluated the organisational, administrative and accounting structure of the Company, its strategically important subsidiaries and the Group as prepared by the Chief Executive Officer, finding it adequate;
- on February 28, 2017, approved the 2017-2020 Strategic Plan<sup>110</sup>;
- for the purpose of assessing developments in operations, on the occasion of its examination of the financial reports and, most recently, on February 28, 2017, on the occasion of the approval of the 4<sup>th</sup> Quarter 2016 results, compared the results achieved with the budget (first year of the 2016-2019 Strategic Plan);
- on February 28, 2017, having considered the Report of the Financial Reporting Officer (FRO), the Reports of the Control and Risk Committee, the Report on administrative and accounting structure, the Report on the organizational structure as regards the part on the Internal Control Risk Management System organizational structure, the Report on risks and the Report on the respect of the financial risk limits, and having consulted with the Committee, evaluated as positive: (i) the adequacy and effectiveness of the ICRMS in relation to the nature of the Company and its risk profile; and (ii) the adequacy of the powers and resources available to the FRO as well as compliance with the administrative and accounting procedures prepared by the same<sup>111</sup>.

Evaluations and decisions of the Board

During the year the Board also decided on transactions of significant strategic or financial importance for the Company, as identified in the resolution on reserved powers.

The primary internal regulations approved by the Board of Directors, particularly those on compliance and governance, are described in the "Internal Control and Risk Management System" section of this Report.

[109] Since January 22, 2016, Eni no longer exercises sole control over Saipem.

[110] For more information, please refer to the section "Internal Control and Risk Management System" of this Report.

[111] For more information, please refer to the section "Internal Control and Risk Management System" of this Report.

## Board Rules

**Meetings and running of meetings**

At the meeting held on May 9, 2014, the Board of Directors approved the rules on its operation and organisation, including the procedures for calling and running its meetings<sup>112</sup>.

## Notice of meeting and documentation

In particular, Board meetings are called by the Chairman who, having examined the proposal of the CEO, determines the agenda and usually sends it five days prior to the scheduled date of the meeting to the Directors, standing Statutory Auditors and the magistrate of the Court of Auditors appointed to monitor the financial management of Eni and his replacement.

Normally, at the same time the notice calling the meeting is sent and, in any case, no more than three days prior to the date of the meeting, any documentation relating to the items on the agenda is made available, with the assistance of the Board Secretary, to the Directors, standing Statutory Auditors and the magistrate of the Court of Auditors, with the exception of price-sensitive information which is not subject to prior notification, provided that the Board must receive adequate information on the items on the agenda on the day of the meeting.

When necessary and urgent, the notice calling the meeting may be sent at least 12 hours in advance of the scheduled meeting time.

During the year, the time requirements in the Rules for the notice calling the meeting and the documentation relating to items on the agenda, apart from rare exceptions, have been respected.

## Information to Directors: the role of the Chairman

The Chairman, with the assistance of the Secretary, ensures the adequacy, completeness and clarity of the information, including those not in connection with a Board meeting, submitted or forwarded to the Board and may request to this end, from the Chief Executive Officer, the appropriate changes or additions.

Where it was not possible to provide the necessary information sufficiently in advance, the Chairman made sure that adequate and precise explanations were provided during Board meetings.

Special attention is devoted to ensuring the confidentiality of the information, with the creation of a section of the Eni website with access reserved to the Directors and the Statutory Auditors where they can review the documentation concerning Board and committee activities.

The By-laws allow Board meetings to be held via videoconferencing and teleconferencing, and these procedures are specifically governed in the rules.

## Attendance of managers

Managers of the Company and of its subsidiaries normally attended Board meetings to provide information on matters on the agenda<sup>113</sup>. Specific information is also provided on individual sectors in which the Company and the Group operate.

## Internal regulations governing "Transactions involving interests of Directors and Statutory Auditors and transactions with related parties"

In accordance with the provisions of Art. 2391 of the Italian Civil Code and the internal regulations governing "Transactions involving interests of Directors and Statutory Auditors and transactions with related parties"<sup>114</sup>, before each item on the Board meeting's agenda is discussed, each Director is required to disclose whether he holds any personal interest or interest on behalf of third-parties in relation to the matters or issues to be discussed, clarifying their nature, terms, origin and extent.

## Number and duration of meetings in 2016

During 2016, the Board of Directors met 14 times, each meeting lasting an average of 3 hours and 24 minutes, and with an average participation rate of 98% of the Directors and 97% of the independent Directors.

The tables accompanying this Report show the participation rate for each Director at Board meetings and at the meetings of those committees of which he is a member.

In 2017, there have been three meetings held as of March 17, 2017, including one on that date. A further 10 meetings are scheduled to be held before the end of the year.

[112] The rules were amended most recently at the meeting of April 7, 2016.

[113] In accordance with the recommendations of Criterion 1.C.6 of the Corporate Governance Code.

[114] For more information, please refer to the relevant section of this Report.

Pursuant to the Stock Exchange Rules, a public announcement is made within 30 days of the close of the previous financial year of the annual calendar of events (the “financial calendar”), specifying, among other things, the dates of the Board of Directors meetings called to examine the draft annual financial statements and interim financial reports required by applicable regulations and any preliminary financial statements and any other additional periodic financial disclosures<sup>115</sup>, as well as the date of the Shareholders’ Meeting to approve the financial statements for the year. The announcement also includes the dates of Board meetings called to determine the interim dividend payable for the year and to submit a proposal to the Shareholders’ Meeting for the balance of the dividend, accompanied by the associated distribution and ex-dividend dates. The **financial calendar** is available on Eni’s website<sup>116</sup>.

#### The financial calendar

In 2016, in view of the frequency of Board meetings, the **independent Directors** had **numerous occasions to meet**, formally and informally, to exchange views and hold discussions. The issues dealt with in this section were examined very closely during the annual Board self-assessment, which are addressed in a specific section of this Report.

#### Meetings of Independent Directors

### Board Secretary and Corporate Governance Counsel

With the approval of the Rules for Board operations referred to in the previous section and in line with the recommendations of the Corporate Governance Code, the Board specified the requirements for and duties of the Secretary, who also serves as Corporate Governance Counsel, providing advice to the Board and the Directors.

Since May 2014, the Board Secretary has also served as Corporate Governance Counsel

Specifically, under the rules governing the Board’s operation, the Secretary must meet the necessary **requirements of professionalism, experience, independence of judgment**, and must not have any conflicts of interest.

The Secretary reports directly and functionally to the Board and, on its behalf, to the Chairman. The duties of the Secretary are set out in the relevant **Charter** annexed to the Rules.

#### The Charter and duties

More specifically, he **assists the Chairman** in the preparation for Board meetings and Shareholders’ Meetings, in the drafting of their resolutions, in ensuring the adequacy, completeness and clarity of the information flows directed to the Board, in communication with the Directors, in the organisation of the Board Induction and Board Review, coordinates the secretaries of the Board Committees and handles the minutes of the Board meetings. He also assists the Chief Executive Officer in his dealings with the Board.

He also lends **assistance and independent legal advice** (regarding management) to the Board and the Directors in matters of corporate governance and on their powers, rights, duties and obligations, to ensure the proper exercise of their powers, protect them from any liability and ensure that the interests of all shareholders and other stakeholders considered by the system of corporate governance of the Company are taken into account.

The Secretary may carry out other functions within the Company provided they do not impair his independence of judgment towards the Board or the regular performance of his duties. In particular, on behalf of the CEO, he may carry out or supervise the functions of the Corporate Affairs and Governance Department and assume its helm.

The Chairman ensures that the Secretary has adequate **authority, tools, organisational structure and staff** to exercise his functions, monitors the independence of the Secretary and determines his salary, in line with the Company’s policies for senior management.

#### Powers and resources

[115] Legislative Decree no. 25/2016, transposing Directive 2013/50/EU, in force as of March 18, 2016, has eliminated the obligation of publishing quarterly financial results. In accordance with Art. 82-ter of the Consob Issuers’ Regulation (Consob Resolution no. 11971 of May 14, 1999, as amended), as announced to the market in a press release on January 20, 2017 concerning the “2017 Financial Calendar”, Eni plans to announce, on a voluntary basis, its consolidated quarterly results each year following approval by the Board of Directors due to be published on the dates indicated in the Financial Calendar. For more details, refer to the note on this matter in the section above on Board “Powers and Responsibilities”.

[116] Available at: [https://www.eni.com/en\\_IT/investors/financial-calendar.page](https://www.eni.com/en_IT/investors/financial-calendar.page).

The Report on the functioning of the corporate governance system

The Board, following the proposal of the Chairman, establishes the **annual budget allocated to the Secretary**, separate from that relating to any other duties, over which the Secretary has autonomous spending power.

The Secretary **reports annually** to the Board on the use of the budget. He also reports periodically to the Board on the **functioning of Eni's corporate governance system**. This report allows the Board to regularly monitor the Company's corporate governance model by comparing it with the primary sector studies, choices made by peers and corporate governance innovations found in foreign codes and the standards issued by institutional bodies, noting any areas needing further improvement in the Eni system.

## Board Review and advice for shareholders on the composition of the Board

### *Board Review for 2016*

With regard to 2016, in accordance with international best practices and the provisions of the Corporate Governance Code, the Board of Directors launched, for the **eleventh straight year**, a self-assessment programme ("**Board Review**") for the Board of Directors and its Committees.

As usual, and in line with the governance solutions adopted by Eni, the Board Review was conducted with the support of an **external advisor** to ensure objectivity in the process. In line with the duties assigned to it by the Board and with the Corporate Governance Code recommendations, the **Nomination Committee** played a **supervisory role during the Board Review process**.

Engagement of external advisor

More specifically, the Committee proposed the advisor to be engaged to the Board, taking account of additional services the advisor provides to Eni or companies having a control relationship with Eni. To ensure continuity with the previous year, the Board decided to engage Egon Zehnder to help conduct the Board Review. Egon Zehnder also provides Eni and its subsidiaries with executive search and staff management appraisal, but, based on its high professional standing, the Nomination Committee and the Board decided this did not compromise the independence and objectivity required of an advisor.

The advisor also brought general "board consulting" experience.

The Board Review was begun in the autumn of 2016 and completed in February 2017. As established in the Corporate Governance Code, the Board Review examined the size, level of operation and composition of the Board and the Committees, taking into account the professional skills, experience, particularly management experience, the gender of the Directors and their seniority.

Self-assessment process

The self-assessment **process** is carried out in the following phases:

- individual interviews conducted by the advisor with each Director, on the basis of an interview guide prepared beforehand by the advisor<sup>117</sup>. The Directors were also asked to give their judgement of the compliance of each Director with the individual commitments made following the Peer Review conducted in spring of 2015;
- analysis by the advisory of the information that came out of and results of the interviews conducted following the previous Board Review;
- preparation of a final report on the results that had emerged, including in the light of international best practice, and presentation of the report to the Board along with an overview of the accomplishments in the Board's full three-year term;
- discussing within the Board and verification of compliance with the commitments made by the Directors during the Peer Review.

[117] The Board Secretary was also involved in the process.

In this exercise, all the members of the Board of Statutory Auditors, not just its Chairman, were asked for their opinions; the Board of Statutory Auditors conducted its own board review following the model used by the Board of Directors.

The results of the interviews conducted by the advisor and their **comparison with international best practices** were presented and discussed at the Board's meeting of February 28, 2017.

Based upon the comments received and the comparative analysis, the advisor confirmed the **favourable opinion of Eni's compliance** with the Corporate Governance Code and observed that over the years the Board has developed a sound governance system and has benefitted from diligent cooperation among the corporate structures.

The advisor also emphasized that the Board has shown strong interest in comparing itself with international best practices and building on them to promote **initiatives innovative** for Italy, such as:

- conducting a **workshop** attended by all the Directors to reinforce group integration and cohesion;
- a **"peer review"** that involved each Director assessing the contributions of other Directors, as well as analysing their own and the other Directors' conduct and the ideal practices described by the advisor on the basis of international best practices;
- having each Director make **commitments** to the Board, in order to improve the Board's overall operation and verification, in the following years, of these commitments further enhance team dynamics.

These initiatives contributed to improving the Board's operation, overcoming initial difficulties and building a general sense of trust and cooperation among the Directors.

The results of the Board Review showed that there is an **excellent balance of independent and non-independent Directors**, both in relation to the size of the Board and the operation of the committees, ensuring proper handling of any conflicts of interest. The **size of the Board is also considered appropriate** (nine Directors), and the Directors see no need to reduce it.

The following strengths were also mentioned:

- (i) the mix of expertise is generally adequate given the Board's current size and the individual profiles of each Director;
- (ii) the **considerable efficiency of the meetings** thanks to careful planning, the clarity and completeness of the information and presentations, and the comprehensive support provided by the Board Secretary;
- (iii) an internal dialectic that has improved significantly, particularly since the first the year of the term, even after changes were made to the composition of the Board;
- (iv) the **strong commitment, the motivation**, the high degree of participation of all the Directors at Board meetings and on committees;
- (v) an appropriate depth of **analysis of strategies, risk assessment** and extraordinary operations and investments;
- (vi) **effective leadership** on the part of the Chairman of the Board and the chairmen of the committees, as well as a well-balanced and constructive relationship between the Chairman of the Board and the Chief Executive Officer;
- (vii) effective, clear and timely Board documentation;
- (viii) an optimal **qualitative and quantitative profile** for the committees, even after the changes that have occurred, with a strong commitment on their part and effective contribution to the work of the Board;

Comparison with international best practices and presentation of results to the Board

Innovative initiatives

The results of the Board Review

(ix) **Board dynamics**, certainly positive, buoyed by their ability to cooperation and strengthened through the Peer Review process.

Furthermore, based on the opinions of the Board of Statutory Auditors, the advisor noted that there was large agreement with the Directors regarding:

- the composition as to the number and character of the Board and its committees;
- the level of the Board's efficiency and performance.

The Directors, if reappointed, are committed to continuing the process to achieve excellence as compared with international best practices.

### *Advice to shareholders on the composition of the Board*

In accordance with the recommendations of the Italian Corporate Governance Code, Eni's Board of Directors, received the opinion of the Nomination Committee and considered the results of the Board review, developed a position on the future size and composition of the Board to be presented to the shareholders prior to the Shareholders' Meeting called for 13 April 2017 to appoint Eni's corporate bodies. The advice was published on the Company website on March 1, 2017.

The Board of Statutory Auditors concurred with the assessment of the Board.

### *Size of the Board of Directors*

The Board of Directors considers the current number of directors, equal to nine, to be appropriate. It is the maximum established in Eni's By-laws.

### *Composition of the Board of Directors*

The composition needs to take account of Eni's current and future needs, as well as the necessity of maintaining a major presence for independent Directors, with a level of diversity, including in terms of gender and seniority, that takes account of the regulatory requirements applying to the upcoming term of office.

The mix of skills on the Board should be well-balanced and reinforced by an understanding of Eni's business and the experience gained in the current term of office, given the complexity of the business and the need to complete the transformation begun by the current Board.

If the number of Board members should be increased or the composition changed, it would be possible to further enhance the skill mix with:

- experience in leading management positions, preferably in the industrial sector, even if not specifically in the Oil & Gas industry;
- international management expertise gained in complex multinationals;
- skills in change management, M&A and development to accompany Eni's transformation strategy,
- bearing always in mind the significant time and commitment required of a new Board member to fully assimilate the complexity of Eni and its diversified businesses.

### *Key characteristics of each Director:*

- team oriented;
- well-balanced in seeking consensus;
- aptness for the position;
- capable of managing conflicts constructively;
- capable of working effectively with management;
- willingness, taking account of other professional commitments, to serve on Eni's Board Committees.

To ensure that Directors can devote the necessary time to preparing for and participating in Board and Committees meetings, the future Board could set additional criteria with reference to the maximum number of other positions that Eni Directors may hold, considering commitments with internal Board Committees or other companies.

Eni's Board of Directors expressed its advice after receiving the opinion of the Nomination Committee

Mix of skills

Characteristics of each Director



### *The Chairman*

in addition to the qualifications applying to each Director, the Chairman should also possess:

- authority and standing in independently representing all Shareholders;
- experience on chairing Boards of listed companies;
- previous experience as a non-executive Director with a company of comparable complexity to Eni;
- impeccable international credibility and standing.

The Chairman

### *The Chief Executive Officer*

in addition to the qualifications applying to each Director, in the light of the Eni transformation strategy for the Company's future, the CEO should also possess:

- experience as a Chief Executive Officer or other senior management position with listed companies of comparable complexity to Eni;
- a high level of credibility and authority in Eni's key international markets;
- specific know-how in Eni's key business sectors;
- a track record of success in managing a large operating company (and not just a parent/holding company);
- a track record of success in managing relations with complex stakeholders (local and international) in the key markets and geographical areas in which Eni operates.

The Chief Executive Officer

Account should be taken of the need for the Chairman and the Chief Executive Officer to maintain a constructive relationship with complementary skills in order to ensure the effective operation of the Board and, more generally, the governance of the Company.

### *Committees*

It would be advisable to retain the current duties and size of the existing Committees, while rotating a number of members, even if the Board should remain unchanged, in order to diversify the contribution of those members and enhance dialogue, with a special focus on the Control and Risk Committee in view of the commitment required to the Committee and its members.

Committees

### **Board Induction**

In accordance with the provisions of the Corporate Governance Code regarding the effective and informed performance of each Director, the Chairman of the Board of Eni, together with the CEO, prepared a training programme (the "Board Induction") for the members of the Board as well as the Board of Statutory Auditors, immediately after their appointment on May 8, 2014<sup>118</sup>.

Board Induction

This programme, which entered its third edition in 2014, was intended to provide new Directors with in-depth knowledge of the Company's activities and organisation, the industry and legislative and self-regulatory framework in which it operates, corporate dynamics and their development and the role to be performed in relation to Eni's specific characteristics.

The programme was held immediately after the new Board took office (on June 28 and 29, 2014) and consisted of presentations by Eni's top management explaining the activities and organisation of each business area, with more thorough coverage of those issues of greatest interest to the boards.

The Board also took part in the pilot phase of the UN Global Compact LEAD Board Programme<sup>119</sup>, focusing on educating Directors about sustainability issues, having actively contributed to the UN programme since the early stages. With the support of an international expert in sustainability, integrated reporting and management issues, the Board held: (i) a first session ("The materiality of Sustainability"), on October 29, 2014, in order to improve its understanding of the importance of sustainability for corporate strategy and the business; (ii) a second session ("The role of the Board"), on September 17, 2015, during which the participants examined issues concerning the integration of sustainability into the strategy and management of the Company, with a focus on climate change. The programme was conducted with the supervision of the Sustainability and Scenarios Committee.

Eni contributed and took part in the pilot phase of the UN Global Compact Lead Board Programme, focusing on sustainability issues

[118] The Board calendar also provides for the Board to meet once a year at an operating facility abroad.

[119] Eni is a member of the UN Global Compact LEAD Group.

Ongoing training

In addition, in 2014, 2015 and 2016, the Board held additional “ongoing training” sessions dedicated to a deeper analysis of:

- a) specific **risk and crisis management** issues, taking into consideration the international environment in which the Company operates, on November 19, 2014;
- b) **compliance, corporate governance and internal control and risk management topics** on April 29, 2015 and November 18, 2015;
- c) anti-bribery US law on April 7, 2016.

In addition, in 2016, one Board meeting was held abroad at an **operational site**.

All of the members of **the Board of Statutory Auditors were invited to attend and did** participate in these meetings.

Remuneration Report

For information on the 2017 Remuneration Policy and the compensation paid in 2016 to the Directors, the Statutory Auditors, the Chief Operating Officers of the Divisions and other key personnel, please refer to the Remuneration Report.

Board Committees<sup>120</sup>



\* On July 28, 2016, the Eni Board of Directors approved the rotation of Director Karina Litvack out of the Control and Risk Committee with another Director selected by the Board itself on September 15, 2016 in the person of Director Diva Moriani. Moriani left the Compensation Committee effective as of December 22, 2016.

The Board formed four internal Committees to provide advice and offer proposals

At its meeting of May 9, 2014, the Board formed **four internal Committees** (three of which are envisaged under the Corporate Governance Code) to provide advice and offer proposals: a) the Control and Risk Committee; b) the Compensation Committee; c) the Nomination Committee and d) the Sustainability and Scenarios Committee. In doing so, they formed all the committees recommended by the Corporate Governance Code, as well as the Sustainability and Scenarios Committee .

The composition, duties and operational procedures of these Committees are governed by their own rules, which are approved by the Board, in compliance with the criteria outlined in the Corporate Governance Code. The Committees’ rules are available on Eni’s website in the “Governance” section.

Composition of Committees

The Committees required by the Code (Control and Risk Committee, Compensation Committee and Nomination Committee) are composed of no fewer than three members and, in any case, fewer than the number representing a majority of the Board, as indicated by the Board upon adopting the Corporate Governance Code, so as to avoid altering the Board’s decision-making process.

More specifically, **the rules of:**

- the **Control and Risk Committee** indicate that it is made up of three to four non-executive Directors, all independent. The Committee may be made up of non-executive Directors, a majority of whom are independent. In the latter case, the Chairman of the Committee shall be chosen from among the independent Directors;

(120) Information provided pursuant to Art. 123-bis, second paragraph, letter d) of the Consolidated Law on Financial Intermediation.

- the **Compensation Committee** indicate that it is made up of three to four non-executive Directors, all independent. The Committee may be made up of non-executive Directors of whom a majority shall be independent. In the latter case, the Chairman of the Committee shall be chosen from among the independent Directors;
- the **Nomination Committee** indicate that it is made up of three to four Directors, a majority of whom are independent;
- the **Sustainability and Scenarios Committee** indicate that it is made up of four or five non-executive Directors, the majority of whom are independent.

The Committees are composed of non-executive Directors, a majority of whom are independent<sup>121</sup>, and in the case of the Control and Risk Committee and the Compensation Committee, all members are independent Directors<sup>122</sup>:

- the Control and Risk Committee: Alessandro Lorenzi (Chairman), Andrea Gemma, Diva Moriani<sup>123</sup>. Directors Lorenzi and Moriani possess experience in accounting and financial or risk management matters, as required by the Corporate Governance Code, assessed by the Board at the time of appointment<sup>124</sup>;
- Compensation Committee: Pietro A. Guindani (Chairman), Karina Litvack, Alessandro Lorenzi<sup>125</sup>. Director Guindani possesses knowledge and experience in financial or compensation policy matters, as required by the Corporate Governance Code, assessed by the Board at the time of appointment;
- the Nomination Committee: Andrea Gemma (Chairman), Diva Moriani, Fabrizio Pagani, Alessandro Profumo;
- the Sustainability and Scenarios Committee: Fabrizio Pagani (Chairman), Andrea Gemma, Pietro A. Guindani, Karina Litvack, Alessandro Profumo.

With regard to participation in Committee meetings:

- the Chairman of the Board of Statutory Auditors, or a Statutory Auditor designated by him, participates in **Control and Risk Committee** meetings. The Chairman of the Board of Directors and the CEO (except when it is addressing matters regarding them), the other standing Statutory Auditors and the magistrate of the Court of Auditors may also attend the meetings. Furthermore, the Committee may, through its Chairman, invite other persons, including other members of the Board of Directors or the Company structure, to attend the meetings in relation to individual items on the agenda;
- the Chairman of the Board of Statutory Auditors, or a standing Statutory Auditor designated by him, is invited to participate in **Compensation Committee** meetings. Other Statutory Auditors may also attend meetings in which the Committee is addressing issues about which the Board of Directors is required to obtain an opinion from the Board of Statutory Auditors. The Chairman of the Board of Directors and the CEO<sup>126</sup> may attend at the invitation of the Chairman of the Committee. The Chairman of the Committee may also invite Company managers or other persons, including other members of the Board of Directors, to attend the meeting to provide information and opinions based on their expertise on specific items on the agenda. No Director may take part in meetings of the Committee during which Board proposals regarding his compensation are being discussed. They also remain subject to the rules on transactions with related parties;
- the Chairman of the Board of Directors and the CEO, the Chairman of the Board of Statutory Auditors, or a Statutory Auditor designated by the former, for matters within the competence of the Board of Statutory Auditors, are invited to participate in **Nomination Committee**

Participation  
in Committee meetings

[121] The information provided on composition of Board Committees is current as of the date of approval of this Report, with further details provided on any changes that occurred during the financial year.

[122] The Control and Risk Committee and the Compensation Committee are chaired by Directors drawn from the minority lists.

[123] As communicated to the market, by press release on July 29, 2016, Eni's Board of Directors approved, on July 28, 2016, the replacement of Director Karina Litvack with another Director - identified by the Board itself in Director Diva Moriani on September 15, 2016 - in the Control and Risk Committee (CRC) in the light of the ongoing investigations related to alleged conspiracy against the Company, reported also by the press. The Board took this decision only to safeguard the Company from the risks of possible conflicts of interest until the closing of the investigation, remaining the presumption that Director Litvack has not been involved in the facts under investigations.

[124] When appointing Ms Litvack to the Committee, the Board assessed her experience in accounting and financial or risk management matters, as required by the Corporate Governance Code; Ms Litvack stepped down from the Committee on July 28, 2016.

[125] Ms Moriani resigned from the Compensation Committee on December 22, 2016.

[126] Directors with delegated powers may not take part in meetings of the Committee during which Board proposals regarding their compensation are being discussed. They also remain subject to the rules on transactions with related parties.

meetings as are other persons, including other Directors, who, at the invitation of the Committee itself, are called to provide information and opinions based on their expertise on specific items in the agenda;

- the Chairman of the Board of Directors, the CEO and the Chairman of Eni's Board of Statutory Auditors – or another standing Statutory Auditor designated by the former – as well as other persons, including other Directors, are invited to attend **Sustainability and Scenarios Committee** meetings with regard to the specific items in the agenda.

Minutes of the meetings

The Committee secretaries shall usually keep the **minutes** of their respective meetings. For specific and justified reasons, the chairman of a Committee may ask that the minutes be kept by a member of the Committee, the Board Secretary or one of their subordinates.

Access to any information and resources

In the exercise of their functions, the Committees have the **right to access any information and Company functions** necessary to perform their duties, are provided with **adequate financial resources** in accordance with the terms established by the Board of Directors, and can avail themselves of **external advisers**. With regard to this, at the start of the year the Board allocates to the Committees the resources they request, apart from changes that may be required during the year.

The role of the Board Secretary

The **Board Secretary coordinates** the meetings of the Committees and, in order to do this, is notified in advance of the agendas for their meetings, and receives the notice calling the meetings and the signed minutes.

Reports to the Board issued by the Committees

In addition, even before the recent recommendation of the Corporate Governance Code, (Criterion 4.C.1 letter d), amended in July 2015), at each Board meeting the chairmen of the Eni Committees **report to the Board** on the most important issues examined by the Committees in their most recent meetings. On at least a semi-annual basis, the Eni Board of Directors receives a report from the Committees on the activities they have performed.

A detailed description of each Committee and its activities in 2016 is provided below. More information can be found in the table attached to this Report.

**Control and Risk Committee**

The Board increased to two the number of members with adequate accounting and financial or risk management expertise

The composition, appointment and operational procedures, duties, powers, and resources of the Committee are governed by its Rules, the current version of which was approved by the Board of Directors on July 30, 2014 and subsequently amended on April 7, 2016, mainly to incorporate the new July 2015 recommendations of the Corporate Governance Code, to align with the operational practices of the Board and to better specify certain references in the Rules themselves.

For more detailed information on the Committee's duties, please refer to the section "Internal Control and Risk Management System" of this Report.

2016 meetings

In 2016, the Committee met 13 times, with 100% of its members attending<sup>127</sup>. The average duration of the meetings was 3 hours and 34 minutes. So far in 2017, the Committee has met 3 times (as of February 28, 2017), and is scheduled to meet another 11 times before the end of the year.

Activities carried out

The following provides a summary of the main issues tackled during the 2016, with the Board of Statutory Auditors in attendance:

- 1) In assisting the Board of Directors, in order to oversee the activities of the Internal Audit unit, monitoring its work for independence and ensuring that it is performed with the required level of objectivity, competence and professional diligence, in accordance with the Eni Code of Ethics and international standards for the professional practice of internal auditing, among other things, the Committee reviewed:

[127] The percentage refers to the participation in the meetings of the members of the Control and Risk Committee in office. On July 28, 2016, the Eni Board of Directors approved the rotation of Director Karina Litvack out of the Control and Risk Committee with another Director selected by the Board itself on September 15, 2016 in the person of Director Diva Moriani. The information on participation in Committee meetings for these Directors refers to the meetings held while they were Committee members.

- the Integrated Audit Plan and the Budget for Eni's Internal Audit unit for 2017, expressing its opinion thereon to the Board of Directors;
  - the results of scheduled and non-scheduled internal audits, the results of monitoring the status of corrective actions planned by the operational units to tackle issues that emerged during the audits, the results of audits carried out by Eni's Internal Audit unit in response to specific requests from the Control and Supervisory bodies, as well as the status of other activities conducted by the Internal Audit unit (such as reports of problems, independent monitoring);
  - the Internal Audit Reports of December 31, 2015 and June 30, 2016 on the primary results of internal audits performed and on the assessment of the suitability of the Internal Control and Risk Management System for achieving an acceptable overall risk profile, as well as the continued compliance with independence requirements for the Head of the Internal Audit unit. It also examined the results of the Internal Quality Review.
- 2) In performing its duties with respect to the internal control system as applied to the financial reporting model, during periodic meetings with the Chief Financial Officer (CFO)<sup>128</sup>, also in his capacity as the officer in charge of preparing financial reports (the "Financial Reporting Officer" or "FRO") and the Company's administrative structures, and the audit firm in attendance, the Committee reviewed:
- the reports of the CFO/FRO on: i) Eni's administrative and accounting structure at December 31, 2015 and at June 30, 2016, on the basis of which it expressed its favourable opinion to the Board on the appropriateness of the powers and resources assigned to the FRO; ii) on the internal control system as applied to financial reporting at December 31, 2015 and at June 30, 2016, on the basis of which it expressed its favourable opinion to the Board concerning actual compliance with administrative and accounting procedures;
  - the key aspects of the individual and consolidated financial statements at December 31, 2015 of Eni and its subsidiaries Eni Trading & Shipping (ETS) and Syndial and Eni's half-year consolidated financial report at June 30, 2016. Before the topic was submitted to the Board of Directors, it examined impairment test methodology and findings as well as the major issues related to the application of the accounting principles in preparation for the drafting of the 2016 Annual Report;
  - the main aspects of the Annual Report on Form 20-F 2015;
  - the reports of the audit firm on the 2015 financial statements, the content of the management letter and the statement of the audit firm on the status of the audit pursuant to SOA 404; the report on key issues that arose during the statutory audit and the planning of 2016 auditing activities;
- 3) In supporting the Board of Directors in conducting the assessments and making decisions concerning risk management, including with regard to potentially prejudicial situations, the Committee conducted an in-depth analysis of specific situations at the request of the Board. Among other things, in the context of its periodic meetings with the Legal Affairs Department, the Committee closely examined the main legal issues and received updates on developments in the major pending legal proceedings, particularly as concerns the possible accounting repercussions, for the purpose of performing its duties as they pertain to the process of preparing the annual and half-year financial reports. It also examined the periodic reports prepared by the Anti-Corruption Compliance Unit regarding the various support activities provided to Eni and subsidiary company structures regarding anti-corruption issues, particularly as regards training programmes. It was also notified of the issuance/updating of anti-corruption regulatory instruments;
- 4) The Committee received periodic reports of the status of the updates to the New Regulatory System and examined the proposed changes to the "Regulatory System" MSG and, in view of the subsequent submission to the Board, provided its favourable opinion on the changes to the "Regulatory System Guidelines";

[128] As from September 12, 2016, the Integrated Risk Management (IRM) unit reports directly to the CEO of Eni SpA; at the same time the Chief Financial and Risk Management Officer was renamed the Chief Financial Officer.

- 5) With regard to “Transactions involving the interests of Directors and Statutory Auditors and transactions with related parties” the Committee:
- issued a favourable opinion on the proposal to not make changes to the relevant regulations as no modifications were deemed necessary<sup>129</sup>;
  - examined a number of minor transactions on which it expressed a favourable opinion.
- 6) The Committee thoroughly examined specific internal control and risk management issues, including during special meetings with certain members of Eni’s top management. Specifically, the Committee:
- met on several occasions with the Integrated Risk Management unit, focusing in particular on the evolution of Eni’s main risks and on the progress made in the related treatment actions;
  - met with the Finance Department to examine the periodic reports on the management and control of financial risks;
  - met with the Integrated Compliance Department for a presentation of the activities and objectives for the 2016-2017 period;
  - met with “midstream” units to examine developments in trading activities;
  - met with the Health, Safety, Environment & Quality Department for explanation of the system for managing and controlling HSE risks, particularly as they relate to the results of the Eni HSE Review 2015;
  - met with the Security unit for further examination of the strategic guidelines for security;
  - met with the units headed by the Chief Services & Stakeholder Relations Officer to gather more information on the project for improving ICRMS operational equipment;
  - reviewed the periodic reports on disciplinary action taken against employees for illegal conduct;
- 7) As envisaged in Eni’s Model 231, the Committee met – together with the Board of Statutory Auditors – with the members of Eni SpA Watch Structure to review the Watch Structure’s semi-annual report on its activities, including in its role as Guarantor of the Code of Ethics, and to take a closer look at certain issues of common interest with regard to the activities performed.

## Committee duties

### Compensation Committee

Established by the Board of Directors for the first time in 1996, the Committee provides recommendations and advice to the Board on compensation issues and specifically it:

- submits to the Board of Directors for its approval the Remuneration Report and, in particular, the compensation policy for Directors and key management personnel to be presented to the Shareholders’ Meeting called to approve the financial statements, as provided for by applicable law;
- periodically evaluates the adequacy, overall consistency and actual implementation of the adopted policy, formulating proposals on the topic for the Board of Directors;
- presents proposals for the compensation of the Chairman of the Board and the Chief Executive Officer, covering the various forms of compensation and benefits awarded;
- presents proposals for the compensation of members of the Board’s internal committees;
- examines the CEO’s recommendations and presents proposals for the general criteria for the compensation for key management personnel; for annual and long-term incentive plans, including equity-based plans; for establishing performance targets and assessing results for performance plans in connection with the determination of the variable portion of the compensation for Directors with delegated powers and with the implementation of incentive plans;
- monitors the execution of Board resolutions;
- reports to the Board of Directors, during the first available meeting, through the Committee Chairman, on the most significant matters examined by the Committee during its meetings; it also reports to the Board, at least one every six months and no later than the deadline for approval of the annual and semi-annual financial reports at the Board meeting designated by the Chairman of the Board.

[129] On March 16, 2017, the Committee provided a favorable opinion on the adequacy of the design of the internal regulation, for the subsequent evaluation of the Board of Directors of March 17, adhering to the proposal of the relevant department to make some updates to the text.

In the course of performing its duties, the Committee also issues the opinions required under the procedure for related party transactions in the manner specified therein<sup>130</sup>.

The Committee performs its duties pursuant to an annual plan. In carrying out its duties, the Committee may access the information and Company functions necessary to perform its duties and can avail itself of external consultants who are not in positions that might compromise their independence of judgement, within the terms and budget limits established by the Board of Directors.

The Committee reports on the procedures it adopts in performing its functions to the Shareholders' Meeting called to approve the financial statements through its Chairman or another Committee member designated by the Chairman, in accordance with the recommendations in the Corporate Governance Code and with the goal of establishing an appropriate channel for dialogue with shareholders and investors.

In 2016, the Compensation Committee met 9 times, with an average participation rate of 94.4% and an average duration of 3 hours and 13 minutes. At least one member of the Board of Statutory Auditors participated in each meeting.

2016 meetings

The following were issues addressed in the first half of the year:

- the periodic review of the remuneration policy implemented in 2015 in order to prepare the proposed policy guidelines for 2016;
- the review of Eni's results for 2015 in order to implement the short-term and long-term incentive plans using a method for the analysis of deviations specified and approved by the Committee in order to neutralize the effects, either positive or negative, of exogenous factors and to make it possible to objectively assess performance;
- the establishment of Eni's performance targets for 2016 for the variable incentive plans including the introduction, among the targets for the annual incentive plan, of a parameter reflecting the leveraging of exploration resources, deemed a key asset for the future sustainability of the Company's results;
- the formulation of proposals for implementing the Deferred Monetary Incentive Plan for the CEO and General Manager and other management personnel;
- the examination of the 2016 Eni Remuneration Report;
- the examination of the results of the first cycle of the engagement process conducted with the main institutional investors in order to maximise shareholder consensus on the 2016 Remuneration Policy and the relative voting projections arrived at with the assistance of an international consulting firm.

Activities carried out

During the second part of the year, the Committee first examined the results of the 2016 shareholders' meetings, with regard to the Eni Remuneration Report, of the major Italian and European listed companies as well as Eni's peer group, verifying the Company's excellent position, including in relation to the consensus expressed by the minority shareholders.

With regard to other main activities, the Committee:

- finalised the proposal concerning the fulfilment ("2016 attribution") of the Long-Term Monetary Incentive Plan for the CEO and General Manager and critical management personnel;
- began an examination of the 2017 Remuneration Policy Guidelines, developing over the course of several meetings a proposal for revising the variable incentive system for the CEO and General Manager and managers holding positions of strategic responsibility, with the goal of better aligning management's actions with shareholder interests;
- approved the annual engagement plan prepared by the competent Company functions and was informed of the outcome of the first cycle of meetings conducted with the leading proxy advisors, in implementation of the 2017 engagement plan.

The Committee scheduled four meetings for the first quarter of 2017. As of the date of approval of this Report, these meetings have already been held, focusing on:

Foreseen activities in 2017

[130] For more information, please refer to the relevant section of this Report.

- a review, with the support of leading law firms and in the course of the periodic review of the current legislative and regulatory environment, of the legislation and the provisions of the national collective bargaining agreement applicable to the CEO and General Manager, particularly involving an examination of remuneration in the event of termination of the positions or of the employment relationship;
- the periodic evaluation of the compensation policies followed in 2016, in accordance with the provisions of the Corporate Governance Code (Criterion 6.C.5), also for the purposes of formulating proposed policies for 2017;
- the examination of developments in the legislative framework, the voting policies of the main proxy advisors and the results of benchmark studies on the remuneration reports published in Italy and abroad in 2016;
- the financial results and the determination of performance targets linked to the implementation of the short and long-term variable compensation plans;
- the finalisation of proposals on implementing the variable annual compensation plan and the annual variable Incentive Plan and the Long-Term Monetary Incentive Plan ("2017 attribution") for the CEO and General Manager and for other management personnel;
- review of the Remuneration Report in preparation for submission to the Board of Directors for approval.

During subsequent meetings, after the new Board is elected, the new Committee will be asked to formulate proposals on the remuneration of Directors with delegated powers and non-executive Directors that sit on Board Committees, to be submitted to the Board of Directors for approval following receipt of the opinion of the Board of Statutory Auditors, in accordance with the recommendations of the Corporate Governance Code (Criterion 6.C.5), the application provisions of the law and By-laws and remuneration policy submitted to the Shareholders' Meeting of April 13, 2017. In the second half of the year, the Committee will also examine, as required in the annual schedule of activities, the results of the 2017 Shareholders' Meetings and, without prejudice to the shareholders' decisions, activities relating to implementation of the new Long-Term Incentive Plan for the CEO and General Manager and for critical management personnel will be carried out.

### Nomination Committee

The Nomination Committee was first formed on July 28, 2011. The current members of the Committee were appointed by the Board of Directors on May 9, 2014. The membership of the Committee was supplemented by the Board on September 17, 2015 with the appointment of Alessandro Profumo in replacement of Luigi Zingales, who resigned from the Board of Directors on July 2, 2015.

The Committee Rules provide for that the Committee Secretary is appointed by the Committee, upon the Committee Chairman's proposal, from among a Human Resources Department Manager shortlist proposed by the Chief Executive Officer.

#### Committee duties

In accordance with the recommendations of the Corporate Governance Code, the Rules provide that the Nomination Committee:

- assists the Board of Directors in formulating any criteria for the appointment of executives and members of the boards and bodies of the Company and of its subsidiaries, proposed by the Chief Executive Officer and/or the Chairman of the Board of Directors, whose appointment fall under the Board's responsibilities, and of the members of the other boards and bodies of Eni Associated companies;
- provides evaluations to the Board of Directors on the appointment of executives and members of the boards and bodies of the Company and of its subsidiaries, proposed by the Chief Executive Officer and/or the Chairman of the Board of Directors, whose appointments fall under the Board's responsibilities and oversees the associated succession plans. Where possible and appropriate, the Committee proposes, with due regard to the shareholding structure, the succession plan for the Chief Executive Officer to the Board of Directors;
- acting upon a proposal of the Chief Executive Officer, examines and evaluates criteria governing the succession plan for the Company's key management personnel;
- proposes candidates to serve as Directors in the event one or more positions need to be



- filled during the course of the year (Art. 2386, first paragraph, of the Italian Civil Code), as recommended by the Corporate Governance Code in the case of the replacement of independent Directors, ensuring compliance with the requirements on the minimum number of independent Directors and the percentage reserved for the less-represented gender;
- proposes to the Board candidates for the position of Director to be submitted to the Shareholders' Meeting of the Company, taking account of any recommendations received from shareholders, in the event it is not possible to draw the required number of Directors from the slates presented by shareholders;
  - oversees the annual self-assessment programme on the performance of the Board of Directors and its Committees, pursuant to the Corporate Governance Code, doing the necessary preparations for engaging an external advisor; and, on the basis of the results of the self-assessment, provides its opinions to the Board of Directors regarding the size and composition of the Board or its Committees as well as the managerial and professional qualifications it feels should be represented on the same, so that the Board itself is able to explain its position to the shareholders prior to the appointment of the new Board;
  - proposes to the Board of Directors the slate of candidates for the position of Director to be submitted to the Shareholders' Meeting if the Board decides to opt for the process envisaged in Art. 17.3, first phrase, of the By-laws;
  - proposes to the Board of Directors guidelines regarding the maximum number of positions as director or statutory auditor that a Company Director may hold according to the Corporate Governance Code and performs the preliminary activities for the associated periodic checks and evaluations for submission to the Board;
  - periodically verifies that the Directors satisfy the independence and integrity requirements, and ascertains the absence of circumstances that would render them incompatible or ineligible;
  - provides its opinion to the Board of Directors on any activities carried out by the Directors in competition with the Company;
  - reports at the first subsequent Board of Directors meeting, through its Chairman, on the most significant matters examined by the Committee during its meetings. It also reports to the Board of Directors, at least once every six months and no later than the deadline for the approval of the annual and semi-annual financial report, on the activity carried out, as well as on the adequacy of the appointment system, at the Board meeting indicated by the Chairman of the Board of Directors.

In 2016, the Nomination Committee met 10 times, with a participation rate of 100%; the average duration of the meetings was 1 hour and 5 minutes.

2016 meetings

More specifically, in 2016, the Committee:

- conducted the enquiry into whether Directors satisfy the integrity requirements and the absence of circumstances that would render them ineligible or incompatible, in accordance with the Board's policy on the maximum number of positions that can be held by Directors and as to whether the Directors satisfy the independence requirements;
- expressed its assessment of the manner in which the Board Review was conducted for 2016 and conducted preparatory work for the selection of the external advisor, formulating a proposal for the engagement for the Board;
- examined proposed changes to Eni SpA's Model 231, specifically the composition of the Watch Structure, and provided its opinion on expanding it;
- examined the issue of the appointment of members of the Company bodies and boards of strategically important subsidiaries, providing the Board with its assessment with regard to the issue of the appointment of members of the Eni Watch Structure, board of directors and board of statutory auditors of Versalis and the members of the board of directors of Eni International BV;
- completed an examination of the instruments created to attract Eni's "critical" human resources, with a view to increasing understanding of the entire process and the tools that contribute to the structured management of Eni resources, in particular those supporting succession processes.
- expressed its opinion on the proposed changes to the Committee Rules, specifically adapting them to the new Corporate Governance Code recommendations and aligning the Rules with the Board's operating procedures.

Activities carried out

During the year the Committee discussed, among other matters, the reference principles for preparing advice for the shareholders on the size and composition of the future Board. In 2017, the Committee is scheduled to hold two meetings before the Board's term of office expires.

### Sustainability and Scenarios Committee

The Board of Directors of Eni formed the Sustainability and Scenarios Committee on May 9, 2014. The Rules of the Committee were approved by the Board of Directors on July 30, 2014 and most recently amended on April 7, 2016.

#### Committee duties

The Committee provides recommendations and advice to the Board of Directors on scenarios and sustainability issues, specifically it:

- examines scenarios for the preparation of the strategic plan giving its opinion to the Board of Directors;
- examines and evaluates the sustainability policy aimed at ensuring the creation of value over time for shareholders and all the other stakeholders in accordance with the principles of sustainable development, as well as sustainability strategies and objectives and the Sustainability Report submitted annually to the Board of Directors;
- examines how the sustainability policy is implemented in business initiatives on the basis of indications provided by the Board of Directors;
- monitors the Company's position in terms of sustainability with regard to financial markets, particularly with regard to the Company's inclusion in the leading sustainability indexes;
- monitors international sustainability projects as part of global governance processes and the Company's participation in such projects, designed to strengthen the Company's international reputation;
- examines and assesses sustainability initiatives, including in relation to individual projects, provided for in agreements with producer countries, submitted by the CEO for presentation to the Board;
- examines the Company's non-profit strategy and its implementation, including in relation to individual projects, through the non-profit plan submitted each year to the Board, as well as non-profit initiatives submitted to the Board;
- at the request of the Board, gives its opinion on other sustainability issues.

The Committee reports at the first subsequent Board of Directors meeting, through its Chairman, on the most significant matters examined by the Committee during its meetings. It also reports to the Board, at least one every six months and no later than the deadline for approval of the annual and semi-annual financial reports, on its activities at the Board meeting designated by the Chairman of the Board.

#### 2016 meetings

In 2016, the Committee met 10 times. The meetings lasted an average of 2 hours, with an average participation rate of 100% of its members.

#### Activities carried out

During these meetings, the Committee discussed the following issues: the LNG scenario; developments in the crude oil market and the main market drivers; the impact of Brexit; the price scenario for 2017-2020 and for the long term; the Total Strategy presentation in September 2016; alternative scenarios: IEA 450 and Greenpeace Energy Revolution-Goldman Sachs; tight oil: comparing Eni's assumptions and those of analysts and progressive updates; the latest information on the Financial Stability Board's task force on climate-related financial disclosures; Eni's ranking in sustainability indexes and ratings; partnership agreements in the renewable energy area; and the new sustainability indicators project.

## Chief Operating Officers

Pursuant to Art. 24.1 of the By-laws, the Board of Directors may appoint one or more Chief Operating Officers, defining their powers, upon the proposal of the CEO, in agreement with the Chairman, subject to fulfilment of the integrity requirements specified by law. The Board periodically assesses the integrity of the Chief Operating Officers. Failure to satisfy these

requirements will result in dismissal. The Chief Operating Officers are also required to comply with the rules established by the Board of Directors regarding the maximum number of offices they may hold, in accordance with the rules that apply to the CEO<sup>131</sup>.

With the resolution of May 28, 2014 (with effect from July 1, 2014), the Board of Directors established the new organisational model for Eni SpA to replace the division-based model in which Chief Operating Officers headed Eni's operational divisions. As a result, of this change no Chief Operating Officers have been appointed<sup>132</sup>.

## Board of Statutory Auditors<sup>133</sup>

### Duties

The Board of Statutory Auditors, pursuant to the Consolidated Law on Financial Intermediation, monitors:

- compliance with the law and the Company's By-laws;
- observance of the principles of sound administration;
- the appropriateness of the Company's organisational structure for matters within the scope of the Board's authority, the adequacy of the internal control system and the administrative and accounting system and the reliability of the latter in accurately representing operations;
- the procedures for implementing the corporate governance rules provided for in the Corporate Governance Code, with which the Company complies;
- the adequacy of the instructions imparted by the Company to its subsidiaries in order to guarantee full compliance with legal reporting requirements.

In addition, pursuant to Art. 19 of Legislative Decree no. 39/2010, in the formulation in effect at the close of 2016, the Board of Statutory Auditors, in its role as the "Internal Control and Financial Auditing Committee"<sup>134</sup>, is responsible for overseeing:

- the financial reporting process;
- the effectiveness of the internal control, Internal Audit (where applicable) and Risk Management Systems;
- the statutory auditing of the annual financial statements and consolidated financial statements;
- the independence of the external auditor or the audit firm, in particular with regard to the provision of non-audit services to the entity subject to statutory audit.

In 2017 the responsibilities of the Board of Statutory Auditors in its role as the "Internal Control and Financial Auditing Committee" were updated by Legislative Decree no. 135/2016, transposing Directive 2014/56/EU. It amends the provisions of Legislative Decree no. 39/2010 by requiring the Board of Statutory Auditors to:

- a) inform the Board of Directors of the outcome of the statutory audit and provide it with the supplemental report of the audit firm, prepared as required by law, along with its own comments;
- b) monitor the financial reporting process and submit recommendations or proposals to ensure its integrity;
- c) monitor the effectiveness of the undertaking's internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting of the audited entity, without breaching its independence;
- d) monitor the statutory audit of the annual and consolidated financial statements, taking into account any findings and conclusions by Consob, if any, on the quality of the audits performed by the audit firm;

Oversight laws

The Board of Statutory Auditors in its role as the "Internal Control and Financial Auditing Committee"

[131] With the exception of the prohibition on cross-directorships.

[132] The CEO also maintains the charge of General Manager.

[133] Disclosures provided pursuant to Art. 123-bis, second paragraph, letter d) of the Consolidated Law on Financial Intermediation.

[134] The responsibilities assigned under the decree to the "Internal Control and Financial Auditing Committee" are consistent and substantively in line with the duties already assigned to the Board of Statutory Auditors of Eni, with specific consideration of its role as the "Audit Committee" under the US Sarbanes - Oxley Act (discussed in further detail below).

- e) review and monitor the independence of the audit firm, in particular the appropriateness of the provision of non-audit services;
- f) be responsible for the procedure for the selection of the audit firm and recommend to the Shareholders' Meeting the audit firm to be appointed in the manner and within the time period provided by law.

These additions to the responsibilities, functions and role of the Board of Statutory Auditors are part of the broader and more comprehensive overhaul of the European and Italian regulatory framework for statutory audits and were the subject of considerable analysis by the Board of Statutory Auditors in 2016<sup>135</sup>.

In accordance with Art. 153 of the Consolidated Law on Financial Intermediation, the Board of Statutory Auditors presents the results of its supervisory activity to the Shareholders' Meeting in a report that accompanies the financial statements.

In the report, the Board of Statutory also discusses its monitoring of Eni's procedures for compliance with the principles set out by Consob concerning related parties<sup>136</sup>, as well as their comments based upon information received.

The Board of Statutory Auditors as Audit Committee

On March 22, 2005, the Board of Directors, electing the exemption granted by the Securities and Exchange Commission (SEC) to foreign issuers of securities listed on regulated US markets, designated the Board of Statutory Auditors as the body that, as from June 1, 2005, performs, to the extent permitted under Italian regulations, the functions attributed to the "Audit Committee" of foreign issuers by the Sarbanes-Oxley Act and SEC rules.

In accordance with these rules, the Board of Statutory Auditors of Eni SpA, in its capacity as the "Audit Committee", approved, most recently on November 19, 2014, the "Procedure for whistleblowing reports (including anonymous complaints) received by Eni SpA and subsidiaries in Italy and abroad"<sup>137</sup>, which envisages the creation of information channels that are able to ensure the receipt, analysis and handling of whistleblowing reports on problems relating to internal control, financial reporting, administrative liability of companies, fraud or other issues reported by employees, members of the company bodies or third parties, including those reported confidentially or anonymously. This procedure, the conformity of which to best practices was checked by independent external advisors, is one of the Eni anti-corruption regulations referred to in the Anti-Corruption Management System Guidelines, to which it is annexed, and meets the requirements of the Sarbanes Oxley Act of 2002, the Model 231 and the Anti-Corruption MGS itself.

Finally, the Board of Statutory Auditors is also assigned **specific duties** relating to **nominations and compensation**, among other things. These duties are described in the specific sections on those topics in this Report or in the Remuneration Report.

For more information on the role of the Board of Statutory Auditors and the coordination with the other bodies and functions, please refer to the section "Internal Control and Risk Management System" of this Report.

On June 15, 2005, the Board of Statutory Auditors approved internal **rules governing its performance of the duties** assigned to it under that US legislation<sup>138</sup>. The text of the rules is available on Eni's website<sup>139</sup>.

[135] Concerning this, in addition to revising the duties of the Board of Statutory Auditor in its capacity as "Internal Control and Financial Auditing Committee", the new regulatory provisions are also relevant with reference to: services deemed incompatible with statutory audit activity, the regulation of other allowed services, the independence of auditors and the procedural rules for engaging the auditor.

[136] The oversight function of the Board of Statutory Auditors is governed by Art. 2391-bis of the Italian Civil Code, Art. 4, paragraph 6 of the Consob regulation on related-party transactions, as well as the relevant internal regulations, to which a chapter of the "Internal Control and Risk Management System" section of this Report is dedicated.

[137] For more information, please see the section of this Report that specifically addresses this topic.

[138] The Rules were amended on March 30, 2007 to take account of the amendments introduced by Legislative Decree no. 303/2006 to Art. 159, paragraph 1, of the Consolidated Law on Financial Intermediation and by the Eni Corporate Governance Code, as well as to update references in response to the organisational changes introduced since June 15, 2005, when the previous Rules were approved. The Rules were amended further on April 7, 2010 to reduce the time limits for calling meetings and on May 28, 2014 to introduce the position of replacement Secretary. Eni is currently studying whether to update its Rules to incorporate changes in legislation on statutory audits.

[139] At the address: [http://www.eni.com/en\\_IT/governance/board-of-statutory-auditors/board-of-statutory-auditors.shtml](http://www.eni.com/en_IT/governance/board-of-statutory-auditors/board-of-statutory-auditors.shtml).

## Composition and appointment

Under the provisions of the Consolidated Law on Financial Intermediation, the Board of Statutory Auditors shall consist of at least three standing Statutory Auditors and at least two alternate Statutory Auditors. The Company's By-laws establish that the Board of Statutory Auditors shall consist of **five standing members and two alternate members**, appointed by the Shareholders' Meeting for a term of three years. They may be reappointed at the end of their term.

As with the Board of Directors and in accordance with applicable regulations, the By-laws establish that the Statutory Auditors shall be elected on the basis of **slates** in which the candidates are listed in numerical order. **Two standing Statutory Auditors and one alternate Statutory Auditor are appointed from among the candidates of the slates submitted by non-controlling shareholders.**

Pursuant to Art. 28.2 of the By-laws, in accordance with the provisions of the Consolidated Law on Financial Intermediation, the Shareholders' Meeting appoints the **Chairman of the Board of Statutory Auditors from among the candidates elected from the slates other than that which received a majority of votes.**

Under the provisions of the By-laws, the submission, filing and publication of slates are governed by the procedures established for the Board of Directors<sup>140</sup> and the provisions of Consob regulations.

**Slates shall be divided into two sections:** the first containing candidates for appointment as standing Statutory Auditors and the second containing candidates for appointment as **alternate Statutory Auditors**. At least the first candidate in each section must be entered in the register of auditors and have carried out statutory audit activities for no less than three years. The slates are accompanied by: (i) information identifying the shareholder or shareholders who have submitted the slate, indicating the overall percentage shareholding; (ii) statements from shareholders other than those who hold a controlling or plurality equity interest certifying that they are not related to the latter; (iii) a personal and professional curriculum vitae; (iv) statements from each candidate certifying that they meet the requirements established under applicable regulations; (v) statements from each candidate accepting the candidacy; (vi) a list of positions held in other companies.

The election is carried out **in accordance with the procedures** already described for the Board of Directors, including with regard to the criteria for selecting the candidate chosen in the event of a tie vote between the slates and the proportional allocation of seats (respectively, Art. 144-sexies, paragraphs 9 and 10 of the Consob Issuers' Regulation).

The slate voting procedure only applies for the election of the entire Board of Statutory Auditors.

In the event of the replacement of a Statutory Auditor elected from the slate that received a majority of votes, the alternate Statutory Auditor from the same slate shall be appointed. In the event of the replacement of a Statutory Auditor elected from another slate, the alternate Statutory Auditor from that slate shall be appointed.

As regards the composition and appointment of the Board of Statutory Auditors, as in the case of the Board of Directors, the Extraordinary Shareholders' Meeting of May 8, 2012 amended the By-laws of the Company so as to ensure **gender balance** in the management and control bodies of listed companies upon their initial appointment and in the case of replacement of members during the term. These provisions are applicable to the first three appointments of these bodies subsequent to August 12, 2012. With specific reference to the Board of Auditors, the By-laws establish that if replacement results in non-compliance with gender-balance rules, the Shareholders' Meeting must be called as soon as possible to approve the necessary resolutions to ensure compliance<sup>141</sup>.

The Board of Statutory Auditors is composed of 5 standing members and 2 alternates. Two standing members, including the Chairman, are designated by non-controlling shareholders

Statutory Auditors are appointed using a slate voting system

Slates of candidates

Nomination procedure

Gender balance

[140] See the section "Appointment" in the chapter on the "Board of Directors" in this Report.

[141] For more information, please see the "Gender balance in corporate Board composition and initiatives to ensure diversity" section of this Report.

## Statutory Auditors appointed

On **May 8, 2014** the Shareholders' Meeting, drawing from the two slates submitted as of that date, appointed the Board of Auditors for a term of three years until the date of the Shareholders' Meeting called to approve the financial statements for 2016: Matteo Caratozzolo (Chairman), Paola Camagni, Alberto Falini, Marco Lacchini and Marco Seracini, standing Statutory Auditors; Stefania Bettoni and Mauro Lonardo, alternate Statutory Auditors.

Paola Camagni, Alberto Falini, Marco Seracini and Stefania Bettoni were appointed on the basis of the slate submitted by the Ministry of the Economy and Finance<sup>142</sup>, which at the time held 4.335% of the share capital and voted by the majority of the shareholders participating in the Shareholders' Meeting (i.e., about 53.06% of voting capital), equal to 31.94% of share capital (around 59.8% of the share capital was present at the vote).

Matteo Caratozzolo, Marco Lacchini and Mauro Lonardo were elected on the basis of the slate submitted by a group of Italian and foreign institutional investors<sup>143</sup>, which at the time held about 0.703% of the share capital and voted by the minority of the shareholders participating in the Shareholders' Meeting (i.e. about 42.4%), equal to 25.52% of share capital (around 59.8% of the share capital was present at the vote).

Matteo Caratozzolo, the first candidate for Standing Auditor listed on the slate submitted by minority shareholders, was appointed as Chairman of the Board of Statutory Auditors. The slate was elected by 29.8% of the entire share capital of the Company, equal to about 99.05% of the voting capital. Around 29.96% of the share capital took part in the vote (composed of shareholders other than the Ministry of the Economy and Finance and Cassa Depositi e Prestiti SpA).

## The remuneration

The Shareholders' Meeting also established the annual **remuneration** payable to the Chairman of the Board of Statutory Auditors and to each standing Statutory Auditor, in the amount of €80,000 and €70,000, respectively, in addition to reimbursement of any necessary expenses incurred while performing their duties.

The following provides some details on the **personal and professional profiles** of the elected standing Statutory Auditors.

### Matteo Caratozzolo



Date of birth: 1939  
Position: Chairman  
In office since: May 2014

Slate elected on: minority (Italian and foreign institutional investors)

He is currently a Correspondent Academician of the Italian Academia of Economics and member of the Italian Association of Internal Auditors and of the Banking Ombudsman-Giuri Board. He is Chairman of the Board of Statutory Auditors of the following companies: Trans Tunisian Pipeline Company SpA – Eni Group, Eni Adfin SpA – Eni Group, Eni Fuel SpA – Eni Group, Finanziaria Fontanella Borghese Srl, Europrogetti & Finanza SpA in Liq. and Acqua Santa di Roma Srl. He is member of the board of statutory auditor of Bracco SpA. He is a certified chartered accountant and a certified public auditor.

### Experience

He was a Professor of Accountancy Analysis and Financial Statements at Scuola Centrale di Polizia (the Finance Guard Tax Police School). From 1983 to 1992 he was a member of the Technical Committee for the supervision of political parties' financial statements at the Chamber of Deputies. He was a statutory auditor of Buffetti Group SpA and the Airport of Florence SpA and Chairman of the Board of Statutory Auditors of CREDIOP and Meridiana SpA. From 1994 to 2001, he was Chairman of

[142] The slate submitted by the Ministry of the Economy and Finance was as follows: Marco Seracini, Alberto Falini and Paola Camagni, nominated as standing Statutory Auditors; Stefania Bettoni and Massimiliano Galli, nominated as alternate Statutory Auditors.

[143] The slate submitted by the institutional investors was as follows: Matteo Caratozzolo and Marco Lacchini, nominated as standing Statutory Auditors; Mauro Lonardo and Piera Vitali, nominated as alternate Statutory Auditors.

the National Commission for the drawing up of accounting standards. From 1998 to 2001, he was an external Professor of Economics at the Roma Tre University. From 2002 to 2004, he was Chairman of the OIC (Italian accounting body) a Technical-Scientific Committee, becoming an advisor of the OIC for the drawing up of the national accounting standards no. 4 and 5. He is currently a member of the Management Board of OIC. He was also Chairman of the Commission of the National Board of Certified Chartered Accountants in Rome and a member of the National Board of Certified Chartered Accountants. He was an IVASS Inspector in Fondiaria SAI SpA from September 2012 to March 2013, and an assessor of financial, industrial and service companies, among which RAI (the State TV Channel). He was also Chairman of the Commission for the National Boards of Certified Accountants and Bookkeepers which drawn up the Standards of Conduct for the Boards of Statutory Auditors of listed companies, Chairman of the Commission appointed by the Treasury Department of the Italian Ministry of Economy and Finance, responsible for the drawing up of the standards on accounting and auditing of non-profit public corporations, as provided by Decree of the President of the Republic no. 97/2003. He is the author of three books on companies' financial statements and various articles on legal and economic issues. He is also the author of a commentary on the legal regulation of financial statements (artt. 2423-2433 bis of the Italian Civil Code) inside the Roman Commentary to the New Corporate Law and of the chapter "International Accounting Principles" of Encyclopedia of law by Giuffrè. He graduated in Economics from the University of Messina and in Law from the University La Sapienza in Rome.

#### Paola Camagni



Date of birth: 1970

Position: Standing Auditor

In office since: May 2014

Slate elected on: majority (Ministry of the Economy and Finance)

She is a certified chartered accountant registered in Milan and is also a certified public auditor. She founded and is a Managing Partner of "Camagni e Associati", Tax Advisors in Milan, Chairman of the Board of Statutory Auditors in Eni East Africa SpA, a joint operation with Eni and Agenzia Giornalistica Italiana SpA of the Eni group, she is also an auditor for Syndial SpA of the Eni group, Eni Angola SpA of the Eni group, CNP Unicredit Vita SpA, Oracle Italia Srl and Sinergia Srl. She is an external professor at the Luigi Bocconi University in Milan for "Tax law - corporate taxation". At the beginning of 2016 she was appointed "expert on tax and economic policies" for the Prime Minister's technical team.

#### Experience

She was a Partner in the Tax Firm in conjunction with the Deloitte network where she worked from 2000 to 2013; fiscal advisor at the Tax Firm Deure in Milan from 1996 to 2000 and fiscal advisor at the Tax and Law Firm Ernst & Young from 1994 to 1996. She graduated in Economics from the Luigi Bocconi University in Milan and has a Masters in International Tax Law from the same University.

#### Alberto Falini



Date of birth: 1964

Position: Standing Auditor

In office since: May 2014

Slate elected on: majority (Ministry of the Economy and Finance)

He is currently Associate Professor of Economic and Management of Enterprises at the University of Brescia, responsible for the Economic and Management of Enterprises and Financial Management courses. Some of the main offices held are the following: he is Chairman of the Board of Statutory Auditors of Eni Angola SpA and Eni Timor Leste SpA – Eni group; a statutory auditor in Trans Tunisian Pipeline Company SpA – Eni group; Sole auditor of Primetals Technologies Italy Srl; Chairman of the Board of Statutory Auditors of Immobiliare Nuova SpA; Special Commissioner in some extraordinary

administration procedures (Gruppo Coopcostruttori Scarl, Gruppo Milanostampa SpA e Liri Industriale SpA in Liq.); Chairman of the Monitoring Committee of the Congregazione Ancelle della Divina Provvidenza in AS and Member of the Monitoring Committee of Iar Sital SpA in AS and Silia SpA in AS; Member of the Board of Directors of the Canossiana Foundation. He is a certified chartered accountant and a certified public auditor.

#### Experience

He was an external professor of Business Economics at the Cattaneo University of Castellanza from 1994 to 2002. He was also Special Commissioner of extraordinary administration procedures of Calzificio Carabelli SpA, Enterprise Società Generale di Costruzione SpA and Gruppo Arquati; he has been a liquidator of some banking companies; Chairman of the Board of the Statutory Auditors of Siemens Hearing Instruments Srl from 2009 to 2012; Member of the board of Statutory Auditors of Società Italiana per Azioni per il Traforo del Monte Bianco from 2013 to 2016; Member of the Board of Directors of the Brescia University from 2010 to 2012 and Paolo Corazzi Fibre Srl from 2012 to 2013. He graduated in Business Studies from the Luigi Bocconi University in Milan and was awarded a doctorate in Business Economics from the same university.



**Marco Lacchini**

Date of birth: 1965

Position: Standing Auditor

In office since: May 2014

Slate elected on: minority (Italian and foreign institutional investors)

He is Full Professor in Business Economics in the University of Cassino and is Vice-Rector at the same University. He teaches and taught at the University of Rome "La Sapienza", University "Roma Tre" and the European University of Rome. He is a member of the board of directors of the post-graduate school "Tullio Ascarelli". He is the Chairman of the Master's course in Economics and Business Management, a full member of the Italian Academy of Corporate Business and an Ordinary Member of the Italian Society for the History of Accountancy. He is a certified chartered accountant and certified auditor.

#### Experience

He is and was Chairman of the statutory auditors or effective auditor of many important companies including listed companies also operating in the banking and financial sector. He is specialised in the field of extraordinary financial transactions and related assessments of companies and business areas. He has wide experience in liquidation procedures both in the area of compulsory liquidations and also voluntary. He was an adviser to the Bank of Italy as a member of surveillance committees for compulsory administrative liquidations and the extraordinary administration of credit institutions in crisis. He was an advisor to the Ministry of Treasury, Budget and Economic Planning - Service for Programmed Negotiation. He is the author of numerous publications on matters of economics and finance.



**Marco Seracini**

Date of birth: 1957

Position: Standing Auditor

In office since: May 2014

Slate elected on: majority (Ministry of the Economy and Finance)

He is a member of the research group (in the area of Corporate Law) of the National Board of Certified Accountants and Auditors. He graduated summa cum laude in Economics from the University of Florence. He was external professor at the University of Florence for the Department



of Business Sciences. He is a certified chartered accountant and a certified public auditor. He is Technical Advisor of the Court of Florence and certified Judicial Administrator. He is currently Chairman of the Società Consortile a r.l. CO.FI.DI. Firenze, Chairman of the Statutory Auditors of Ing. Luigi Conti Vecchi SpA – Eni Group, and LNG Shipping SpA – Eni Group. Statutory auditor in Eni Adfin SpA – Eni Group, Eni Fuel SpA – Eni Group, ERGON Scarl – Ferfina Group, Immobiliare Novoli SpA and Sandonato Srl; Chairman of the Board of Statutory Auditors of Associazione Polimoda, Fondazione Giovanni Paolo II and of Progetto Agata Smeralda; sole auditor for Fondazione Stensen.

### Experience

He is and was Chairman of the Board of Statutory Auditors or Standing Auditor of many leading companies, including listed companies, as well as director and auditor of companies, Public Entities and Foundations. He carries out and carried out professional activities, is the author of many publications and holds conferences mainly on matters of regulated markets, companies, corporate governance, tax law, contracts, bankruptcy legislation and judicial administration, public companies, non-profit and voluntary work.

### Professional, integrity and independence requirements: causes for ineligibility, incompatibility and forfeiture

As stated in the Corporate Governance Code, the Statutory Auditors shall also act independently of the shareholders who have appointed them.

Pursuant to the Consolidated Law on Financial Intermediation, the Statutory Auditors must meet specific **independence requirements**, as well as **experience and integrity requirements**, as established in the regulations issued by the Minister of Justice in agreement with the Minister of the Economy and Finance<sup>144</sup>. In addition, the Corporate Governance Code recommends that the Statutory Auditors should be selected from among persons who would also qualify as independent under the criteria established by the Code<sup>145</sup>. Compliance with those criteria is verified by the Board of Statutory Auditors.

With reference to professional requirements, Art. 28 of the By-laws states that – as established in the above ministerial regulations – the requirements may also be met through professional or teaching experience (of at least three years) in the commercial law, business economics and corporate finance fields, or through the exercise of management functions (for at least three years) in the engineering and geology fields.

In addition, all of the Statutory Auditors currently in office are entered in the register of certified auditors.

Upon their appointment, the Statutory Auditors declared for the first time that they fulfilled the independence, integrity and professional requirements set forth in the applicable regulations. After its appointment, the Board of Statutory Auditors verified that the above requirements have been satisfied, including those regarding independence as indicated in the Corporate Governance Code for Directors. The Board of Directors made its own verifications at the meeting held on May 9, 2014.

Subsequently, on January 16, 2017, the Board of Statutory Auditors verified that the independence requirements above continued to be satisfied based upon the criteria set out in the Corporate Governance Code for Directors, as well as the integrity requirements and

Requirements

Periodical verification of requirements

[144] "Regulation containing the guidelines for establishing the professional and integrity requirements for members of the Board of Statutory Auditors of listed companies, issued in accordance with Art. 148 of Legislative Decree no. 58 of February 24, 1998" set forth in Decree no. 162 of March 30, 2000.

[145] The independence requirements for Directors contained in the Corporate Governance Code are described in the sections of the Report specifically on the Code recommendations, the governance choices made by Eni's Board of Directors and the requirements for Directors. As regards Eni's governance decisions in this area, in January 2016 the Board of Statutory Auditors feels that the limit of 30% established by the Board for additional remuneration that could compromise independence [see Criterion 3.C.1, letter d) of the Corporate Governance Code] does not include any remuneration received by the Statutory Auditors for positions held on the control bodies of subsidiaries of Eni, taking due account of the 1997 Consob recommendation on the "group statutory auditor". That choice is highlighted in the text of the Corporate Governance Code published on the Company's website.

professional qualifications demanded of all its members. At its meeting of February 28, 2017, the Board of Directors made its own verification.

#### Competency requirement

At its January 16, 2017, meeting the Board of Statutory Auditors, in its role as "Internal Control and Financial Auditing Committee, also evaluated its satisfaction of the professional requirements imposed by the new provisions of Art. 19 of Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016 providing that *"the members of the internal control and financial auditing committee, as a body, are competent in the sector in which the company being audited operates"*.

#### Limited number of other positions

Pursuant to applicable regulations, persons may not hold office in a control body of an issuer if they hold the same office in five other listed companies. As long as they hold office in the control body of just one issuer, persons may hold other management and control positions in Italian companies, within the limits specified in the Consob regulations.

The Statutory Auditors are required to report the offices they hold or have relinquished, in the manner and within the time limits established in the applicable regulations, to Consob, which shall then publish the information, making it available on its website.

#### Reporting to the Board of Statutory Auditors

### Meetings and operational procedures

The Statutory Auditors, simultaneously with the Directors, are provided with documentation of the issues on the agenda to be discussed at the Board of Directors meetings, and according to the By-laws the Board of Directors and CEO shall report, on at least a quarterly basis or, in any case, during the Board of Directors meetings on the activities performed and on transactions with the greatest impact on the performance and financial position carried out by the Company and its subsidiaries, in addition to providing a comprehensive bimonthly statement on transactions carried out with related parties and in particular on transactions in which Directors or Statutory Auditors have an interest, in compliance with the corporate procedure governing transactions with related parties<sup>146</sup>.

Under that procedure, the Statutory Auditors must inform the Board of Directors and the other Statutory Auditors of any personal or third-party interests they hold in relation to any given transaction of the Company.

Most recently, the Board of Auditors, at its meeting of May 28, 2014, approved its Rules in its capacity as the Audit Committee for the purposes of the Sarbanes & Oxley Act, which are published on the website of the Company.

The Board of Statutory Auditors may also meet via videoconferencing or teleconferencing systems.

#### 2016 meetings

**In 2016 the Board of Statutory Auditors met 18 times.** The average duration of the meetings was 3 hours and 37 minutes. In 2016, on average: (i) 99% of the Statutory Auditors attended the meetings of the Board of Statutory Auditors and (ii) 99% the meetings of the Board of Directors<sup>147</sup>.

In addition, in 2016 the Chairman of the Board of Auditors or an Auditor designated by him, or with regard to certain issues, the entire Board of Statutory Auditors attended all 13 of the Control and Risk Committee meetings and the meetings of the other committees of the Board of Directors.

During the current year, the Board of Statutory Auditors has met six times as of March 17, 2017. Another 12 meetings are scheduled before the end of the year.

#### Board Induction

As to the Board Induction, the Chairman of the Board of Directors extended an invitation to the Statutory Auditors to attend the training sessions for the Board, which the Board of Statutory Auditors accepted. For more information on the Board Induction, please refer to the section "Board Induction".

[146] For more details, please see the relevant section of this Report.

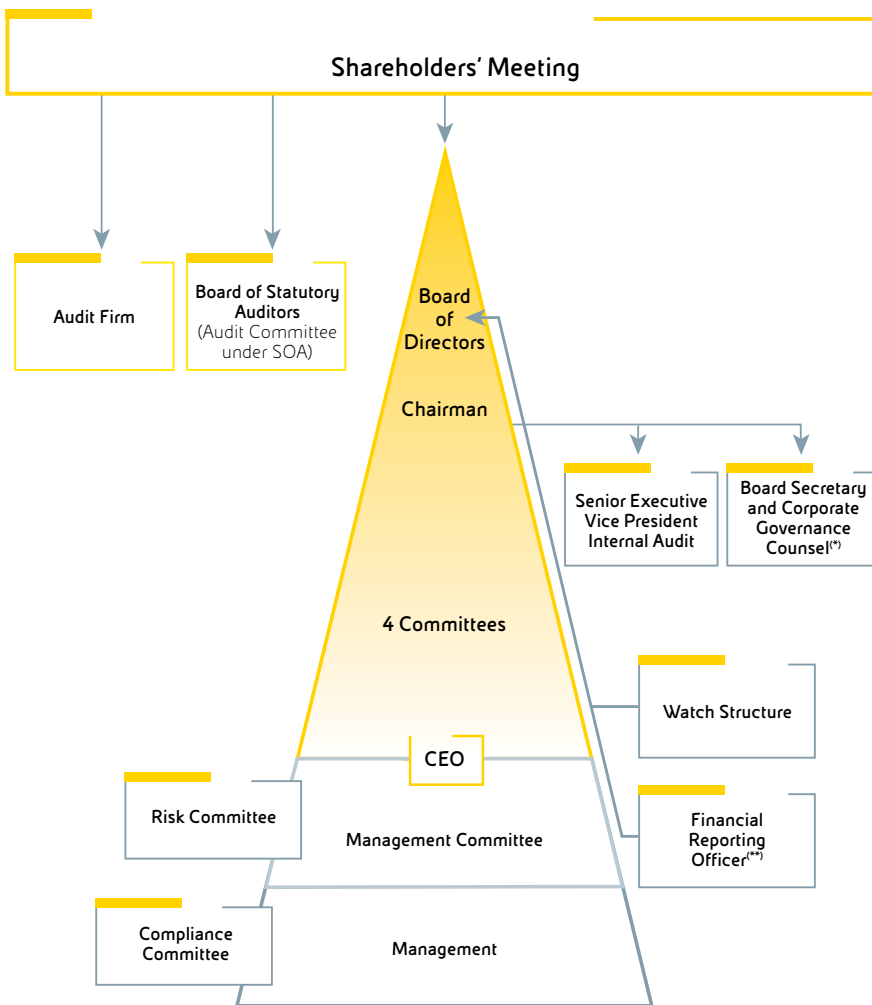
[147] In 2016 the Statutory Auditor Marco Seracini also conducted four individual controls in the course of examining the quarterly reports prepared in accordance with internal rules governing the process of receiving analysis and handling reports sent or transmitted to Eni, including confidentially or anonymously, concerning problems relating to internal control and risk management, financial reporting, the Company's administrative liability, fraud and other matters [whistleblowing].

In addition, in taking part in the Board Review process for the Board of Directors, the Board of Statutory Auditors took advantage of the opportunity to perform an assessment of its own composition and operation, and in doing so introduced a best practice that up until now had been limited to the Board of Directors. The outcome of the board review revealed a general satisfaction with Board functioning and overall involvement and a positive atmosphere within the Board. It has also showed an effective relationship with the Board of Directors and high collaboration with the internal structures of Eni.

Board Review

The tables attached to this Report demonstrate the participation of each Statutory Auditor for the meetings of the Board of Statutory Auditors and the Board of Directors.

Internal Control and Risk Management System<sup>148</sup>



[\*] Also Senior Executive Vice President Corporate Affairs and Governance.  
 [\*\*] Also Chief Financial Officer.

In order to promote and maintain an adequate ICRMS, Eni utilises organisational, informational and regulatory tools, aimed at making it possible to identify, measure, manage and monitor the main risks that Eni faces.

[148] This chapter was approved by the Board of Directors, having received the opinion of the Control and Risk Committee; the section "Main features of the Risk Management and Internal Control Systems applied to the financial reporting process (MSG for "Eni Internal Control System for financial Reporting")", and the section "Officer in charge of preparing financial reports (Financial Reporting Officer)", were also reviewed by the audit firm pursuant to Art. 123-bis, fourth paragraph, of the Consolidated Law on Financial Intermediation.

On March 14, 2013, the Board approved the Internal Control and Risk Management System Guidelines

This system is integrated into the organisational, administrative and accounting structure, and more generally into Eni's Corporate Governance framework, and is based upon the recommendations of the Corporate Governance Code, taking into consideration national and international reference models and best practices, aimed at strengthening their overall effectiveness and efficiency, taking account of the international nature of the Company.

### *ICRMS guidelines and rules of implementation*

The "Internal Control and Risk Management System Guidelines"<sup>149</sup>, approved by the Board of Directors, acting on a proposal from the Control and Risk Committee, implement the Corporate Governance Code and define the architecture of the ICRMS, including with respect to information flows and procedures for implementation, which are mandatory for Eni SpA and all of its subsidiaries.

The Guidelines set forth the primary roles and responsibilities relating to the ICRMS, setting out the modes of interaction and coordination<sup>150</sup> between the various actors involved, in order to maximise effectiveness and efficiency and reduce any duplication<sup>151</sup>.

These regulations, issued by the Chief Executive Officer on April 11, 2013, along with those on Integrated Risk Management<sup>152</sup> of 2012<sup>153</sup>, have:

- made it possible to represent, develop and launch a model integrating the various existing elements of Eni's ICRMS;
- provided all Eni management with a suitable framework for implementing this system;
- ensured that the Board receives every six months for the ICRMS and every three months for risks<sup>154</sup> a comprehensive representation of the various elements of the system on which to base its decisions<sup>155</sup>.

### *IRM reporting*

In 2016, the quarterly Integrated Risk Management reporting (IRM) by the CEO to the Board of Directors, subject to prior examination by the Risk Committee and the Control and Risk Committee, was structured in the following phases:

- **monitoring of primary corporate risks** – presented on March 17, 2016, together with a report on IRM activities for 2016 and the associated instruments, which had already been reviewed (e.g. financial metrics to assess risk impacts; on that same date the results of the "what if" analysis on the objectives of the 2016-2019 Strategic Plan were represented;
- findings of the **Annual Risk Assessment**<sup>156</sup> – presented on July 28, 2016 along with a summary of the monitoring indicators for Eni's top risks on the basis of a process that also involved 64 subsidiaries in 22 countries; on that same date the results of the analysis of the risks that could affect both Eni's internal and external reputation were presented;
- **monitoring of top risk** – presented on October 27, 2016; on that same date, it was provided with an update of other risk management activities under development, including Integrated Country Risk;
- **Interim Top Risk Assessment** – presented on December 15, 2016, with a specific focus on the following aspects:
  - updating and examination of the assessment and handling of the top risks that emerged in the 2016 Annual Risk Assessment and the main business risks,

The Board increased the frequency of reports on risks by requiring quarterly reports, including reputational risks. Specific analysis of risk factors are provided in the development of the Strategic Plan

[149] The ICRMS guidelines, approved on March 14, 2013, incorporate the previous risk guidelines that the Board approved on December 13, 2012 after having received the opinion of the Control and Risk Committee.

[150] The information contained throughout this section of the Report is provided for the purposes of the disclosure required by Criterion 7.C.1.d) of the Corporate Governance Code.

[151] Criterion 7.P.3 of the Corporate Governance Code.

[152] In order to support the decision-making process, the results of the periodic risk assessment and monitoring activities are presented by the Integrated Risk Management Department to the Risk Committee, a committee composed of Eni's top management and chaired by the CEO. Every three months the latter submits the findings to the Board of Directors for examination to assist it in evaluating every six months the suitability and effectiveness of the ICRMS, with regard to the characteristics of Eni and its risk profile compatible with the business objectives. For more information, please see the "Management System Guidelines for Integrated Risk Management" section of this Report.

[153] The Eni Integrated Risk Management regulations were updated in 2016. For more information, please refer to the "Management System Guidelines for Integrated Risk Management" section of this Report.

[154] With its resolution of May 9, 2014, the Board of Directors increased the frequency of reports to it on risks from every six months to every three months.

[155] For more information on the risks faced by Eni, please refer to the 2016 Annual Report published on the Eni website.

[156] The fifth edition of Eni's Annual Risk Assessment.

- analysis of the Company's long-term risk profile, starting with the assumption of a low-carbon scenario and with a detailed look at the technological and regulatory environment that could have an impact on Eni's activities.

For more information on the process, please see the section "Management System Guideline Integrated Risk Management".

### *Assessment by the Board of Directors*

At its meetings of March 17, 2016, July 28, 2016, and most recently of February 28, 2017, the Board of Directors, having considered the Reports of the Financial Reporting Officer and of the Control and Risk Committee, the Report on administrative and accounting structure and the Reports on risks<sup>157</sup>, and having consulted with the Committee, evaluated as positive: (i) the adequacy and effectiveness of the Internal Control and Risk Management System in relation to the nature of the Company and its risk profile; and (ii) the adequacy of the powers and resources available to the Financial Reporting Officer as well as compliance with the administrative and accounting procedures prepared by the same.

The following is a detailed description of the roles and duties of the actors in Eni's Internal Control and Risk Management System.

## Actors and duties

### **Board of Directors**

The Eni SpA Board of Directors, having examined the proposals and having received the opinion of the Control and Risk Committee, sets the guidelines for the ICRMS so as to ensure that the main risks to the Company and its subsidiaries are properly identified, measured, managed and monitored, as well as to determine the degree of compatibility of such risks with managing the business consistent with its strategic objectives. More specifically, the Board sets restrictions on the Company's financial risk.

For that purpose, the Board:

- has formed a **Control and Risk Committee** to provide it with support in making evaluations and decisions pertaining to the system, as well as in relation to approving periodic financial reports;
- has charged the **CEO**, who is the Director responsible for the Internal Control and Risk Management System, with the duty of implementing the guidelines and overseeing the system;
- on the proposal of the Chairman in agreement with the CEO, having first received the favourable opinion of the Control and Risk Committee and in consultation with the Board of Statutory Auditors: (i) appoints the **Head of the Internal Audit unit**, also received the opinion of the Nomination Committee (ii) ensures that he has the necessary resources to perform his duties; and (iii) establishes the remuneration framework in line with corporate policies.

### *Chairman of the Board of Directors*

Subject to the other powers granted by the law, the By-laws and the corporate governance system, within the context of the Board the **Chairman** plays an important role with regard to:

- the **proposals for appointing and removing the main officers and bodies of the Company**, in particular those involved in control activities (Watch Structure, FRO, the Head of Integrated Risk Management, the Head of Integrated Compliance, and the Head of Internal Audit). More specifically, she manages the reporting between the Board of Directors and the Head of the Internal Audit unit<sup>158</sup>, and submits to the Board<sup>159</sup>, in agreement with the CEO, the proposals on the appointment, removal and compensation structure for the Head of Internal Audit and the budget proposal to ensure that he has adequate resources to perform his duties;

The Board's role in the governance of the ICRMS

The Chairman is independent according to law and the Board attributed to her a major role in internal controls

[157] At its meetings of March 17, 2016 and February 28, 2017, the Board of Director also considered the Report on the organizational structure as regards the part on the ICRMS organizational structure and the Report on the respect of the financial risk limits.

[158] Without prejudice to the Head being functionally subject to the authority of the Control and Risk Committee and the CEO, as director in charge of the Internal Control and Risk Management System.

[159] The Control and Risk Committee issues its (favourable) opinion on proposals submitted to the Board. The Board makes a decision in consultation with the Board of Statutory Auditors. The Nomination Committee's opinion is also sought on the proposals concerning appointments and removals.

- the **main rules governing the activities of the Internal Audit unit** (i) proposing the guidelines to the Board of Directors, in agreement with the CEO and in consultation with the Control and Risk Committee and (ii) approving the Management System Guidelines for Internal Audit activities, in consultation with the CEO and the Control and Risk Committee;
- **flows of information** on the activities of the Internal Audit unit, receiving along with the CEO, the Control and Risk Committee and the Board of Statutory Auditors of Eni SpA, the results of the audit performed, as well as the periodic reports on the activities of Eni's Internal Audit unit, on the procedure it follows in managing risks and on how well it is following the plan for their containment, in addition to specific reports prepared with regard to significant events. The Chairman is also informed, along with the Chairman of the Control and Risk Committee of Eni SpA and the Chairman of the Board of Statutory Auditors of Eni SpA, whenever the CEO of Eni SpA asks the Eni's Internal Audit unit to audit specific areas of operations and to verify compliance with internal rules and procedures in operations;
- **requesting audits on specific areas of operations and to verify compliance with internal rules and procedures in operations**, having the option of asking the Head of the Internal Audit unit, while simultaneously notifying the CEO, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors;
- the **activities of the Eni Watch Structure**<sup>160</sup>: Model 231 requires the Watch Structure to submit a Report every six months to the Chairman, the CEO, the Control and Risk Committee and the Board of Statutory Auditors. Eni's Model 231 also requires the Watch Structure to report on the implementation of the Model and the results of the actions undertaken to the CEO, who will notify the Board. The Chairman also receives from the Watch Structure, along with the CEO, the Control and Risk Committee and the Board of Statutory Auditors, immediate notice if the particularly material or significant facts are uncovered;
- the **activities of the Guarantor of the Code of Ethics** of Eni SpA: the Code of Ethics provides that the Guarantor, the functions of which have been assigned to the Watch Structure, submit a report every six months on the implementation and possible need for updates to the Code to the Chairman, the CEO (who report to the Board), to the Control and Risk Committee and to the Board of Statutory Auditors;
- **participation of executives and heads of departments at Board Meetings**: the Chairman may ask the CEO of Eni SpA, also at the request of one or more Directors, that the executives of Eni SpA and of the Group companies, the heads of the relevant departments (based upon the issues being addressed), attend Board meetings to provide information on items on the agenda.

#### Board decisions and assessments

#### Activities of the Board

In order to perform its management and strategic oversight duties, the Board, having received the prior opinion of the Control and Risk Committee:

- examines the **main business risks**, identified by taking into account the nature of the activities of the Company and its subsidiaries, submitted by the CEO at least once every three months;
- evaluates at least once every six months the **adequacy and effectiveness of the Internal Control and Risk Management System**, with regard to the characteristics of the business and its risk profile compatible with the business objectives, unless unforeseen events occur requiring special in-depth attention;
- **monitors whether the Financial Reporting Officer has adequate powers and means** to carry out his duties and monitors compliance with the administrative and accounting procedures;
- approves, at least once a year (and most recently on January 17, 2017), the **Audit Plan** prepared by the Head of the Internal Audit unit, in consultation with the Chairman of the Board of Directors, the CEO and the Board of Statutory Auditors, including in its capacity as the "Audit Committee" under US law. It also approves, most recently on January 17, 2017, the Internal Audit budget, acting on a proposal of the Chairman of the Board of Directors, in agreement with the CEO and in consultation with the Board of Statutory Auditors<sup>161</sup>;
- evaluates, in consultation with the Board of Statutory Auditors, **the findings contained in the suggestion letter, if any, of the firm that performed the statutory audit and in its**

[160] Also as Guarantor of the Code of Ethics.

[161] In exceptional and urgent circumstances that require resources in excess of those provided for in the budget, the Head of the Internal Audit unit notifies the Chairman of the Board of Directors who proposes to the Board that it approves the extra budget, in agreement with the CEO, having received the favourable opinion of the Control and Risk Committee and in consultation with the Board of Statutory Auditors.

**report on the fundamental issues that arose during the statutory audit.** At its meeting of October 27, 2016, the Board, having received the opinions of the Control and Risk Committee and of the Board of Statutory Auditors, shared the findings contained in the suggestion letter of the firm for 2015.

## Board of Statutory Auditors

In addition to the supervisory and control functions provided for under Art. 149 of the Consolidated Law on Financial Intermediation<sup>162</sup>, the Board of Statutory Auditors monitors the financial reporting process and the effectiveness of the Internal Control and Risk Management System, in accordance with the Corporate Governance Code, acting also as "Internal control and financial auditing committee", pursuant to Legislative Decree no. 39/2010 and "Audit Committee" under US law.

Main activities of the Board of Statutory Auditors

More specifically, taking into account the applicable legislation for 2016, the Board:

- evaluates the offers submitted by external auditors for their engagement to perform the **Statutory Audit of the accounts** and provides a reasoned recommendation to the Shareholders' Meeting concerning the engagement or termination of the external auditor;
- **oversees** the work of the external auditor engaged to perform the Statutory Audit of the accounts or perform other consulting, review or certification services;
- makes recommendations to the Board of Directors on the resolution of **disagreements between management and the audit firm regarding financial reporting**;
- approves the procedures for the pre-approval of specifically identified **admissible non-audit services** and examines the disclosures on the execution of the authorised services;
- evaluates requests to use the external audit firm engaged to perform Statutory Audit services for admissible non-audit services and provides its opinion to the Board of Directors;
- examines the **periodic reports from the external auditor** relating to: (a) all critical accounting policies and practices to be used; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatments preferred by the external auditor; (c) other material written communication between the external auditor and management;
- examines **reports from the Chief Executive Officer and the Chief Financial Officer (CFO)** concerning (i) any significant deficiency in the design or operation of internal controls which are reasonably likely to adversely affect the Company's ability to record, process, summarise and report financial information and any material weakness in internal controls, and (ii) any fraud that involves management or other employees who have a significant role in the issuer's internal controls;
- approves the procedures<sup>163</sup> concerning: (a) the receipt, archiving and handling of whistleblowing reports received by the Company concerning accounting issues, the accounting Internal Control System and Statutory Audits; (b) the confidential or anonymous sending, by anyone, including Company employees, of **whistleblowing** reports on questionable accounting or auditing matters.

**The Board of Statutory Auditors receives the information required to perform its duties.** The procedures for coordinating the functions of the Board of Statutory Auditors with those of the Internal Audit unit and the Control and Risk Committee are described in the sections on these latter.

Information flows and coordination with other control bodies and functions

[162] Art. 149 of the Consolidated Law on Financial Intermediation provides that "The Board of Statutory Auditors shall monitor: a) compliance with the law and the articles of association; b) observance of the principles of sound administration; c) the adequacy of the company's organisational structure for matters within the scope of the Board's authority, the adequacy of the internal control system and the administrative and accounting system and the reliability of the latter in correctly representing the company's transactions; c-bis) the arrangements for implementing the Corporate Governance rules provided for in codes of conduct drawn up by companies listed on regulated stock exchanges or by trade associations that the company, by means of public disclosures, declares it complies with; d) the adequacy of the instructions imparted by the company to its subsidiaries pursuant to Art. 114, paragraph 2.2. The members of the Board of Statutory Auditors shall attend the Shareholders' Meetings and the meetings of the Board of Directors and the executive committee. Members of the Board of Statutory Auditors who fail to attend Shareholders' Meetings without good cause or, in any one financial year, fail to attend two meetings of the board of directors or the executive committee shall be disqualified from office. 3. The Board of Statutory Auditors shall notify Consob without delay of irregularities found in the performance of its oversight activity and shall transmit the related minutes of the meetings and investigations conducted with all other relevant documentation".

[163] For more information see the section on "Procedure for whistleblowing reports (including anonymous complaints) received by Eni SpA and subsidiaries in Italy and abroad" in this chapter.

In the performance of its functions the Board of Statutory Auditors may avail itself of **Company units**, in particular the Internal Audit unit and the Administration and Financial Reporting unit.

On June 15, 2005, the Board of Statutory Auditors approved internal **rules governing its performance of the duties** assigned to it under that US legislation<sup>164</sup>. The text of the rules is available on Eni's website<sup>165</sup>.

The responsibilities of the Board of Statutory Auditors in its role as the "Audit Committee" as described in the rules will be updated to take account of legislative changes regarding statutory audits, specifically the duties of the "Internal Control and Financial Auditing Committee" under Art. 19 of Legislative Decree no. 39/2010, which has been amended by Legislative Decree no. 135/2016, transposing Directive 2014/56/EU.

### Control and Risk Committee

The Control and Risk Committee, formed in Eni in 1994<sup>166</sup>, supports, on the basis of an adequate control process, the Board in evaluating and making decisions concerning the ICRMS and in approving the periodic financial reports.

The Committee is composed **solely of independent Directors**, with **expertise**<sup>167</sup> consistent with their duties and reports to the Board at least once every six months, on the occasion of the approval of the annual and semi-annual financial reports, on its activities and on the adequacy of the ICRMS.

The Committee prepares its periodic reports to the Board of Directors taking account of information provided by the FRO, the Head of the Internal Audit unit and Eni's Watch Structure in their respective reports, and, more generally, on information obtained in performing its duties.

#### Advisory role of the Committee

The Committee advises the Board of Directors. Specifically it:

- issues a prior opinion: a) on and drafts recommendations and updates concerning the **guidelines for the ICRMS** to be approved by the Board of Directors; b) on the **half-yearly evaluation of the overall adequacy and effectiveness of the ICRMS**, with regard to the characteristics of the business and its risk profile compatible with its business objectives; to this end, at least once every six months the Committee reports to the Board of Directors, on the occasion of the approval of the annual and semi-annual financial reports, on its activities and on the adequacy of the ICRMS; c) on the approval, at least once a year, of the **Audit Plan**; d) and on the evaluation of the findings reported in the suggestion letter, if any, of the **audit firm**<sup>168</sup> and in its report on the fundamental issues that arose during the Statutory Audit;
- issues its favourable opinion on the proposals formulated by the Chairman of the Board of Directors, in agreement with the CEO, concerning the appointment, the removal and the definition of the structure of the remuneration of the Head of the Internal Audit unit, as well as the adequacy of the resources provided to the latter to perform his duties;
- examines the main risks presented to the Board of Directors of Eni SpA and issues opinions on specific aspects concerning the identification of the main risks;
- examines and issues an opinion on the adoption and amendment of the rules on the transparency and the substantive and procedural fairness of transactions with related parties and those in which a Director or Statutory Auditor holds a personal interest or an interest

[164] The Rules were amended on March 30, 2007 to take account of the amendments introduced by Legislative Decree no. 303/2006 to Art. 159, paragraph 1, of the Consolidated Law on Financial Intermediation and by the Eni Corporate Governance Code, as well as to update references in response to the organisational changes introduced since June 15, 2005, when the previous Rules were approved. The Rules were amended further on April 7, 2010 to reduce the time limits for calling meetings and on May 28, 2014 to introduce the position of replacement Secretary. Eni is currently studying whether to update its Rules to incorporate changes in legislation on statutory audits.

[165] At the address: <http://www.eni.com/en/IT/governance/board-of-statutory-auditors/board-of-statutory-auditors.shtml>.

[166] The Internal Control Committee, first established within the Board of Directors on February 9, 1994, changed its name to "Control and Risk Committee" by resolution of the Board of Directors on July 31, 2012, in accordance with the recommendations of the 2011 Corporate Governance Code.

[167] The Rules of the Control and Risk Committee of Eni require that at least two – not just one as under the Corporate Governance Code – of the members of the Committee have adequate experience in accounting and financial matters or risk management.

[168] Eni has designated the Board of Statutory Auditors as the Audit Committee under US law (the Sarbanes-Oxley Act) with the duty to evaluate the proposals presented by the audit firm for its appointment and to oversee the effectiveness of the auditing process.



on behalf of a third party, while performing the additional duties assigned it by the Board of Directors, including examining and issuing an evaluation on specific types of transactions, except for those relating to compensation<sup>169</sup>;

- issues an opinion on the key guidelines of the Regulatory System and regulatory instruments to be approved by the Board of Directors, on their amendment or updating and, at the request of the CEO, on specific aspects concerning the instruments implementing the foundations.

In addition, the Committee, in assisting the Board of Directors:

- monitors the independence, adequacy, efficiency and effectiveness of the Internal Audit unit and oversees its activities, with respect to the duties in this area of the Board of Directors, and the Chairman of the Board on its behalf, ensuring that they are performed with the necessary independence and required level of objectivity, competence and professional diligence, in accordance with the Code of Ethics of Eni SpA and the international standards of the internal auditing profession.

In particular, the Committee assesses whether the Head of Internal Audit satisfies the integrity, professionalism, expertise and experience requirements at the time of appointment and annually thereafter to verify that they continue to be met.

In addition, the Committee: a) examines the results of the audit activities performed by the Internal Audit unit; b) examines the periodic reports prepared by the Internal Audit unit containing adequate information on the activities carried out, on the manner in which risk management activities are conducted and on compliance with risk containment plans, as well as reports on significant events, and the assessment of the appropriateness of the ICRMS. The Committee may ask the Internal Audit unit to audit specific areas of operations, simultaneously notifying the Chairman of the Board of Statutory Auditors of the assignment;

- examines, together with the Financial Reporting Officer, and having consulted the firm that conducts the Statutory Audit and the Board of Statutory Auditors, the proper application of the accounting standards (IFRS) and their consistent use in preparing the consolidated financial statements, prior to being approved by the Board;
- examines and assesses: (i) the Report prepared by the CFO/FRO on the basis of which it provides an opinion to the Board of Directors on the adequacy of the powers and resources assigned to the FRO and the state of compliance with administrative and accounting procedures, reporting on them to the Board in order for the Board to perform its supervisory functions as provided for by applicable law; (ii) communications and information received from the Board of Statutory Auditors and its members regarding the ICRMS; (iii) the periodic reports issued by Eni's Watch Structure, including in its capacity as Guarantor of the Code of Ethics; (iv) information on the ICRMS, including that provided in the course of periodic meetings with the competent Company structures, enquiries and reviews carried out by non-Eni Group parties.

In addition, the Committee, at the request of the Board, provides assistance, performing appropriate enquiries, to the Board of Directors in making assessments and decisions concerning risk management as it regards potentially prejudicial situations of which the Board of Directors is aware.

Finally, the Committee **oversees the activities of the Legal Affairs Department in case of judicial inquiries, carried out in Italy and/or abroad, in relation to which the CEO and/or the Chairman of Eni SpA and/or a member of the Board of Directors** and/or an Executive reporting directly to the CEO, even if no longer in office, have received a notice of investigation for crimes against the Public Administration and/or corporate crimes and/or environmental crimes, related to their mandate and their scope of responsibility.

In any event, the Committee shall establish an **information exchange procedure with the Board of Statutory Auditors** for the purposes of promptly sharing information necessary for them to complete their respective tasks and to coordinate their respective activities in areas for which they are jointly competent so as to ensure the orderly performance of company business. Please refer to the relevant section on this Report for more detailed information on the Committee's activities in 2016.

The Committee and the Internal Audit unit

Reports from other control bodies

Assistance to the Board in making assessment and decisions concerning risk management as it regards potentially prejudicial situations

The Committee and the Legal Affairs Department

Information flows with the Board of Statutory Auditors

[169] For further information, please see the section "Management System Guidelines for Transactions involving the interests of Directors and Statutory Auditors and transactions with related parties" of this Report.

The CEO is charged by the Board of Directors with establishing and maintaining an effective ICRMS

### The Chief Executive Officer, acting as the Director in charge of the Internal Control and Risk Management System

The Chief Executive Officer of Eni SpA is charged by the Board of Directors with establishing and maintaining an effective ICRMS. For this purpose, the CEO:

- **identifies the main risks faced by the Company**, taking account of the characteristics of the activities of Eni SpA and its subsidiaries, and reports on them to the Board of Directors at least once every three months;
- **implements the policy guidelines for the ICRMS defined by the Board** and is responsible for their planning, execution and management;
- **constantly monitors the overall adequacy and effectiveness of the ICRMS**, ensuring that it is updated in response to changes in the operational and regulatory framework.

As regards the internal control system for financial reporting, these duties are performed without prejudice to the role assigned by law to the Financial Reporting Officer<sup>170</sup>.

The CEO and the Internal Audit unit

The CEO may ask the **Internal Audit unit to perform an audit** on specific areas of operations and on compliance with internal rules and procedures in executing business transactions. In this case, the CEO provides simultaneous notice to the Chairmen of the Board of Directors, of the Control and Risk Committee and of the Board of Statutory Auditors.

The CEO shall **promptly notify** the Control and Risk Committee (or the Board of Directors) of problems or critical issues that arise in performing his duties or that he has discovered so that the Committee (or the Board) can take appropriate action.

### Internal Audit

The Internal Audit unit plays a leading role in verifying and assessing the ICRMS. It is primarily responsible for:

- **verifying the overall operation and suitability of Eni's ICRMS**, both on-going and in relation to special needs, providing its assessments and recommendations;
- providing **specialised support** to company top management concerning the ICRMS;

to improve its effectiveness, efficiency and integration within corporate processes.

Internal Audit Charter

In keeping with best international internal auditing practices, in accordance with the guidelines for the Internal Control and Risk Management System approved by the Board, on December 11, 2014, the Board approved the **Internal Audit Charter**<sup>171</sup>, which sets out the objectives, power and duties of the Internal Audit unit.

Head of Internal Audit reporting and nomination process

Following the appointment of the current Board of Directors and Board of Statutory Auditors, as from May 9, 2014 the Board of Directors, in accordance with the most recent relevant best practices, decided that the **Head of the Internal Audit unit would report directly to the Board, and to the Chairman on its behalf, without prejudice to his functional reporting to the Control and Risk Committee and the CEO**<sup>172</sup>.

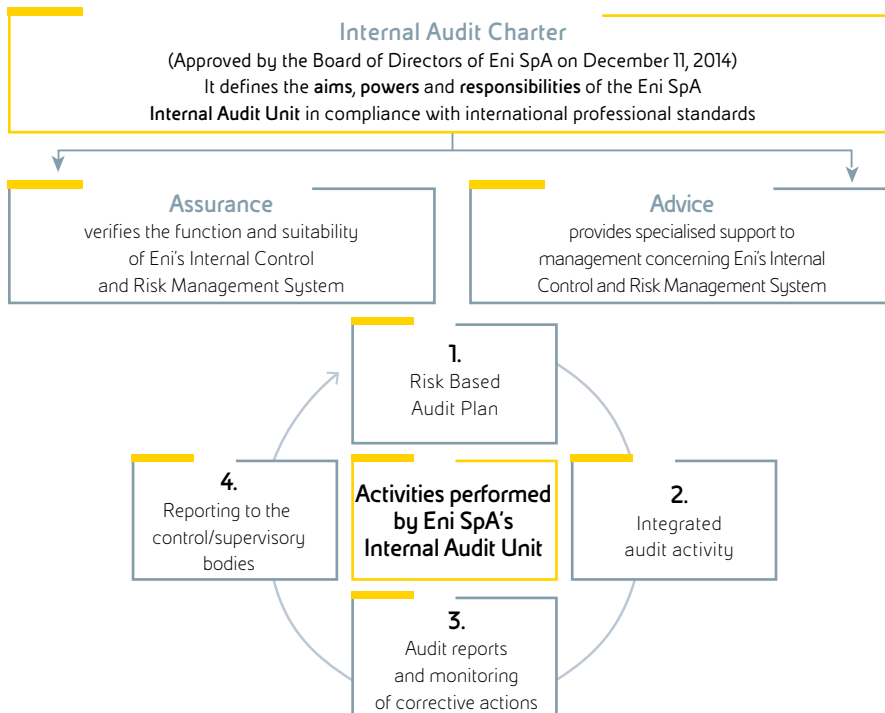
The governance rules pertaining to the appointment and removal of the Head of the Internal Audit unit are designed to ensure his maximum independence.

In fact, in going beyond what the Code recommendation requires, the Head of the Internal Audit unit is **appointed** by the Board of Directors upon proposal of the Chairman of the Board, in agreement with the Chief Executive Officer, subject to the favourable opinion of the Control and Risk Committee, as well as after hearing the Board of Statutory Auditors.

[170] For more information, please see the section "Officer in charge of preparing financial reports [Financial Reporting Officer]" of this Report.

[171] The Internal Audit Charter contains the internal audit guidelines approved by the Board of Directors (for the first time in 2008), the contents of which have been integrated into the Internal Audit Management System Guideline. For more information, please refer to the section on Eni's Regulatory System.

[172] The CEO takes part in the appointment of the Head of the Internal Audit unit and in the other activities described in this section, in his capacity as Director in charge of establishing and maintaining the Internal Control and Risk Management System.



#### Highlights (2016 data)

- 125 resources, 68% certified (CIA, CISA, CCSA, CFE, CRMA)
- 72 Audit Reports issued
- around 750 corrective actions monitored
- Sarbanes-Oxley Act independent monitoring activity executed on about 400 process controls
- 73 Whistleblowing reports concerning the ICRMS closed

The proposal is also subject to the favourable opinion of the Nomination Committee. The Head of the Internal Audit unit is removed in the same way he is appointed.

The Head of the Internal Audit unit also reports to the Board of Statutory Auditors of Eni in its capacity as the "Audit Committee" under US laws.

In preparation for the appointment, the Control and Risk Committee evaluates the **candidate** to determine whether he satisfies the integrity, professionalism, expertise and experience requirements required to perform his duties, as well as determination of the absence of any circumstances rendering him incompatible for the position, including conflicts of interest, with respect to previous business or positions held with the Company and/or its subsidiaries. The Control and Risk Committee is tasked with annually evaluating whether these requirements are met.

The **Control and Risk Committee** oversees the activities of the **Internal Audit unit, monitoring its autonomy, adequacy, effectiveness and efficiency**, with respect to the related duties of the Board of Directors, and on its behalf the Chairman of the Board.

The Head of the Internal Audit unit, as well as all the other members of the unit, **are not responsible for any operational area and have direct access to any information** which may be pertinent to the performance of his duties.

The Board of Directors, having received the prior favourable opinion of the Control and Risk Committee and in consultation with the Board of Statutory Auditors of Eni SpA, acting upon the proposal of the Chairman of the Board of Directors in agreement with the CEO, also approves **the fixed and variable remuneration** for the Head of the Internal Audit unit, in keeping with Company remuneration policies.

The role of the Control and Risk Committee

Remuneration and budget

The Board of Directors of Eni SpA, having received the prior favourable opinion of the Control and Risk Committee and in consultation with the Statutory Auditors, acting upon the proposal of the Chairman of the Board of Directors in agreement with the CEO, approves the **budget** of the Internal Audit unit, ensuring that its head has adequate **resources** to perform his duties.

Following the election of the Board of Directors, on May 28, 2014, the Board of Directors confirmed Marco Petracchini as the Head of the Internal Audit unit, upon a proposal of the Chairman of the Board of Directors, in agreement with the CEO, having first received the favourable opinion of the Control and Risk Committee, and in consultation with the Board of Statutory Auditors and the Nomination Committee.

The scope, activities and duties of the Internal Audit unit, as governed by the Internal Audit Charter, are described below.

### *Scope and activity*

The Internal Audit unit of Eni SpA performs its assigned duties:

- for **Eni SpA and its non-listed subsidiaries** (“covered companies”);
- for associated companies, joint ventures or joint operations, including jointly with the other partners, on the basis of **specific agreements**;
- for non-Group companies considered to be high risk, pursuant to the relevant **agreements**.

#### Covered companies

Covered companies that, under applicable law, are required to have their own Internal Audit units, will, when possible and to exploit any operating synergies, entrust such internal audit activity to the Eni SpA Internal Audit unit, under specific agreements.

With regard to the covered companies, all their departments, units, processes and/or sub-processes, IT systems (including accounting systems) are subject to Internal Audit, without exception, with regard to the risks and resulting objectives of:

- efficient and effective processes;
- reliable financial reporting;
- compliance with the law, regulations, the By-laws and applicable rules, particularly with regard to Model 231 and anti-corruption regulatory instruments;
- protection of capital (as a combined effect of the preceding types of internal audit activities).

The Internal Audit unit provides **listed subsidiaries**<sup>173</sup> (“non-covered companies”) that have their own Internal Audit units with **tools and methodologies** to be used by their Internal Audit units (adapted as appropriate, where agreed).

#### Other activities

Furthermore, the Internal Audit unit:

- performs **supervisory activities on behalf of the Eni Watch Structure**;
- conducts **independent monitoring as provided for by the Internal Control System with regard to financial reporting** and/or similar duties based upon the internal control models applicable and that are approved by the Board of Directors;
- on the basis of the principles and criteria established, organises and monitors the **systematic gathering of the data, information and evaluations** need to formulate and update the Audit Plan proposal;
- ensures the necessary **flows of information on audits performed** and the related periodic reporting to the Chairman of the Board, the CEO, the supervisory and control bodies of Eni and, where applicable, the subsidiaries;
- oversees the **investigation of concerns reported received by Eni** under the relevant internal regulation in support of evaluations by the competent control bodies, including the Board of Statutory Auditors of Eni SpA also in its capacity as the “Audit Committee” under US law and ensures the **transmission of whistleblowing reports** on violations of the Code of Ethics to the competent Watch Structures (of Eni and the subsidiaries, including in their capacity as Guarantors of the Code of Ethics) for their knowledge and handling, as provided for by the applicable internal regulations<sup>174</sup>;

[173] Since January 22, 2016, Saipem SpA is no longer controlled solely by Eni.

[174] For more information, please refer to the section “Procedure for whistleblowing reports (including anonymous complaints) received by Eni SpA and subsidiaries in Italy and abroad” of this Report.

- handles the necessary **flows of information on the investigations on whistleblowing reports performed and the related periodic reporting** to the Chairman of the Board of Directors, the CEO, the Board of Statutory Auditors, the Watch Structure of Eni and of the subsidiaries (excluding listed companies that perform their own investigations), as well as the other persons indicated in the regulations on whistleblowing reports, in line with the relevant internal regulations;
- carries out the **preparations required for the engagement of the firm that performs the statutory audit** pursuant to applicable law, as well as verifies that the firm continues to satisfy the independence requirements throughout its appointment, reporting on such to the Board of Statutory Auditors of Eni SpA.

### Duties

**Internal Audit activities** are scheduled for Eni SpA and the covered subsidiaries based on an annual Audit Plan prepared by the Head of the Internal Audit unit following a structured process, taking a “top-down” and “risk-based” approach to assessing the main risks faced by the covered companies.

The **Audit Plan** is approved at least annually<sup>175</sup> by the Board of Directors, subject to the prior opinion of the Control and Risk Committee, in consultation with the Chairman of the Board of Directors, the CEO and the Board of Statutory Auditors of Eni SpA (including in its capacity as the “Audit Committee” under US law).

The **Eni SpA supervisory plan, approved by Eni’s Watch Structure**, pursuant to Eni’s Model 231, forms an integral part of the Audit Plan.

The Head of the Internal Audit unit may also order **spot audits** not provided for under the Plan based on:

- a) requests submitted by:
  - the Board of Directors;
  - the Control and Risk Committee, which simultaneously notifies the Chairman of the Board of Statutory Auditors;
  - the Chairman of the Board of Directors, who simultaneously notifies the CEO, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors;
  - the CEO, who simultaneously notifies the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors;
  - executives reporting directly to the CEO, with respect to their areas of responsibility, who also evaluate any requests from their respective structures;
  - the CEOs of the strategically important subsidiaries, as identified by the Board of Directors;
  - the Board of Statutory Auditors of Eni SpA;
  - the Eni Watch Structure;
- b) **his own assessment.**

The **findings** of each internal audit performed, whether scheduled or spot audits, are reported in **Internal Audit Reports**, which are sent simultaneously to the Chairman of the Board of Directors, to the CEO (also for subsequent transmission to the structures audited), to the Control and Risk Committee and to the Board of Statutory Auditors of Eni SpA.

The Internal Audit Reports are also sent to the Eni Watch Structure, to the extent such falls within the scope of its duties, and to the control and supervisory bodies of the subsidiaries, with regard to internal audits involving them.

The Internal Audit Reports contain **brief evaluations of the ICRMS for the areas and processes audited**, the description of the **findings** made and the **limitations encountered**, as well as

Audit Plan

Spot audits

Audit Reports  
and other reporting

[175] The Board of Directors most recently approved the Audit Plan on January 17, 2017.

**recommendations.** In response, the heads of the activities and areas audited are required to draw up **corrective action plans, the implementation of which is monitored by the Internal Audit unit.**

The Head of the Internal Audit unit reports (i) **every six months** providing adequate information on his activities, on the risk management process and on compliance with the plans developed to mitigate risk, as well as on the suitability of the ICRMS and (ii) **as needed on significant events.** The reports are submitted simultaneously by the Head of the Internal Audit unit to the Chairman of the Board of Directors, to the CEO, to the Control and Risk Committee and to the Board of Statutory Auditors of Eni SpA and, for those issues handled by Eni SpA, to its Watch Structure.

#### Semi-annual and annual report on ICRMS

On July 21, 2016, the Head of the Internal Audit unit issued his Half-Year Report (covering the period from January 1 to June 30, 2016, updated as of the date the report was issued), in which he reported that no situations or significant problems were found that called into question the adequacy of the Eni Internal Control and Risk Management System as a whole.

On February 27, 2017, the Head of the Internal Audit unit issued his Annual Report (covering the period from January 1 to December 31, 2016, updated as of the date the report was issued) in which he reported that, as required by the "Internal Control and Risk Management System" MSG and on the basis of the findings with regard to each component of Eni's ICRMS, no situations or significant problems were found that called into question the adequacy of the Eni Internal Control and Risk Management System as a whole.

In accordance with the **quality assurance and continuous improvement programme** developed and launched within the unit, the Head of the Internal Audit unit also reports to the Chairman of the Board of Directors, the CEO, the Control and Risk Committee and the Board of Statutory Auditors on the final results, any plan for corrective actions and the periodic updates on their implementation status relating to internal and external assessments performed. The Head of the Internal Audit unit also communicates the results of such assessments to the Watch Structure of Eni SpA.

#### Quality Review

In 2016, the Internal Audit Unit conducted an Internal Quality Review to: i) verify compliance with international internal auditing standards and the provisions of the Internal Audit Charter; ii) identify and support any opportunities to improve the effectiveness, efficiency and quality of the Unit's activities and the creation of added value. The comprehensive assessment performed of all the Unit's activities confirmed the opinion expressed following the most recent External Quality Review, conducted in 2014, of "general compliance" with all the international internal auditing standards and the provisions of the Internal Audit Charter.

#### The appointment process and requirements

#### **Officer in charge of preparing financial reports (Financial Reporting Officer)**

Pursuant to Art. 24 of the By-laws, in compliance with the provisions of Art. 154-bis of the Consolidated Law on Financial Intermediation, the officer in charge of preparing financial reports ("Financial Reporting Officer" or "FRO") is **appointed by the Board of Directors, acting upon a proposal by the Chief Executive Officer, in agreement with the Chairman and subject to a favourable opinion of the Board of Statutory Auditors. The proposal is also examined by the Nomination Committee.**

**In accordance with the By-laws,** the FRO must be selected from among candidates who have performed the following activities for at least three years:

- administration, control or senior management activities in companies listed on regulated stock exchanges in Italy or other European Union countries or other OECD countries with a share capital of no less than €2 million or;
- statutory audit activities in companies indicated in the preceding point or;
- professional activities or university lecturing activities in the financial or accounting sectors or;
- senior management positions in public or private entities with financial, accounting or control expertise.

On May 28, 2014, the Board of Directors, upon the proposal of the CEO, in agreement with the Chairman, having received the favourable opinion of the Board of Statutory Auditors and in

consultation with the Nomination Committee, confirmed the appointment of the Chief Financial and Risk Management Officer (CFRO) of Eni SpA, Massimo Mondazzi<sup>176</sup>, as the FRO.

### *Duties, powers and resources of the Financial Reporting Officer*

In accordance with the law, the FRO is **responsible for the internal control system as it relates to financial reporting**.

For this purpose, he establishes the necessary administrative and accounting **procedures** for drafting the periodic accounting documentation and any other financial notification; moreover he **certifies – together with the CEO –** their adequacy and actual implementation during the period to which the aforementioned accounting documents refer through an appropriate report on the annual, semi-annual and consolidated financial statements.

**Pursuant to the aforementioned Art. 154-bis of the Consolidated Law on Financial Intermediation, the Board of Directors monitors the adequacy of the powers and resources available to the FRO, as well as the observance of these procedures.**

On February 28, 2017, having considered the Report of the FRO, the Reports of the Control and Risk Committee, the Report on administrative and accounting structure, the Report on the organizational structure as regards the part on the Internal Control Risk Management System organizational structure, the Report on risks and the Report on the respect of the financial risk limits, and having consulted with the Committee, evaluated as positive: (i) the adequacy and effectiveness of the Internal Control and Risk Management System in relation to the nature of the Company and its risk profile; and (ii) the adequacy of the powers and resources available to the Officer in charge of preparing financial reports as well as compliance with the administrative and accounting procedures prepared by the same.

### **Watch Structure**

Consistent with the provision of Model 231, on May 28, 2014, the Board, having received the favourable opinion of the Board of Statutory Auditors and in consultation with the Nomination Committee, appointed as **members of the Eni SpA Watch Structure: the Chief of Legal & Regulatory Affairs, the Head of Labour Law and Disputes, the Head of the Internal Audit unit and three external members, one of whom serves as Chairman.**

Most recently, on October 27, 2016, the Board of Directors of Eni SpA approved a number of changes to Model 231 and the Code of Ethics.

With regard to the composition of the Watch Structure, as a result of a number of organisational changes, the Chief Legal and Regulatory Affairs was replaced by the Head of Legal Affairs and Head of Integrated Compliance, as internal members; they join the Head of the Internal Audit Unit and the Head of Labour Law and Disputes.

Given the composition of the Watch Structure, which is composed of 4 internal and 3 external members, the new Model 231 now expressly provides that the Watch Structure's operating rules must indicate **quorums for holding meetings and for voting** such that, in order for Watch Structure decisions to be valid, it must always be supported by a majority of the external members. As a result, the Watch Structure rules were updated on November 16, 2016. This change is meant to make explicit in the Model as well the predominance of the independent members, enhancing their contribution and balancing their influence on decision making despite the larger number of internal members in the Watch Structure.

The external members are selected from among academics and professionals with proven skill and experience in economic and company organisation matters and in the administrative liability of corporations.

Responsibility for the internal control system as it relates to financial reporting

Board oversight

Members

Quorums for holding meetings and for voting

Requirements

[176] In 2016 the name of the Chief Financial and Risk Management Officer position was changed to Chief Financial Officer; the Integrated Risk Management Unit now reports directly to the CEO and no longer to the CFRO/CFD. Massimo Mondazzi was first appointed CFO and FRO on December 5, 2012.

Model 231, also sets out **conditions for eligibility/integrity and forfeiture**, which include, inter alia, the issue of a judgment of conviction, even if not final, against the person, and being subject to bankruptcy proceedings.

More specifically, the following persons are prohibited from becoming external members of the Watch Structure and, if appointed, forfeit the position: those with ties to Eni SpA or a subsidiary, or with Directors of Eni SpA or a subsidiary (such as spouses, relatives or in-laws within the fourth degree of kinship of Directors of Eni SpA or a subsidiary); employees or independent contractors or parties to any other financial or professional relationship that would compromise their independence, without prejudice to holding any position on a control body of a Group company.

At present, the Company has not elected to attribute the Watch Structure functions to its Board of Statutory Auditors, pursuant to Art. 6, paragraph 4-bis, of Legislative Decree no. 231 of June 8, 2001 (hereinafter "Legislative Decree no. 231/2001")<sup>177</sup>.

#### The Watch Structure as Guarantor of the Code of Ethics

The synergies between Model 231 and the Code of Ethics (an integral part and essential general principle of Model 231) are highlighted by the assignment of the functions of Guarantor of the Code of Ethics to the Eni Watch Structure. Similarly, each subsidiary assigns **Guarantor functions with respect to the Code of Ethics** to its own Watch Structure.

#### Main functions

The Eni Watch Structure performs the following main **functions**:

- monitoring the effectiveness of Eni's Model 231, as well as its implementation and updating;
- assessing the adequacy of Model 231 and guaranteeing its sound and efficient functioning over time by proposing any necessary updates;
- monitoring the progress of its implementation by the subsidiaries and promoting the circulation and understanding of the procedures and tools for implementing the Model within such subsidiaries;
- approving the annual programme of supervisory activities for Eni, coordinating its implementation and analysing the results;
- managing the flow of relevant information with the Company units and with the Watch Structures of the subsidiaries.

The budget of the Eni Watch Structure is approved by the Board of Directors on the basis of the requests of the Watch Structure itself.

#### Reporting

The Eni Watch Structure **periodically reports** on its activities to the Control and Risk Committee and the Board of Statutory Auditors, as well as to the Chairman and the CEO, who then informs the Board of Directors when reporting on the exercise of his delegated powers.

#### The Watch Structure and the Internal Audit unit

The **Internal Audit unit** is also responsible for conducting audits on behalf of the Eni Watch Structure, following a schedule set annually by the Watch Structure, which is an integral part of the Audit Plan. With regard to the audits performed on subsidiaries' processes and/or sub-processes, these supplement, but do not replace, the supervisory activities that the subsidiaries' Watch Structures are required to perform under their respective 231 Models.

In 2010, the Board of Directors of Eni SpA approved, for the first time<sup>178</sup>, the **MSG on the "Composition of the Watch Structures and performance of its duties, in support of Eni's subsidiaries"**, which defined, without prejudice to the subsidiaries' autonomous powers of initiative and control: (i) the criteria for determining the composition of the Watch Structures of the subsidiaries and for selecting their members; (ii) the guidelines to be followed by each Watch Structure in performing its duties.

[177] As amended by Art. 14, paragraph 12, of Law no. 183 of November 12, 2011.

[178] The rules were updated most recently with a resolution of the Board of Directors on December 10, 2014.



## Risk Committee

The Risk Committee of Eni SpA, presided over by the CEO of Eni SpA and comprised of Eni's top management, including the Head of the Internal Audit unit, provides advice to the CEO on the major risks facing the Company and, specifically, reviews and offers its opinion, at the CEO's request, on the main results of the integrated risk management process. The Chairman of the Board of Directors is invited to attend the Committee's meetings.

## Compliance Committee

The Compliance Committee of Eni SpA, comprised of the heads of Corporate Affairs and Governance, Internal Audit, Accounting and Financial Statements, Integrated Compliance and Human Resources and Organisation Departments, has been assigned a variety of duties, including reporting to the CEO of Eni SpA on the need to develop a new approach to compliance and/or governance matters, recommending the person, or if necessary, the workgroup, to oversee it.

## Integrated Compliance Department

On July 28, 2016, the Eni Board of Directors approved a number of changes to the Company's organisational macro-structure in the area of the internal control and risk management system, forming the Integrated Compliance Department, which reports directly to Eni's CEO, effective since September 12, 2016.

The Integrated Compliance Department (DICOMP) is responsible for overseeing legal compliance issues (including corporate administrative liability, the Code of Ethics, anti-bribery practices, antitrust matters), as well as monitoring the preparation and updating of the relevant rules and guidelines. Alongside the creating of the new Department, Eni launched a new project – completed in December 2016 – that, by identifying and developing actions for making compliance processes more effective, established a relationship model for integrated compliance between DICOMP and the other units involved, designed to find the greatest operational synergies between the various system actors.

## Head of Integrated Risk Management

The Head of Integrated Risk Management (IRM) of Eni SpA, who reports directly to the CEO of Eni SpA<sup>179</sup>, is appointed by the CEO in consultation with the Chairman of the Board.

The Head of IRM ensures the conduct of IRM processes. He presents the results on a quarterly basis to the Control and Risk Committee of Eni SpA, as well as, where requested, to other control and supervisory bodies. On at least a quarterly basis, the CEO submits the report on the risks to which Eni is exposed for examination by the Board of Directors.

The Head of IRM promotes the dissemination of a risk management culture within Eni, directed at all Eni personnel, which also involves identifying specific communication and training initiatives that raise awareness of exposure to risk and how to handle it.

## Eni Personnel and Management

As set forth in the Code of Ethics, the responsibility for implementing an effective internal control system is shared by all levels of Eni's organisational structure; consequently, all of Eni's personnel, consistent with their positions and duties, are called upon to define and actively participate in the proper implementation of the internal control system.

More specifically:

- the CEO and/or Chief Operating Officers, if any, are responsible for ensuring the development, implementation and maintenance of an effective and efficient internal control system and assign to the management for the operational areas the duties, responsibilities and powers for pursuing this aim in the performance of their respective activities and in achieving the related objectives;
- in addition to the management committees described above and the head of Integrated Risk Management<sup>180</sup>, other units actively contribute to the ICRMS within the scope of their responsibilities. These include, for example, the Risk Owners who identify, assess, manage and

[179] Since July 2016.

[180] For more information, please refer to the "Management System Guidelines for Integrated Risk Management" section of this Report.

monitor risks under their sphere of competence, as well as the adequacy and function of the controls put in place to oversee them.

Many training programmes and in-depth information sessions for Eni personnel and its boards focus on ICRMS and, especially, on compliance. A special section of this Report describes the programmes for the Board of Directors and the Board of Statutory Auditors of Eni SpA.

## Eni Regulatory System

### Principles and objectives of the Regulatory System

To ensure the integrity, transparency, propriety and effectiveness of its processes, Eni adopts rules for the performance of business activities and the exercise of powers, guaranteeing observance of the general principles of traceability and segregation.

Each component of that system is supplemented by the Company's Code of Ethics, which identifies the fundamental values, among others, of the formal and substantive legitimacy of the conduct of the members of corporate bodies and all employees, and transparency, also in term of accounting, and the dissemination of a mentality directed at the exercise of control.

Eni is fully aware that investors rely on the full compliance of the corporate bodies, management and employees with the set of rules making up the corporate internal control system.

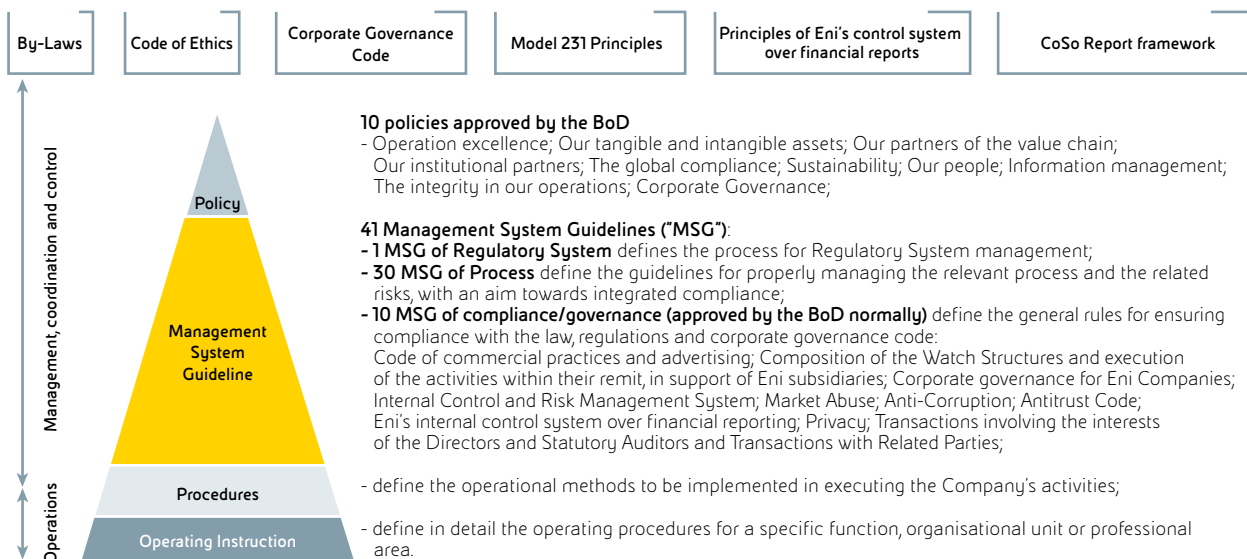
### Guidelines for the Eni Regulatory System

#### The key features of the Eni Regulatory System

On July 28, 2010, Eni's Board of Directors approved **the basic guidelines for the New Eni Regulatory System**, with the goal of rationalising, supplementing and simplifying Eni's regulatory system. The Guidelines were updated on June 23, 2016 to bring the Regulatory System into line with Eni's new organisational structure, better integrating it with corporate processes and making it easier for the subsidiaries to use.

No adjustments were made concerning the **regulatory system architecture, which was deemed to be adequate**. All of Eni's operational activities can be grouped into a map of processes instrumental to Company activities and integrated with control requirements and principles set out in the compliance and governance models, based upon the By-laws, the Code of Ethics, the Corporate Governance Code, Model 231 Principles, SOA Principles and the CoSO Report.

#### General overview of the Regulatory System



The types of instruments that comprise the regulatory system are:

- **Policies**, approved by the Board of Directors, are mandatory documents that define the general principles and rules of conduct that must inspire all of Eni's activities, taking due account of risks and opportunities. Policies cut across processes and each focuses on a key element of Company management. Eni Policies apply to Eni SpA and, subject to transposition, all Eni subsidiaries;
- **Management System Guidelines** (MSG) define the rules common to all Eni units and may regard either processes or compliance/governance (the latter usually approved by the Board of Directors). The individual MSGs issued by Eni SpA apply to subsidiaries, which take steps to ensure their transposition to their organisation, except in cases where there is a need for an exemption<sup>181</sup>. Subsidiaries listed on regulated markets are guaranteed operational independence, which has already been granted by the Board of Directors;
- **Procedures** define the operational methods to be implemented in executing the activities of the individual companies or functional areas;
- **Operating Instructions** are an additional level of detail for representing the operating procedures for a specific function, organisational unit or professional area.

All of the regulatory instruments are **published** on the corporate intranet and, in some cases, on the Company's website. The Policies and MSGs have been disseminated to the subsidiaries, including listed subsidiaries, for the subsequent phases for which they are responsible, such as formal transposition and amendment of their existing regulatory systems.

### Management System Guidelines for the “Corporate Governance of the Eni companies”

On May 30, 2013, the Board of Directors of Eni SpA, acting upon the proposal of the CEO, having first been examined by the Nomination Committee with regard to those matters in which it has expertise, and having received the opinion of the Control and Risk Committee, updated the guidelines on the corporate governance of the Eni companies previously issued by the Board on April 24, 2009, approving the Management System Guidelines (“MSG”) for the “Corporate Governance of the Eni companies”.

Using this regulatory instrument, the Board of Directors of Eni, consistent with its duties, established the corporate governance system and rules for Eni's subsidiaries and investees, adapting it to incorporate the best practices in the field and to corporate and legislative changes that had occurred.

More specifically, the MSG for the “Corporate Governance of the Eni”:

- governs the **legal form and management and control system of Eni subsidiaries**, indicating the size, composition and operating principles for the relative bodies. Specific assessments relating to the risk profile of the Company are used in identifying and composing the control body;
- defines the **requirements that the members** of the management and control bodies of Eni investees that Eni appoints must meet;
- defines the **roles and responsibilities involved in the process of designating** members of the management and control bodies;
- makes any **exceptions** to application of the MSG subject to the authorisation of the CEO of Eni SpA, who relies on the opinion of the units involved, or, in specific cases, subject to the authorization of executives responsible for the matter who report directly to the CEO, and in any case ensures a flow of information with regard to the general reasons for exemption from the application of the principles of the MSG should any impediments arise due to the presence of third-party shareholders, local regulations and operational reasons related to the system of delegated powers.

The MSG places special emphasis on the **requirements** that all the members of the management and control bodies of investee companies and consortia that Eni appoints must meet in order to be given and retain such position. All the members of the bodies must be qualified and must meet specific requirements that will be verified or evaluated and monitored, including through the submission of statements by the candidates, in order to ensure that the choices made are traceable and transparent.

Policies

Management System Guidelines

Procedures

Operating Instructions

Governance system and rules for Eni companies decided by the Board

Requirements

[181] Exemptions are allowed only in exceptional circumstances. There are no exemptions allowed for MSGs in compliance areas.

With regard to the members of the **control bodies**, in addition to the requirements provided for by the law and the By-laws, the MSG also introduces new requirements concerning integrity and independence or the absence of any conflict of interest, thereby confirming and expanding the provisions and recommendations of the Corporate Governance Code applicable to the statutory auditors of listed companies.

With regard to the appointment of members of the control bodies, the MSG calls for the creation of a **database** containing the names of potential candidates who meet the requirements, which are verified by the competent units.

### Management System Guidelines for the “Internal Control and Risk Management System”

As noted, with a resolution of March 14, 2013, the Board of Directors of Eni SpA, at the proposal and subject to the prior opinion of the Control and Risk Committee, approved the “**Guidelines for the Internal Control and Risk Management System**” (ICRMS), entrusting the CEO with their implementation.

These guidelines, **which are mandatory for the subsidiaries**, are designed to ensure that the main risks to which Eni is exposed are correctly identified, measured, managed and monitored and set out reference principles, roles and responsibilities for the key players in the system, as well as the criteria that the CEO must follow in implementing those guidelines.

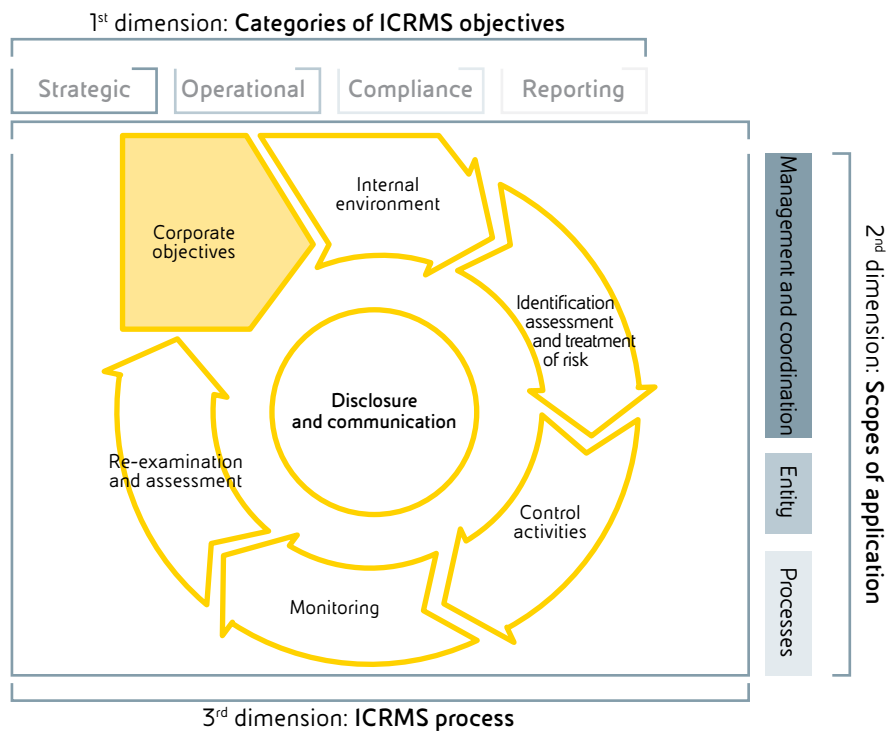
The Management System Guidelines for the internal control and risk management system (ICRMS MSG) represent the regulatory instrument with which the CEO, on April 11, 2013, implemented the guidelines. These rules, in incorporating the principles delineated by the Board (i) consolidate and structure within a single document the various elements of the Eni ICRMS, (ii) define the model of relations between Eni SpA and the subsidiaries in this area, and (iii) exploit the opportunities for the rationalisation of reporting flows and the integration of controls and monitoring activities.

The ICRMS MSG is used alongside the instrument issued on December 18, 2012 and most recently updated on July 4, 2016, with which Eni developed and implemented a model for the integrated management of corporate risks.

Eni’s **reference framework** for implementation and maintenance of an adequate and working ICRMS provides for a structure of **three dimensions**, as shown in the following diagrams.

Board guidelines

Internal implementation rules



1. **Objectives** - The first dimension represents the view of the ICRMS in relation to the objectives and associated risks that the ICRMS is intended to pursue and manage: Strategic, Operational, Compliance and Reporting.
2. **Scope of application** - The second dimension regards the scope of application on the basis of which the ICRMS is structured:
  - the **management and coordination** exercised by Eni SpA over the subsidiaries;
  - **entity**: Eni SpA and the individual subsidiaries, on the basis of their legal and operational independence, establish an appropriate, functional ICRMS under their own responsibility;
  - **processes** adopted by **Eni**, on the basis of which the ICRMS is structured;
3. **ICRMS Process** - The third dimension represents the ICRMS process and its individual phases:
  - definition and implementation of the “internal environment”;
  - identification, assessment and treatment of risks;
  - definition and implementation of control activities;
  - monitoring;
  - re-examination and assessment of the entire system;
  - disclosure and communication.

Objectives

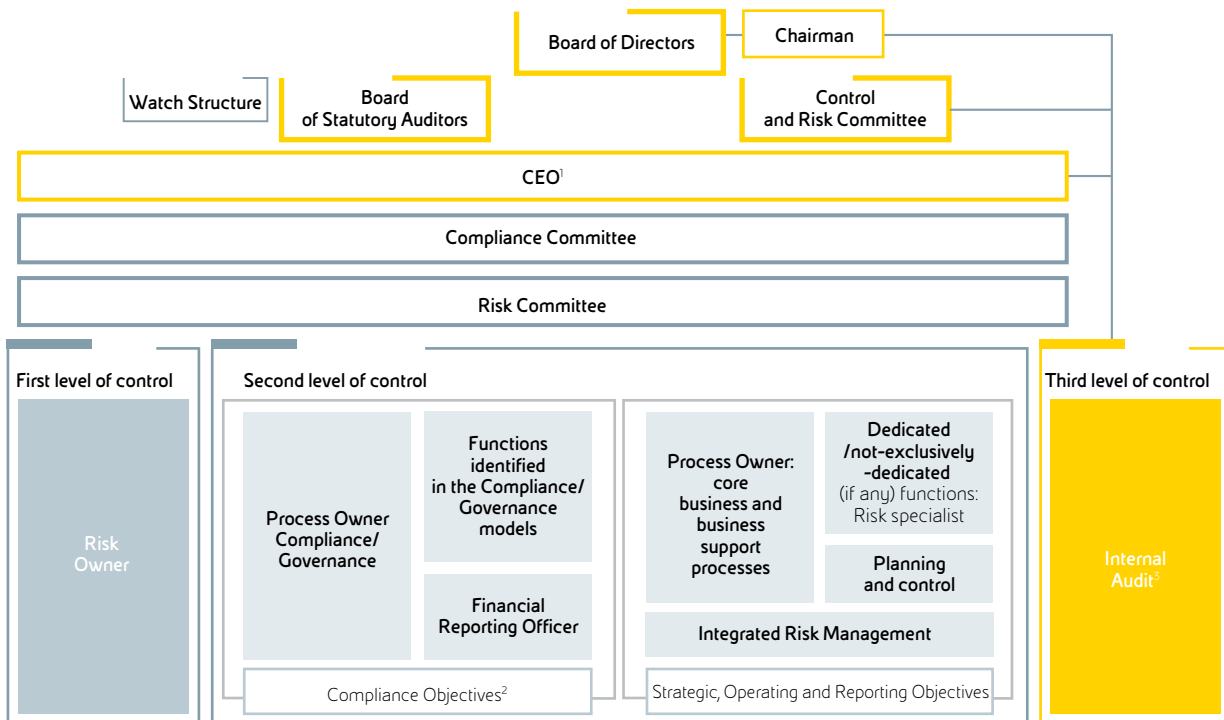
Scope of application

ICRMS Process

This ICRMS process is:

- **continuous**, focusing on improving the overall ICRMS, influencing the definition and achievement of corporate objectives;
- **integrated** into corporate operations, as well as organisational and governance arrangements;
- **interactive**, as the individual phases, while organised into a logical sequence, can receive feedback from the development of each of the other phases so that the value generated by the process is not merely the sum of the value generated by the individual phases;
- **performed by people**, through the activities (and the associated reporting) carried out in pursuing corporate objectives;
- **evaluated** every six months, unless unforeseen events occur that may require that a special investigation be performed, to ensure that it is adequate and functions overall.

The Eni ICRMS is structured along the following three levels of internal control:



[1] Director in charge of the internal control and risk management system.

[2] Including objectives on the reliability of financial reporting.

[3] The Senior Executive Vice President Internal Audit reports to the Board, and on its behalf, to the Chairman, without prejudice to his functional reporting to the Control and Risk Committee and the CEO, as Director in charge of the internal control and risk management system.

### The three levels of control

1. **First level of control:** identifies, assesses, manages and monitors the risks for which it is responsible, for which it identifies and implements specific management actions.
2. **Second level of control:** monitors the main risks in order to ensure the effectiveness and efficiency of their management; also responsible for monitoring the appropriateness and operation of controls implemented for the main risks. It also provides support to the first level in defining and implementing adequate systems for managing the main risks and the associated controls.
3. **Third level of control:** provides independent, objective assurance on the appropriateness and effective operation of the first and second control levels and, more generally, on the Eni ICRMS as a whole.

The structure of the first and second control levels is consistent with the size, complexity, specific risk profile and with the regulatory environment in which each company operates.

The third level of control is exercised by the **Internal Audit unit** of Eni SpA, which, on the basis of a centralised model (described in the "Internal Audit" section), performs its controls using a risk-based approach to the overall Eni ICRMS, monitoring Eni SpA and the subsidiaries.

To enable management and the management and control bodies to perform their roles within the ICRMS, specific **reporting flows** have been established between the control levels and the management and control bodies. The flows are coordinated and appropriate in terms of content and timing.

### Reporting to the Board

All flows supporting the assessment of the ICRMS by the **Board of Directors** are channelled through the **Control and Risk Committee** of Eni SpA, whose analysis is reported directly to the Board in its periodic reports or through the release of specific opinions. These flows are also transmitted to the Board of Statutory Auditors of Eni SpA to enable it to perform its statutory duties in the field of ICRMS.

### Application in subsidiaries

#### *Implementation at subsidiaries*

It is the responsibility of the board of directors or equivalent body of each Eni subsidiary to establish, manage and maintain its own ICRMS.

Eni SpA, as part of its management and coordination of the subsidiaries, issues and disseminates the guidelines (which are mandatory) and associated implementation model, which is contained in the ICRMS MSG, with which the subsidiaries must comply, establishing an adequate process for monitoring its implementation in the manner envisaged in the Eni Regulatory System.

Without prejudice to the principles regarding the Eni ICRMS, the subsidiaries may adopt the most appropriate procedures for implementing the ICRMS in a manner consistent with their size, complexity, specific risk profile and the regulatory environment in which they operate, with the independence that characterises the operation of the subsidiaries and their bodies and functions, including with regard to statutory requirements.

#### *The role of the Board of Directors of Eni SpA in the subsidiaries*

As envisaged in the ICRMS MSG and consistent with the recommendations of the Corporate Governance Code and in accordance with the powers reserved to itself, the Board of Directors of Eni SpA, having first received the opinion and the proposal of the Control and Risk Committee, establishes the ICRMS guidelines for Eni SpA, its major subsidiaries and the Eni Group.

The Board, having first received the opinion of the Control and Risk Committee, also examines the main risks facing the Company, identified by taking into account the nature of the business of the Company and its subsidiaries, as reported by the CEO on at least a quarterly basis. Having first received the opinion of the Control and Risk Committee, it also evaluates every six months (except in extraordinary circumstances) the adequacy of the internal control and risk management system of Eni SpA, its major subsidiaries and the Eni Group with regard to the nature of the business, its risk profile and its degree of compatibility with corporate objectives, as well as its effectiveness.

At its meetings of March 17, 2016, July 28, 2016, and most recently of February 28, 2017, the Board of Directors, and having consulted with the Control and Risk Committee, judged as positive: (i) the adequacy and effectiveness of the Internal Control and Risk Management System in relation to the nature of the Company and its risk profile; and (ii) the adequacy of the powers and resources available to the FRO, as well as the latter's compliance with administrative and accounting procedures he has established<sup>182</sup>.

### Management System Guideline for "Internal Audit"

The Management System Guideline for "Internal Audit" ("Internal Audit MSG"), prepared by the Head of the Internal Audit unit and approved by the Chairman of the Board of Directors, in consultation with the CEO and the Control and Risk Committee, was issued on January 21, 2015.

The Internal Audit MSG includes the **guidelines for audit activity ("Internal Audit Charter")** approved by the Board on December 11, 2014, consistent with the contents of the ICRMS MSG.

The Internal Audit MSG, which is based upon the Internal Audit Charter, seeks to identify and govern the sub-processes, phases and activities of the Internal Audit process, to indicate the roles and duties of the major participants and to establish the rules of behaviour and principles to be observed in performing such activity.

More specifically, the MSG regulates:

1. the definition of the **Audit Plan**, prepared by the Head of the Internal Audit unit and approved by the Board<sup>183</sup>, using a "top-down, risk-based" approach which makes it possible to identify audits to which priority should be given based upon, among other things, the size and coverage of the major business risks connected with it and based upon the results of the integrated risk management process;
2. the **performance of audits**, both scheduled and non-scheduled (i.e. spot audits), by carrying out:
  - **preliminary activities** to define the objectives and the scope of the audit over the areas potentially at highest risk ("risk-based" approach) and the resources deemed necessary and sufficient to achieve the objectives;
  - **verification**, for the purpose of assessing the adequacy and effectiveness of controls on the risks relating to processes audited, to identify any issues and to formulate recommendations for improving the effectiveness and efficiency of the processes audited;
  - **formalisation and communication of the results** in order to confirm, with the structures involved in the audits, any issues that emerged, the recommendations proposed for their elimination, and the timing and content of corrective actions to be taken by the structure that was audited. For each audit a summary assessment is made of the actual design and operation of the ICRMS for the structure being audited (the so-called audit rating), based upon the knowledge gained and evidence acquired during the conduct of the audit and in the professional opinion of the Internal Audit unit. In the event of a spot audit, the rating is assigned based upon the finding of enough factors to support the opinion of the ICRMS;
3. the **monitoring of corrective actions** crafted based upon the audits, which is carried out in different ways based upon the problems encompassed in the rating of the ICRMS audited, such as:
  - monitoring of all actions through a periodic statement by the structure that was audited (so-called "**follow-up by documentation**");
  - operational check of the effective implementation of the corrective action through a dedicated follow-up (i.e. "**on-site follow-up**");
4. **flows of information on the ICRMS**, consisting of the periodic reports prepared by the Internal Audit unit in order to provide information on its activities, the results and correlated suggestions, the procedures for managing risks and the relative containment plans. These

Guidelines for the internal audit process

Definition of the Audit Plan

Performance of audits

Monitoring of corrective actions

Information flows

[182] For more information, please see the first part of the section "Internal Control and Risk Management System" concerning "Assessment by the Board of Directors" of this Report.

[183] For more information, please see the section "Internal Audit" of this Report.

reports can be classified into three categories based upon their purpose, frequency of preparation and recipient:

- **semi-annual reports on the main results of the activities carried out by the Internal Audit unit**, submitted simultaneously by the Head of the Internal Audit unit to the Chairman of the Board of Directors, the CEO, the Control and Risk Committee and the Board of Statutory Auditors of Eni SpA;
- **specific semi-annual reports for the areas most heavily subject to auditing during the reporting period**, prepared, with the goal of explaining the primary recurring internal control issues that cut across several areas and/or are of the greatest importance for the specific area, and the recommendations of common, coordinated actions to be taken. These reports are sent, to the extent the audit involves the area for which each is responsible, to the executives that report directly to the CEO of Eni SpA;
- **annual reports for the process owners of the Management System Guidelines** containing a summary of the findings of the audit reports and the correlated suggestions, so that the process owners can evaluate the need to make any adjustments to the outline of the MSGs for which they are responsible.

#### Other activities

The Internal Audit MSG also governs other **activities for which the Internal Audit unit is responsible**, such as the handling of whistleblowing reports (including anonymous ones) received by Eni, pursuant to the relative regulations<sup>184</sup>, specialised support activities, relations with the control and oversight bodies and with the audit firm, as well as the “quality assurance and continuous improvement” programme for activities performed by the Internal Audit unit.

#### Management System Guideline for “Integrated Risk Management”

The new Management System Guideline for “Integrated Risk Management” (“Integrated Risk Management MSG”), updating the previous version to account for the organisational changes that had occurred in the meantime and to provide more support for management, was issued on July 4, 2016.

#### Phases and activities of the integrated risk management process

This MSG sets out in greater detail the various phases and activities of the **Integrated Risk Management (IRM)** process, including those currently being developed, updating the roles and responsibilities of the main actors involved.

The IRM process, which is based on a **structured, systematic approach**, is designed to ensure that the main business risks can be effectively identified, measured, managed, monitored, represented and, where possible, translated into opportunities and competitive advantages. It uses a top-down, risk-based approach that starts with helping prepare Eni’s Strategic Plan and continuing with implementation through periodic risk assessment & treatment and risk monitoring cycles and analysis of the specific risk profiles of the more significant operations.

#### The elements of the integrated risk management model

This **model for the integrated management of corporate risks forms an integral part of the Internal Control and Risk Management System (ICRMS)** and has been prepared to be consistent with international principles and best practices<sup>185</sup>.

The model is composed of the following elements:

1. **Risk Governance**: this represents the basic system from the point of view of the roles, responsibilities, and reporting flows for the management of the Company’s main risks; the model establishes roles and responsibilities for three distinct levels of control of these risks, consistent with the provisions of the ICRMS;
2. **Process**: this represents all the activities by which the various actors identify, measure, manage and monitor the main risks that could influence whether Eni achieves its objectives;
3. **Reporting**: this identifies and represents the results of risk assessment and monitoring, highlighting the most important risks, evaluating them in terms of probability and potential

(184) For more information, please see the section “Procedure for whistleblowing reports (including anonymous complaints) received by Eni SpA and subsidiaries in Italy and abroad” of this Report.

(185) This refers, among others, to the CoSO – Committee of Sponsoring Organisations of the Treadway Commission (2013), Internal Control, Integrated Framework ISO 31000:2009 – Principles and Guidelines on Implementation.



impact and identifying the associated risk treatment plans and analysing trends during the year. Reporting can also include the results of special assessments of specific issues (e.g. “What-if analysis”, country risk, reputational risk, etc.).

More specifically:

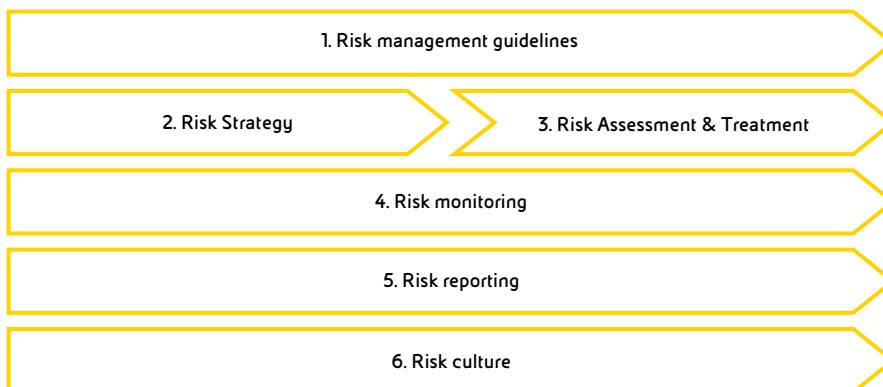
1. With regard to Risk Governance, the following have been established:

- a) the **Risk Committee**, chaired by the CEO and composed of the top management of Eni SpA, including the Head of Internal Audit. It provides advice to the CEO on the main risks to which Eni is exposed. The Risk Committee invites the Chairman of the Board of Directors to attend its meetings;
- b) the **Integrated Risk Management unit**, which reports directly to the CEO and its head is appointed by the CEO in consultation with the Chairman of the Board. Among other duties, it:
- **identifies tools/methods for the Integrated Risk Management process** to identify, measure, represent and monitor the main risks and the associated plans for managing them;
  - **performs Integrated Risk Management processes** (risk strategy, risk assessment & treatment, risk monitoring risk reporting and risk culture);
  - **presents findings on the main risks and the associated risk treatment plans** to the Risk Committee and, every three months, to the Control and Risk Committee as well as to other control and surveillance bodies where requested;
  - identifies, in cooperation with the business areas and functions of Eni, **proposals for updating** the risk management systems;
  - promotes the dissemination of a **risk management culture** within Eni.
- The Board of Directors examines the major risks, identified by taking account of the characteristics of the activities conducted by the Company and its subsidiaries, reported on by the CEO at least once every three months.

Risk Governance

2. The IRM process is composed of six sub-processes: **(i) risk management policy setting; (ii) risk strategy; (iii) risk assessment & treatment; (iv) risk monitoring; (v) risk reporting and (vi) risk culture.**

The process



Specifically, as regards:

- a) the **risk management policy setting** sub-process: refers to the power reserved to the Eni SpA Board of Directors to establish the policy on risk management so that the main risks are correctly identified and appropriately measures, managed and monitored, determining the extent of their compatibility with operating the Company in a manner consistent with strategic objectives;
- b) the **risk strategy** sub-process: its purpose is to contribute to the preparation of the Strategic Plan and the management performance plans by developing proposals for risk reduction targets and strategic treatment actions, as well as analysing the plan's underlying risk profile; this sub-process, integrating the IRM process with Strategic Planning, assists the Eni

- Board in assessing the acceptability of underlying risks of the plans that are brought to its attention;
- c) the **risk assessment & treatment** sub-process: includes “**periodic action**” for performing and ensuring a systematic, integrated analysis of the risk profile associated with the strategic objectives approved by the Eni Board of Directors by identifying, assessing and prioritising the main business risks and the associated treatment actions; there is also “**event-based action**” to assist management in making decisions using an integrated analysis of the risks posed to Eni’s significant operations or portfolio of assets (by country, business, etc.) by assessing the risk/returns of specific initiatives/activities and, if material, the relative impact on the Company’s overall risk profile;
  - d) the **risk monitoring** sub-process: undertaken to provide dynamic information on the evolution of the main risks by analysing specific indicators, as well as to rapidly identify any critical operational issues (in order to take appropriate treatment actions) and to help in discovering any new risks;
  - e) the **risk reporting** sub-process: for ensuring the adequate and timely delivery of information to the administration and control bodies and to management so as to help improve Eni’s risk management by assisting them in making informed decisions;
  - f) the **risk culture** sub-process: seeks to develop a common language and spread a suitable risk management culture at all organisational levels in order to reinforce the message that appropriate identification, assessment and management of risks of all kinds can impact the achievement of objectives and on the Company’s value. The risk culture sub-process also aims to expand the use of risk management in corporate processes to ensure that the methodologies and, more generally, the risk management and control tools are consistent.

Quarterly reporting on risks

In order to support corporate decision-making, the findings of the periodic risk assessment and monitoring activities, as stated, are presented on a quarterly basis to the Risk Committee, chaired by the CEO, who in turn reports on them to the Board of Directors. The Board, on at least a semi-annual basis, assesses the adequacy and effectiveness of the Internal Control and Risk Management System in relation to the characteristics of Eni and the risk profile assumed, which must be compatible with corporate objectives.

### **Main features of the Risk Management and Internal Control Systems applied to the financial reporting process (MSG for “Eni Internal Control System for Financial Reporting”)<sup>186</sup>**

The internal control system applied to financial reporting aims to provide **reasonable certainty about the reliability<sup>187</sup> of financial reporting and of the capability of the financial report drafting process to yield financial reporting that complies with the generally accepted international accounting principles.**

The Board has defined the Eni Internal Control System for Financial Reporting

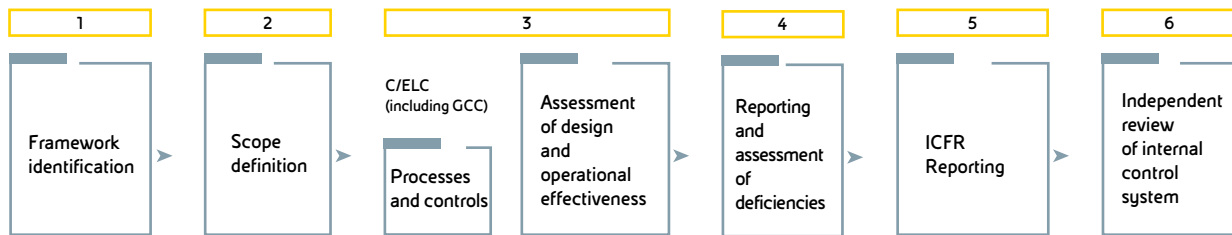
On December 11, 2014, the Board of Directors of Eni approved the updated version of the Management System Guidelines for the “Eni Internal Control System for Financial Reporting”<sup>188</sup> (hereinafter in this section also “ICSFR MSG”), which sets out the rules and methods for the design, implementation and maintenance of Eni’s internal control system applied to financial reporting for external purposes and the assessment of its effectiveness.

As presented below, the design, implementation and maintenance of the control system for financial reporting are conducted through a structured process that provides for a risk assessment phase, the development of controls for those risks, the assessment of the controls and the reporting process:

(186) This section is also provided in accordance with art. 123-bis, paragraph 2, letter b), of the Consolidated Law on Financial Intermediation.

(187) Reliability (of reporting): reporting that is accurate and complies with generally accepted accounting principles and meets the requirements of applicable law and regulations.

(188) This regulatory instrument updates and replaces the previous Company rules (Management System Guidelines) in this field adopted by the Board of Directors on May 30, 2012.



The contents of the ICSFR MSG were defined in accordance with the provisions of art. 154-bis of the Consolidated Law on Financial Intermediation and with the US Sarbanes-Oxley Act of 2002 (SOA), to which Eni is subject as an issuer listed on the New York Stock Exchange (NYSE) and were analysed in the light of the new framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (CoSO) in May 2013, which, while 5 components of the internal control system remained unchanged<sup>189</sup>, developed 17 principles whose correct implementation is essential to ensure its effectiveness.

Legal framework and CoSO Report

The 17 principles of the CoSO Report regard: (i) structural elements of the internal control system established with the ICSFR MSG; (ii) control activities contained in other Eni regulatory instruments (such as for example, Policies, the Compliance and Process MSG, and Procedures).

The analysis, performed in conjunction with Eni's statutory audit firm, Ernst & Young, did not reveal any need to update Eni's methods or allocation of duties for defining, implementing and assessing the internal control system set out in the MSG, considering the 5 components of the CoSO Report have not been modified and that the 17 principles refer to best practices that Eni has already adopted.

Accordingly, only a number of changes have been made in the new MSG SCIF to align it with the new organisational arrangements and ensure the consistency of reporting, explicating the role of the Control and Risk Committee in examining the report of the Chief Financial Officer/Financial Reporting Officer (CFO/FRO) to the Board of Directors on the status of the internal control system for financial reporting.

The MSG applies to **Eni SpA and its direct or indirect subsidiaries, including listed companies**, in compliance with international accounting standards, consistent with their materiality to Eni's financial reporting.

Applicability to the subsidiaries

All subsidiaries, regardless of their materiality for the purposes of the Eni Internal Control System for financial Reporting, adopt the MSG as a reference framework for planning and implementing their own Internal Control System for financial Reporting, tailoring it to their size and the complexity of the activities carried out.

The **risk assessment process, which is conducted using a top-down approach**, seeks to identify the companies, processes and specific activities that may generate risk of unintentional errors or fraud that may have a significant impact on the financial statements. In particular:

Risk Assessment

- the **companies that fall within the scope of the control system applied to the financial reporting process are identified** both on the basis of the contribution of the various entities to certain aggregates of the consolidated financial statements (total assets, total financial debt, net revenues, income before tax), and considering the existence of processes that contain specific risks that – if they were to materialise – could jeopardise the reliability and accuracy of financial reporting (such as fraud-related risks)<sup>190</sup>;
- for companies falling within the scope of the control system applied to the financial reporting process, **material processes** are subsequently identified, analysing the quantitative factors (processes that contribute to items of the financial statements in amounts exceeding a given

[189] Represented by the control environment, risk assessment, control activities, information and communication and monitoring.

[190] The companies considered within the scope of the internal control system include companies formed and governed by the laws of countries that do not belong to the European Union, to which the regulatory provisions of art. 36 of the Consob Market Regulations apply.

percentage of income before tax) and qualitative factors (e.g., the complexity of the accounting treatment of the account; measurement and estimation processes; new or significant changes in business conditions);

- the **risks** associated with material processes and activities, i.e. potential events that – if they were to materialise – could jeopardise attainment of the control objectives with regard to financial reporting (e.g., financial statement assertions) are identified;
- the identified risks are assessed in terms of their **potential impact and probability of occurrence**, on the basis of quantitative and qualitative parameters and assuming the absence of a control system (inherent risk). In particular, with reference to fraud risks<sup>191</sup> at Eni, a dedicated risk assessment is conducted using a specific methodology for “anti-fraud programmes and controls” referred to in the MSG.

### Control system

A control system has been defined for material companies, processes and the associated risks that is based on two fundamental principles, namely: (i) **the application of controls at all levels of the organisational structure, in accordance with their operating responsibilities** and (ii) **the sustainability of controls over time, so as to ensure that their implementation is integrated and compatible with operational requirements**.

The **structure of the control system applied to the financial reporting process** includes controls implemented at the entity level and at the process level:

### Controls at entity level

- the **controls implemented at the entity level are organised into a checklist** developed in accordance with the model adopted in the CoSO Report, which is based on **five components** (the control environment, risk assessment, control activities, information and communication, monitoring). Of particular importance are the controls relating to the specification of the timetable for preparing and disseminating financial results (“semi-annual and annual financial statements circular” and the associated calendars); the existence of appropriate organisational structures and a regulatory framework adequately designed to ensure the achievement of financial reporting objectives (these controls include, for example, the review and updating by specialised Company units of the Group’s regulations concerning financial reporting and the Group’s chart of accounts); training in accounting standards and the internal control system applied to financial reporting; and, finally, activities concerning the information system for managing the consolidation process (General ledger);

### Controls at process level

- the **controls implemented at the process level** are grouped as follows: (i) specific controls intended as a set of manual or automated activities aimed at preventing, identifying or correcting errors or irregularities that occur during the course of operational activities; (ii) and pervasive controls intended as structural elements of the control system applied to financial reporting and aimed at defining a general context that promotes the correct execution and control of operational activities (such as, for example, the segregation of incompatible tasks and general computer controls, which include all controls designed to ensure the correct operation of IT systems). In particular, among the specific controls, the Company procedures identify the so-called “key controls”, the absence or non-functioning of which can give rise to the risk of errors/fraud that impact the financial statements and that cannot be identified by other controls.

### Evaluation of controls (monitoring)

Both the controls implemented at the entity level and the controls implemented at the process level are subject to evaluation (monitoring) to verify the effectiveness of their design and actual functioning over time.

For this purpose, the following activities have been defined: **on-going monitoring activities** – carried out by the management responsible for the relevant processes/activities – and **separate evaluations** – performed by the **Internal Audit unit**, which uses agreed audit procedures on the basis of a plan transmitted by the Chief Financial and Risk Management Officer/Financial Reporting Officer (CFO/FRO) – aimed at defining the scope and objectives of the interventions through agreed audit procedures. In addition to its independent monitoring activities, the Internal

(191) Fraud: in the context of the control system, any act or intentional omission that gives rise to a deceptive statement in the reporting.

Audit unit, on the basis of the annual Audit Plan approved by the Board of Directors and prepared using a “top-down, risk-based” approach, carries out compliance, financial and operational audits.

The findings of the independent monitoring conducted by Internal Audit and the periodic reports containing an assessment of the appropriateness of the ICRMS emerging from the audit activities performed are **transmitted to the CFO/FRO, as well as top management and the control and supervisory bodies for the purpose of conducting the evaluations for which they are responsible.**

The monitoring activities allow identification of any **deficiencies** in the control system applied to financial reporting that are subject to evaluation in terms of probability and impact on Eni’s financial reporting. On the basis of their importance, they are classified as “deficiencies”, “significant weaknesses”, or “serious deficiencies”.

The results of the monitoring activities are included in a **periodic report** on the state of the control system applied to financial reporting. This reporting is conducted using computerised tools that enable the traceability of information on the adequacy of the design and functioning of the controls.

**On the basis of this reporting activity, the CFO/FRO drafts a report on the adequacy and actual implementation of the control system applied to financial reporting.**

This report – following approval by the CEO – is submitted to the Board of Directors, after review by the Control and Risk Committee, during the approval of the draft annual and semi-annual financial statements, in order to ensure the execution of the aforementioned supervisory activities and evaluations regarding the internal control system applied to financial reporting. Furthermore, the above-mentioned report is also transmitted to the Board of Statutory Auditors, in its role as the “Audit Committee” pursuant to US law.

At its meetings of March 17, 2016, July 28, 2016, and most recently of February 28, 2017, the Board of Directors having consulted with the Control and Risk Committee, judged as positive: (i) the adequacy and effectiveness of the Internal Control and Risk Management System in relation to the nature of the Company and its risk profile; and (ii) the adequacy of the powers and resources available to the FRO, as well as the latter’s compliance with administrative and accounting procedures he has established<sup>192</sup>.

Finally, The activity of the CFO/FRO is supported within Eni by various people whose roles and responsibilities are defined in the aforementioned MSG.

In particular, the control activities involve all levels of Eni’s organisational structure, from the operational business managers and unit managers to the executives and the CEO. In this organisational context, a particularly important role in the internal control system is carried out by the person who performs **line monitoring** (the so-called “tester”), who assesses the design and operation of the specific and pervasive controls, providing information for reports on monitoring activities and any deficiencies encountered, in order to ensure the timely identification of any necessary corrective actions.

### Model 231

In accordance with the Italian regulations concerning the “administrative liability of legal entities deriving from criminal offences” contained in Legislative Decree no. 231 of June 8, 2001 (henceforth, “Legislative Decree no. 231/2001”)<sup>193</sup>, legal entities, including corporations, may

Reporting

FRO/CFO’s report on the adequate and effective application of the system

Line monitoring

Legislative Decree no. 231/2001

[192] For more information, please see the first part of the section “Internal Control and Risk Management System” concerning “Assessment by the Board of Directors” of this Report.

[193] The current scope of application of Legislative Decree no. 231/2001 comprises: (i) offenses against the public administration and the public faith; (ii) corporate offences; (iii) crimes associated with the subversion of the democratic order and terrorist financing; (iv) offenses against individual personhood; (v) market abuse (“abuse of inside information” and “market manipulation”); (vi) crimes against the person; (vii) transnational crimes; (viii) manslaughter and serious negligent personal injury in violation of workplace health and safety regulations; (ix) the handling of stolen goods, money laundering or the use of money, goods or benefits of illegal origin as well as self laundering; (x) computer crimes and the illegal processing of data; (xi) organised crime; (xii) crimes against industry and commerce; (xiii) copyright violation; (xiv) inducement to withhold statements or to make false statements to judicial authorities; (xv) environmental crimes; (xvi) bribery between private parties; and (xvii) undeclared labour; (xviii) illicit brokering and exploitation of labour.

be held liable – and consequently fined or subject to prohibitions – in relation to certain crimes committed or attempted in Italy or abroad in the interest or for the benefit of the Company. Companies may nonetheless adopt an appropriate organisational, management and control model (the compliance model or, hereinafter, Model 231) to prevent such offences.

**Model 231**

**Eni SpA's Model 231 establishes the control arrangements (general transparency standards for activities and specific control standards) for the purpose of preventing the offenses envisaged under Legislative Decree no. 231/2001 that have been incorporated into the relevant Company procedures.**

**Responsibility for updating**

The CEO, who is already in charge of implementing Model 231, is also responsible for updating it. The CEO is supported in performing this duty by the Technical Committee 231<sup>194</sup>.

Following approval by the CEO:

- any amendments and/or additions that do not regard the general principles of Model 231 or that regard solely the document “Sensitive Activities and Specific Control Standards of Model 231” take effect immediately and are submitted to the Board of Directors for ratification at the first subsequent meeting, subject to notification of the Board of Statutory Auditors. In any event, the Board of Directors retains the power to propose additional amendments or additions;
- updates of Model 231 that regard the general principles are approved with a resolution of the Board of Directors, subject to notification of the Board of Statutory Auditors.

The Technical Committee 231, subject to notification of the Watch Structure, may make merely formal amendments of Model 231 and the document “Sensitive Activities and Specific Control Standards of Model 231” independently.

The so-called “**general part**” of Model 231 (i.e. the section setting out the architecture and governance principles of the compliance model)<sup>195</sup> was updated most recently with a resolution of the Board of Directors at its meeting of October 27, 2016, taking account of the experience acquired, developments in case law and legal interpretation as well as the evolution of Legislative Decree no. 231/2001 and organisational changes at Eni.

With regard to the so-called “**special part**”, the new version of the document “**Sensitive Activities and Specific Control Standards of Model 231**”, which specifies sensitive activities for the purposes of Legislative Decree no. 231/2001 and sets out the associated control measures, was approved on August 2, 2016 by the CEO of Eni SpA. The new version reflects the regulatory changes introduced by Law no. 68/2015 concerning “eco-crimes”.

**Code of Ethics as an integral part of Model 231**

Eni’s Code of Ethics, which is covered in a specific section of this Report, is an integral part and essential general principle of Model 231.

**Model 231 applied to the subsidiaries**

The Model 231 of Eni SpA also serves as a reference framework for determining the compliance model of direct and indirect subsidiaries.

**Listed subsidiaries** are sent Model 231 as a basis for them to adopt their own models, adjusting them as necessary, in accordance with the specific features of their own company and the principle of management independence.

In addition, the **MSG on the “Composition of the Watch Structures and performance of their duties, in support of Eni’s subsidiaries”**, adopted by the Board of Directors di Eni, defines, without prejudice to the subsidiaries’ autonomous powers of initiative and control: (i) the criteria for determining the composition of the Watch Structures of the subsidiaries and for selecting their members; (ii) the guidelines to be followed by each Watch Structure in performing its duties.

[194] The Technical Committee 231 is composed of units from the Legal Affairs, Human Resources and Organisation, Internal Audit and Integrated Compliance units.

[195] At its meetings of December 15, 2003, and January 28, 2004, the Board of Directors of Eni approved an organisational, management and control model pursuant to Italian Legislative Decree no. 231/2001 (hereinafter “Model 231”) and established the associated Eni Watch Structure.

**The representatives designated by Eni on the corporate bodies of subsidiaries and associated, consortia and joint ventures promote the principles and contents of Model 231 within their respective spheres of responsibility.**

The **Board of Directors** plays a fundamental role with regard to Model 231 issues since it has reserved to itself the power to approve Model 231 and the MSG regarding the Watch Structures of the subsidiaries, and to establish and appoint the members of the Watch Structure, on whose activities it receives periodic reporting through the CEO. The CEO is responsible for implementing and updating Model 231, in compliance with the powers conferred to him by the Model itself.

The Eni Watch Structure ensures the preservation and facilitates the distribution, which may be done using internal regulatory instruments, to the relevant Company units of information on sensitive activities and control standards approved by the CEO during Model 231 updates.

Furthermore, in accordance with provisions of the law, a disciplinary system for punishing any violations of Model 231 and failure to comply with corporate procedures for implementing control system were incorporated into the Model.

In 2016, Eni continued to provide e-learning training on aspects of the Code of Ethics and on Model 231 issues, for low-level employees-newly hired employees, young graduates, managers and top managers, with the degree of further training diversified by roles and positions.

In 2016, a web seminar on Model 231 and the Code of Ethics was delivered to compliance managers, 231 focal points and all personnel staffing Watch Structures at Eni's Italian and foreign subsidiaries.

### Anti-corruption compliance programme

In accordance with the principle of **"zero tolerance" of corruption expressed in the Code of Ethics**, Eni has sought to manage other risks which may be encountered by the Company in its business activities by implementing a comprehensive system of rules and controls to prevent corruption-related crimes (the **Anti-Corruption Compliance Programme**).

The Eni Anti-Corruption Compliance Programme is characterised by its dynamism and constant attention to evolving national and international legislation and best practice. It was developed in accordance with the applicable anti-corruption legislation and with international conventions, including the United Nations Convention Against Corruption, the US Foreign Corrupt Practices Act and the UK Bribery Act.

The Anti-Corruption Compliance Programme was first introduced in 2009 following the approval by the Board of Directors of the Eni of the Anti-Corruption Guidelines and issue of the relative subsidiary procedures (subsequently renamed the "Anti-Corruption Regulations").

To ensure that its Anti-Corruption Compliance Programme is effective, in 2010 Eni created a dedicated organizational unit that is charged with providing specialist anti-corruption assistance to Eni and its unlisted subsidiaries<sup>196</sup> in Italy and abroad.

On December 15, 2011, Eni updated its compliance programme (already **"US Foreign Corrupt Practices Act compliant"**), approving, by resolution of the Board of Directors, the first version of the **Anti-Corruption MSG**, with the objective of prohibiting any form of active or passive corruption, not only involving public officials, but also private parties.

The MSG – which is binding for Eni SpA and all of its unlisted subsidiaries – provides a systematic framework of the anti-corruption legal instruments adopted by Eni to regulate the areas at risk for corruption.

In 2013, a **global assessment was performed by an independent legal expert** to assess the effectiveness of Eni's anti-corruption compliance programme, both in terms of the adequacy of its procedural design and the effective application of such design.

**The assessment found that both the design and application of the compliance programme were sound overall, in line with the appropriate benchmarks and international best practice.**

Model 231 principles applied to other companies and joint ventures

The role of Eni's Board

The role of the Watch Structure

The disciplinary system

Training on Model 231

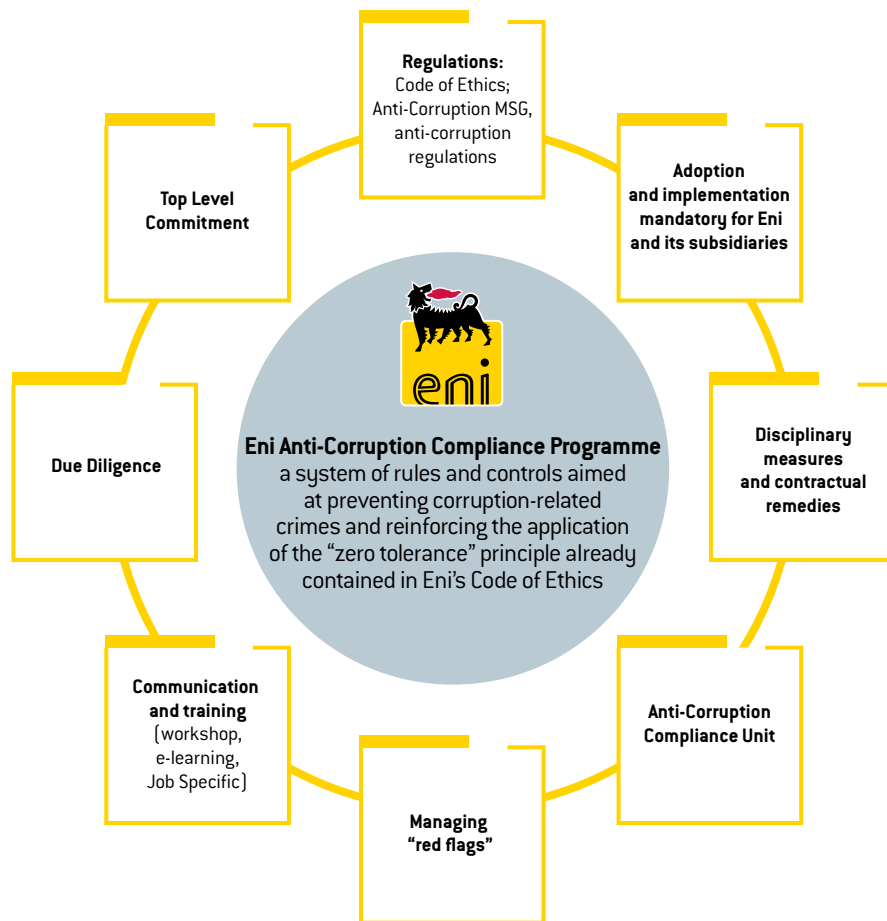
Rules and controls for preventing corruption

The global assessment by independent legal expert

[196] Listed subsidiaries have their own anti-corruption units.

Anti-Corruption Compliance unit

Following the Board decision of July 28, 2016, a new Integrated Compliance Department was formed that reports directly to the CEO of Eni SpA, effective since September 12, 2016. It is tasked with ensuring the separation of legal compliance activities from those relating to legally defending the company. The Department also contains the Anti-Corruption Compliance unit ("ACC").



Internal rule update

Companies and entities in which Eni has a non-controlling interest

Anti-Corruption Compliance unit activities

In order to “**continuously improve**” the compliance programme, a number of changes to the Anti-Corruption MSG were approved by the Board of Directors, most recently on October 29, 2014.

Eni also does all it can to ensure that the company and the entities in which Eni has a non-controlling interest comply with the standards set out in its internal anti-corruption rules, adopting and maintaining an adequate internal control system that complies with the requirements of anti-corruption legislation.

In this context, the activity of Eni’s representatives in joint ventures that are not subsidiaries and are not controlled by Eni deserves special attention. Eni requires the representatives it has appointed in these entities to perform a series of activities whose primary purpose is to propose to the joint venture the adoption and implementation of an Anti-Corruption Compliance Programme in line with Eni’s own programme and to document any refusal by the joint venture to comply with the control standards contained in Eni’s anti-corruption regulations.

As part of Eni’s activities in 2016, the ACC continued to provide **specialist anti-corruption assistance in relation to the activities of Eni SpA and its unlisted subsidiaries**<sup>197</sup>, including, among other things: (i) constant monitoring of regulations and case law; (ii) the updating of anti-corruption instruments and the related monitoring as well as their adoption by Eni’s subsidiaries; (iii) activity relating to anti-corruption communication and training programmes for Eni personnel; (iv) support during reliability checks on partners, support in the management of any problems/red flags discovered and the processing of the relevant contractual requirements in areas at risk of corruption; (v) maintaining an adequate flow of information to the Eni control bodies by drafting a semi-annual report on activities that is submitted to the Watch Structure, the

[197] See prior footnote.



Board of Statutory Auditors, the Control and Risk Committee and the Chief Financial Officer of Eni SpA. In carrying out these activities the ACC uses a software application to electronically manage certain anti-corruption processes and draws on special databanks to accurately verify the anti-corruption due diligence performed with potential Eni counterparties.

**The Anti-Corruption MSG provides that the manager responsible for performing due diligence must report the results of the anti-corruption due diligence, including any comments by the ACC, to the person or body that authorises the associated transaction, including the Board of Directors.**

Anti-Corruption  
due diligence

The **anti-corruption training programme for Eni** staff also continued in 2016. This training was provided through both e-learning tools and classroom training events (workshops). These workshops are conducted by the ACC in areas judged to be at high risk for corruption based on Transparency International's Corruption Perception Index and on Eni's presence in each given area. The workshops involve discussion of practical examples and analysis of recent case law to offer a general overview of the anti-corruption laws applicable to Eni, the risks posed to persons and entities if they are violated, and the Anti-Corruption Compliance Programme that Eni has adopted and implemented to counter these risks.

Eni training programme

In 2016, e-learning training was provided to 865 management employees<sup>198</sup> and 9,364 low-level employees. In the same year, anti-corruption workshops were held to train 1,269 employees in Italy and abroad (e.g. Iran, Ecuador, Angola, Nigeria, Egypt, Belgium, Gabon and Congo). In addition, in 2016, the ACC continued to hold job-specific training sessions providing training on specific corruption risks for targeted professional areas, which reached 1,214 Eni employees. To verify the effectiveness of classroom training, in late 2016 Eni developed a questionnaire for participants asking them to assess the training provided. This was done in the spirit of continuous improvement, which is a key principle of Eni's Anti-Corruption Compliance Programme.

Eni continues to gain experience in the area of anti-corruption through its on-going **participation in international conferences and working groups** that represent, for Eni, an instrument for growth and for promoting and disseminating its values.

Eni participation in  
international conferences  
and working groups

In this connection, in 2016 Eni participated in the following international working groups: PACI, the B20 held in China and Germany, the UN Global Compact, the Global Compact Network Italia Foundation, the ABC Benchmarking Group (Stephoe & Johnson LLP) and the OECD.

Finally, on January 10, 2017, Eni SpA successfully completed the verification process carried out by a leading certification company in Italy of its Anti-Corruption Compliance Programme to evaluate whether the programme meets the requirements of ISO 37001:2016 "Antibribery Management Systems", the first international standard for anti-corruption management systems. The certifier conducted a two-stage audit to verify the appropriateness of the design of Eni's Anti-Corruption Compliance Programme through examination of documentation and on-site checks and interviews to assess how it has been implemented.

Certification

**Eni SpA is the first Italian company to have received this certification.**

### **Procedure for whistleblowing reports (including anonymous complaints) received by Eni SpA and subsidiaries in Italy and abroad**

The Board of Statutory Auditors of Eni SpA, in its capacity as the "Audit Committee" provided for under US legislation in application of the Sarbanes-Oxley Act of 2002 approved, most recently on November 19, 2014, internal rules governing the receipt (with the creation of easily accessible information channels and published on the Company's website), analysis and processing of reports, including those transmitted in confidential or anonymous form to Eni, concerning internal control issues, financial reporting, the Company's administrative liability, fraud or other matters (so-called **whistleblowing reports**).

Rules of the Board  
of Statutory  
Auditors/Audit Committee  
SOA

**The reports governed by the rules may be submitted by anyone, including Eni employees and third parties (i.e. external persons with some relationship with Eni such as business partners, customers, suppliers, the Eni audit firm, consultants, associates and, in general, all other stakeholders).**

Whistleblowing reports

[198] Some 3,670 employees received e-training during the first session (2010-2012) and 12,477 in the second session (2013-2015). In the second half of 2015, the basic module of the anti-corruption e-learning programme was launched for all low-level employees. Between July and December 2015, about 7,016 Eni personnel received training through the programme.

The complaints may regard: (i) **non-compliance with external laws and regulations or internal Eni regulations**, as well as Eni’s regulatory system, including allegations of fraud involving corporate assets or financial reporting, as well as events that could, in theory, give rise to administrative liability for the Company pursuant to Legislative Decree no. 231/2001; (ii) **the violation of rules and principles set out in the Code of Ethics**.

Appropriate checks

Eni carries out all **appropriate checks** of the facts reported, investigating the reports as **quickly as possible** while **ensuring completeness and accuracy of the checks** performed.

Internal Audit unit

The **Internal Audit unit** manages the process for the Eni Group, along with the competent **Watch Structures**, while reports involving listed subsidiaries are managed independently by the **Internal Audit unit and control and supervisory bodies** of the subsidiary involved.

Whistleblowing Team

Specifically, the investigative process requires that all whistleblowing reports be brought to the attention of the “Whistleblowing Team”<sup>199</sup>, which **divides them into two categories on the basis of their content**<sup>200</sup> (**reporting pertaining to the “Internal Control and Risk Management System” and “Other Issues”**) and checks the facts alleged and whether they can be verified. If verified, the Team asks (i) the Internal Audit unit to conduct an assessment of reports pertaining to the “Internal Control and Risk Management System” and (ii) the competent Watch Structures, as guarantors of the Code of Ethics, to assess reports pertaining to “Other Issues”.

Whistleblowing Committee

Assessments involving reports on the “Internal Control and Risk Management System” are maintained in “report files”, which can be judged **“founded”, “unfounded” or “unfounded with action”**. The proposed classification is submitted to the Whistleblowing Team and the Whistleblowing Committee<sup>201</sup>. They may require further investigation or may approve their inclusion in the periodic report submitted to the Board of Statutory Auditors, in its capacity as the “Audit Committee” under US law. The latter may either approve the files as classified or, if it deems it necessary, ask the Internal Audit unit to conduct further investigation.

Information flows

The **Internal Audit unit also reports on its investigations** and provides periodic reporting to the Chairman of the Board of Directors, the CEO, the Board of Statutory Auditors, the audit firm, the members of the Whistleblowing Committee and Team and the internal control system legal unit, as well as to the Eni SpA Watch Structure and the heads of competent units, the top management and control bodies of the Eni subsidiaries for reports involving them, with the exception of listed subsidiaries, in line with the Eni regulations governing this area.

The Board of Statutory Auditors/Audit Committee SOA and the Control and Risk Committee

While examining the periodic reports received, the **Eni Board of Statutory Auditors** also assesses, including **in its capacity as the “Audit Committee”** under US law, whether to forward reported incidents that could have a more significant impact on the internal control and risk management system to the Control and Risk Committee.

For **listed subsidiaries**<sup>202</sup>, information flows and reporting to their top management and control bodies are handled by their own internal audit units, which also oversee the prompt forwarding of reports on significant incidents to Eni’s Internal Audit unit. Moreover, listed subsidiaries are required to promptly notify Eni SpA’s Litigation Management Team<sup>203</sup> of any whistleblowing reports, including anonymous reports, received that meet the specific requirements set out in the relevant internal regulations.

[199] As a result of the creation of the Integrated Compliance Department and the reorganisation of the Legal Affairs Department, the Team is composed of the Heads of units of: i) Integrated Compliance; ii) Legal Affairs; iii) Internal Audit; iv) Human Resources and Organisation; and v) Accounting and Financial Statements.

[200] The Internal Audit unit forwards notices received that are not identified as “whistleblowing reports” of relevance to the whistleblowing procedure to the relevant company units for processing under the provisions of applicable regulations.

[201] As a result of the creation of the Integrated Compliance Department and the reorganisation of the Legal Affairs Department, the Committee is composed of the Heads of: i) Integrated Compliance; ii) Legal Affairs; iii) Internal Audit; and iv) Human Resources and Organisation. The Head of the Accounting and Financial Statements is included in the Committee when reports involve his subject area.

[202] Saipem SpA is no longer solely controlled by Eni since January 22, 2016.

[203] See the next section.

## Litigation Management Regulations

The "Litigation Management" regulations were last updated on November 18, 2013. They govern the process of the communication and internal dissemination of news concerning developments in significant litigation or administrative proceedings involving Eni SpA<sup>204</sup> and/or its subsidiaries and requires that a team of top Eni managers ("TeamPEG"<sup>205</sup>), each in his area of expertise, oversee the coordination of the necessary actions – while observing the legal and operational autonomy of the subsidiaries and their control and supervisory bodies – including for the purposes of a proper exercise of management and coordination functions by Eni SpA, where applicable.

Purpose of regulations and TeamPEG

**Subsidiaries** also promptly notify the team of significant legal events and any whistleblowing reports, including anonymous reports, which, regardless of whether or not action has been brought by law enforcement authorities, relate to certain legal circumstances indicated in the procedure.

The measures governed by the regulation contribute to the effectiveness of the internal control and risk management system, in part to ensure consistency in the action of Eni SpA and its subsidiaries in response to significant legal events.

## Management System Guidelines for "Transactions involving the interests of Directors and Statutory Auditors and transactions with related parties"<sup>206</sup>

In compliance with the Consob Regulation on related-party transactions, on November 18, 2010<sup>207</sup>, the Board of Directors unanimously approved the Management System Guidelines (MSG) for "Transactions involving the interests of Directors and Statutory Auditors and transactions with related parties"<sup>208</sup>, which has been applied **since January 1, 2011**<sup>209</sup>, to ensure transparency and substantive and procedural fairness in transactions with related parties.

Eni's procedure

At its meeting of January 19, 2012, the Board of Directors conducted the first annual review of the MSG, as required by the document itself, **in advance of the three-year deadline set by Consob.**

The Board consequently modified the procedure, taking account of the operational issues that had arisen during the first year of application.

The MSG and the subsequent amendments received the unanimous, favourable opinion of the former Internal Control Committee of Eni<sup>210</sup>, composed entirely of independent directors under the provisions of the Corporate Governance Code and in accordance with the Consob Regulation.

At its meetings of January 17, 2013, January 16, 2014, January 20, 2015, and January 19, 2016, the Board of Directors, subject to obtaining a favourable opinion from the Control and Risk Committee, conducted the annual reviews of the MSG. Most recently on March 17, 2017, taking account of the information received, obtaining a favourable opinion from the Control and Risk Committee, the Board judged as positive the adequacy of the design of the MSG, accepting the proposal of the relevant department to make a number of updates to the text in a following meeting.

Annual review

**The MSG, while largely being based on the definitions and provisions of the Consob Regulation, extends the rules for transactions carried out directly by Eni to all transactions undertaken by subsidiaries with related parties of Eni SpA, with a view to enhancing safeguards and improving functionality.**

Consob regulation and Eni's choices

(204) Specifically, notices, news and requests received by Eni SpA and/or its subsidiaries or that, in any case, it is made aware of concerning judicial or administrative proceedings, of particular significance to Eni, during the preliminary or trial stage or in the course of investigation or expressly indicated as possible by the authority that has the power to initiate it once the investigations in course have been completed.

(205) The Team is composed of the Senior Executive Vice President Legal Affairs, the Chief Services & Stakeholder Relations Officer, the Executive Vice President External Communications, the Senior Executive Vice President Corporate Affairs and Governance and the Senior Executive Vice President Internal Audit.

(206) The MSG for "Transactions involving the interests of Directors and Statutory Auditors and transactions with related parties" is available in the Corporate Governance section of the Company's website at: [https://www.eni.com/en\\_IT/company/governance/the-internal-control-and-risk-management-system.page](https://www.eni.com/en_IT/company/governance/the-internal-control-and-risk-management-system.page).

(207) The MSG updates and replaces the previous Company regulations in this area, which had been adopted by the Board of Directors on February 12, 2009.

(208) The procedures take account of the instructions and interpretive guidance set out in the Consob Communication of September 24, 2010.

(209) The disclosure requirements set out in the Consob Regulation entered force as from December 1, 2010.

(210) Currently the Control and Risk Committee.

Types of transactions: transactions of greater importance, transactions of lesser importance, exempt transactions

The role of the Independent Directors

Exempt transactions

Transactions of greater importance

Disclosure to the public

Internal processes

Transactions with parties of interest to Directors and Statutory Auditors

Periodic reporting

Monitoring roles of the Board of Statutory Auditors

In addition, the **definition of “related party” has been extended and defined in greater detail.**

Transactions with related parties are divided into transactions of **lesser importance, of greater importance and exempt transactions**, with procedural arrangements and transparency requirements that vary based on the type and importance of the transaction.

In general, the independent Directors on the **Control and Risk Committee** or the **Compensation Committee** (in the case of certain remuneration issues) play a central role in all significant transactions with related parties. Specifically, for transactions of lesser importance, the procedures require that the relevant committee express a reasoned, non-binding opinion on the Company’s interest in completing the transaction and the economic benefits and substantive fairness of the underlying terms.

**Exempt transactions comprise low-value transactions as well as ordinary transactions carried out under standard conditions, intercompany transactions and those regarding remuneration as specified in the MSG.**

For transactions of **greater importance**, without prejudice to the decision-making powers reserved to the **Board of Directors**, the relevant committee is involved starting from the preparatory phase of the transaction and expresses a binding opinion on the Company’s interest in the completion of the transaction and the economic benefits and substantive fairness of the underlying terms.

With regard to the **disclosures to be provided to the public**, the relevant provisions of the Consob Regulation have been fully incorporated in the MSG.

The MSG also sets out the **timing, responsibilities and verification tools to be used by Eni employees involved and the reporting requirements** that must be complied with for the correct application of the rules.

Finally, consistent with the choice made with the previous system, **specific rules have been adopted for transactions in which a Director or a Statutory Auditor holds an interest, whether directly or on behalf of third parties.** More specifically, the MSG contains specific monitoring, evaluation and motivation requirements related to the preliminary phase and to the completion of a transaction with a party of interest to a Director or a Statutory Auditor.

In this regard, **both in the preliminary and approval phase, a detailed and documented examination of the reason for the transaction is required, showing the interest of the Company in its completion and the economic benefits and fairness of the underlying terms.** In any case, if the transaction is under the responsibility of the Eni Board of Directors, a non-binding opinion from the **Control and Risk Committee is required.**

In order to ensure prompt and effective verification of the implementation of the MSG, a **database** had been created listing related parties and Eni persons of interest, together with a **search application** that the agents of Eni and the subsidiaries responsible for preparing transactions can use to access the database in order to determine the nature of the transaction counterparty.

To ensure an effective system of control over transactions, **every two months** the CEO must report to the Board of Directors and to the Board of Statutory Auditors on the execution of individual transactions with related parties and parties of interest to Directors and Statutory Auditors, who are not exempt, and prepare a **semi-annual aggregate report on all transactions with such parties of interest performed during the reporting period.**

The **Board of Statutory Auditors** monitors the compliance of Eni’s procedures with the principles set out by Consob concerning related parties<sup>211</sup>, as well as whether their conformity based upon information received and reports to the Shareholders’ Meetings on its activities.

[211] The oversight function of the Board of Statutory Auditors is governed by art. 2391-bis of the Italian Civil Code, art. 4, paragraph 6 of the Consob regulation on related-party transactions, as well as the relevant internal regulations, to which a chapter of the “Internal Control and Risk Management System” section of this Report is dedicated.

Numerous **training and information meetings** have been held since 2015, coordinated by Corporate Affairs and Governance, involving all the departments of Eni and its unlisted subsidiaries most affected by the relevant legislation. These activities were accompanied by a session of **ongoing training** for the Board of Directors and the Board of Statutory Auditors, which reviewed the main aspects of the applicable regulations and the associated responsibilities of the corporate bodies and their members.

Training

## “Market Abuse” regulations

### *Handling of corporate information*

Eni recognizes that information is a strategic business asset and as such must be managed so as to safeguard the interests of the Company, its shareholders and the market.

Therefore, in order to ensure that all Eni personnel are aware of the value of this information and the consequences of mismanaging such information, including by highlighting the penalties associated with violation of the regulations, on October 29, 2012, the Board of Directors, acting on a proposal from the CEO and after consultation with the Control and Risk Committee, approved the Management System Guidelines for Market Abuse (hereinafter also “Market Abuse MSG”).

Internal rules approved by the Board

The MSG, in tracing the evolution that information may undergo within Eni, introduces principles of conduct for preserving the confidentiality of corporate information in general, as required by Criterion 1.C.1 letter j) of the **Corporate Governance Code**, ensuring that information is used by employees and members of the corporate bodies in accordance with the principles of sound management of information within the context of the duties assigned to them in the pursuit of the company business and in compliance with the principles set out in **Eni’s Code of Ethics and with corporate security measures**. Directors and Statutory Auditors shall ensure the confidentiality of documents and information acquired in the performance of their duties and shall ensure compliance with the Market Abuse MSG.

Purposes of the regulation

On July 3, 2016, the new European market abuse rules – namely the Market Abuse Regulation, or “MAR” (Regulation (EU) no. 596/2014) and the implementing delegated acts of the European Commission - became directly applicable in the Member States. They replace and supplement those regulatory measures for incompatible aspects<sup>212</sup>.

The new European market abuse rules

The direct applicability of the new legislation to Eni made it necessary to begin updating the MSG in 2016. The release of the new MSG is being delayed until the legislative, regulatory and interpretive framework has been established, particularly at the national level.

Information and training programmes

### *Internal management and market disclosure of inside information*

Pending the issue of the new MSG, the competent corporate functions carried out information and training programmes for Eni Personnel and for its subsidiaries, including the corporate bodies, on the new legislative provisions and the associated requirements and, in particular, distributed operating instructions to the corporate functions most affected. Specifically:

- i) a procedural flow was established to classify information as “inside information” (pursuant to Art. 7 of the MAR) and that accurately identifies the roles and responsibilities connected with this classification;
- ii) guidelines were put in place covering the flow of authorisations that results from classifying information as inside information, if – following receipt of special authorisation – the delay procedure has been initiated and to ensure that all the regulatory and substantive conditions for its application have been satisfied;
- iii) the information flow connected with the preparation of press releases that, while following the principles previously established, has also regulated notifying Consob – as provided for by regulation – of any use of the delay procedure following communication of inside information to the public;
- iv) supporting quantitative criteria were introduced for assessing certain types of operations;

[212] Directive no. 2014/57/EU on criminal sanctions for market abuse (MADII) has not yet been transposed into Italian law.

- v) safeguards, including organisational protections, were introduced to ensure that information, particularly inside information, remains confidential;
- vi) documentation standards were created and disseminated in support of procedural flow mentioned above and the standard contract clauses that ensure compliance with the new MSG in dealings with counterparts and third parties were reviewed.

#### The list

#### *List of persons with access to inside information*

The list of persons with access to Eni inside information (Art. 18 of the MAR) has been brought into line with the new legislation, carefully following the regulatory and interpretive recommendations of ESMA. Eni has opted to create a “permanent” section of the list for the Eni personnel who meet the strictest regulatory requirements. Changes were also made to the methods and deadlines for the entry in and any subsequent cancellation from the list as well as the procedures for **notifying the person involved** of such entry or cancellation and of the reasons for the action, citing the specific rules of conduct and associated penalties and emphasising that any data and information received, even subsequent to cancellation from the list, must be kept confidential; these changes apply to Eni’s subsidiaries as well since they are no longer directly required to establish and maintain their own lists.

#### Press releases with price sensitive information

#### *Market disclosure of documents and inside information*

More specifically, in order to disclose inside information to the public as soon as possible of (Art. 17 of MAR), Eni has maintained its internal process for issuing **press releases with price sensitive information** and the **publication** of press releases with price sensitive information required by the regulations and, upon publication, their concomitant publication on the Eni website.

The internal procedure also establishes the **requirements for public disclosure of inside information** (transparency, fairness and non-manipulative intent, materiality, clarity, completeness, traceability, consistency, equal access to information and informational symmetry and timeliness) and the rules for acquiring data and information from subsidiaries that is necessary to provide accurate and timely information to the Board of Directors and to the market on events and circumstances that may give rise to inside information.

In addition, the MSG establishes rules so that, in accordance with applicable regulations: (i) **press releases with price sensitive information** contain all the information necessary to enable a complete and accurate assessment of the events and circumstances represented, as well as references to and comparisons with the content of previous press releases; (ii) any significant change in inside information subject to disclosure that has already been made public is disseminated without delay in the manner specified by applicable regulations; (iii) the disclosure of inside information subject to disclosure and the marketing of the Company’s activities are not combined in a way that could be misleading; and (iv) the disclosure is made in a manner that ensures the greatest possible synchronization of disclosure to all categories of investors in all countries in which the admission of its financial instruments to trading on a regulated market has been requested or approved.

#### Information on the new internal dealing rules

#### *Internal Dealing*

The new rules pursuant to Art. 19 of the MAR have been provided to the persons involved in a disclosure that indicates: (i) relevant persons (which, for Eni SpA, are the directors, statutory auditors, magistrate of the Court of Auditors, senior officers that report to the CEO and the Chairman and, in any case, members of the Management Committee) and persons closely associated with them; (ii) transactions involving shares and debt instruments issued by Eni and other financial instruments linked to them; (iii) the obligations for disclosure to Consob and the public of transactions, carried out directly or through nominees, by relevant persons and persons closely associated with them; (iv) rules of conduct for relevant persons (other than the shareholders of Eni) and persons closely associated with them, governing the procedures and deadlines for notifying Eni of transactions, as well as the deadlines for disclosure to the public of such filings, which are to be made directly or through the Corporate Secretariat of Eni SpA, which also provides for publication of the filing on the Internal Dealing section of the website. New black-out period rules have also been communicated. They prohibit relevant

persons from carrying out transactions during certain periods of the year (coinciding with the 30 days that precede the public release of an accounting document), the calendar for which is continually updated, with reminders sent to relevant persons.

Black-out period

## Audit firm<sup>213</sup>

The statutory auditing of Eni's financial statements is entrusted, pursuant to law, to an audit firm **appointed by the Shareholders' Meeting, acting on a reasoned proposal of the Board of Statutory Auditors.**

Engagement

In addition to the obligations set forth in national audit regulations, Eni's listing on the New York Stock Exchange requires that the audit firm issues a report on the Annual Report on Form 20-F, in compliance with the auditing principles generally accepted in the United States, as well as an assessment of the effectiveness of the internal control system applied to financial reporting, which governs the preparation of the consolidated financial statements.

US regulations

For the most part, the financial statements of the subsidiaries are audited by Eni's audit firm. In addition, for the purpose of issuing an assessment on the consolidated financial statements, Eni's audit firm assumes responsibility for the auditing activities performed by other audit firms regarding the financial statements of subsidiaries that, taken together, account for an immaterial share of consolidated assets and revenues.

Audit of financial statements of subsidiaries

The current audit firm is **Ernst & Young SpA**, whose engagement was approved by the Shareholders' Meeting of April 29, 2010, for the **financial years 2010-2018**, pursuant to Legislative Decree no. 39/2010.

Audit firm in charge and duration of engagement

In carrying out its work, the audit firm has access to the information, data (both documentation and digital information), archives and property of the Company and its subsidiaries.

The "Rules on the auditing of financial statements"<sup>214</sup> set out the general principles pertaining to: the granting and revocation of the engagement; relations between the primary auditor of the Group and secondary auditors; the independence of the audit firm and causes for incompatibility; reporting responsibilities and obligations of the audit firm; and the regulation of the flow of information to the Company, Consob and the SEC.

Internal rules on the auditing of financial statements

In order to preserve the independence of the audit firms, a monitoring system for "non-audit" work has been created where, in general, the audit firm and its network are not awarded engagements unrelated to the performance of statutory audit activities, except in rare circumstances pertaining to activities that are not prohibited by Italian legislation or the Sarbanes-Oxley Act.

## Control of Court of Auditors

The financial management of Eni is subject to the control of the Court of Auditors ("Corte dei Conti")<sup>215</sup> in order to preserve the integrity of the public finances. This work was performed by the magistrate of the Court of Auditors Adolfo Teobaldo De Girolamo, on the basis of the resolution approved on December 22, 2014 by the President's Council of the Court of Auditors. The magistrate of the Court of Auditors attends the meetings of the Board of Directors, the Board of Statutory Auditors and the Control and Risk Committee.

[213] The audit firm expresses its opinion on this Report pursuant to Art. 123-bis, paragraph 4, of the Consolidated Law on Financial Intermediation.

[214] The competent structures are currently studying how to update Eni's rules given the adoption of Regulation (EU) no. 537/2014 and Legislative Decree no. 135/2016, which have profoundly altered the legislative framework applicable to statutory audits.

[215] Pursuant to Art. 12 of Law no. 259 of March 21, 1958.

## Relations with shareholders and the market

### Relations with shareholders and the markets

In compliance with its Code of Ethics and the adopted Corporate Governance Code, Eni has maintained an open and on-going dialogue with institutional investors, retail shareholders and the market, so as to ensure the dissemination of complete, accurate and timely information on its activities, without prejudice to the need to preserve the confidentiality that certain information may require.

Disclosures concerning periodic reports, the four-year strategic plan, major events and transactions are disseminated through press releases, meetings and conference calls with institutional investors, financial analysts and the press, and are promptly made available to the general public, including by way of publication on the Company's website.

### The website

In particular, presentations by top management to the financial markets concerning the quarterly and annual results and the four-year strategic plan are transmitted live on **the Company's website**, informing retail shareholders, enabling them to participate in the most significant market events in real time.

Recordings of these events, press releases and the associated presentations and transcripts are permanently available on the Company's website.

The "Eni in the Stock Markets" pages in the "Investors" section of Eni's website<sup>216</sup> are constantly updated with information on dividends, share price and the major stock market indexes.

The website also contains, among other things, periodic reports, press releases, this Report, the Corporate Governance Code with the corporate governance solutions adopted by Eni, the Company's By-laws, announcements to shareholders and bondholders, disclosures and documentation regarding the issues on the agenda of Shareholders' and Bondholders' Meetings, with the associated minutes. The documentation is provided free of charge to anyone who may request it, including through the Company's website<sup>217</sup>.

### A section of the website is dedicated to Eni's Corporate Governance

**A section of the website is dedicated to Eni's Corporate Governance arrangements<sup>218</sup>**, and the governance system is illustrated with a summary graphic as well as with additional detailed pages. The website also provides easy access to a considerable amount of other documentation, including this Report, previous reports and the documents referred to in the reports.

### Awards

Once again in 2016, Eni was at the top in the area of digital corporate communications in the Webranking classification prepared by Comprend 2016 Italy and Europe. In addition, Eni was included in the FTSE4Good index and was recognized by CDP<sup>219</sup> as a global leader, making the Report 2016 Climate A List, which features companies that have received the highest score (A) in the independent evaluation of actions and strategies adopted in response to climate change.

Eni is the only major oil and gas company to achieve this result. Of the thousands of companies examined by CDP, only 9% were placed on the Climate A List<sup>220</sup>.

### Initiatives for the shareholders

Moreover, the Company has agreed to respond to the desire – expressed in Shareholders' Meetings in recent years – for greater involvement of our investors, including retail investors.

[216] At the address: [http://www.eni.com/en\\_IT/investor-relation/eni-stock-markets/eni-stock.shtml](http://www.eni.com/en_IT/investor-relation/eni-stock-markets/eni-stock.shtml).

[217] At the address: [http://www.eni.com/en\\_IT/documentation/documentation.page?type=bil-rap&home\\_2010\\_en\\_tab=altri\\_documentazione](http://www.eni.com/en_IT/documentation/documentation.page?type=bil-rap&home_2010_en_tab=altri_documentazione).

[218] At the address: [https://www.eni.com/en\\_IT/company/governance.page](https://www.eni.com/en_IT/company/governance.page).

[219] Referring to the international non-profit and point of reference for investors when it comes to evaluating and measuring the performance of listed companies with regard to the environment and strategies on climate change. CDP works on behalf of over 800 investors, representing a total capital of more than \$100 trillion. For more information, visit the CDP website: <https://www.cdp.net/en>.

[220] For more information, refer to the section "Responsible and sustainable approach" of this Report.



To this end, a section on the Company's website<sup>221</sup> dedicated to shareholders has been created. This section includes a **Shareholder's Guide** and a simple and short interactive video of the Shareholders' Meeting approving the financial statements.

Responding to the need to enhance its dialogue with the market, in 2016 and 2017 Eni organised, with the participation of the Chairman, a new series of **Corporate Governance Roadshows** with the **leading institutional investors in the major financial markets** to present the changes that have further improved the Company's governance system and the main ESG initiatives. The initiative provided Eni with external feedback on the Company's governance. The participants appreciated the initiative and noted that the Company's corporate governance is well-structured and sound, in particular underscoring the role of the Chairman in the control process and the risk governance arrangements adopted.

Corporate Governance Roadshows

Furthermore, during the financial community meeting held in Paris on September 30, 2016, the CEO explained Eni's integrated model for long-term value creation built on the pillars of risk management, competences and innovation, and compliance. For more information on relations with Shareholders and investors with regard to corporate governance issues, please refer to the section on governance initiatives of this Report.

Specific Eni units handle relations with institutional investors, shareholders and the media.

Specific Eni units handle relations with institutional investors, shareholders and the media

As provided for in the Corporate Governance Code, relations with institutional investors and financial analysts are managed by the **head of the Investor Relations** function; the relevant information is available on the Eni website in the "Investors" section and may also be requested by e-mail at [investor.relations@eni.com](mailto:investor.relations@eni.com).

Relations with other shareholders are managed by the **Corporate Secretariat**. The relevant information is available on the Eni website and may also be requested by e-mail at [segreteria.societaria.azionisti@eni.com](mailto:segreteria.societaria.azionisti@eni.com), or by calling the toll-free number 800940924 [from abroad: 80011223456]

Relations with the media are managed by the **Head of External Communication**; the relevant information is available on the Eni website in the "Media" section and may also be requested by e-mail at [ufficio.stampa@eni.com](mailto:ufficio.stampa@eni.com).

Information about our Corporate Governance is available on the Eni website and may also be requested by dedicated e-mail from Eni's website at [info.governance@eni.com](mailto:info.governance@eni.com).

The following tables show the structure of the Board of Directors, the committees and the Board of Statutory Auditors.

[221] At the address: [http://www.eni.com/en\\_IT/governance/shareholders/initiatives/initiatives.shtml](http://www.eni.com/en_IT/governance/shareholders/initiatives/initiatives.shtml).

## Board of Directors and Board Committees

Members	Board of Directors						Control and Risk Committee		Compensation Committee		Nomination Committee		Sustainability and Scenarios Committee	
	Year of first appointment	Slate <sup>1</sup>	Executive/ Non-Executive	Independent <sup>2</sup>	No. of other positions held <sup>3</sup>	Meeting attendance	Position <sup>4</sup>	Meeting attendance	Position <sup>4</sup>	Meeting attendance	Position <sup>4</sup>	Meeting attendance	Position <sup>4</sup>	Meeting attendance
<b>Chairman</b>														
Emma Marcegaglia <sup>5</sup>	2014	M	Non-Executive	CLFI	1	14/14	-	-	-	-	-	-	-	-
<b>Chief Executive Officer</b>														
Claudio Descalzi <sup>5</sup>	2014	M	Executive	-	-	14/14	-	-	-	-	-	-	-	-
<b>Directors</b>														
Andrea Gemma <sup>5</sup>	2014	M	Non-Executive	CLFI – CGC	3	14/14	M	13/13	-	C	10/10	M	10/10	
Pietro Guindani <sup>5</sup>	2014	m	Non-Executive	CLFI – CGC	2	13/14	-	-	C	9/9	-	M	10/10	
Karina Litvack <sup>5</sup>	2014	m	Non-Executive	CLFI – CGC	-	13/14	M <sup>6</sup>	10/10	M	9/9	-	M	10/10	
Alessandro Lorenzi <sup>5</sup>	2011	m	Non-Executive	CLFI – CGC	1	14/14	C	13/13	M	9/9	-	-	-	
Diva Moriani <sup>5</sup>	2014	M	Non-Executive	CLFI – CGC	4	14/14	M <sup>6</sup>	3/3	M <sup>6</sup>	7/9	M	10/10	-	
Fabrizio Pagani <sup>5</sup>	2014	M	Non-Executive	-	-	14/14	-	-	-	-	M	10/10	C	10/10
Alessandro Profumo <sup>7</sup>			Non-Executive	CLFI – CGC	2	13/14	-	-	-	-	M	10/10	M	10/10
<b>No. of meetings in 2016</b>						<b>14</b>	<b>13</b>		<b>9</b>		<b>10</b>		<b>10</b>	
<b>Average length of meetings</b>						<b>3h 24m</b>	<b>3h 34m</b>		<b>3h 13m</b>		<b>1 h 05 m</b>		<b>2h 00 m</b>	
<b>Average attendance rate</b>						<b>98%</b>	<b>100%</b>		<b>94.4%</b>		<b>100%</b>		<b>100%</b>	

(1) For definitions of "majority" (M) and "minority" (m) slates, please refer to the sections "Composition" and "Appointment" in the chapter "Board of Directors" of this Report. The minimum holding required to submit a slate for the election of the Board of Directors was equal (in 2014) to 0.5% of the share capital.

(2) Satisfying the independence requirements under the Consolidated Law on Financial Intermediation (CLFI) and/or the Corporate Governance Code (CGC).

(3) Positions as director or statutory auditor held in other listed companies, including foreign companies, as well as financial, banking and insurance firms and large companies for the purposes of the Board policy on the maximum number of positions that may be held in other companies of September 17, 2015. The main positions held by the Directors are reported in the section "Composition" of the chapter "Board of Directors" of this Report, in the context of the information on the personal and professional qualifications of the Directors, as well as in the "Governance-Board of Directors" section of the Eni website (www.eni.com).

(4) "C": committee chairman; "M": committee member.

(5) Appointed by the Shareholders' Meeting of May 8, 2014 for a three year term ending on the date of the Shareholders' Meeting called to approve the 2016 financial statements.

(6) On July 28, 2016, the Eni Board of Directors approved the rotation of Director Karina Litvack out of the Control and Risk Committee with another Director selected by the Board itself on September 15, 2016 in the person of Director Diva Moriani. Moriani left the Compensation Committee effective as of December 22, 2016. The information on participation in Committee meetings for these Directors refers to the meetings held while they were Committee members.

(7) Alessandro Profumo was appointed by the Eni Board of Directors on July 29, 2015, in replacement of Luigi Zingales, who submitted his resignation from the Board on July 2, 2015, and was reappointed by the Shareholders' Meeting on May 12, 2016 for the duration of the current Board's term of office, that is, until the date of the Shareholders' Meeting called to approve the financial statements for 2016. Mr Profumo was appointed for the first time to the Eni Board by the Shareholders' Meeting of May 5, 2011 and served until the end of the term, on the date of the Shareholders' Meeting of May 8, 2014.

## Board of Statutory Auditors

Term of office beginning May 8, 2014

Members <sup>(1)</sup>	Year of first appointment	Independence		Attendance at BoSA meetings	Attendance at BoD meetings	No. of positions held in listed companies <sup>(3)</sup>
		pursuant to Corporate Governance Code	Slate from which drawn <sup>(2)</sup>			
<b>Chairman</b>						
Matteo Caratozzolo	2014	x	Minority	18/18	14/14	1
<b>Standing Statutory Auditors</b>						
Paola Camagni	2014	x	Majority	17/18	13/14*	1
Alberto Falini	2014	x	Majority	18/18	14/14	1
Marco Lacchini	2014	x	Minority	18/18	14/14	1
Marco Seracini	2014	x	Majority	18/18	14/14	1
<b>Number of meetings in 2016</b>				<b>18</b>	<b>14</b>	
<b>Average length of meetings</b>				<b>3 h 37 m</b>	<b>3 h 24 m</b>	
<b>Average attendance rate</b>				<b>99%</b>	<b>99%</b>	

(\*) Statutory Auditor Paola Camagni's absence from one meeting of the Board of Directors was owing to technical problems with the telephone connection that were not her fault.

(1) On May 8, 2014 the Shareholders' Meeting appointed the alternate Statutory Auditors Stefania Bettoni and Mauro Lonardo.

(2) For definitions of "Minority" and "Majority" slates, please refer to the section on the "Composition and Appointment" of the Board of Statutory Auditors in this Report. The minimum holding required to submit a slate for the election of the Statutory Auditors was equal (in 2014) to 0.5% of the share capital.

(3) Refers to the position with Eni SpA. The list is current as of the date of approval of this Report. The main positions held by the Statutory Auditors are reported in the section "Composition and Appointment" of the chapter "Board of Statutory Auditors" of this Report, in the context of the information on the personal and professional qualifications of the Statutory Auditors, as well as in the "Governance-Board of Statutory Auditors" section of the Eni website (www.eni.com). The complete list of significant management and control positions held pursuant to Art. 148-bis of the Consolidated Law on Financial Intermediation and the related implementing provisions set out in the Consob Issuers' Regulation is published on Consob's website, pursuant to Article 144-quinquiesdecies of the Issuers' Regulation, where applicable.

## **Investor Relations**

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## **Eni SpA**

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€4,005,358,876 fully paid

Tax identification number: 00484960588

Branches:

San Donato Milanese (Milan) - Via Emilia, 1

San Donato Milanese (Milan) - Piazza Ezio Vanoni, 1

## **Publications**

Financial Statement pursuant to rule 154-ter paragraph 1  
of Legislative Decree No. 58/1998

Integrated Annual Report

Annual Report on Form 20-F

for the Securities and Exchange Commission

Fact Book (in Italian and English)

Eni in 2016 (in English)

Interim Consolidated Report as of June 30 pursuant  
to rule 154-ter paragraph 2 of Legislative Decree No. 58/1998

Corporate Governance Report pursuant to rule 123-bis  
of Legislative Decree No. 58/1998

(in Italian and English)

Remuneration Report pursuant to rule 123-ter  
of Legislative Decree No. 58/1998 (in Italian and English)

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