

Eni's assessment
and disclosure on

CLIMATE CHANGE RISKS

Climate change is a top strategic risk for Eni. It is assessed based on the recommendations of the Task Force on Climate-related Financial Disclosures that aim to promote an effective disclosure of the financial impacts of climate change risks. The analysis is carried out through an integrated and cross-cutting approach that enables a thorough examination of risks and opportunities. Also, the assessment is based both on a qualitative and a quantitative analysis and the mitigation measures are embedded in Eni's decarbonization strategy.

By *Domenica Surace and Cristina Saporetti*

The process aimed at assessing and managing risks and opportunities of climate change is part of the Integrated Risk Management (IRM) model developed by Eni. The IRM aims to ensure that risk-informed decisions are taken at all levels of the organization – by correctly appraising current and emerging risks (including medium- and long-term ones) – and seeks to foster an integrated and comprehensive approach.

The above process is implemented using a “top-down and risk-based” approach, where the IRM first contributes to the definition of Eni's Strategic Plan and then provides support for the implementation through periodic risk assessment & treatment cycles and monitoring. Risk evaluation is performed, for all the risks in IRM portfolio, by adopting metrics that embed potential quantitative impacts (i.e., economic, financial, or operational) as well as potential qualitative impacts (i.e., on the environment, health and safety, social, reputation). Risk prioritization is based on the use of multidimensional matrices so that the level of each risk is obtained by combining clusters of probability of occurrence and clusters of impact. In addition, all risks are evaluated at inherent and residual level, considering the mitigation actions implemented.

By applying this methodology, Climate change falls within the top strategic risks for Eni. Also, according to the IRM model, climate change risk is assessed based on the voluntary recommendations of Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board, issued in June 2017 and aimed at promoting an effective disclosure of the financial impacts linked to climate change. To this regard, Eni – the only company among the Oil&Gas peers to have been part of the TCFD since its establishment – is committed to implementing the above recommendations in close cooperation with the TCFD Oil&Gas Preparers Forum.

In line with the TCFD recommendations, Eni's climate risk assessment is based on five drivers related to energy transition (future market scenario, regulatory and technological developments, reputational issues) and physical events, such as extreme weather events.



DOMENICA SURACE
Integrated Risk Management at Eni SpA. Graduated in Industrial Chemistry and specialized at Eni's postgraduate School of Energy and Environmental Management and Economics, she joined the company in 2008. She worked for the Upstream Division, the Sustainability Dept., and, effective as of 2016, for the IRM Dept. where she currently is in charge of climate change risk analysis.



CRISTINA SAPORETTI
Sustainability Monitoring, Reporting and Communication Manager at Eni SpA. Graduated in Economics and specialized at Eni's postgraduate school, she joined the company in 2010. She started as an Upstream Marketing Advisor and moved in the Sustainability Dept. in 2013. Since March 2018 she is responsible for the Sustainability reporting and communication activities.

A complete analysis of risks and opportunities

The integrated and cross-cutting approach adopted for the climate change risk assessment involves specialist departments as well as business lines' evaluation with the purpose of delivering a complete analysis of risks and opportunities related to climate change.

For example, to best analyze risks and opportunities related to future market scenarios, Eni makes reference to the International Energy Agency (IEA) Sustainable Development Scenario (SDS) – considered the most challenging decarbonization scenario. It is worth noting that Eni's strategy and energy portfolio composition are set to minimize the risk of “stranded assets” even in the above low-carbon scenario. To this purpose, all upstream cash-generating units are stress-tested on an annual basis against the oil and CO₂ price assumptions of the IEA SDS scenario. This is done to check the impacts of the above price assumptions on the fair value generated by the units and to ascertain the retention of asset book value (for further details, see the section “Risk Factors and Uncertainties” of Eni Integrated Annual Report).

Eni's decarbonization strategy

In order to mitigate the potential climate-related risks and take advantage of the opportunities, Eni has defined a clear decarbonization strategy that is disclosed to investors and all interested stakeholders during the CEO's strategy presentation, which takes place in March each year.

With reference to the decarbonization strategy, Eni's metrics monitor the main goals achieved on a quarterly basis, in terms of reduction of GHG emissions, consumption of energy resources, and production of energy from renewable sources.

Risk assessment results, metrics, and targets adopted to monitor climate change are disclosed: internally, through the quarterly IRM reporting, shared at various levels of the organization, from management up to administrative and control bodies, and externally, through the Eni Integrated Annual Report and its specific section on “Risk Factors and Uncertainties” as well as through Eni For, our company's Sustainability Report, in the section “Path to decarbonization”.

Eni has adopted and disclosed to the public both its decarbonization strategy, and its vision about the risks and opportunities of climate change since 2003, year in which Eni took part to the first assessment performed by CDP (formerly Carbon Disclosure Project). In 2018 Eni was confirmed as one of the leaders in the CDP assessment, scoring A-.

ADDITIONAL INFORMATION

- Recommendations of Task Force on Climate-related Financial Disclosures (TCFD): <https://bit.ly/1QUafwm>
- Eni's climate change risk assessment: <https://bit.ly/2Cy2Lmc>
- International Energy Agency (IEA) – The gold standard of energy analysis: <https://bit.ly/2DhXDF8>
- Eni's Integrated Annual Report: <https://bit.ly/2HPzO93>
- Carbon Disclosure Project (CDP): <https://bit.ly/2tRZRlw>