Meetings and activities of the Control and Risk Committee in 2019

In 2019 the Committee met 16 times, with an average participation rate of 100%. The average duration of the meetings was 3 hours and 50 minutes. So far in 2020, the Committee has met 3 times as of February 27, 2020. The following provides a summary of the main issues tackled during 2019.

1) In assisting the Board of Directors, in order to oversee the activities of the Internal Audit Department, monitoring its independence and ensuring that its activities are 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:

- the Integrated Audit Plan and the Budget for Eni’s Internal Audit Department for 2020, expressing its opinion thereon to the Board of Directors;
- the results of scheduled and non-scheduled internal audits, the monitoring operations on the status of corrective actions planned by the operational units to tackle issues emerging during the audits, audits carried out by Eni’s Internal Audit Department in response to specific requests from the control and supervisory bodies, as well as the other activities conducted by the Internal Audit Department (such as reports of problems, independent monitoring in accordance with the provisions of the Eni MSG Control system over financial reporting, supervisory activities envisaged by the 231 Models of the Italian subsidiaries and by the Compliance model regarding corporate responsibility for the foreign subsidiaries of Eni SpA);
- the Internal Audit Reports of December 31, 2018 and June 30, 2019 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 satisfaction of independence requirement of the Head of the Internal Audit Department;
- following the update of the “General Principles of the 231 Model of Eni SpA, the proposed amendments to the Management System Guideline “Internal Audit” as well as the changes made to the Internal Audit Charter, and with reference to this last document, the Committee expressed a favorable opinion on the approval by the Board of Directors;
- the results of the Internal Quality Review carried out by the Internal Audit Department in 2019; - the contents of the new “Procedure for whistleblowing reports received, including anonymously, by Eni SpA and by its subsidiaries in Italy and abroad”.

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), 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, 2018 and at June 30, 2019; (ii) on the internal control system as applied to financial reporting at December 31, 2018 and June 30, 2019, 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 and on the actual compliance with administrative and accounting procedures for the purposes of the Board’s supervisory function;
• the key aspects of the individual and consolidated financial statements at December 31, 2018 of Eni and Eni’s half-year consolidated financial report at June 30, 2019. 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 2019 Annual Report;

• the main aspects of the 2018 Annual Report on Form 20-F and the main contents of the draft Report on the 2019 interim dividend;

• the content of the 2018 management letter of the audit firm, giving its favourable opinion prior to subsequent examination by the Board and the statement on the status of the audit pursuant to SOA 404 and the planning of 2019 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. Furthermore, with reference to the details requested by the Control Bodies to the Internal Audit Department, the Committee was informed of the spot audits launched also following certain investigations.

4) The Committee held several meetings with the Integrated Compliance Department during which it (i) examined the periodic Reports of Integrated Compliance, aimed at providing an integrated view of the status of Eni’s compliance activities as well as the periodic reports of Anti-Corruption Compliance, considering in particular the training and support provided to Eni units and subsidiaries in the areas for which it is responsible; (ii) studied the compliance model aimed at preventing the risk of economic and financial sanctions.

5) The Committee was periodically informed on the updating process of the New Regulatory System and, meeting with the corporate units responsible for the project, examined the following new Management System Guidelines (MSG) expressing a favorable opinion on the Board approval: “Economic Financial Sactions” and “Market conducts and financial regulation”; after the update of the “General Principles” of Eni’s 231 Model, the Committee examined the proposed revisions to the MSG “Compliance model regarding corporate responsabilities for Italian Subsidiaries of Eni – WS Composition” and expressed a favourable opinion.

6) With regard to “Transactions involving the interests of Directors and Statutory Auditors and transactions with related parties” the Committee:

• issued in January 2019 a favourable opinion on the guidance not to propose modifications to the MSG “Transactions involving interests of Directors and Statutory Auditors and transactions with related parties”125;
• examined a number of transactions of lesser importance on which it expressed a favorable opinion on the interest of the Company in the transactions and the appropriateness of the associated terms and conditions.

7) The Committee thoroughly examined specific internal control and risk management issues, including during special meetings with members of Eni’s top management. Specifically, the Committee:

• examined the extract from the Eni Organizational Structure Report with focus on the Eni Regulatory System and the ICRMS;
• met on several occasions with the Integrated Risk Management unit, focusing among other things on the evolution of the assessments of Eni’s main risks and the related treatment actions;
• met with the Finance Department to examine the periodic reports on the management and control of financial risks; it also examined the insurance process;
• met competent corporate functions for in-depth analysis on HSE issues;
• reviewed the reports on disciplinary action taken against employees for illegal conduct.

8) As envisaged in Eni’s Model 231, the Committee met 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.