

# Management System Guideline

Transactions involving the Interests of the Directors and  
Statutory Auditors and Transactions with Related Parties

## Annex A | Activities at Risk and identification of Transactions of Greater Importance with Related Parties



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The English text is a translation of the Italian. For any conflict or discrepancies between the two texts the Italian text shall prevail.

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## **1. INTRODUCTION**

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### **1.1 Aims of the document**

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The aims of this document are the identification of:

- activities at risk and the related level of risk, as well as the risk mitigation measures, identified and assessed following compliance risk assessment activities;<sup>1</sup>
- calculation criteria for identifying Transactions of Greater Importance with related parties. Furthermore, this document identifies the significance indices of the interests of others Eni's Related Parties in Transactions with or between subsidiaries, as well as Transactions with associated companies.

The definitions contained in the MSG "Transactions with Interests of the Directors and Statutory Auditors and Transactions with Related Parties" (hereinafter "MSG") and in Annex C to the MSG are valid and are referred to in this Annex.

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### **1.2 Area of application and implementation procedures**

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This Annex has the same area of application and implementation procedures as the MSG.

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<sup>1</sup> For the meaning of "compliance risk assessment" please refer to "Integrated Compliance" Management System Guideline.

## 2. ACTIVITIES AT RISK AND MITIGATION MEASURES

### 2.1 Activities at risk and level of risk

In accordance with the provisions of the “Transactions involving the Interests of Directors and Statutory Auditors and Transactions with Related Parties” MSG, the Activities at Risk are listed below along with the corresponding associated level of risk. Classification of the Activities at Risk was based on the inherent risk<sup>2</sup> determined by considering the intrinsic risk component independently of the systems put in place to mitigate that risk.

Risk mitigation measures to be followed by the Signing Officer, also through the subject delegated by him/her have been outlined on the basis of the classification.

ACTIVITY AT RISK	INHERENT RISK ASSESSMENT
1. Procurement of goods and services	High
2. Sale of goods and services	High
3. Financial transactions	High
4. Joint Ventures	Medium - High
5. M&A, Concessions and Conventions	Medium – High
6. Trading & Shipping	Medium – High
7. Transactions with intermediaries and consultants	Medium – High
8. Sponsorships and Partnerships	Medium - Low
9. Human Resources	Medium – Low
10. Real estate	Low
11. Community Investment & non-profit activities	Low

### 2.2 Mitigation measures

The Signing Officer, also through the person delegated by him/her, has access to the “Related Parties and Subjects of Interest” Database:

- for Transactions related to “High” risk activities - upon the start of the Transaction, or at any amendment of the conditions of an approved Transaction, repeating the check before the execution of the Transaction;<sup>3</sup>

<sup>2</sup> For the meaning of “inherent risk”, please refer to “Integrated Compliance” Management System Guideline.

<sup>3</sup> When cases of exclusion provided in Chapter 10 of the MSG are not applicable to the Transaction.

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- for Transactions related to “Medium - High” risk activities - upon the start of the Transaction, or at any amendment to the conditions of an approved Transaction, repeating the check if between the start of the Transaction and the execution of the Transaction there is a period of at least 30 days;<sup>4</sup>
- for Transactions related to “Medium - Low” risk activities - at the start of the Transaction, or at any amendment to the conditions of an approved Transaction, repeating the check if between the start of the Transaction and the execution of the Transaction there is a period of at least 60 days;<sup>5</sup>
- for Transactions related to “Medium - Low” risk activities - only upon the start of the Transaction, or at any amendment to the conditions of an approved Transaction.

Following the checks in the Database, if the counterparty in the Transaction is a Related Party, and the Transaction is related to High-risk activities to which any cases of exclusion apply as per Chapter 10 of the MSG, the Signing Officer - also through the person delegated by him/her - always involves the unit of the Corporate Affairs and Governance function competent for Related Parties compliance of Eni SpA in order to activate the procedure provided for in the MSG.

In other cases, the Signing Officer - also through the person delegated by him/her - involves the unit of the Corporate Affairs and Governance function competent for Related Parties compliance of Eni SpA only in case of criticality.

The involvement of the unit of the Corporate Affairs and Governance function competent for Related Parties compliance of Eni SpA is always required if the counterpart in the Transaction is a Director, a standing Statutory Auditor of Eni SpA, the Magistrate of the Italian Court of Auditors, a Key Management Personnel of Eni SpA or of the subject controlling Eni SpA, one of their Close Relatives or a Related Party declared by them.

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<sup>4</sup> When cases of exclusion provided in Chapter 10 of the MSG are not applicable to the Transaction.

<sup>5</sup> When cases of exclusion provided in Chapter 10 of the MSG are not applicable to the Transaction.

### 3. IDENTIFICATION OF TRANSACTIONS OF GREATER IMPORTANCE WITH RELATED PARTIES

#### 3.1 Calculation criteria for identifying Transactions of Greater Importance

Transactions in which at least one of the following relevance indexes, applicable depending on the specific operation, is greater than the 5% threshold<sup>6</sup> are considered as “Transactions of Greater Importance”:

- a) **Equivalent-value relevance ratio:** is the ratio between the equivalent Transaction and the net equity drawn from the latest consolidated balance sheet of the reporting entity (without third party interests) or, if greater, the capitalisation acquired at the end of the last trading day included in the period covered by the latest accounting periodical published document (annual or semi-annual financial report or additional periodic financial information, if any).

Should the economic conditions of the Transaction be determined, the equivalent operation shall be:

- for the cash component, the amount payable to or from the contractual counterpart;
- for the component in financial instruments, the fair value determined at the date of the Transaction<sup>7</sup>;
- for funding Transactions or grant of guarantees, the maximum amount payable.

If the economic conditions of the operation depend, in whole or in part, on magnitudes not yet known, the equivalent operation is the maximum admissible or payable value under the agreement.

- b) **Asset relevance ratio:** is the ratio between the total assets of the entity in the Transaction and the total assets of the reporting entity. Data to be used shall be obtained from the most recently published consolidated balance sheet by the reporting entity; whenever possible, similar data should be used for determining the total assets of the entity involved in the Transaction.

If the purpose of the Transaction is the acquisition/transfer of shares in companies that have an impact on the area of consolidation, the value of the numerator is the total assets of the investee, regardless of the percentage of capital being available.

If the purpose of the Transaction is the acquisition/transfer of shares in companies that have no impact on the area of consolidation, the value of the numerator is:

- in the case of acquisitions, the counter Operation plus the acquired company’s liabilities eventually assumed by the purchaser;
- in the case of transfers, the consideration of the divested business.
- If the purpose of the Transaction is the acquisition/transfer of other assets (i.e. other than shares), the value of the numerator is:
- in the case of acquisitions, the greater between the equivalent and the carrying amount that will be attributed to the assets;
- in the case of transfers, the book value of the assets.

- c) **Liabilities relevance ratio:** is the ratio between the total liabilities of the acquired entity and the total assets of the reporting entity. Data to be used must be derived from the most recently published consolidated balance sheet by the reporting entity; whenever possible, similar data should be used for determining the total liabilities of the company, or company branch acquired.

<sup>6</sup> The threshold is established in Chapter 2, “Transaction of Greater Importance”, of the MSG.

<sup>7</sup> Fair value is determined in compliance with the international accounting standards adopted pursuant to Regulation (EC) No. 1606/2002.

The same parameters are used to evaluate the relevance of Transactions carried out between subsidiaries; therefore the denominators of the ratios regard the controlling reporting entity.

For Transactions carried out by a **listed subsidiary** with Eni, or with subjects that related to the latter in turn related to the listed subsidiary, the Transactions are considered of Greater Importance when at least one of the indexes indicated above is above the threshold of 2.5%<sup>8</sup>.

### 3.2 Aggregated amounts of Transactions with Related Parties

For the purposes of identifying Transactions of Greater Importance, Transactions which are homogeneous or made under a unified design which, while not qualifying as individual Transactions of Greater Importance, are concluded with the same Related Party or with subjects related to the latter and Eni and exceed, when considered cumulatively, during the annual period, the thresholds of relevance indicated above are considered Transactions of Greater Importance.

For the purposes of calculating the aggregate amount, Transactions excluded pursuant to the provisions of Chapter 10 of the MSG are not considered.

In the case of the aggregation of several Transactions, first the relevance of each is determined on the basis of the index or indexes indicated above, if applicable; to check on whether the contemplated threshold is exceeded (5% or 2.5%), the results of each index are summed together.

### 3.3 Alternative calculation criteria for identifying Transactions of Greater Importance

If a Transaction or several aggregated Transactions are classified as Transactions of Greater Importance according to the indexes indicated above, and this result is manifestly unreasonable in view of special circumstances, Consob may indicate, at the request of the Company, alternative arrangements to be followed in determining these indexes.

For this purpose, the Company informs Consob of the essential features of the Transactions and the special circumstances upon which the request prior to the conclusion of the negotiations was based.

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<sup>8</sup> The threshold is established in Chapter 2, "Transaction of Greater Importance", of the MSG, using data contained in the accounting documents of the listed subsidiary.

## 4. RELEVANCE INDEXES OF THE INTERESTS OF OTHER PARTIES RELATED TO ENI IN TRANSACTIONS WITH OR BETWEEN SUBSIDIARIES OR WITH ASSOCIATED COMPANIES

The exemption contemplated by Chapter 10 of the MSG, relating to Transactions with or between subsidiaries or associated companies, is not applicable when:

1. the companies which are parties to the Transaction share one or more Directors or key management personnel, and if such subjects benefit from incentive plans based on financial instruments (or, in any case, with variable remuneration), depending on the results achieved by the subsidiaries or associated companies with which the Transaction takes place.

The assessment of relevance must be carried out in the light of the importance that the remuneration depending on the trend of the subsidiary or associated company has in respect of the total remuneration of the Director or manager with strategic responsibilities.

2. the subsidiary or associated company which is a party to the Transaction is partly owned (even indirectly, through subjects other than Eni) by the subject which controls Eni and if the effective weight of the stake held exceeds the actual weight of the Eni shares held by that subject. To assess the effective weight, the directly held stakes are entirely taken into account, while the indirectly held stakes are weighted according to the percentage of the share capital of the subsidiaries held, through which the stake in the Related Party is in turn held.<sup>9</sup>

If the stake in the Related Party is held together with other economic interests, such interests are considered together with those deriving from the stake calculated according to the effective weight.

3. the subsidiaries or the associated companies part of the Transaction are owned by the Related Parties as per Chapter 2, letters a) and e) point v) of Annex C of the MSG more than 5%.

However, the simple holding of a stake in a subsidiary or associated on the part of another Eni subsidiary or associated company is not, in itself, a significant interest.

At least every six months, the unit of the Corporate Affairs and Governance function competent for Related Parties compliance of Eni SpA verifies (i) with the function competent for Accounting and Financial Statements, if any subsidiaries, associated or jointly controlled companies of Eni SpA are owned by the same subject controlling Eni SpA and where the stake held by the controlling subject exceeds the actual weight of the Eni shares held by that subject, and (ii) with the function competent for Compensation & Benefits, if there are any incentive plans based on financial instruments (or, in any case, with variable remuneration), depending exclusively on the results achieved by the subsidiaries or associated companies of Eni SpA.

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<sup>9</sup> Examples:

(i) **Significant interests:** Subsidiary A holds 50% of the voting share capital of company B (Eni) which in turn controls, with the same percentage, the unlisted company C. Furthermore, A directly holds the remaining 50% of C. In the transaction between company B and company C, Company A holds a significant interest in C since the effective weight of the stake held in this last company is equal to  $50\% + (50 \times 50\%) = 75\%$ , while the weight of B's participation is equal to 50%.

(ii) **Non-significant interests:** Subsidiary A controls, with 30% of the voting share capital, Company B (Eni), which in turn controls, with 50% of the voting share capital, the unlisted company C. Furthermore, A directly holds 10% of C. In the transaction between Company B and Company C, Company A does not hold a significant interest in C since the effective weight of the stake held in this last company is equal to  $10\% + (30 \times 50\%) = 25\%$ , while the weight of the stake in B is equal to 30%. Therefore, in the absence of other significant interests, there exists no incentive to the net transfer of resources from B to C.



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The periodic declarations issued by the Related Parties as per Chapter 2, letter a) of Annex C of the MSG shall include a declaration of any stake higher than 5% in subsidiaries, jointly controlled companies or associated companies of Eni SpA held by them or by their Close Relatives as well as by entities they control, also jointly.