

# GLENCORE

29 July 2022

Re: Invitation to comment: [Draft] IFRS S2 Climate-related Disclosures

Dear International Sustainability Standards Board,

We have reviewed and discussed the proposed IFRS S2 Climate-related Disclosures and would like to present our comments for consideration through this letter.

We support the progression of climate-related disclosure. Glencore's stakeholders are increasingly focusing on climate performance, and we recognise that accurate external assessment requires consistent, comparable and reliable company reporting on climate governance, strategy, risk management, metrics and targets. Given the wide range of tools and methodologies being used to assess climate-related matters, we welcome consolidation and standardisation to promote consistency and comparability.

As one of the early adopters of the recommendations of the TCFD, we strongly support the exposure draft's close alignment and consistency with its framework. Our review of the proposed IFRS S2 Climate-related Disclosure requirements found Glencore's current disclosures are largely aligned. As such, we refrain from providing feedback on all questions to respondents but will instead focus our comments to Questions 6 and 7 of the questionnaire as it relates to *paragraph 14, Financial position, financial performance and cash flows*, in particular *14(c), 14(d), and 14(e)*, and *Paragraph 15, climate resilience*.

We share the concerns discussed in Question 6 relating to an entity's ability to meaningfully measure and disclose the impact of climate-related risks and opportunities on financial performance, position, and cash flows in quantitative terms. The rationale for this recommended disclosure appears to presume a linear relationship between risk/opportunity and financial metrics, which does not necessarily hold for a business that is highly diversified in product offering, geography, and activity, such as Glencore.

- ***Climate mitigation activities are not isolated:*** We consider climate-related risks and emissions reduction as fundamental to our business strategy and, as such, they are an integrated element in our strategic ambitions, budgets, and business planning. Consequently, capital expenditure which delivers benefits related to climate and emissions is typically integral to sustaining capital decisions. For example, the acquisition of a new truck fleet or the transition to lower emission power contracts can deliver substantial emissions reduction benefits while not necessarily requiring an incremental capital outlay. Additionally, a diversified multi-commodity business such as Glencore's provides substantial opportunity for stay-in-business capital rather than requiring a substantial capital outlay to deliver climate risk mitigation.
- ***Both climate-related and non-climate related risks and opportunities affect our business:*** While we disclose annually our assessment, monitoring, and management of risks related to climate change (see: Annual Report 2021, section: Risk Management, topic: Climate Change, p.83-84), these must be considered in the context of the myriad factors which impact our financial performance, not evaluated in isolation. To illustrate this point, the revenue and earnings of substantial parts of our industrial assets are dependent upon prevailing commodity prices. Numerous factors influence commodity prices, including the supply and demand of commodities, speculative activities by market participants, global political and economic conditions, related industry cycles, and production costs in major producing countries. Risks and opportunities

relating to climate change may influence each of these drivers, triggering price fluctuations that impact the revenue and earnings of our business. Equally, factors totally unrelated to climate change may trigger commodity price fluctuations, also with resulting impacts on revenue and earnings. Given this complexity, we believe that a business as diverse as Glencore cannot meaningfully isolate the impact of climate change, nor quantify its impact in financial terms.

The complexity of quantitatively disaggregating climate-related financial information from other drivers exists when developments in the reporting year are considered, yet increases as anticipated effects over the short, medium, and long term are to be measured.

- **Qualitative disclosures provide a more meaningful analysis:** We are encouraged to find that the exposure draft recognises that the current and anticipated impacts of climate-related risks and opportunities can, in certain cases, not be expressed quantitatively in financial metrics, in which case it allows for qualitative disclosure. Glencore adopted this approach in the Climate Change section of our Annual Report 2021, p.24-25, where we considered the resilience of our commodity portfolio against three climate scenarios and pathways. This qualitative analysis consisted of an assessment of current and future supply and demand developments of our key commodities, as well as the outlook for our marketing activities. In our view, to qualitatively identify the financial impacts of climate change at a level beyond that of our current practice, this would contain such a high degree of uncertainty that it would devalue the disclosure and due to assumptions made would not provide information which could be meaningfully compared with peers or across industry.
- **A global approach to emission reductions:** While we recognise strategy and plans must evolve with time there is very high likelihood that, without a rapid shift in the current global trajectory, the evolution of the global emissions reduction requirements necessary to deliver NZE in 2050 will become increasingly difficult to achieve. The expectation that companies would adjust their emissions reduction targets as NZE scenarios evolve will not be achievable without asset disposals. While asset disposals may support a company's ability to align with NZE targets it is clear this approach by companies does not benefit global emissions reductions.

Finally, we would welcome additional guidance on what defines 'short, medium and long term'. For diversified commodity producers, due to resource depletion areas such as asset life (both tangible and intangible), asset replacement and earnings multiple assumptions should be considered.

We request a meaningful transition period of at least three reporting cycles of the standard being finalised, during which time we can refine our data sets, systems, processes, and controls to align our climate disclosures with the IFRS S2 Climate-related Disclosure requirements. During this transition period, we request that companies are allowed to apply alternative methods and criteria to those set out in the SASB Standards, provided the alternative approach is explained.

We welcome the opportunity to engage with the ISSB team on this public consultation and are happy to continue the discussion.

Regards,

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Group Head of Sustainable Development