Bloomberg

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Bloomberg response to Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information (ED SR1)

Presenting the core content of IFRS S1 in [draft] ASRS Standards

1. In respect of presenting the core content disclosure requirements of IFRS S1, do you prefer:
   (a) Option 1 – one ASRS Standard that would combine the relevant contents of IFRS S1 relating to general requirements and judgements, uncertainties and errors (i.e. all relevant requirements other than those relating to the core content that are exactly the same as the requirements in IFRS S2) within an Australian equivalent of IFRS S2;
   (b) Option 2 – two ASRS Standards where the same requirements in respect to disclosures of governance, strategy and risk management would be included in both Standards;
   (c) Option 3 – two ASRS Standards, by including in [draft] ASRS 1 the requirements relating to disclosures of governance, strategy and risk management, and in [draft] ASRS 2, replacing duplicated content with Australian-specific paragraphs cross-referencing to the corresponding paragraphs in [draft] ASRS 1 (which is the option adopted by the AASB in developing the [draft] ASRS 1 and [draft] ASRS 2 in this Exposure Draft); or
   (d) another presentation approach (please provide details of that presentation method)?

Please provide reasons to support your view.

Bloomberg recommends Option 1 as we feel this would result in having a clearer understanding from companies in terms of which content they are expected to disclose.

Entities that do not have material climate-related risks and opportunities

3. Do you agree with the proposed requirements in [draft] ASRS 1 paragraph Aus6.2 and [draft] ASRS 2 paragraph Aus4.2? Please provide reasons to support your view.

Bloomberg agrees that if an entity determines that there are no material climate-related risks and opportunities that could reasonably be expected to impact the entity's prospects, then that entity should disclose this information and explain how it came to such a conclusion. In addition, we recommend that the AASB provides additional guidance on how to assess the enterprise value materiality of climate- and sustainability-related factors. We believe such guidance could leverage the world of international frameworks (such as GRI or SASB) and set out a list of sustainability-related factors considered material by sector for entities to refer to. In the absence of clear guidance, there is a heightened risk of significant subjectivity in the application of the disclosure standards, which could result in less comparable information being reported.

Modifications to the baseline of IFRS S1 for [draft] ASRS 1

Sources of guidance and references to Sustainability Accounting Standards Board (SASB) Standards

4. Do you agree with the AASB's views noted in paragraphs BC39–BC41? Please provide reasons to support your view.

Bloomberg notes that the SASB Standards may not be representative of the Australian or global market and therefore understands the AASB's rationale to remove a requirement for entities to consider the applicability of the SASB Standards in their reporting processes. Nonetheless, we do believe entities should be encouraged to *consider* (rather than be "required to") the applicability of international frameworks, such as GRI or SASB, to help support interoperability between other jurisdictional regimes that do call for such references.

5. Do you agree with the AASB's view that if an entity elects to make industry-based disclosures, the entity should consider the applicability of well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in ANZSIC? Please provide reasons to support your view.

Bloomberg agrees with this proposal. We also agree with the application of ANZIC's classification for the purposes of industry-based disclosures. To help support interoperability and market participants who may be operating in multiple jurisdictions, we recommend the AASB provides a mapping between the key global classification frameworks (e.g., NACE vs. BICS vs. ISIC vs. ANZSIC).

6. Do you consider that ASRS Standards should expressly permit an entity to also provide voluntary disclosures based on other relevant frameworks or pronouncements (e.g. the SASB Standards)? Entities are able to provide additional disclosures provided that they do not obscure or conflict with required disclosures. Please provide reasons to support your view.

Bloomberg believes that companies which provide additional disclosures based on other frameworks should include an appendix clearing showing where these can be found within the same report.

Disclosing the location of the entity's climate-related financial disclosures

7. Instead of requiring a detailed index table to be included in GPFR, the AASB added paragraph Aus60.1 to [draft] ASRS 1 to propose requiring an entity to apply judgement in providing information in a manner that enables users to locate its climate-related financial disclosures. Do you agree with that proposed requirement? Please provide reasons to support your view.

Facilitating accessibility and transparency on the information being disclosed is key to ensuring the future climate reporting regime in Australia is able to deliver its intended objectives. With that, we believe it is important that disclosures are delivered in a consistent location across companies and contain machine-readable information that is common and comparable, in addition to binary or metrics-based answers. This will improve the quantity and value of quantitative information which is key in assessing companies' considerations of sustainability- and climate-related risks.

Also, Bloomberg recommends consolidated level reporting for the entire report. Companies should also apply the same scope of business activities when reporting sustainability-related information as their financial statement to avoid misleading information due to a different scope of business activities covered in the reporting.

Modifications to the baseline of IFRS S2 for [draft] ASRS 2

Scope of [draft] ASRS 2

9. Do you agree with the proposal in [draft] ASRS 2 paragraph Aus3.1 to clarify the scope of the [draft] Standard? Please provide reasons to support your view.

Bloomberg agrees with this proposal.

Climate resilience

10. Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1? Please provide reasons to support your view.

> In terms of scenario analysis, Bloomberg recommends setting out certain parameters that companies should follow, and to include explanations where the company decides to diverge from those parameters. Specifically, the disclosure requirements could specify that:
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> - The following time horizons should be considered: short term (<5 years), medium term (5 to 15 years), and long term (>15 years);
> - The metric(s) used to measure the results of the scenario analysis should be clearly indicated;
> - The scope of the analysis (e.g., which physical assets, business units or supply chain partners are in scope) should be indicated;
> - When results are presented in a qualitative way, they provide a sense of whether the measured risk is low/medium/high, along with an interpretation of those classifications.

11. Do you agree with the AASB's view that it should not specify the upper-temperature scenario that an entity must use in its climate-related scenario analysis? Please provide reasons to support your view.

Bloomberg agrees with this proposal, however, we would recommend that the reporting entity discloses which temperature scenario is being evaluated.

Cross-industry metric disclosures (paragraphs 29(b)–29(g))

12. Do you consider the cross-industry metric disclosures set out in paragraphs 29(b)–29(g) of IFRS S2 (and [draft] ASRS 2) would provide useful information to users about an entity's performance in relation to its climate-related risks and opportunities? Please provide reasons to support your view.

> Overall, Bloomberg broadly agrees with the seven cross-industry metric categories that all entities would be require to disclose according to IFRS S2, namely: 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. In addition, we encourage applying the GHG Protocol for measuring GHG emissions, as it is important these methods for measurement follow the same methodology, and be independently validated through an internal review process or external third-party.
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> Bloomberg would further highlight that, in order to support the effective identification of exposures to climate-related risks, it is critical to have high-quality raw data on sectors or economic activities impacted by transition and physical risks. Specifically:
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> - For transition risk, this is primarily data on the GHG emissions of companies; this data should cover Scope 1, Scope 2, and Scope 3 GHG emissions.
>   - Company emissions should be broken down across Scope 1, Scope 2 and Scope 3. In addition, we believe it is important for companies to disclose,

wherever applicable, a breakdown of its Scope 1 emissions across types of greenhouse gasses. An omission of this breakdown will leave room for two companies with the same emissions at a disaggregated level to report different aggregate amounts due to differences in assumptions about the conversion of those GHGs in terms of CO2 equivalent.
    - To ensure full transparency about a company's emissions, and to avoid greenwashing, Bloomberg recommends that companies report gross emissions (emissions excluding any offsets) in addition to net emissions.
    - It would furthermore be helpful if companies report the share of their emissions that is covered under a regulatory emissions compliance scheme. Emissions covered under a compliance scheme create a direct cost to the company and are therefore material from a reporting standpoint.
    - Ideally, companies would also report on their energy consumption. This information is interesting in itself from a climate alignment point of view, and can furthermore be used to validate company-reported Scope 2 emissions.
- For physical risk, it is key to have data on company asset locations, and opportunities for adaptation to climate change. Depending on where an asset is located, it may be more or less vulnerable to climate-related risks, such as floods and wildfires, or climate regulations. Because of this, regulators and supervisors should consider requiring companies to report asset locations and metrics pertaining to the economic value of those assets (e.g., share of production or share of revenue), to be able to serve the financial impact from asset impairment.

Greenhouse gas (GHG) emissions (paragraphs Aus31.1 and B19– AusB63.1 and Australian application guidance)

Definition of greenhouse gases

14. Do you agree with the AASB's proposal to incorporate in [draft] ASRS 2 the definition of greenhouse gases from IFRS S2 without any modification? Please provide reasons to support your view.

Bloomberg agrees with this proposal.

Market-based Scope 2 GHG emissions

16. Do you agree with the proposals set out in [draft] ASRS 2 paragraphs Aus31.1(f) and AusC4.2? Please provide reasons to support your view.

Bloomberg agrees with the proposals to disclose both market- and location-based Scope 2 GHG emissions, as doing so would provide the most complete set of information. This would be consistent with the approach under the GHG Protocol.

Providing relief relating to Scope 3 GHG emissions

18. Do you agree with the proposal in paragraph AusB39.1 of [draft] ASRS 2? Please provide reasons to support your view.

Bloomberg notes that an entity may not have all the required information available in a sufficiently timely manner to accurately report its Scope 3 emissions for the reporting year. In such circumstances, a potential approach could be allowing for Scope 3 emissions to be reported at a later date. This will have the benefit of ensuring that the Scope 3 emissions for a given reporting period are an accurate reflection of the information for that reporting period, thereby making the data more reliable and allowing for easier validation by users of the information. A potential drawback, however, might be that the Scope 3 emissions would be reported later than Scope 1 and Scope 2 emissions; nonetheless, we believe a delay of up to one reporting year would help facilitate higher accuracy of information being reported.

Scope 3 GHG emission categories

19. Do you agree with the AASB's approach in [draft] ASRS 2 paragraph AusB33.1 to include the Scope 3 GHG emission categories in IFRS S2 as examples of categories that an entity could consider when disclosing the sources of its Scope 3 GHG emissions, rather than requiring an entity to categorise the sources of emissions in accordance with the categories of the GHG Protocol Standards? Please provide reasons to support your view.

Bloomberg does not agree with this proposal and would discourage the AASB from diverging from industry best practice in this regard, as the GHG Protocol has emerged as the industry standard for Scope 3 reporting by non-financial entities. For this reason, we believe that requiring entities to categorise the sources of emissions in accordance with the GHG Protocol Standards would be beneficial to promoting international alignment and interoperability with other jurisdictions who have adopted the GHG Protocol.

Financed emissions

20. Do you agree with the AASB's proposal to require an entity to consider the applicability of those disclosures related to its financed emissions, as set out in [draft] ASRS 2 paragraphs AusB59.1, AusB61.1 and AusB63.1, instead of explicitly requiring an entity to disclose that information? Please provide reasons to support your view.

Bloomberg understands the rationale for this proposal, though we would note that such approach may be inconsistent with the proposals for cross-industry metrics under IFRS S2 with respect to disaggregated disclosures.