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Ref: ISSB's Exposure Drafts 'IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information' and 'IFRS S2 Climate-related Disclosures'

Dear Chair Faber and Vice-Chair Lloyd,

Thank you for the opportunity to provide comments on Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and Exposure Draft IFRS S2 Climate-related Disclosures.

We commend the work of the ISSB to create internationally-agreed sustainability reporting standards. We support the development of quality, reliable, comparable standards that enable companies to prepare and disclose material, decision-useful information to stakeholders.

We are mindful of the fact that the work of the ISSB is happening at the same time as other global work on sustainability/ESG reporting standards – including the SEC proposed climate disclosure rules and the European sustainability reporting standards proposed to underpin the EU CSRD. We believe it is critical that standard setters work collaboratively to consider interoperability and avoid the creation of inconsistencies, which would be burdensome for businesses and could reduce the utility of the disclosure for stakeholders.

We set out below some over-arching comments that we hope will be helpful. In addition, for the purposes of this response, we have provided comments in relation to the questions where we have key substantive contributions to make at this stage, rather than commenting on every question. These comments can be found in the appendix to this letter.

Introductory / overarching comments

We would like to emphasize six key areas:

- **Structure.** The Standard on 'General requirements for disclosure of sustainability-related financial information' (represented by Exposure Draft S1) should establish overarching reporting standards for all subsequent ISSB sustainability Standards (including climate-related disclosures). Later Standards, including the Standard on climate-related disclosures, should then focus simply on areas relevant exclusively to the specific topic. This would avoid duplication of disclosures, where the identification or management of distinct sustainability-related risks are governed by the same processes.
- **Alignment with existing reporting requirements.** We support the objective of building on the globally recognized TCFD framework. As a UK premium-listed company, bp already prepares climate-related disclosures under the UK FCA Listing Rule, which are consistent with the TCFD recommendations and recommended disclosures. It is important that any Standards are consistent with the recommendations and recommended disclosures already in place, and that concepts such as 'materiality', which are common to both, are interpreted consistently. Accordingly, the Exposure Draft offers a definition of materiality, but this should be explicitly subject to any materiality requirements or principles to which a reporting organization is subject to in a particular jurisdiction.
- **Flexibility regarding enterprise value.** The ISSB should clarify that entities should be given the flexibility to determine the factors affecting enterprise value in the manner most appropriate to their businesses and users of general-purpose financial reporting. There is potential for the concept of enterprise value to be interpreted too widely, which would risk undermining the objective of providing material, decision-useful information.
- **Guidance on key terms.** The draft Standard does not define 'sustainability-related financial information', 'sustainability' or 'significant'. While we support the flexibility that this affords companies, enabling them to provide disclosures that are appropriate to their particular businesses and primary users, illustrative guidance and examples of best practice may be useful to help achieve the objective of comparability.
- **Timing and clear implementation plan.** We recognize that the ISSB wants to move at pace to finalize the Standards – but this should be balanced with the need to allow preparers the necessary time to prepare and disclose in line with them. The disclosure requirements are potentially significant, even for a company like bp, which has a long history of sustainability reporting. For this reason, we are supportive of a phased approach to the effective date of the Standards. In turn, this would support national authorities who wish to draw on the Standards in disclosure requirements, to provide a clear and achievable

timeline from finalization to application in their jurisdiction. And we look forward to seeing further detail from the ISSB on the development of other specific Standards beyond climate.

- **Reliance on third party data.** We encourage the ISSB to recognize the inherent uncertainty and challenges in relying on data from third parties and ask that the framing of the Standard recognizes and reflects the practical constraints and limitations on reporting companies' ability to gather, evaluate for materiality, assure and disclose such information.

We hope that our comments are a helpful contribution to the development of the Standards. We would be happy to discuss these further. Please contact Alice Revels, VP corporate reporting and ESG disclosure (Alice.Revels@bp.com), in the first instance.

We look forward to supporting the ongoing work of the ISSB.

Yours sincerely,

Alan Haywood

Appendix: comments on Exposure Draft questions

S1 General Requirements for Disclosure of Sustainability-related Financial Information

Question 1—Overall approach *(a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?* *(b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?* *(c) Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 Climate-related Disclosures? Why or why not? If not, what aspects of the proposals are unclear?*

We broadly agree that the proposed requirements meet the objective set out in paragraph 1. However, this objective is high-level and could be open to interpretation, for example in determining what is 'useful'. We believe it is important to allow organizations the flexibility to approach disclosures in a manner most appropriate to their own businesses, but further illustrative guidance on some of the key terms, including 'sustainability', 'sustainability-related financial information' and 'significant' may be helpful to promote comparability of information. Where concepts including 'materiality' are the same as disclosure standards to which an entity is already subject to in a particular jurisdiction, the Exposure Drafts should be clear that entities should be free to interpret such terms consistently with those existing requirements or standards.

It could be made clearer how the two Standards would work together. There are some areas of duplication between Exposure Draft S1 and S2 which could result in unnecessary reporting, please see our response to question 1 (S2) below.

Question 2—Objective (paragraphs 1–7) *(a) Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?*

Yes – the objective of providing comparable sustainability-related information to primary users of financial statements to enable them to assess the enterprise value of the reporting organization is reasonable. The language regarding the objective of verifiability of the disclosure is potentially ambiguous. The ISSB should be very clear that it is not prescribing a particular method of verification of sustainability-related information. It may be more accurate to describe the objective as achieving 'assurable' rather than 'verifiable' disclosures. Some of the discussion in the Exposure Draft of the factors that could impact enterprise value could be interpreted in an unduly wide manner. The

Standard should make clear that each organization should have the flexibility to determine for itself which factors influence enterprise value in the context of its particular circumstances.

To explicitly reflect the fact that the Standard is subject to materiality, we suggest that the objective is amended as follows:

"The objective of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is to require an entity to disclose ***material*** *information about its significant sustainability-related risks and opportunities that is useful to the primary users of general purpose financial reporting when they assess enterprise value and decide whether to provide resources to the entity."*

(b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?

The term 'sustainability-related financial information' is ambiguous and open to interpretation. While we support the flexibility for organizations to apply the term in a manner most appropriate to their businesses, it would be helpful to have more extensive examples of best practice about the intended use of this term to enable organizations to disclose in a comparable manner. The definition should make clear that it consists only of information that could 'materially' affect the enterprise value of the entity and provide a basis for primary users of general purpose financial reporting to assess the 'material sustainability-related resources and relationships' on which the entity's business model and strategy depend.

Question 3—Scope
Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

No comment at this stage.

Question 4—Core content (paragraphs 11–35)
(a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?

We welcome the alignment with the TCFD recommendations and believe the ISSB should also consider developing examples of best practice to supplement its proposals. While we agree that sustainability and climate-related opportunities, and their impact should, where material, be described as part of disclosures related to strategy, we believe it is not appropriate to disclose how an entity assesses and manages opportunities in the risk management section. Such a requirement goes beyond the TCFD and has the potential to confuse users of general-purpose financial reporting. We believe it is important that an entity's disclosures are clear about how risks are assessed and managed, and the requisite clarity might be undermined if risk management disclosures are also required to describe the management of opportunities.

(b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?

Governance: We agree that the disclosure objectives for governance are generally clear and appropriately defined. We question whether the objective text should read 'to enable the primary users of general-purpose financial reporting to understand the governance processes, controls and procedures used to monitor and oversee the management of significant sustainability-related risks and opportunities' given that the board has an oversight role and is not actively involved in management.

For other comments on governance, strategy, risk management and metrics and targets, please refer to the comments we make in relation to Exposure Draft S2 on climate change, as these also apply to the equivalent sustainability requirements in Exposure Draft S1.

Question 5—Reporting entity (paragraphs 37–41)
(a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?

Yes. We believe that an integrated approach to reporting is the desired outcome, which ultimately means providing sustainability and financial information for the same entity.

(b) Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?

Yes, given that, as with the Exposure Drafts generally (per Exposure Draft S1 paragraph 60), it is subject to materiality. That materiality threshold is particularly important in this context, as for a global group like bp, disclosure of sustainability-related risks and opportunities across the many distinct value chains of its group companies would require information from third parties, which would be challenging to obtain and verify, especially where the third party is itself not subject to an obligation to disclose it. However, the materiality threshold may not by itself be sufficient – across the proposed Standards, we recommend that wherever a proposed disclosure will depend on information from third parties, the framing of the Standard recognizes and reflects the practical constraints and limitations on reporting companies' ability to gather, evaluate for materiality, assure and disclose such information.

(c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?

The principle of the IFRS Sustainability Standards is that the requirements are compatible and complementary to the financial statements, which we support. Accordingly, we agree with alignment to the scope of financial statements (question a) and this alignment be made clear (question c) through identification of the related financial statements. However, as noted in response to question 5(b), it will be important for the Standards to recognize and cater for the constraints and limitations on reporting companies' ability to obtain, evaluate and assure non-financial information from equity accounted third parties.

Question 6—Connected information *(a) Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?* *(b) Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?*

We agree in principle with the requirement to connect the assessed risks and opportunities to the financial statements. We support disclosing information in cases where it is deemed there is a material connection and the correlation has a high degree of certainty. For cases in which it is immaterial, or there is a low degree of certainty, we believe that any disclosure could mislead a reader on the potential impacts to the financial statements.

Question 7—Fair presentation *(a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?* *(b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.*

We believe that sources of determining sustainability risks and opportunities should be left to the discretion of the entity. Where specific Standards have been through a due process prior to their issuance, it may be helpful for those Standards to set out illustrative examples of alternative sources that an entity could reference, but they should not be presented as mandatory or exhaustive.

Question 8—Materiality (paragraphs 56–62) *(a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?* *(b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not?*

The definition of materiality is broadly equivalent to that used in TCFD and affords flexibility to the entity to determine what is material in its particular circumstances. It is also limited to single materiality, which we support. However, as described in our response to question 2 above, there is potential for ambiguity as a result of linking the concept of materiality to the primary user's assessment of the enterprise value of the entity. Instead, the judgement of materiality, for the purposes of determining what should be disclosed, should be limited to how entities determine materiality of other information in their financial filings in the context of the particular circumstances of its business, for example, as it is for the TCFD.

(c) Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why?

Illustrative guidance is helpful but should not be prescriptive. Entities should be allowed to determine materiality in the most appropriate way for them; in line with what they do for other information in the financial statements.

(d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?

Yes, we agree.

Question 9—Frequency of reporting (paragraphs 66–71)
Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?

We agree in principle with the proposal that the sustainability-related financial disclosures should be provided at the same time as the financial statements to which they relate. However, the collection and analysis of sustainability data is complex and often less mature than financial reporting, so many entities will need time to implement the necessary data collection processes, or in some cases, like bp, expand them.

Question 10—Location of information (paragraphs 72–78)
a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?

(b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?

(c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general-purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced? Why or why not?

With the final quantum of new Standards – from the ISSB, EU and US SEC – unknown, it is difficult to agree that these new disclosures should all be part of an entity's general-purpose financial reporting. We would need further clarity from UK regulators to understand how this would work in practice. Sustainability-related information is only one of a number of very important disclosures made in annual reports and proportionality and balance need to be considered.

(d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?

The Standards should avoid unnecessary duplication of information. Future Standards on other topic areas (such as biodiversity), when they are developed, should also avoid repeating disclosure requirements that will already have been set out for sustainability generally in S1.

Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 63–65, 79–83 and 84–90)
(a) Have these general features been adapted appropriately into the proposals? If not, what should be changed?

(b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives?

c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?

We suggest that the requirement for restating comparatives should be aligned with *IAS 8 Accounting Policies Changes in Accounting Estimates and Errors* and only require the restatement of comparatives for policy changes and errors (where material) but not for changes in estimates, for example due to improved methodologies or the emergence of more accurate or granular data. Where the impact of a change in estimate has a material impact on a disclosed trend etc., the information needs of stakeholders might be met by requiring that the impact of the change in estimate be described qualitatively. And including why management consider the revised estimate to be an improvement.

Question 12—Statement of compliance (paragraphs 91-92)
Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

We agree with the objective that entities should be transparent about whether their disclosures are consistent with the ISSB Standards. In line with the approach the UK has taken to implementing the TCFD in the FCA listing rule, where entities have not included ISSB-consistent disclosures, entities should have the flexibility to provide explanations for why they have not provided that information, including, as recognized by paragraph 62 of Exposure Draft S1, where local laws would prohibit the disclosure. Where the Standards require information to be disclosed based on information obtained from third parties outside the reporting entity's control, the validity of the reporting entity's compliance statement should not be affected by the accuracy or completeness of any data obtained from third parties, provided it was obtained in good faith.

<u>Question 13—Effective date (Appendix B)</u> *(a) 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, those using the sustainability-related financial disclosures and others.*

The lead-in time to the effective date is wholly dependent on the content and complexity of the final Standards and how much time is needed to implement them. We encourage the ISSB to finalize their Standards and then allow entities a realistic, reasonable and proportionate amount of time for implementation. We would expect this to be, as a minimum, the reporting period which begins at least 12 months after finalization of the Standards.

This answer also applies to question 14(b) (S2).

b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

Yes, we agree.

<u>Question 16—Costs, benefits and likely effects</u> *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?* *(b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?*

As other stakeholders have indicated in their comment letters to the ISSB, the costs of implementation have the potential to be significant if different jurisdictions apply different approaches to the implementation of sustainability-related disclosures or 'top up' the ISSB Standards with jurisdiction-specific requirements. In such circumstances, entities that file across multiple jurisdictions are likely to incur undue costs to ensure compliance in each jurisdiction. We encourage the ISSB to work together with national standard setters to minimize the risk of divergence as much as possible.

S2 Climate-related Disclosures

Question 1—Objective of the Exposure Draft *(a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not?*

We support the objective but, as it is clear from Exposure Draft S1 paragraph 60 that all Standards are subject to materiality, we believe that this should be made explicit in the objective. This could be achieved by making the following amendments to paragraph 1:

'The objective of [draft] IFRS S2 Climate-related Disclosures is to require an entity to disclose ***material*** *information about its exposure to significant climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting,* ***so far as is material in the context of the entity'*** to, among other things, assess the effects of significant climate-related risk and opportunities on the entity's enterprise value.

For the reasons explained in our response to question 2 in Exposure Draft S1, we think the concept of 'enterprise value' is too ambiguous and wide-ranging for it to be an appropriate measure for the basis of the Exposure Draft objective. In line with our earlier comments, the ISSB should clarify that entities should be given the flexibility to determine the factors affecting enterprise value in the manner most appropriate to their businesses and users of general-purpose financial reporting.

(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?

Since the Standard on 'General requirements for disclosure of sustainability-related financial information' (Exposure Draft S1) already requires the disclosure of material sustainability-related information, the Standard on climate-related disclosures should focus simply on areas relevant exclusively to material climate-related information and should not require the duplication of disclosures of processes common to both.

For example, where an entity has governance or risk identification and management arrangements that cover all sustainability-related decision making, it should not be expected under another Standard, such as S2, to repeat the disclosures for the purposes of climate-related disclosures.

By contrast, the climate-related disclosures should be limited to areas such as disclosure of transition planning, use of carbon offsetting and GHG emission data, which are exclusively related to climate.

In addition to the comments we have made around the ambiguity of the concept of enterprise value, we believe some of the proposed disclosure requirements should be reviewed for relevance to the objective and consistency with the TCFD recommendations. For example, for the reasons set out in our response to Q4 on Exposure Draft S1, we disagree with the proposal to include opportunities in risk management.

<u>Question 2—Governance</u>
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?

We generally support the additional requirements regarding board skills and competencies and the disclosure of information regarding how climate-related risks and opportunities are included within terms of reference, board mandates and other related policies. Indeed, we already fulfil a number of these proposed requirements.

However, we feel the proposed new requirement in paragraph 5(g), to disclose 'whether dedicated controls and procedures are applied to management of climate-related risks and opportunities', lacks clarity and may be open to misinterpretation. In particular, the reference to 'dedicated' controls is ambiguous and may not align with current strategic and risk management practice within businesses. We suggest that the ISSB considers rewording the second sentence in paragraph 5(g) to say, for example, "The description shall include information about whether **controls and procedures** are applied to the management of climate-related risks and opportunities and, if so, **the extent to which** they are integrated with other internal functions".

Furthermore, we agree with the comments made by other stakeholders that further illustrative guidance should be provided regarding trade-off assessments and their treatment in the governance process, given that this is a new and underdeveloped area of disclosure.

<u>Question 3—Identification of climate-related risks and opportunities</u>
(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?

Paragraph 9 and sub-paragraphs (a) – (c) 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?

We do not agree with paragraph 10 as written. It is not clear whether 'shall' means that entities should only disclose risks and opportunities related to the disclosure topics and are required to disclose risks and opportunities against each of these. This could mean entities do not disclose relevant, material risks and opportunities that are not related to the disclosure topics. We suggest the ISSB consider rewording this to 'may refer to' or 'should consider'.

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

We agree with the proposed requirement in principle, however only when read in conjunction with paragraphs B5-B7 of Exposure Draft S2 and paragraph BC66 in the Basis for Conclusions which provides an important clarification that this should be limited to material information that enables users to assess an enterprise's value. It may be helpful to provide some clarification of this in the disclosure requirement itself. Please also refer to our comment regarding third party data availability in question 5(b) (S1).

Question 5—Transition plans and carbon offsets
(a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

We support the need for proportionate disclosure regarding transition plans in a manner that allows primary users of general-purpose financial reporting to compare material information from multiple entities in a consistent manner. We recognize the growing demand by stakeholders for this type of information and have already seen that bp's climate-related disclosures have played an important role our engagement with investors and wider stakeholders. We support continued transparency for the enablement of decisions by key stakeholders (particularly investors), and for comparability. We also feel it is important that disclosure remains flexible, to recognize the range of business models that they describe, while ensuring they do not undermine the accountability of a company's board in setting its own transition strategy.

Therefore, we broadly agree with the proposed disclosure requirements for transition plans, and welcome the ISSB's efforts to align on a common approach for disclosure on transition plans.

(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.

No, though we believe it is important that there is flexibility in how organizations may respond to these disclosure requirements, to reflect the specific nature of their transition plans and needs and expectations of shareholders. This could include, for example, providing information outside of general-purpose financial reports.

(*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?*

Yes, we believe that the proposed carbon offset disclosures would provide users of general-purpose financial reporting with the information necessary to understand the expected role of carbon offsets in the entity's transition plan. However, it is worth noting that issues related to the 'credibility and integrity' of carbon offsets, for example, additionality and permanence, remain subjects of debate among both the scientific and investment communities. Therefore, it is likely that 'factors necessary for users to understand the credibility and integrity of offsets', as described in paragraph 13(b)(iii)(4), will change over time. It is also worth noting that, in part due to evolving perceptions of carbon offsets, there are varying degrees of regulatory and stakeholder acceptance of carbon credits as a means of achieving net zero emission targets.

We suggest that paragraph 13(b)(iii)(4) could be amended to include reference to the entity's consideration of such factors, for example, 'any other significant factors used by the entity to understand…'

(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?

Broadly, the proposed disclosure requirements appear balanced. However, it may be challenging for organizations to define the extent to which delivery of targets, particularly medium- and long-term targets, may rely on the use of carbon offsets and therefore there may be considerable uncertainty in disclosures in this regard. We would therefore advocate for flexibility in how to meet these requirements, for example, through the ability to provide qualitative rather than quantitative information, and for quantitative information to be provided in ranges where necessary.

Question 6—Current and anticipated effects

(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?

(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?

(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?

We agree with the disclosure of quantitative information in cases where entities are able to do so with a sufficient degree of certainty and/or to appropriately qualify that information.

Under paragraph 14(a), the Exposure Draft asks entities to describe how future risks have affected the most recently reported financials. Further clarification should be provided to entities as to whether, and if so how, they should discern between climate-related risks and other risks or events such as changing consumer behaviours or extreme weather events.

We support the ability of entities to define short, medium, and long term in line with their strategies, however we acknowledge that may create challenges in comparability between entities and industries, which may be addressed by disclosure on timeframes, methodology and the link to financial position.

Question 7—Climate resilience *(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?*

Yes, we agree.

(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.

We recognize that climate-related scenario analysis is an evolving practice and not yet well established across all sectors. It was for this reason that, in 2021, we contributed to work requested by the TCFD of the World Business Council for Sustainable Development (WBCSD) to develop a 'Climate Scenario Analysis Reference Approach for Companies in the Energy System'. This work was intended to provide business-relevant approaches to climate scenario analysis that support and inform disclosures about strategic resilience, and we drew from the WBCSD Scenario Catalogue to inform our own scenario analysis described in our 2021 Annual Report and Form 20-F.

(i) Do you agree with this proposal? Why or why not?

Yes, although we also believe that the ability to use alternatives should not be confined to where the entity is unable to perform climate-related scenario analysis. For example, there may be circumstances where an entity believes that alternative methods or techniques may enable it to make more decision-useful disclosures, and this should be allowed for in this proposed disclosure requirement.

(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?

Yes, we agree that the reason for not using climate-related scenario analysis should be disclosed.

(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?

No – we do not believe entities should be required to undertake mandatory climate-related scenario analysis. Please see our answers to question 7(a) (i) and (ii).

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

Yes, we agree with the proposed disclosures for where an entity has used climate-related scenario 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?

Yes, although building on our response above to question 7(b)(i) we suggest that paragraph 15(b)(ii)(7) is amended as follows:

'an explanation of why the entity **did not** use climate-related scenario analysis to assess the climate resilience of its strategy.'

(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?

We believe the proposed disclosure requirements strike a good balance between specifying the level of detail on climate-related scenario analysis and strategic resilience disclosures, while also providing flexibility for example, on whether scenario analysis is used (and if not, why not).

Question 8—Risk management
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?

We broadly agree with the proposed requirements. However, opportunities are not usually part of corporate risk processes and we would recommend not including this as part of the disclosure requirement. While opportunity identification can be part of risk management, more commonly opportunity identification exists within businesses, strategy teams and functions, and therefore, as is the case for the TCFD, disclosures related to opportunities should be limited to the description of how opportunities have been identified and impact strategy, rather than as part of the disclosure of how risk is assessed and managed.

Question 9—Cross-industry metric categories and greenhouse gas emissions
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?

We agree with the seven proposed cross-industry metrics categories as they are consistent with the latest TCFD implementation guidance.

The examples provided in paragraph B15 (Preparing information to fulfil cross-industry metric categories) are helpful.

It will be important for the Standards to make clear that organizations should be able to disclose against the metric categories in the way that is most appropriate for their businesses, and subject to their determination of materiality.

(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 v*alue (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.*

No, we do not believe there are any additional cross-industry metric categories that should be added. The TCFD undertook a significant consultation on metrics in 2021 and therefore we do not think it would be appropriate to add to the resulting seven categories.

(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?

The GHG Protocol Corporate Standards are voluntary framework standards that are intended to apply to companies across a wide range of sectors. As with any such standards their use should not be prescribed, although it could be appropriate to expect entities to be clear as to whether and how they have materially departed from them.

In addition, these Standards need to be supplemented with sector specific guidance to interpret the requirements. For example, the IPIECA/API/OGP Guidelines on Estimating GHG Emissions provides guidance on how to account for the company share of GHG emissions from different forms of partnerships based on economic interest where percentage ownership does not reflect the economic substance of the relationship. Therefore, in addition to not being prescriptive about the use of any particular voluntary standard such as the GHG Protocol Standards, we also recommend that flexibility is provided to allow for the definition and measurement of GHG emissions according to other appropriate methodologies.

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 (CH4) separately from nitrous oxide (NO2))?

It is appropriate that an entity should report emissions of relevant greenhouse gases (GHGs) in any scope (where material) as an aggregate of the relevant GHGs in carbon dioxide equivalent. The GHGs considered relevant for a particular entity will depend on both the scope being reported and the economic sectors in which it participates. An entity should be able to choose whether to also report the emissions of the individual GHGs making up the aggregated total.

We also suggest that, where emissions from one or more of the seven GHGs are reasonably considered likely to be negligible in quantity or not relevant to an entity, the entity should be permitted to exclude them from their aggregated total and instead declare which emissions are excluded and why.

Please also refer to our comment regarding the availability of third-party data in question 5(b) (S1).

(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?

It is not common practice to report separately in this way. Nevertheless, it may be appropriate to disaggregate Scope 1 and Scope 2 emissions into the consolidated group and equity-accounted entities to align with the disclosure of other non-financial metrics such as production and reserves. Some flexibility may be appropriate here, for example encouraging rather than requiring entities to report separately in this way.

(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?

We encourage the ISSB to consider incorporating the TCFD's guidance to provide Scope 3 emissions 'if appropriate' and subject to materiality. For example, it may not be appropriate for an entity to include both upstream and downstream emissions in its measure of Scope 3 emissions per the proposed disclosure requirement in paragraph 21(a)(vi)(1). We agree that it is appropriate for entities to disclose the categories included in their measure of Scope 3, as well as the basis for measurement, but this should take into account 'appropriateness' and materiality.

Question 10—Targets
(a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

Requirements for disclosing climate-related targets are included in both paragraph 23 as well as paragraph 13(b) under the 'Strategy and decision-making' section which is confusing. It is assumed that paragraph 13(b) specifically relates to the targets associated with the entity's transition plans and GHG emissions, whereas paragraph 23 is more broadly in relation to the targets associated with the cross-sector metrics (not just GHG emissions data), so we would welcome clarification on this point in the draft.

We believe the disclosure framework for climate-related targets includes the key elements we believe are most relevant to external stakeholders. However:

- Disclosure point (e) does not recognize that companies are diverse in how they compare their targets to the latest agreement on climate change, and there is no consensus on how to do this (whether quantitatively or otherwise). For example, such comparisons could be in aggregate across numerous targets for a company or specific to a particular target. Some measures can be numerically assessed whereas others are more subjective. In addition, there currently remains a gap in assessment methodologies to cater for different targets set across different parts of a company's value chain. Some third-party ESG rating providers, for instance, make judgements to focus their assessments on particular parts of a value chain to explicitly avoid double counting across an investment portfolio. There is also a lack of consensus on the validity of different third-party approaches to validating such targets, and indeed some third parties have not yet developed methodologies for key sectors. Given these uncertainties, this is an area where high levels of prescription are counterproductive.
- Disclosure point (f) refers to the sectoral decarbonization approach. This is one potential approach to target setting, however, since it doesn't account for a company's position within a sector, it may not be appropriate for all companies within a given sector. For example, there may be a place in the energy system for pure-play oil and gas companies in 2050 (although this is not bp's strategy), but a sectoral approach for the oil and gas industry is unlikely to accommodate this, despite the underlying decarbonization pathway being built upon oil remaining part of the energy mix. We therefore suggest ISSB consider either removing this disclosure point, or broadening along the lines of 'the approach used to derive the target (for example a sectoral decarbonization approach)'.
- We would also encourage the ISSB to consider allowing for flexibility in terms of language used by entities, for example to recognize the difference between 'targets' (which may be nearer-term and more specific) and 'aims' (which may be longer-term and perhaps less well-defined, for example, encompassing a range of potential outcomes, and/or more dependent on external circumstances or future developments such as technologies).

(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?

The definition is sufficiently clear.

Question 11—Industry-based requirements

(j) Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?

bp currently reports using the 'Exploration & Production' SASB Standard (which is how we are classified according to the 'Sustainable Industry Classification System'), as referred to in paragraph B8 of the Exposure Draft. As drafted, volume B11 (Appendix B) states that integrated energy companies like bp 'should also consider' disclosure topics and standards from other Standards. This is different to how this similar point is expressed in the Exposure Draft in paragraph B9, which states that such companies 'may be required' to apply more than one set of industry-based requirements. It is not clear if this is actually a 'requirement' or merely a suggestion; we suggest it should be guidance only.

Question 14—Effective date
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?

Please refer to our answer to question 13 (S1) above. We believe the two Standards should be finalized and implemented at the same time, given S1 is intended to be the general Standard.