**Eni - Comments related to Value chain Implementation guidance**

**2.2 Why does VC matter? – Par. 33**

The example stops in identifying the "hotspot" in the VC but does not explain the next step, meaning what you need to disclose. For example, having identified working conditions as material which type of information do I have to ask to my counterparts (e.g., suppliers)? Is it enough to identify that I have the impacts, risks or opportunities or do I have to do more at the disclosure level as well? This aspect should be clarified.

**2.3 From own operations to value chain - Par. 36**

More clarification should be provided on the consideration for subsidiaries that are excluded from the financial perimeter because they are not considered material from a consolidation point of view. The implementation guidance is just referring to the materiality guideline without giving specific explanation on how to treat this typology for data collection. On this matter, we suggest to give companies the possibility to keep the reporting boundaries aligned and report in a separate note all the additional sustainability impacts referred to companies that are not relevant from a financial point of view (but that are relevant for specific sustainability aspects); this information should be focused only on those matters that are relevant for sustainability purposes avoiding the presentation of a full set of information/datapoints that would otherwise represent a mere compliance information.

**2.3 From own operations to value chain – Mapping of financial reporting concepts to sustainability reporting, table at Par. 52**

GHG emissions should be separated from other metrics (pollution, biodiversity) and a specific column should be added on how to treat the different cases for GHG and other topics. Moreover, it would also be useful to separate GHG scope 1,2 and scope 3.

It would be better to:

* make a specific reference, in the table, to incorporated and un-incorporated JOs and clearly state that they (both) must be tested for operational control (same as for the JVs);
* Clarify that the test for operational control should be also conducted for JOs that are not structured through an entity (please see next comment for further explanation); this would help to treat similar cases (JO incorporated vs JO not incorporated) in the same way.

**2.3 From own operations to value chain – Mapping of financial reporting concepts to sustainability reporting, graph at Par. 53**

Joint Operations

(Paragraph 52 and 53): In our view the guide does not clarify the treatment of Joint Operations in sustainability Reporting, i.e. when they should be included in the “own operations” metrics and when part of the value chain. In particular, table at par. 52 indicates for Joint Operations “same as for associates except for joint operations where the assets/liabilities belong to the reporting undertaking and so form part of own operations.”

Similarly, the flow chart included in para. 53 indicates that “Reporting undertaking” is defined as Parent plus subsidiaries (including leased assets and own assets/liabilities used in Joint Operations).

The guidance seems to suggest that the data related to JO’s are part of the “Group” and therefore reported in the metrics related to “own operations”.

However, this is in contrast with the ESRS E1 para. 46 indicating “when disclosing the information on GHG emissions… for contractual arrangements that are joint arrangement not structured through an entity the undertaking shall include the GHG emissions in accordance with the extent of the undertaking operational control over them”; this seems to indicate that according to the ESRS E1 DR6 if the enterprise holds operational control over the JO it must consolidate GHG emissions in the operational control boundary (100% scope 1 and scope 2), otherwise it must report them in scope 3 on the basis of the business relationships maintained.

Moreover, ESRS 1 para. 62 defines that if the company is a parent company required to draw up the consolidated financial statements, the sustainability statement will cover the entire “Group”.

Group concept is defined by the Accounting Directive and by IFRS 10 as “Parent and its subsidiaries”. Finally, ESRS 1 par. 67 doesn’t mention Joint Operation, while indicates that JV and Associates are part of the undertaking value chain the undertaking shall include information related to those Associates or JVs in accordance with par. 63 as part of the value chain.

In our view, Joint Operations (incorporated and unincorporated) should be treated as per JVs and Associates, and therefore: i) treated as value chain actors in the absence of the operational control; ii) consolidated 100%, in the case (unlikely for incorporated JO) in which the reporting undertaking should hold operational control.

This seems to be consistent with the fact that in the absence of operational control, entities holding joint operations do not have power to influence policies, actions and targets (defined autonomously by the JO itself or by the subject holding the operational control) and should not be held accountable for the JO performance.

Furthermore, consolidating JOs in the “reporting entity” as “own operations”, and therefore for the interest held for the purpose of the sustainability statement is unapplicable because of the following criticalities:

* the majority of ESG data (i.e. such as fatalities, biodiversity and communities) are non-divisible; and
* Each JO, if there isn’t operational control, can implement their own methodologies to calculate ESG data, from GHG, to Health and safety KPIs, to social, making it extremely difficult to consolidate each data of each JO if every JO has different rules for each KPIs

In light of this view the following modifications to the current IG would be needed:

1. Elimination in table at par. 52, with reference to Joint Operations sustainability statement treatment, the wording indicating that *“except for joint operations where the assets/liabilities belong to the reporting undertaking and so form part of own operations*.” And keep just “*Same as for associates”;*
2. Elimination in the first box of the flow chart at par. 53 the following: *“including ….. own assets/ liabilities used in Joint Operations”*.

In addition, in the table referred to in para. 52 at the Associate tab “measuring impacts by metrics in topical standard” we believe that the following wording should be eliminated: *“Operational control” or “GHG emissions to the extent of operational control. (ESRS 1 par. 67)”* to make it consistent with par. from 40 to 47 where it is made clear that this concept is applied not only to GHG emissions but also to other Environmental metrics, therefore not limited to GHG emissions.

The reporting on specific assets and liabilities used in Joint Operation is valid for GHG data, because for the remaining information there are some ESG data which are non-divisible such as fatalities, biodiversity and communities. Therefore, Joint Operations should not be considered part of the "Reporting Undertaking" and only assessed for operational control.

As indicated above the assessment of operational control should be conducted for every Joint Operation, both incorporated and un-incorporated. So even for a JO which is not structured through an entity the undertaking will need to assess its operational control, if it is the operator it should account for the related information otherwise it will not report data on that specific JO with the exception of Scope 3 emissions if it is part of its value chain.

More guidance on how to include the data relate to this type of assets in the sustainability statement perimeter should be provided.

Some specific examples would be very useful to better understand how to report data from non- operated companies in the value chain.

We present a possible useful example below:

Example 1. In a Joint Operation not structured through an entity there are two partners A and B of which A is the operator with a 60% share. The JO is part of B value chain and it has a share of 40%. In this case B will report the emissions of the JO in its scope 3 emissions according to its 40% share, taking into consideration emissions scope 1, 2 and 3 of the JO.

**Operational Control**

Even though steps forward have been done in the implementation guidance VC towards the definition of operational control, it still is not enough for undertakings to understand how to assess operational control over a non-controlled entity. It should be clearly stated and stressed that in order to correctly assess the existence of operational control the undertaking should have the effective capacity to make decisions and guide the company’s strategic choices. Without this capacity, it is "unfair" to consider the undertaking the operator of a company. As an example, it would be not possible to consider the undertaking operator in a company where it is unable to act and steer the decision-making process towards the implementation of projects for the reduction of GHG emissions.

Therefore, the levers to assess operational control must be at least the following three:

1. The full authority to implement its operating policies.
2. To be legally recognized by third parties as the operator of the facility, and
3. The ability to direct the entity’s investment strategy.

Furthermore, there is still lot of confusion among preparers on the meaning of operational control and this would make impossible to ensure comparability in the sustainability statement.

For this purpose, the only way is (and we warmly ask EFRAG) to provide preparers with a checklist to go through the operational control assessment for each non-controlled entity (e.g IFRS 10/11 checklists).

**Scope 3 emissions**

There is a need to make more explicit the calculation methodologies of Scope 3 emissions and the recap of the emissions that must be included within scope 3; moreover, it should be clarified that the information on JV/JO (incorporated and unincorporated)/associates not under the operation control but part of the undertaking’s value chain should be presented on an equity basis. It might be useful to provide an ad hoc FAQ for this matter (calculation of scope 3 emissions).

This will be especially useful to understand how to avoid cases of double counting that could be particularly relevant when disclosing scope 3 emissions.

**FAQ 7: How to assess and quantify the impacts of the VC resulting from business relationships? – Par. 130**

More emphasis should be placed on the link to the core activities of the Undertaking and the relevance of the information represented, excluding less relevant information. In general, the effort imposed with respect to the consideration of Value Chain actors must be proportionate. The Undertaking does not need to collect data from all the actors in its Value Chain and could exclude those who provide not relevant products or services; for example, for a manufacture entity, service contracts for legal or tax assistance could be considered, in general, less “risky” and relevant compared to those contracts strictly related to the production processes. As such, more emphasis should be placed on the link with the undertaking's core activities ("Prevaling Value-Chain") and the relevance of the data represented, clearly excluding less relevant information. On this aspect more examples could result very useful especially distinguishing between smaller and larger companies.

**4. VC map – Table VC coverage map of Set 1 ESRS**

In E5-5 only Own Operations are considered and not the Value Chain.