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Eni comments to exposure drafts IFRS S2

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[Draft] IFRS S2 Climate-related Disclosures

Question 1—Objective of the Exposure Draft

Paragraph 1 of the Exposure Draft sets out the proposed objective: an entity is required to disclose information about its exposure to climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting:

- to assess the effects of climate-related risks and opportunities on the entity's enterprise value;
- to understand how the entity's use of resources, and corresponding inputs, activities, outputs and outcomes support the entity's response to and strategy for managing its climate-related risks and opportunities; and
- to evaluate the entity's ability to adapt its planning, business model and operations to climate-related risks and opportunities.

Paragraphs BC21–BC22 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not?

Eni: Yes, Eni SpA praises the Board's decision to develop an international standard to harmonize corporate climate reporting and appreciates the opportunity to comment on this matter.

In the past few years, climate change and climate-related issues have become a crucial driver in designing industrial companies' strategies and plans, allocating resources, setting compensation schemes for top executives, establishing emission targets, and identifying and managing market risks and opportunities.

The growing relevance of the financial impacts of climate-related issues has led to a fast-growing voluntary disclosure movement, of which the TCFD's Recommendations (Eni since the beginning has contributed as a founder) represent the most successful reference. However, the proliferation of voluntary reporting frameworks prompted the fragmentation of information and multiplied the efforts of companies in satisfying all their requirements.

Therefore, the proposal of transparent, comprehensive and effective climate-related disclosure standards by an institution renowned worldwide for its reputation of integrity and success in the adoption of internationally shared reporting principles would greatly enhance the ability of investors, policymakers, public opinion and stakeholders to assess the robustness of registrants' climate strategies towards carbon neutrality.

(b) Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?

Eni: Yes, it does. The Exposure draft covers all areas of main interest to users of general purpose financial reporting, focusing on the topics already outlined by the TCFD (Governance, Risk Management, Climate Resilience Strategy, Metrics and Targets) and complementing the general requirements with sector-specific disclosure to capture the specificities of individual sectors.

(c) Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?

Eni: Yes, they do. However, it may be challenging for Oil&Gas companies to implement all the requirements of the standard from the very beginning since there is currently no commonly agreed methodology for estimating some of the required metrics. Therefore, disclosures could present a high variation of assumptions and lead to a misinterpretation and inadequate comparison between issuers' exposure to climate risks. In addition, making such estimates would require a lot of resources in companies.

Question 2—Governance

Paragraphs 4 and 5 of the Exposure Draft propose that an entity be required to disclose information that enables users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage climate related risks and opportunities. To achieve this objective, the Exposure Draft proposes that an entity be required to disclose information about the governance body or bodies (which can include a board, committee or equivalent body charged with governance) with oversight of climate-related risks and opportunities, and a description of management's role regarding climate-related risks and opportunities.

The Exposure Draft's proposed governance disclosure requirements are based on the recommendations of the TCFD, but the Exposure Draft proposes more detailed disclosure on some aspects of climate-related governance and management in order to meet the information needs of users of general purpose financial reporting. For example, the Exposure Draft proposes a requirement for preparers to disclose how the governance body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies. The related TCFD's recommendations are to: describe the board's oversight of climate related risks and opportunities and management's role in assessing and managing climate-related risks and opportunities. Paragraphs BC57–BC63 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

Eni: As a general comment, disclosure requirements should focus on the essential aspects that need to be disclosed, so as not to lose focus with too much detail.

Question 3—Identification of climate-related risks and opportunities

Paragraph 9 of the Exposure Draft proposes that an entity be required to identify and disclose a description of significant climate-related risks and opportunities and the time horizon over which each could reasonably be expected to affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term. In identifying the significant climate-related risks and opportunities described in paragraph 9(a), an entity would be required to refer to the disclosure topics defined in the industry disclosure requirements (Appendix B). Paragraphs BC64–BC65 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?

Eni: Yes, they are clear.

(b) Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

Eni: These industry-based disclosure requirements have been derived from SASB Standards, hence they should improve to some extent the comparability of disclosures, however further work such as industry-specific guidance, baselining and benchmarking on metrics is generally required to support comparability.

Moreover, the standard does not provide common metrics for the Oil & Gas/Energy sector but instead requires companies integrated along the energy supply chain to meet the requirements for each segment in which they are operating (Upstream, Midstream, Downstream).

Question 4—Concentrations of climate-related risks and opportunities in an entity's value chain

Paragraph 12 of the Exposure Draft proposes requiring disclosures that are designed to enable users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on an entity's business model, including in its value chain. The disclosure requirements seek to balance measurement challenges (for example, with respect to physical risks and the availability of reliable, geographically-specific information) with the information necessary for users to understand the effects of significant climate-related risks and opportunities in an entity's value chain. As a result, the Exposure Draft includes proposals for qualitative disclosure requirements about the current and anticipated effects of significant climate-related risks and opportunities on an entity's value chain. The proposals would also require an entity to disclose where in an entity's value chain significant climate-related risks and opportunities are concentrated.

Paragraphs BC66–BC68 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?

Eni: In general, we agree on presenting information and impact that could cover the entire business managed by the entity. In this regards the present exposure draft lacks clarity in the definition of boundaries requiring therefore the identification and definition of the value chain; in particular, it would be appreciated a common definition and understanding of the Value Chain concept among IFRS, EFRAG and CSDDD. Without this common understanding and definition, there will be a lack of comparability of information and a high degree of uncertainty and risk of misunderstanding. Even limiting the concept of the value chain to the supply chain large companies might not be able to fulfill their own reporting obligations when their suppliers are not equipped to pass on the required information.

(b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

Eni: We support the reasoning behind the decision to focus on qualitative rather than quantitative information when making disclosures relating to the value chain. The collection and preparation of quantitative information across even specific parts of the value chain can prove excessively resource intensive (across all entities in its value chain) and is unlikely to provide reliable data for comparability between entities. However, we believe that good quality reporting encapsulates both quantitative and qualitative information and that reporters should use judgment when determining what type of information is required to meet the principles of transparency and completeness when reporting.

Question 5—Transition plans and carbon offsets

Disclosing an entity's transition plan towards a lower-carbon economy is important for enabling users of general purpose financial reporting to assess the entity's current and planned responses to the decarbonization-related risks and opportunities that can reasonably be expected to affect its enterprise value. Paragraph 13 of the Exposure Draft proposes a range of disclosures about an entity's transition plans. The Exposure Draft proposes requiring disclosure of information to enable users of general purpose financial reporting to understand the effects of climate related risks and opportunities on an entity's strategy and decision-making, including its transition plans. This includes information about how it plans to achieve any climate-related targets that it has set (this includes information about the use of carbon offsets); its plans and critical assumptions for legacy assets; and quantitative and qualitative information about the progress of plans previously disclosed by the entity. An entity's reliance on carbon offsets, how the offsets it uses are generated, and the credibility and integrity of the scheme from which the entity obtains the offsets have implications for the entity's enterprise value over the short, medium and long term. The Exposure Draft therefore includes disclosure requirements about the use of carbon offsets in achieving an entity's emissions targets. This proposal reflects the need for users of general purpose financial reporting to understand an entity's plan for reducing emissions, the role played by carbon offsets and the quality of those offsets. The Exposure Draft proposes that entities disclose information about the basis of the offsets' carbon removal (nature- or technology-based) and the third-party verification or certification scheme for the offsets. Carbon offsets can be based on avoided emissions. Avoided emissions are the potential lower future emissions of a product, service or project when compared to a situation where the product, service or project did not exist, or when it is compared to a baseline. Avoided-emission approaches in an entity's climate-related strategy are complementary to, but fundamentally different from, the entity's emission-inventory accounting and emission-reduction transition targets. The Exposure Draft therefore proposes to include a requirement for entities to disclose whether the carbon offset amount achieved is through carbon removal or emission avoidance. The Exposure Draft also proposes that an entity disclose any other significant factors necessary for users of general purpose financial reporting to understand the credibility of the offsets used by the entity such as information about assumptions of the permanence of the offsets.

Paragraphs BC71–BC85 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

Eni: We agree. Paragraph 13 of the Exposure Draft appropriately focuses on strategy and decision-making, within which transition plans and offsets play an important role for an entity, as indicated by the TCFD recommendations.

(b) Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.

(c) Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?

Eni: The parameters suggested to be disclosed on carbon offsets are likely to increase transparency and credibility in this area. In particular, we refer to the following ones:

- amount of credits retired;
- standards used for carbon credits certification;
- share of carbon credits retired and generated by carbon removal activities;
- share of carbon credits retired and generated by nature-based activities;
- share of carbon credits retired and generated by technology-based activities.

It should be noted, however, that this kind of disclosure will only be technically feasible following the introduction - by the most recognized international standards - of proper labels to distinguish among the different types of carbon credits. In addition, the role of offsets in target setting is currently under development and the subject of extensive discussion. This uncertainty is also reflected in the varying degrees of regulatory and stakeholder acceptance of carbon credits as a means of achieving net zero emission targets. The proposals in the exposure draft may help to anchor some of those discussions by ensuring a degree of minimum disclosure, but they may also be subject to change and definitions as approaches mature.

(d) Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

Eni: The disclosure proposed does not appear onerous in reporting terms.

Question 6—Current and anticipated effects

The Exposure Draft proposes requirements for an entity to disclose information about the anticipated future effects of significant climate-related risks and opportunities. The Exposure Draft proposes that, if such information is provided quantitatively, it can be expressed as a single amount or as a range. Disclosing a range enables an entity to communicate the significant variance of potential outcomes associated with the monetized effect for an entity; whereas if the outcome is more certain, a single value may be more appropriate. The TCFD's 2021 status report identified the disclosure of anticipated financial effects of climate-related risks and opportunities using the TCFD Recommendations as an area with little disclosure. Challenges include: difficulties of organizational alignment, data, risk evaluation and the attribution of effects in financial accounts; longer time horizons associated with climate-related risks and opportunities compared with business horizons; and securing approval to disclose the results publicly. Disclosing the financial effects of climate-related risks and opportunities is further complicated when an entity provides specific information about the effects of climate-related risks and opportunities on the entity. The financial effects could be due to a combination of other sustainability-related risks and opportunities and not separable for the purposes of climate-related disclosure (for example, if the value of an asset is considered to be at risk it may be difficult to separately identify the effect of climate on the value of the asset in isolation from other risks). Similar concerns were raised by members of the TRWG in the development of the climate-related disclosure prototype following conversations with some preparers. The difficulty of providing single-point estimates due to the level of uncertainty regarding both climate outcomes and the effect of those outcomes on a particular entity was also highlighted. As a result, the proposals in the Exposure Draft seek to balance these challenges with the provision of information

for investors about how climate-related issues affect an entity's financial position and financial performance currently and over
the short, medium and long term by allowing anticipated monetary effects to be disclosed as a range or a point estimate. The Exposure Draft proposes that an entity be required to disclose the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over
the short, medium and long term—including how climate-related risks and opportunities are included in the entity's financial planning (paragraph 14). The requirements also seek to address potential measurement challenges by requiring disclosure of quantitative information unless an entity is unable to provide the information quantitatively, in which case it shall be provided qualitatively.
Paragraphs BC96–BC100 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.
(a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?

Eni: Yes, the inclusion of information on the current and anticipated effects of climate risks and opportunities is an important aspect of the disclosure.
While the flexibility of being able to provide quantitative or qualitative information is helpful, the challenges highlighted in the TCFD's status 2021 status report (cited in paragraph BC98 of the Basis for Conclusions) remain valid: difficulties of organizational alignment, data, risk evaluation and the attribution of effects in financial accounts; longer time horizons associated with climate-related risks and opportunities compared with business horizons; and securing approval to disclose the results publicly.

(b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?

Eni: Based on materiality, an entity should report any significant risks, so it seems unnecessary to include this as a specific requirement for the coming year when there is already a requirement in 36 (c) to report on changes to the financial position over time.

(c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?

Eni: Yes, agree in principle, as noted above for question (b) although this should be appropriately linked to business strategy and, if applicable, reporting of a transition plan.

Question 7—Climate resilience

The likelihood, magnitude and timing of climate-related risks and opportunities affecting an entity are often complex and uncertain. As a result, users of general purpose financial reporting need to understand the resilience of an entity's strategy (including its business model) to climate change, factoring in the associated uncertainties. Paragraph 15 of the Exposure Draft therefore includes requirements related to an entity's analysis of the resilience of its strategy to climate-related risks. These requirements focus on:

- what the results of the analysis, such as impacts on the entity's decisions and performance, should enable users to understand; and
- whether the analysis has been conducted using:
- climate-related scenario analysis; or
- an alternative technique.

Scenario analysis is becoming increasingly well established as a tool to help entities and investors understand the potential effects of climate change on business models, strategies, financial performance and financial position. The work of the TCFD showed that investors have sought to understand the assumptions used in scenario analysis, and how an entity's findings from the analysis inform its strategy and risk management decisions and plans. The TCFD also found that investors want to understand what the outcomes indicate about the resilience of the entity's strategy, business model and future cash flows to a range of future climate scenarios (including whether the entity has used a scenario aligned with the latest international agreement on climate change).

Corporate board committees (notably audit and risk) are also increasingly requesting entity-specific climate-related risks to be included in risk
mapping with scenarios reflecting different climate outcomes and the severity of their effects.
Although scenario analysis is a widely accepted process, its application to climate related matters in business, particularly at an individual entity level, and its application across sectors is still evolving. Some sectors, such as extractives and minerals processing, have used climate-related scenario analysis for many years; others, such as consumer goods or technology and communications, are just beginning to explore applying climate-related scenario analysis to their businesses. Many entities use scenario analysis in risk management for other purposes. Where robust data and practices have developed, entities thus have the analytical capacity to undertake scenario analysis. However, at this time the application of climate-related scenario analysis for entities is still developing. Preparers raised other challenges and concerns associated with climate-related scenario analysis, including: the speculative nature of the information that scenario analysis generates, potential legal liability associated with disclosure (or miscommunication) of such information, data availability and disclosure of confidential information about an entity's strategy. Nonetheless, by prompting the consideration of a range of possible outcomes and explicitly incorporating multiple variables, scenario analysis provides valuable information and perspectives as inputs to an entity's strategic decision-making and risk-management processes. Accordingly, information about an entity's scenario
analysis of significant climate-related risks is important for users in assessing enterprise value. The Exposure Draft proposes that an entity be required to use climate-related scenario analysis to assess its climate resilience unless it is unable to do so. If an entity is unable to use climate-related scenario analysis, it shall use an alternative method or technique to assess its climate resilience. Requiring disclosure of information about climate-related scenario analysis as the only tool to assess an entity's climate resilience may be considered a challenging request from the perspective of a number of preparers at this time—particularly in some sectors. Therefore, the proposed requirements are designed to accommodate alternative approaches to resilience assessment, such as qualitative analysis, single-point forecasts, sensitivity analysis and stress tests. This approach would provide preparers, including smaller entities, with relief, recognizing that formal scenario analysis and related disclosure can be resource intensive, represents an iterative learning process, and may take multiple planning cycles to

achieve. The Exposure Draft proposes that when an entity uses an approach other than scenario analysis, it disclose similar information to that generated by scenario analysis to provide investors with the information they need to understand the approach used and the key underlying assumptions and parameters associated with the approach and associated implications for the entity's resilience over the short, medium and long term. It is, however, recommended that scenario analysis for significant climate-related risks (and opportunities) should become the preferred option to meet the information needs of users to understand the resilience of an entity's strategy to significant climate related risks. As a result, the Exposure Draft proposes that entities that are unable to conduct climate-related scenario analysis provide an explanation of why this analysis was not conducted. Consideration was also given to whether climate-related scenario analysis should be required by all entities with a later effective date than other proposals in the Exposure Draft.
Paragraphs BC86–BC95 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?

Eni: We broadly agree that the items listed in paragraph 15 reflect what users need to understand about the entity's climate resilience.

(b) The Exposure Draft proposes that if an entity is unable to perform climate related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.
(i) Do you agree with this proposal? Why or why not?

Eni: We support flexibility for reporters and agree that a range of techniques should be available to help determine the impact of an entity's strategic resilience. This may depend on factors such as the organization's scale, the level of resources it has at its disposal, and the level of expertise it has on these topics.

(ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?

Eni: In our opinion, it would be better to leave companies flexibility towards which kind of analysis would be appropriate to perform, considering the size of the company, as well as the organizational complexity and the characteristics of the business/sector it belongs. The cost of scenario analysis could vary a lot. Instead of explaining why it was not possible to perform scenario analysis, it would be better to disclose the reasons behind the choice of analysis performed.

(iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?

Eni: We do not believe that scenario analysis should be mandated. In our existing reporting guidance, we recommend but do not mandate that reporters carry out scenario analysis as a key point to address in their narrative about their strategy on climate change, making clear the resilience of that strategy to different climate-related scenarios.
In relation to question 14c, if scenario analysis is mandated, we believe it would be best to introduce the requirement gradually so that companies have the time to develop their experience and can gain maximum benefit from it when they use it in decision-making and planning.

(c) Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?

Eni: We broadly agree with the range of disclosures included in paragraph 15(b)(i) but note that the focus of these required disclosures is more on how the analysis has been conducted rather than on its outcomes.
In our own reporting guidance, we recommend that reporters outline their strategy's resilience, taking into account different climate-related scenarios, including a 2°C scenario. This would cover 'energy transitions': the short-, medium- and long-term implications of shifting energy supply/demand and climate policy toward a lower-carbon

economy. This could include actual or potential effects on strategy, businesses, products and services, supply chain, business performance, financial planning and value, including a view on the future use of non-hydrocarbon energy sources.
We do note, however, that paragraph 15(a) focuses on the results of the climate resilience analysis.

(d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?

Eni: As above, the focus of these disclosures is on the process that has been followed and could require lengthy disclosures about methods, techniques, assumptions, inputs and assessments. While this level of transparency about the process will give confidence to users about the rigour or otherwise of the approach, these seem overly detailed requirements.

(e) Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?

Eni: The costs of carrying out scenario analysis will vary significantly from one entity to another, depending on their size, organizational complexity, and geographical scope. For smaller companies with little or no previous experience in scenario analysis or similar techniques, the costs may seem disproportionate to the value and may result in a reluctance to carry out this kind of analysis.

Question 8—Risk management
An objective of the Exposure Draft is to require an entity to provide information about its exposure to climate-related risks and opportunities, to enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on the entity's enterprise value. Such disclosures include information for users to understand the process, or processes, that an entity uses to identify, assess and manage not only climate-related risks, but also climate-related opportunities.

Paragraphs 16 and 17 of the Exposure Draft would extend the remit of disclosures about risk management beyond the TCFD Recommendations, which currently only focus on climate-related risks. This proposal reflects both the view that risks and opportunities can relate to or result from the same source of uncertainty, as well as the evolution of common practice in risk management, which increasingly includes opportunities in processes for identification, assessment, prioritization and response.
Paragraphs BC101–BC104 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?

Eni: We agree with the requirement to describe the risk management process. It's important to consider that frequently this process is not specific to climate-related risks (in the sense that the Enterprise Risk Management process includes in its scope also climate-related risks among the other risks). This aggregated view is considered a best practice as it permits comparability among different risks. We consider this view particularly useful for investors so they can understand all implications of a company strategy.

Question 9—Cross-industry metric categories and greenhouse gas emissions
The Exposure Draft proposes incorporating the TCFD's concept of cross-industry metrics and metric categories with the aim of improving the comparability of disclosures across reporting entities regardless of industry. The proposals in the Exposure Draft would require an entity to disclose these metrics and metric categories irrespective of its particular industry or sector (subject to materiality). In proposing these requirements, the TCFD's criteria were considered. These criteria were designed to identify metrics and metric categories that are:

• indicative of basic aspects and drivers of climate-related risks and opportunities;
• useful for understanding how an entity is managing its climate-related risks and opportunities;
• widely requested by climate reporting frameworks, lenders, investors, insurance underwriters and regional and national disclosure requirements; and
• important for estimating the financial effects of climate change on entities.

The Exposure Draft thus proposes seven cross-industry metric categories that all entities would be required to disclose: greenhouse gas (GHG) emissions on an absolute basis and on an intensity basis; transition risks; physical risks; climate-related opportunities; capital deployment towards climate-related risks and opportunities; internal carbon prices; and the percentage of executive management remuneration that is linked to climate-related considerations. The Exposure Draft proposes that the GHG Protocol be applied to measure GHG emissions. The GHG Protocol allows varied approaches to be taken to determine which emissions an entity includes in the calculation of Scope 1, 2 and 3—including for example, how the emissions of unconsolidated entities such as associates are included. This means that the way in which information is provided about an entity's investments in other entities in their financial statements may not align with how its GHG emissions are calculated. It also means that two entities with identical investments in other entities could report different GHG emissions in relation to those investments by virtue of choices made in applying the GHG Protocol. To facilitate comparability despite the varied approaches allowed in the GHG Protocol, the Exposure Draft proposes that an entity shall disclose:

• separately Scope 1 and Scope 2 emissions, for:

• the consolidated accounting group (the parent and its subsidiaries);

• the associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group; and

• the approach it used to include emissions for associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group (for example, the equity share or operational control method in the GHG Protocol Corporate Standard).

The disclosure of Scope 3 GHG emissions involves a number of challenges, including those related to data availability, use of estimates, calculation methodologies and other sources of uncertainty. However, despite these challenges, the disclosure of GHG emissions, including Scope 3 emissions, is becoming more common and the quality of the information provided across all sectors and jurisdictions is improving. This development reflects an increasing recognition that Scope 3 emissions are an important component of investment-risk analysis because, for most entities, they represent by far the largest portion of an entity's carbon footprint. Entities in many industries face risks and opportunities related to activities that drive Scope 3 emissions both up and down the value chain. For example, they may need to address evolving and increasingly stringent energy efficiency standards through product design (a transition risk) or seek to capture growing demand for energy efficient products or seek to enable or incentivize upstream emissions reduction (climate opportunities). In combination with industry metrics related to these specific drivers of risk and opportunity, Scope 3 data can help users evaluate the extent to which an entity is adapting to the transition to a lower-carbon economy. Thus, information about Scope 3 GHG emissions enables entities and their investors to identify the most significant GHG reduction opportunities across an entity's entire value chain, informing strategic and operational decisions regarding relevant inputs, activities and outputs. For Scope 3 emissions, the Exposure Draft proposes that:

- an entity shall include upstream and downstream emissions in its measure of Scope 3 emissions;
- an entity shall disclose an explanation of the activities included within its measure of Scope 3 emissions, to enable users of general purpose financial reporting to understand which Scope 3 emissions have been included in, or excluded from, those reported;
- if the entity includes emissions information provided by entities in its value chain in its measure of Scope 3 greenhouse gas emissions, it shall explain the basis for that measurement; and
- if the entity excludes those greenhouse gas emissions, it shall state the reason for omitting them, for example, because it is unable to obtain a faithful measure. Aside from the GHG emissions category, the other cross-industry metric categories are defined broadly in the Exposure Draft. However, the Exposure Draft includes nonmandatory Illustrative Guidance for each cross-industry metric category to guide entities. Paragraphs BC105–BC118 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?

Eni: In principle, we agree with all the disclosures about climate-related metrics included in the Exposure Draft. However, as already stated, it may be a challenge for oil and gas companies to implement all the requirements of the standard from the very beginning since there is currently no commonly agreed-on methodology for estimating some of the required metrics. Therefore, disclosures could present a high variation of assumptions and lead to a misinterpretation and inadequate comparison between issuers’ exposure to risks. In addition, making such estimates would require a lot of resources in companies.

We strongly support the Exposure Draft requirement to disclose the GHG scope 1,2 and 3 emissions as it represents a key factor for reporting users to assess the climate risk and total carbon footprint of companies. In particular, we deem it important to emphasize the need to disclose scope 3 emissions, especially for companies for which these emissions represent a large part of their total carbon footprint.

Concerning the quantification of the impact of climate-related risks, the standard should identify a minimum set of line items that could be more impacted by physical and transitional risks (e.g. property, plant and equipment, provisions, impairment, revenues, operating costs); entities could increase this “minimum set” of information presenting disclosure on additional line items to better reflect their business model and industry practices. The definition of a minimum baseline should strengthen and assure the appropriate comparability of the information among entities, also overcoming the industry-specific materiality assessment.

For the disclosure of climate-related opportunities, we raise the same points previously made about climate-related risks regarding the need for more guidance from ISSB in the definitions of materiality, metrics and shared calculation methods to ensure comparability of data, as well as the need to select a number of balance sheet items on which the companies are asked to assess to overcome the company-specific perspective.

Moreover, while we deem it appropriate to identify and describe the opportunities to complement the discussion of climate-related risks, we believe that the disclosure of the financial impact of climate-related opportunities should be optional. Indeed, business opportunities could be considered competitively sensitive and confidential information. Such information should not be a required disclosure because it could significantly harm the reporting company's ability to compete. Such a disclosure exemption is similar to financial reporting, which does not require disclosures on business opportunities related to the market size for product innovations.

Finally, the discussion on financial resources deployed towards climate-related risks and opportunities should be high level to be credible, otherwise, the requirement may create some hurdles since there are no common frameworks available to measure them, and the values reported might show a high variation from one company to other, depending on the assumptions made; thus the auditor could not take responsibility for reviewing the data (but only assesses a general consistency), the financial community would never use that data due to a lack of comparability with peers. Moreover, such data could represent sensible strategic information for some companies.

(b) Are there any additional cross-industry metric categories related to climate related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general purpose financial reporting.

(c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?

Eni: Eni recognizes that the ISSB Exposure Draft goes in the direction of rationalizing the disclosure requirements. Indeed, the Exposure Draft is drawing the majority of its requirements from well-established standards, such as the TCFD's Recommendations and the GHG Protocol. However, Eni encourages the ISSB to address some of the divergences between the requirements of the Exposure Draft and the emerging mandatory standards (EFRAG and SEC). Such divergences could create difficulties in compliance due to the changes in the boundary and calculation methodology.

Moreover, issuers should be allowed to complement general standards and guidance (like GHG Protocol) with robust, recognized and widely adopted sector-specific standards (e.g. for the O&G, IPIECA/API/IOGP Standard).

(d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3—expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH_4) separately from nitrous oxide (NO_2))?

Eni: Yes, we agree. We consider that an entity should be required to report its aggregated emissions (expressed in CO_2 equivalent) and should do so across the range of different business activities of the entity.

Where emissions of one of the seven species of gas are negligible (such as emissions of nitrogen trifluoride in oil and gas operations), an entity should not be obliged to report on them but should make a declaration that these emissions are immaterial and are therefore excluded from the total.

(e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:
(i) the consolidated entity; and
(ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?

Eni: The boundaries should be clarified and better defined. If associate and joint ventures should be included in the scope the separate disclosure of scope 1 and 2 for associate and joint venture seems appropriate. In order to assure the comparability of information, the standard should identify the criteria to be adopted for the presentation of this disclosure for equity accounted entities and therefore if scope 1 and 2 of these entities should be presented according to the working interest, the equity share, operational controls, etc.

(f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

Eni: We suggest allowing issuers to make a materiality assessment and choose to disclose only categories that are material, according also with specific sectors. Also, categories that the registrants might not be able to influence, or control can be disclosed if material, but accepting limited reliability of the information.

Question 10—Targets

Paragraph 23 of the Exposure Draft proposes that an entity be required to disclose information about its emission-reduction targets, including the objective of the target (for example, mitigation, adaptation or conformance with sector or science-based initiatives), as well as information about how the entity's targets compare with those prescribed in the latest international agreement on climate change. The 'latest international agreement on climate change' is defined as the latest agreement between members of the United Nations Framework Convention on Climate Change (UNFCCC). The agreements made under the UNFCCC set norms and targets for a reduction in greenhouse gases. At the time of publication of the Exposure Draft, the latest such agreement is the Paris Agreement (April 2016); its signatories agreed to limit global warming to well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit warming to 1.5 degrees Celsius above pre-industrial levels. Until the Paris Agreement is replaced, the effect of the proposals in the Exposure Draft is that an entity is required to reference the targets set out in the Paris Agreement when disclosing whether or to what degree its own targets compare to the targets in the Paris Agreement.

Paragraphs BC119–BC122 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

Eni: Yes, we agree with the proposed disclosure about climate-related targets.

(b) Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?

Eni: In principle, we agree that the latest international agreement made under the UNFCCC, setting norms and targets for a reduction in greenhouse gases, should be taken as a reference to which companies' decarbonization plans should align. On the other hand, we recommend that when requiring comparison with international objectives the standard indicates what methods and tools will be used to evaluate the alignment of companies' plans. For some sectors (e.g. Oil & Gas) there is still no agreed methodology for setting science-based targets to ensure the alignment of companies' GHG targets with international climate objectives.

Question 11—Industry-based requirements

The Exposure Draft proposes industry-based disclosure requirements in Appendix B that address significant sustainability-related risks and opportunities related to climate change. Because the requirements are industry-based, only a subset will apply to a particular entity. The requirements have been derived from the SASB Standards. This is consistent with the responses to the Trustees' 2020 consultation on sustainability that recommended that the ISSB build upon existing sustainability standards and frameworks. This approach is also consistent with the TRWG's climate-related disclosure prototype. The proposed industry-based disclosure requirements are largely unchanged from the equivalent requirements in the SASB Standards. However, the requirements included in the Exposure Draft include some targeted amendments relative to the existing SASB Standards. The proposed enhancements have been developed since the publication of the TRWG's climate-related disclosure prototype. The first set of proposed changes address the international applicability of a subset of metrics that cited jurisdiction-specific regulations or standards. In this case, the Exposure Draft proposes amendments (relative to the SASB Standards) to include references to international standards and definitions or, where appropriate, jurisdictional equivalents. Paragraphs BC130–BC148 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals to improve the international applicability of the industry-based requirements.

(a) Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?

(b) Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not?

(c) Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?

Overall, the proposed industry-based approach acknowledges that climate-related risks and opportunities tend to manifest differently in relation to an entity's business model, the underlying economic activities in which it is engaged and the natural resources upon which its business depends or which its activities affect. This affects the assessment of enterprise value. The Exposure Draft thus incorporates industry-based requirements derived from the SASB Standards. The SASB Standards were developed by an independent standard-setting board through a rigorous and open due process over nearly 10 years with the aim of enabling entities
to communicate sustainability information relevant to assessments of enterprise value to investors in a cost-effective manner. The outcomes of that process identify and define the sustainability-related risks and opportunities (disclosure topics) most likely to have a significant effect on the enterprise value of an entity in a given industry. Further, they set out standardized measures to help investors assess an entity's performance on the topic. Paragraphs BC123–BC129 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals related to the industry-based disclosure requirements. While the industry-based requirements in Appendix B are an integral part of the Exposure Draft, forming part of its requirements, it is noted that the requirements can also inform the fulfilment of other requirements in the Exposure Draft, such as the identification of significant climate-related risks and opportunities (see paragraphs BC49–BC52).
(j) Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?

Eni: As already expressed, we support the approach adopted by the ISSB that all companies should provide a minimum set of cross-industry information, modeled on the requirements of the TCFD, supplemented by specific metrics for each economic sector. However, the standard does not provide common metrics for the Oil & Gas/Energy sector but instead requires companies integrated along the energy supply chain to meet the requirements for each segment in which they are operating (Upstream, Midstream, Downstream). Furthermore, among the sector-specific requirements for Upstream Oil&Gas companies, the standard includes some metrics that risk giving unclear information about the companies' climate commitment, such as in the case of "Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves", a metric that simplifies the communication of the companies' future emission profile, by not considering non-energy and decarbonized uses of fossil reserves.

(k) Are there any additional industry-based requirements that address climate related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.

(l) In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?

Eni: Please refer to our comment to question 11 (j).

Question 12—Costs, benefits and likely effects
Paragraphs BC46–BC48 of the Basis for Conclusions set out the commitment to ensure that implementing the Exposure Draft proposals appropriately balances costs and benefits.

(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

Eni: To maximize the benefits and reduce costs of compliance for international issuers, allowing for greater comparability of data among jurisdictions, we strongly support the alignment of the ISSB framework with other international standards being issued internationally, first and foremost the EU ESRS E1 and SEC Proposed Rule on climate disclosure.

As such we recommend that ISSB reinforce the dialogue with the EFRAG and SEC to ensure that the information required is consistent among different jurisdictions. If such a level of coordination could not be met, we recommend exemptions to the application of ISSB standard for issuers that apply sustainability reporting rules similar to their headquarter jurisdictions if they do not diverge significantly.

(b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

Eni: The standard should limit or provide more precise guidance on requirements concerning forward-looking information on aspects for which there is no commonly agreed calculation and reporting methodology yet or which might be commercially sensitive for reasons of confidentiality and verifiability.

In addition, we believe that there is a need to limit and provide more guidance regarding disclosures where companies' value chain data is required, to reduce compliance costs and increase comparability and verifiability of information.

(c) Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?

Question 13—Verifiability and enforceability

Paragraphs C21–24 of [draft] IFRS S1 General Requirements for Disclosure of Sustainability related Financial Information describes verifiability as one of the enhancing qualitative characteristics of sustainability-related financial information. Verifiability helps give investors and creditors confidence that information is complete, neutral and accurate. Verifiable information is more useful to investors and creditors than information that is not verifiable.

Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.

Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.

Eni: An area that is likely to prove challenging is the review and verification of supplier, partner or customer data and other value chain information, which would be necessary, for example, in assessing scope 3 emissions. While there is the experience of conducting this kind of review, the resources and costs involved for the client company can be significant, and there can be challenges relating to data consistency and accuracy. For these reasons, we believe it is appropriate to request assurance on Scope 3 disclosures leaving flexibility to companies to conduct materiality assessments on relevant categories. Furthermore, the level of assurance requested should not exceed limited assurance given the reliance on third-party data.

Another area that would present some difficulties for auditors will be the quantification of the financial impacts of climate-related issues. The lack of a common calculation methodology implies that disclosures could present a high variation of assumptions and managerial judgments on future trends and developments which could lead to difficulties in comparison and verification of the companies' exposure to climate-related risks and opportunities.

Question 14—Effective date

Because the Exposure Draft is building upon sustainability-related and integrated reporting frameworks used by some entities, some may be able to apply a retrospective approach to provide comparative information in the first year of application. However, it is acknowledged that entities will vary in their ability to use a retrospective approach. Acknowledging this situation and to facilitate timely application of the proposals in the Exposure Draft, it is proposed that an entity is not required to disclose comparative information in the first period of application. [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information requires entities to disclose all material information about sustainability related risks and opportunities. It is intended that [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information be applied in conjunction with the Exposure Draft. This could pose challenges for preparers, given that the Exposure Draft proposes disclosure requirements for climate-related risks and opportunities, which are a subset of those sustainability-related risks and opportunities. Therefore, the requirements included in [draft] IFRS S1 General Requirements for Disclosure of Sustainability related Financial Information could take longer to implement. Paragraphs BC190–BC194 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?

(b) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.

Eni: We suggest foreseeing a phase-in process for the new metrics for which there is not yet a unique methodology of calculation (e.g. financial impact of climate-related risks), in line with the maturity of the methodology for their calculation, strengthening the comparability of results among issuers.

(c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?

Question 15—Digital reporting

The ISSB plans to prioritize enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption of sustainability-related financial information, as compared to paper-based consumption, is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS

Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information Standards are the sources for the Taxonomy. It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.
Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

Question 16—Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of climate change. Those needs may be met by requirements set by others including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

Eni: Eni strongly supports the development of a common baseline composed of a limited set of economy-wide metrics, such as the one developed by ISSB, that will empower data users to provide cross-sector and cross-country benchmarks on the most relevant climate-related matters.

In this regard, the only aspect that could limit the ability of the IFRS Climate Disclosure Standard to be used as a global reference is the substantial differences between ISSB's framework and other emerging standards to be issued by regulators in prominent jurisdictions (e.g., EU, US). For this reason, Eni strongly encourages regulators (e.g. ISSB, EFRAG, SEC) to strive for convergence among such climate disclosure standards' baseline requirements. If such a level of coordination could not be met, we recommend exemptions to the application of ISSB standard for issuers that apply sustainability reporting rules similar to their headquarter jurisdictions if they do not diverge significantly.

Question 17—Other comments

Do you have any other comments on the proposals set out in the Exposure Draft?