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June 22, 2022

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Submitted via email: rule-comments@sec.gov

Re: The Enhancement and Standardization of Climate-Related Disclosures for Investors Release Nos. 33-11042; 34-94478 / File No. S7-10-22[1]

Dear Ms. Countryman:

Bloomberg L.P.[2] ("Bloomberg") respectfully submits this letter in response to the above-referenced proposal by the U.S. Securities and Exchange Commission ("SEC" or the "Commission") to enhance and standardize climate-related disclosures for investors (the "Proposal").

Bloomberg shares the Commission's recognition that there is a growing demand for decision-useful, climate-related information in the financial markets. Financial markets need clear, comprehensive, high-quality information on the impacts of climate change on companies, and the absence of enforceable and specific requirements for climate-related reporting creates significant data quality and availability issues for market participants. We support the Commission's approach to climate-related disclosures and believe that the proposed rules will meet investor demand for comparable and consistent decision-useful information. The Proposal's required disclosures of climate-related risks are necessary to allow for a robust and consistent analysis of the financial impacts associated with climate change on business strategy, financial planning, and operations.

[1] The Enhancement and Standardization of Climate-Related Disclosures for Investors, SEC Exch. Act Release Nos. 33-11042; 34-94478 (Mar. 21, 2022), *available at* https://www.sec.gov/rules/proposed/2022/33-11042.pdf (the "Proposal").

[2] Bloomberg L.P. is a global leader in business and financial information, delivering trusted data, news, and insights that bring transparency, efficiency, and fairness to the markets. The company helps connect influential communities across the global financial ecosystem via reliable technology solutions that enable our customers to make more informed decisions and foster better collaboration.

1. THE NEED FOR STANDARDIZED DISCLOSURE REQUIREMENTS

Bloomberg tracks climate-related reporting for over 13,000 international companies representing over 88% of global market capitalization. For these companies, there is significant variability in the level of disclosure of climate risk.

Based on our observations, although some companies are disclosing climate-related information, few companies are disclosing comparable and consistent information with the level of detail needed by financial organizations to assess climate impact fairly and accurately. Comparability and consistency are crucial for investors to make fully informed decisions about where to allocate capital. By setting a mandatory reporting requirement that provides for a clearer reporting framework, the Proposal would, over time, allow climate-related risks to become a natural part of companies' risk management and strategic planning processes. As this occurs, the number of market participants who understand the financial implications associated with climate change will grow, information will become more useful for decision making, and risks and opportunities will be more accurately priced, which will contribute to an orderly transition to a low-carbon economy. Improving the availability of consistent and comparable climate-related data across all economic sectors in the market would go far in answering an ever-increasing call from investors for more information.

2. TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES FRAMEWORK

In our letter to the Commission in June 2021,[3] we wrote that the disclosure framework developed by the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD") could provide a foundation for the Commission's work in this area.[4] We are encouraged to see that the Proposal's climate-related disclosure framework is modeled in large part on the TCFD recommendations, including the four core pillars of governance, strategy, risk management, and metrics and targets.

The TCFD offers a high level, globally accepted framework on which to structure and base disclosure standards and reporting requirements. In June 2017, the TCFD released recommendations which provide a framework for companies and other organizations to develop more effective climate-related financial disclosures through their existing reporting processes. In our experience, companies that implement the TCFD recommendations benefit by addressing the

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[3] Letter from Bloomberg L.P. in response to the Commission's request for public input on climate change disclosures, dated June 3, 2021, *available at* https://www.sec.gov/comments/climate-disclosure/cll12-8880665-240115.pdf.

[4] The TCFD is an industry-led task force created by the Financial Stability Board. Its members represent large banks, insurance companies, asset managers, pension funds, large non-financial companies, accounting and consulting firms, and credit rating agencies. The TCFD has developed recommendations for more effective climate-related financial disclosures to promote more informed investment, lending, and insurance underwriting decisions. It is chaired by Michael R. Bloomberg, founder of Bloomberg L.P. For further information on the TCFD, please see https://www.fsb-tcfd.org/.

growing demand for climate-related information, using a framework that investors are increasingly asking for.[5] We have also found that the TCFD recommendations play a central role in driving corporate actions toward a low- and zero-carbon economy by facilitating constructive dialogues between institutional investors, financial institutions, and companies.

The TCFD recommendations and recommended disclosures were designed to be adoptable by all types of companies across sectors and jurisdictions and flexible enough to accommodate evolving practices. The TCFD designed its recommendations as a flexible framework for companies to produce decision-useful disclosures on the actual and potential financial implications of climate change on their businesses, strategies, and financial planning.

As the Proposal recognizes, the TCFD is widely considered to be the key global framework for climate reporting and is supported by companies, governments, and public sector bodies globally.[6] As of the date of this letter, TCFD has over 3,580 supporters globally – including 1,349 financial institutions – responsible for assets of approximately $215.3 trillion. TCFD supporters span 93 countries and jurisdictions and nearly all sectors of the economy, with a combined market capitalization of $24.8 trillion. More than 95 regulators, central bankers and government entities around the world are TCFD supporters, including the governments of France, Belgium, United Kingdom, Canada, Chile, Denmark, Ireland, Japan, New Zealand, and Sweden. Moreover, the International Sustainability Standards Board's ("ISSB") recent exposure draft of climate-related disclosures builds upon the TCFD recommendations.[7] The G20, the G7, IOSCO and the Network for Greening the Financial System have also encouraged companies issuing public debt or equity to disclose in line with TCFD recommendations.

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[5] *See* Letter from Larry Fink, Chairman and CEO of BlackRock, Inc., to CEOs, *available at* https://www.blackrock.com/us/individual/larry-fink-ceo-letter; BlackRock, Inc.'s Client Climate Stewardship Letter, *available at* https://www.blackrock.com/corporate/investor-relations/2021-blackrock-client-letter. *See also* State Street Global Advisors' Guidance on Climate-Relate Disclosure, *available at* https://www.ssga.com/library-content/pdfs/asset-stewardship/guidance-on-climate-related-disclosures.pdf.

[6] Proposal at 35-37.

[7] *See* ISSB Exposure Draft IFRS S1 General Requirement for Disclosure of Sustainability-related Financial Information (Mar. 2022), *available at* https://www.ifrs.org/content/dam/ifrs/project/general-sustainability-related-disclosures/exposure-draft-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf. ISSB was established at COP26 to develop a comprehensive global baseline of sustainability disclosures for the capital markets. As part of an international effort to avoid fragmentation and deliver more consistent, comparable, and reliable climate-related information to investors, the IFRS Foundation announced the ISSB in November 2021 to develop climate-specific disclosure standards based on the recommendations of the TCFD. The ISSB will develop standards that provide a comprehensive global baseline of sustainability disclosures so that they can be mandated and combined with jurisdiction-specific requirements or requirements aimed at meeting the information needs of broader stakeholder groups beyond investors. Consistent with the approach taken for the IASB's Accounting Standards, it is for jurisdictional authorities to decide whether to mandate use of the ISSB's standards. *See* IFRS Foundation announces International Sustainability Board, consolidation with CDSB and VRF, and publication of prototype disclosure requirements (Nov. 3, 2021), *available at* https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/. *See also* Proposal at 31-33.

Since the Task Force's recommendations were developed to apply broadly across sectors and jurisdictions and to be flexible enough to accommodate evolving practices, achieving comparability and consistency in climate-related information across companies requires industry-specific standards for metrics and targets to be developed. Thus, companies can disclose the most relevant information based on their specific products or services, operations, and climate-related risks.[8]

3. THE COMMISSION'S PROPOSED CLIMATE-RELATED DISCLOSURES

Climate-related disclosures are necessary to inform investment decisions. Risks should be translated into financial metrics to increase consistency and comparability among companies. At the same time, a narrative discussion and analysis of the climate-related metrics would allow a registrant to provide context to the disclosures and explain how they relate to the registrant's strategy and management of its climate-related risk. We believe that the Proposal allows for a fair balance of both qualitative and quantitative disclosures without compromising their consistency or comparability.

a. Content of the Disclosures

Proposed Time Horizons and the Materiality Determination

The Proposal requires a registrant to disclose whether any climate risk is reasonably likely to have a material impact on a registrant, including its business or consolidated financial statements, which may be manifest over the short-, medium-, and long-term.[9] The Proposal does not specify a range of years to define the short-, medium-, and long-term time horizons to allow flexibility for a registrant to select the time horizons that are most appropriate to its particular circumstances.[10] We support the Commission's approach here, which is in line with the TCFD recommendations and allows issuers to define time frames according to the life of their assets, the profile of climate-related issues they face, and the sectors and geographies in which they operate. We note that, as disclosures become routine, more standardized reporting metrics may be needed to provide greater comparability and consistency and defining time horizons within a specified range of years is something that may be considered down the road.

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[8] As noted in the Proposal, there is also the Sustainability Accounting Standards Board ("SASB") which created industry-specific standards that include both qualitative and quantitative metrics that can be reported, and CDP which aims to make environmental reporting and risk management a business norm and helps companies, cities, states, and regions to measure and manage environmental issues, and disclose this information to their stakeholders *See* SASB Climate Risk – Technical Bulletin (Apr. 12, 2021), *available at* https://www.sasb.org/knowledge-hub/climate-risk-technical-bulletin/. *See also* https://www.cdp.net/en/info/about-us. In 2021, over 14,000 organizations disclosed environmental information through the CDP's disclosure platform, of which, over 13,000 were corporates, and 1,000 were cities, states or regions.

[9] *See* proposed 17 CFR 229.1502(a).

[10] Proposal at 64.

Regarding climate-related opportunities, we agree with the Commission that efforts to mitigate or adapt to the effects of climate-related conditions can produce opportunities and may be disclosed at the option of a registrant.[11] However, a registrant making such disclosure should consider doing it separately from its risk assessment. This will ensure transparency of the risks and avoid greenwashing by means of hypothetical mitigating actions. Registrants should also be encouraged to disclose progress in terms of investment goals to realize the climate-related opportunities identified.

Disclosure of Material Impact

The Proposal would require a registrant to disclose how climate-related risks have affected or are likely to affect its strategy, business model, and outlook, including a time horizon for each impact.[12] Specifically, a registrant would be required to disclose impacts on its: (i) business operations, including the types and locations of its operations; (ii) products or services; (iii) suppliers and other parties in its value chain; (iv) activities to mitigate or adapt to climate-related risks, including new technologies or processes; (v) expenditure for research and development; and (vi) any other significant changes or impacts.

Bloomberg welcomes the Proposal's call for disclosure of the locations of a company's business operations, properties, or processes subject to an identified material risk. To assess the materiality of an asset of a company in a given location, a metric of the economic value of that asset is needed. This metric could vary by the type of property, process, or operation in scope. For a production facility, for example, it could be a metric of the physical output of that facility, whereas for office space, companies could indicate a revenue share associated with the operations of that office.

Disclosure of Carbon Offsets or Renewable Energy Credits, if Used

Under the Proposal, a registrant using carbon offsets or renewable energy credits ("RECs") as part of its net emissions reduction strategy would need to disclose the role that carbon offsets or RECs play in its climate-related business strategy.[13] As the Proposal notes, registrants may use carbon offsets or RECs for different purposes, such as meeting primary GHG emissions goals or offsetting the remainder of the emissions that cannot be reduced through operational changes.[14]

It may also be helpful for the SEC to provide some examples of what constitutes a net carbon emissions strategy that would be required to disclosed under proposed Item 1502(c).

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[11] Proposal at 63.

[12] *See* proposed 17 CFR 229.1502(b).

[13] *See* proposed 17 CFR 229.1502(c).

[14] Proposal at 78.

Disclosure of a Maintained Internal Carbon Price

For registrants using an internal carbon price, the Proposal, among other things, seeks disclosure of the rationale for selecting the internal carbon price applied.[15] If a registrant uses more than one internal carbon price, the Proposal would require it to provide disclosures for each internal carbon price and to disclose its reasons for using different prices.[16] While we mainly agree with the Commission's proposed requirements for climate-related disclosures, we note that this is an area in the Proposal that leaves room for ambiguity.

Disclosure of Scenario Analysis, if Used

The Proposal does not mandate climate scenarios for registrants.[17] Instead, disclosures of certain information are required only if a registrant uses scenario analysis or any analytical tools to assess the impact of climate-related risks on its business and consolidated financial statements, and to support the resilience of its strategy and business model.[18]

Bloomberg recognizes that climate scenarios, modeling, and assumptions are still developing, and we welcome continued market innovation and improvement on climate modeling. We believe the SEC should require registrants using scenario analysis to assess the impact of climate-related risks on their business and consolidated financial statements to disclose the critical input parameters, assumptions, and analytical choices for the climate-related scenarios used, particularly as they relate to key areas such as policy assumptions, energy deployment pathways, technology pathways, and related timing assumptions. This approach is based on the TCFD's supplemental guidance for non-financial industries as some registrants are more likely to be financially impacted than others due to their exposure to certain transition and physical risks around greenhouse gas emissions, energy, or water dependencies associated with their operations and products.[19]

Given the importance of forward-looking assessments of climate-related risks, scenario analysis is a useful tool to describe the resilience of a company's strategy to the risks and opportunities of climate change and to develop a more informed view of implications for enterprise value and value chains. Concerns exist, however, that scenarios used may lack sectoral and regional granularity. For example, most banks currently use the International Energy Agency's Net Zero

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[15] *See* proposed 17 CFR 229.1502(e)(1).

[16] *See* proposed 17 CFR 229.1502(e)(3).

[17] Proposal at 86.

[18] *See* proposed 17 CFR 229.1502(f).

[19] *See* the TCFD's Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures at pp. 56 and 59, *available at* https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf.

by 2050 scenario in their target setting.[20] When using scenario analysis, registrants should consider being more explicit about the scenario pathways that are used, and to align with the terminology used by scenario providers such as the Network for Greening the Financial System, International Energy Agency, Intergovernmental Panel on Climate Change, and BloombergNEF.[21]

To ensure and enhance the comparability of climate scenario analysis, the Commission should consider aligning certain parameters applicable to these analyses. For example, the three following scenario pathways may be considered in reporting metrics:

Policy Pathway	**Implied Global Temperature Increase by 2100**	**Relevant Representative Concentration Pathway(s)**
Net Zero 2050 *Net zero targets are met*	1.5°C (50% probability) and/or below 2°C (67% probability)	RCP1.9 and/or RCP2.6
Nationally Determined Contributions (NDCs) *NDCs are fully implemented*	2.0°C – 3.0°C	RCP4.5 and/or RCP6.0
Current Policies *No additional climate policies are implemented as of reporting date, pledges and targets are not met*	Above 3.0°C	RCP6.0 and/or RCP8.5

[20] *See* Net Zero by 2050: A Roadmap for the Global Energy Sector (May 2021), *available at* https://www.iea.org/reports/net-zero-by-2050.

[21] BloombergNEF is Bloomberg's subscription-based service that offers independent news, research, data, and analytical tools and models to provide insight into climate and energy related industries.

Governance and Risk Management Disclosures

We agree with the Proposal's requirements on governance and risk management disclosures, including those that require disclosure at a level of detail that generally exceeds that which companies voluntarily include in existing sustainability or climate reporting and that go beyond the scope and breadth of other SEC disclosure requirements related to risk oversight.[22] We believe the additional detail included in the proposed rule provides necessary information for investors and other users to understand the governance and risk management context in which financial results are achieved.

GHG Emissions Metrics Disclosure, and Attestations of Scope 1 and Scope 2 Emissions Disclosure

In addition to the GHG emission requirements laid out in the Proposal,[23] it would be helpful to have disclosures on operational and equity controls for Scope 1 and location and market-based controls for Scope 2.[24] For Scope 3 emissions, mandatory disclosures should follow the timetable of the EU Paris-Aligned Benchmark ("PAB") to ensure global consistency.

Having standardized reporting is key and establishing comparable metrics and units should be a priority. Currently, there is a lack of methodological guidance for the appropriate emissions metric unit to select for certain calculations. There is a wide range of metrics including absolute finance emissions, physical intensity, and economic intensity metrics. For example, most banks use intensity-based metrics for one or more sectors, while financed emissions are largely used for oil and gas. Physical intensity is largely used for power. Regulatory guidance on this topic could significantly improve comparability.

Regarding the disclosures of GHG emissions in absolute and intensity terms, we believe that absolute emissions should be reported for all three scopes, and intensity for Scope 2 only. Absolute emissions disclosures are fundamentally important to track global emissions.

Disclosure of emissions data and transition plans are also important to be able to improve portfolio alignment modeling. We note that there is a lack of guidance on how to forecast issuer-level emissions, which is crucial for the financial industry's portfolio alignment.[25] It is a

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[22] *See* proposed 17 CFR 229.1501 and 1503(a).

[23] *See* proposed CFR 229.1504.

[24] TCFD recommends that Scope 1 and Scope 2 emissions be disclosed regardless of a materiality assessment.

[25] In 2021, the Portfolio Alignment Team ("PAT"), a group of experts promoting portfolios' relative alignment to the objectives of the Paris Agreement, released a report in response to a request from the TCFD for information on portfolio alignment approaches. The report provides an initial framework with high-level guidance for forecasting emissions. *See* Measuring Portfolio Alignment: Technical Considerations (Oct. 2021), *available at* https://www.tcfdhub.org/wp-content/uploads/2021/10/PAT_Measuring_Portfolio_Alignment_Technical_Considerations.pdf.

challenge for the market to project solely on historical emissions or near-term capital expenditure planning.

We agree with the Proposal's attestation requirements around the disclosure of registrants' Scope 1 and Scope 2 GHG emissions and that of the service provider. We note the importance of restating historic emissions to reflect the reporting company's current boundaries, which would allow data users to understand whether changes in GHG emissions year over year are due to emissions reduction actions or due to other activities, such as mergers, acquisitions, asset sell-offs, and others.

Targets and Goals Disclosure

We agree with the Proposal's requirements for disclosing climate-related targets and goals, including (i) the scope of activities and emissions included in the target; (ii) the unit of measurement; (iii) the defined time horizon by which the target is intended to be achieved, and whether the time horizon is consistent with one or more goals established by a climate-related treaty, law, regulation, policy, or organization; (iv) the defined baseline time period and baseline emissions against which progress will be tracked; (v) any interim targets; and (vi) how the registrant intends to meet its climate-related targets or goals.[26] This information is important for investors and other users in assessing companies.

The Commission should consider requiring targets and goals to be disclosed in a consistent manner, to increase usability by investors and financial entities. Otherwise, a phasing in period could be considered. For example, perhaps the units should be specified initially. Then in a few years, disclosure would need to be done in a specific unit/measurement system. However, beyond simple targets for decarbonization, specific elements or interim targets may have industry- or technology-specific measurements. For these elements or targets, it would be more difficult to predetermine the required units. The industry may be guided by groups that help standardize information, such as the Science Based Targets Initiative.

b. Location of the Disclosures

It is crucial that climate-related disclosures across entities are provided in a consistent location to ensure maximum transparency and accessibility. We believe that these disclosures should be part of existing, mainstream financial filings. This would allow for easier location and extraction of the data for value-added services. We thus support the Commission in including climate-related rules in Regulations S-K and S-X, specifically, requiring registrants to make climate-related disclosures in Securities Act or Exchange Act registration statements and Exchange Act annual reports, as proposed.

[26] *See* proposed 17 CFR 229.1506.

Bloomberg believes that climate-related opportunities should also be disclosed in the corporate sustainability report of the company. We acknowledge that some opportunities may be competitively sensitive and ask the Commission to exercise discretion on any mandatory requirements to disclose these metrics.

c. Format of the Disclosures

Structured Data Requirement

We support the Commission's Proposal to require registrants to tag the proposed climate-related disclosures in a structured, machine-readable data language.[27] It is important that disclosures are digital, contain machine-readable information that is common and comparable. This will improve the quantity and value of quantitative information which is key in assessing companies' considerations of climate risks. Disclosures should be filed in XBRL and in a standardized, tabular format. XBRL defines a set of rules for encoding documents in a format that is both human- and machine-readable, increasing the accuracy of the extracted data.

To improve the quality and accessibility of data, closed questions/fields could achieve greater standardization, potentially even with "select from" or multi-select style options within these fields. Having multiple fields per question would also be beneficial as it can allow for greater context, alongside a free text field so that registrants can provide company-specific details where necessary.[28]

4. THE NEED FOR GLOBAL COORDINATION

Global coordination regarding climate-related disclosures is needed to ensure that the information is consistent and useful across all jurisdictions. Bloomberg believes that it is important to ensure alignment with requirements in other jurisdictions by creating and promoting common baseline metrics and inputs for market participants. The extraterritorial nature of many of these rules underscores the importance of having a common framework for data inputs to minimize the costs borne by market participants potentially subject to multiple regimes. While the development of a global standard should not inhibit the Commission's efforts to implement its own mandatory reporting regime, we recommend the Commission consider the ISSB's recent proposals to create a comprehensive global baseline of sustainability disclosures to the extent feasible to minimize market fragmentation.

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[27] *See* proposed 17 CFR 229.1507.

[28] *See e.g.,* CDP Climate Change 2022 Questionnaire, *available at* https://guidance.cdp.net/en/tags?cid=30&ctype=theme&gettags=0&idtype=ThemeID&incchild=1&microsite=0&otype=Questionnaire&page=1&tgprompt=TG-124%2CTG-127%2CTG-125. CDP is able to achieve high quality data by minimizing free text as much as possible and using standardized tables and fields instead. At the same time, however, narrative disclosures cannot be discounted to provide company-specific context.

CONCLUSION

Implementing comparable, consistent, and decision-useful disclosure around climate-related risks and opportunities will improve pricing and efficient allocation of capital in the market. Without reliable climate-related financial information, climate-related risks and opportunities cannot be priced correctly and may lead to sudden value shifts and destabilizing costs in transitioning to a low-carbon economy. For these reasons, we support the Commission's Proposal as it would allow issuers to disclose climate-related risks and meet investor demand more effectively.

Thank you.

Very truly yours,

Gregory Babyak
Global Head of Regulatory Affairs, Bloomberg L.P.