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June 17, 2022

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Proposed Rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors; File No. S7-10-22

Dear Ms. Countryman:

This letter is submitted on behalf of McCormick & Company, Incorporated (“*McCormick*” or the “*Company*”). With over \$6 billion in annual sales and products used across 170 countries and territories, McCormick manufactures, markets, and distribute spices, seasoning mixes, condiments and other flavorful products to the entire food industry including e-commerce channels, grocery, food manufacturers, and foodservice businesses. McCormick employs approximately 14,000 persons world-wide. The company’s shares are listed on the New York Stock Exchange.

McCormick appreciates the opportunity to comment on the proposed rules issued by the Securities and Exchange Commission (the “*Commission*” or “*SEC*”) on March 21, 2022, which would require expansive new climate-related disclosures by registrants (the “*Proposal*”).¹ McCormick has a long history as a company focused on sustainability, and has long recognized that the Company’s success requires that the interests of the Company’s employees, customers, suppliers, and consumers, and the planet and the communities in which the Company operates, are addressed. In this regard, and through its Purpose Led Performance program, McCormick has regularly received accolades and recognition in the Environment, Social, and Governance (“*ESG*”) area. Recognitions include being named as the world’s 14th most sustainable corporation and number one in the food industry by Corporate Knights in 2022 (the sixth year of inclusion on their list), recognition as a United Nations Global Compact LEAD company, receipt of the inaugural Terra Carta Seal from His Royal Highness the Prince of Wales for our industry leadership, and a grade of A- in 2021 from the Carbon Disclosure Project Climate Change Program.

Against this backdrop, McCormick supports the efforts of the SEC to enhance and standardize climate change disclosure. McCormick recognizes there is interest among some

¹ The Enhancement and Standardization of Climate-Related Disclosures for Investors, Release Nos. 33-11042; 34-94478 (Mar. 21, 2022), <https://www.sec.gov/rules/proposed/2022/33-11042.pdf>.

investors about the potential impacts of climate-related risks to individual businesses, but also that, there is lacking a consistent, comparable, and reliable framework for disclosures regarding climate-related risks. However, McCormick believes that many elements of the current Proposal are unworkable, would impose requirements that could not be satisfied in the manner and timeframes proposed, and would require registrants to produce overwhelming amounts of information that we do not believe would be comparable, reliable, meaningful, or material for investors. Additionally, elements of the Proposal appear more aimed at addressing climate change issues more broadly than at addressing disclosures of material information. McCormick also believes that the Proposal would subject issuers to liability for disclosures that inherently involve a high degree of uncertainty and as a result the Proposal could actually negatively impact the willingness of companies to provide otherwise useful information to various stakeholders. For these reasons, as well as those laid out below, we urge that the SEC publish a revised Proposal addressing these concerns for further comment.

McCormick appreciates the opportunity to provide our input during this process. Please note that because of the extensive nature of the Proposal, we have not attempted to provide comprehensive comments, but have focused on the areas of highest concern to the Company. In addition, we have not attempted to address the specific numbered questions raised by the Commission in the Proposal, as we feel that comments at this stage can most effectively and impactfully address broader, conceptual issues. As we ultimately suggest that the Commission issue a revised proposed rule, we believe that following the issuance of a revised proposed rule will be the best time to address specific questions that may remain.

I. General Considerations on the Proposed Rule

A. Principles Based Disclosure; Consistency with Existing Disclosure Regime; Materiality

The Proposal is exceptionally broad and in many regards provides a very prescriptive disclosure approach. The SEC recently has taken a principle-based approach towards disclosures by setting disclosure objectives and letting registrants determine how to meet those disclosure objectives for matters that are material to the individual company. The nature of the Proposal's disclosure requirements, including a mandated disclosure approach (or presumption of materiality), as compared to the SEC's historical principles-based disclosure approach, will result in less focused and relevant disclosures.

Additionally, the SEC's long-standing disclosure regime is based on the principle that investors be provided with an accurate picture of a company's prospects by reference to the opportunities, factors, events, risks, and issues that are relevant to the company, in the eyes of the board and management of the issuer, as opposed to a prescriptive list of items that are, essentially, deemed material or relevant for all companies. To be relevant and helpful to investors, the focus of disclosures required by the Proposal should be on the material risks and opportunities, irrespective of the identity, source, or basis of those risks and opportunities.

The Proposal establishes an extensive, prescriptive, one-size-fits-all disclosure regime for climate matters that requires issuers to provide significant amounts of information (some of it speculative by nature) irrespective of the materiality to the business. This is inconsistent with the

longstanding materiality-based disclosure regime more broadly, as well as with the treatment of other types of risks that companies may face and that the board and management of an issuer may be focused on. The individual company is best placed to determine materiality, including as it relates to climate matters. Additionally, information will be more useful to investors if the information provided is determined to be most relevant to, and relates specifically to, the company itself. While components of the Proposal may provide interesting information to investors, it may not provide material information to investors. As a result, it seems unnecessary to have such a wide-ranging, specific, and prescriptive rule respecting climate-related risks when, in large part, disclosure of material climate-related risks and impacts for an issuer are currently already required by the existing disclosure regime and by various SEC rules (e.g., Reg. S-K Items 101, 103, 105, and 303, and Securities Act Rule 408 and Exchange Act Rule 12b-20).

B. Liability Considerations

While many companies, including McCormick, already provide various levels of information on climate related matters, the extent and means by which climate-related information is provided is rapidly developing and continually changing. Additionally, much climate-related information involves a high degree of uncertainty and/or significant levels of assumption and judgment. Against that backdrop, imposing potentially significant liability risk on companies by requiring they file, rather than furnish, climate-related disclosures is not appropriate. To the contrary, imposing potentially significant liability risk on companies, given that changing landscape and levels of uncertainty, will likely disincentivize companies from setting and/or communicating climate-related information and goals.

The Proposal would require expansive new disclosures that are unprecedented in scope and level of detail, but the Proposal does not adequately address the increased liability risk described above. While some new disclosures such as targets, goals, and scenarios may be forward-looking in nature and therefore covered by relevant safe harbors if all conditions are met, companies will still be exposed to excessive liability risk created by requiring this type of information to be filed in Form 10-K, which risk may not adequately be addressed through the potential availability of safe harbors for forward-looking statements. As such, any final rule should make clear that appropriate safe harbor protection is available to protect these disclosures. Additionally, any final rule should allow such disclosure to be provided in a separate report that is deemed “furnished” rather than “filed.”

C. Timing Considerations

The proposed timing for effectiveness of the Proposal does not provide adequate or realistic time for registrants to put in place the systems and frameworks to allow compliance. While many companies currently do provide some climate-related (and other ESG related) information, they do so under company-specific frameworks and timelines. However, while the provision of comparable and reliable information for investors is a necessary and laudable goal, the Proposal, as drafted, does not provide sufficient time for issuers to evaluate, design, and implement the systems that will be required.

Given the complexities involved, McCormick believes that to adopt the various requirements of the Proposal’s framework – that will invariably be inconsistent with many or

most companies' current ESG frameworks, and that will require process, procedures, controls, and factors well beyond a company's current systems – would require a full two fiscal years, at a minimum, to implement. This would imply that the first disclosures be in relation to the 2025 fiscal year, and included in 2026 reporting (*i.e.*, providing companies 2023 and 2024 to prepare).

D. Various Disclosures for Short-Term, Medium-Term, and Long-Term Time Horizons

Various required disclosures in the Proposal would be required for short-term, medium-term and long-term time horizons. While the proposed regulations provide that registrants should define these time horizons, the questions for comments proposed by the Commission ask whether the SEC should specify a particular time period, or minimum or maximum range of years for “short”, “medium,” and “long term”. The example given in the rule indicates suggests that short term may mean one year, one to three years, or one to five years; medium term may mean 5-10 years, 5-15 years, or 5-20 years; and long-term may mean 10-20 years, 20-30 years, or 30-50 years.

McCormick believes that the SEC should eliminate the requirement that companies disclose medium-term risks, and instead separate the time horizon requirement between short-term risks and long-term risks. Short-term risks are well-understood by both issuers and investors, as evaluations of near-term impacts like quarterly and annual results are part of virtually all business and investing decisions. Also, in the interest of providing meaningful and comparable disclosure for investors the rule should provide a specific definition for short and long-term, as this would provide for a consistent framework for registrants. McCormick expects that most companies would define “short-term” in this context to mean the next one to two years. Such a consistent framework is necessary to meet the stated goals of ensuring comparable and reliable disclosures. Additionally, the rule should provide for maximum range of years for any required disclosures. Providing forward looking information, with a very long-term horizon beyond a period of, for example, 20 to 30 years or 30 to 50 years as suggested in the Proposal, will provide unique challenges to registrants trying to describe or quantify information with such long-term horizons, and will likely provide little useable or reliable information for investors. Setting objectives and providing disclosures related to 2030, 2040, or 2050 (or beyond) likely may not correlate to registrants having reliable knowledge of the impact of climate matters in those time frames and would likely not provide any meaningful disclosure to investors. Finally, it will be very important that safe harbor exemptions from liability be provided associated with any disclosures for the long-term time horizon.

E. The Proposal's cost-benefit analysis significantly underestimates the costs of compliance

The climate disclosure rule requirements in the Proposal would create significant compliance costs for issuers. In its Proposal, the SEC is not able to provide quantitative or qualitative assessments of the anticipated costs and benefits associated with the rule, beyond providing data on possible compliance costs and generally describing anticipated benefits to investors. With respect to the anticipated quantitative compliance costs, the numbers are quite high, and likely still do not include many of the actual costs that would be incurred. The systems required to collect, analyze, and verify the required information do not exist in a suitable fashion

in most companies and must be established, at significant cost. Further, the Proposal contemplates significant additional, regular disclosure requirements which the SEC indicates likely would more than double the total cost and company employee time associated with preparing the ten major reports that would be amended by the Proposal. However, the Proposal's estimated compliance dollar amounts (\$640,000 per year in the first year and \$530,000 per year in subsequent years), do not, in McCormick's estimation, come close to the actual additional costs that will be incurred. While given the significant amount of uncertainty in the implementation of the requirements of the Proposal make it very difficult to estimate incremental costs at this time, McCormick believes the costs estimates may be understated by multiples or even by an order of magnitude. While McCormick does agree that certain of the information required by the Proposal is desired by certain investors and other stakeholders, this does not eliminate the need for the Proposal to consider these costs and the practical need for such costs to be appropriate when compared to the true investor benefit.

II. Emissions Disclosure Requirement

McCormick recognizes that limited additional disclosure requirements might be appropriate, even if not directly material to an issuer's prospects or financial performance, by virtue of the fact that certain investors consider climate related factors relevant to their investment decision. However, given the difficulty inherent in trying to be responsive to the multitude of factors that different investors might be interested in as relates to different companies, any prescriptive requirement for such mandatory disclosure should be balanced against the usefulness of such disclosure in providing meaningful information as relates to the specific issuer and the cost and difficulty shouldered by the issuer in generating such information.

In the case of emissions disclosures requirements, McCormick believes that Scope 1 and Scope 2 emissions disclosures might be considered a reasonable requirement given investor interest and the ability of a company to generate data and impact emissions. This is particularly true where, as is the case with McCormick, the company has specified Scope 1 and Scope 2 greenhouse gas reduction targets.

However, Scope 3 emissions data is very different. Scope 3 emissions do not result from the issuer's direct activities, but indirectly from the activities of the issuer's suppliers and other partners; activities over which an issuer likely has limited control and limited insight. As such, it is more likely that Scope 3 emissions are not material to the prospects of a particular issuer, and if Scope 3 emissions are material to a particular issuer, disclosure is likely required under existing disclosure requirements. Additionally, Scope 3 emissions are by their nature significantly more difficult to measure (relying largely on estimates and information from third parties) and significantly more likely to be subject to inaccuracy or variation. This is particularly true for a company like McCormick with a complicated network of suppliers and other partners with widely varying capacity for, and experience in, providing such information. As a result, including a broad and mandatory disclosure requirement regarding Scope 3 emissions creates a significant burden on issuers without a corresponding benefit to investors.

While there are current calculation methods for Scope 3 emissions used by companies, the resulting calculated emissions can still vary as companies improve methods over time and the

methodologies for estimating and calculating Scope 3 emissions are still developing and expected to change. For this and the other reasons, if Scope 3 emissions data is required, inclusion of such data in the Form 10-K is problematic. Further, the timing for including Scope 3 emissions, as well as Scope 1 and Scope 2 emissions, in the Form 10-K is unworkable from a timing perspective. The data is often estimated and collected from sources across the supply chain, often from sources not controlled by the issuer, with the need to verify the accuracy of the data. It is unlikely that such data estimation, collection, verification, etc., can be completed within the timeline required deadline to file the Form 10-K – for the largest companies, including McCormick, only 60 days after the end of the registrants’ fiscal year.

Finally, while not appropriate as a prescriptive requirement in SEC filings for the aforementioned reasons, McCormick does believe there is a broader public benefit in encouraging companies to consider and provide information on and set targets for the broader emissions impacts of their direct and indirect business activities, including Scope 3 emissions. However, as opposed to supporting this broader public policy benefit, including the Scope 3 emissions disclosure requirement in the Proposal, which are triggered or based simply on a company having published Scope 3 targets, without any materiality threshold, and without real benefit to investors is likely to lead to the unintended consequence of issuers ceasing to, or reducing their willingness to consider, establish, and publish such targets.

As such, McCormick believes that Scope 3 emissions disclosures should not be required and should be voluntary. If these disclosures are not voluntary, these disclosures should only be required if material to a registrant’s business, determined based upon a consistent and objective materiality framework for disclosure, and should be provided strong safe harbor protections. Finally, and in any case, disclosure of Scope 1, 2, and 3 emissions data should not be required to be included in Form 10-K and should be permitted in separate filings that are “furnished” rather than “filed.” Many companies, including McCormick through our Purpose Led Performance report, already to provide information of this nature, and so permitting the use of these separate reports would be more consistent with current practice and investor expectations.

III. Third-Party Assurance of Emissions Data

The Proposal’s requirements for attestation of Scope 1 and Scope 2 emissions data will be very burdensome and expensive for issuers. While unknown at this time, due to the fact that these types of disclosures have never been required by the SEC in the past and in this form, these added costs must be well understood and measured against the benefit. Additionally, attestation requirements of the nature included in the Proposal would significantly increase the timing concerns noted above that are associated with inclusion of the proposed new climate disclosures in Form 10-K. Finally, the Proposal’s attestation requirements will require the creation of a new “industry” of experts to perform this work, which we do not believe exists today in the form or size that would be implicated by the Proposal. It is very unlikely that the capacity for this attestation work can be established within the implementation timeframe contemplated by the Proposal. McCormick therefore recommends that the SEC reevaluate its approach regarding attestation, including its estimate of the potential cost to be imposed on companies of assurance requirements and the timing necessary to implement such requirements.

IV. Financial Disclosures

The Proposal requires quantitative financial statement disclosure specifying “whether and how any of its identified climate-related risks have affected or are reasonably likely to affect the registrant’s consolidated financial statements” where “climate-related risks” includes “physical risks, such as extreme weather events, and transition risks.” The Proposal requires disclosures unless “the aggregated impact of the severe weather events, other natural conditions, transition activities, and identified climate-related risks is less than one percent of the total line item.”

To the extent that a climate-related risk, specific weather event, or transition activity has a material impact on a registrant’s financial statements, disclosure would already be required under current requirements, and so additional, prescriptive disclosure requirements, at a relatively low threshold of 1% do not provide meaningful additional information to investors. Additionally, making a determination regarding the potential or actual quantitative financial impact of unusual or unexpected weather or other climate events or climate-related risks will involve significant assumptions and speculation (*e.g.*, what is the baseline, what is “severe,” what impact can be directly tied to a physical event versus other contemporaneous causes), and will be exceedingly difficult. At the same time, requiring definitive quantification in the financial statements could imply a level of accuracy or precision to investors and other stakeholders that is not reasonable or intended, without a meaningful way for investors to judge the information. The same issues will impact the ability of issuers to quantify the financial statement impacts of potential transition activities, which are inherently difficult to predict.

However, McCormick does believe there is value in providing information to investors that relate to the *material* potential financial impact of climate-related risks, such as physical, weather-related events and transition activities. Certain investors do indicate a desire to understand these potential impacts, and so providing disclosure on these topics, in a way that is meaningful and appropriately stated given inherent uncertainties and difficulties with quantification, may be appropriate.

As a result of the foregoing, McCormick believes that:

- The financial impact metrics, expenditure metrics, and financial estimates and assumptions disclosures, if material, should be disclosed under a principles-based framework in a separate furnished document, not the financial statements. This will allow for a more appropriately nuanced discussion of these factors, given varying levels of uncertainty and materiality.
- These disclosures should be subject to a transition period with the first year being subject to prospective, or current year only (not retrospective), disclosure. Retrospective reporting should be optional not required, as providing retrospective disclosure, when systems are not in place to capture and assess data, would be particularly difficult and provide little meaningful information to investors.
- Any financial estimates and assumptions disclosures should be under existing SEC regulations regarding critical accounting estimates. Establishing specific disclosure requirements for climate-related matters would establish a different threshold than for

other critical accounting estimates, which is unworkable and does not provide meaningful disclosure benefit to investors.

V. Climate-Related Impact on Business and Strategy

The Proposal will require registrants to “describe the actual and potential impacts of [material climate] risks on . . . strategy, business model, and outlook.” While investors may well find relevant information on the impact of climate and other risks to a company’s strategy, business model, and outlook, to the extent material, such disclosure is already required under existing disclosure requirements. The Proposal creates a special set of disclosure requirements regarding the strategic and tactical impacts of climate risks when there is not a similar, specific requirement for other risks and opportunities facing a company. This potentially elevates climate issues above other issues, which may not be appropriate for many companies when considering materiality and is inconsistent with the Commission’s existing focus on principles based disclosure concepts. Finally, elements of the means by which a company addresses climate risk through its strategy and business model may be confidential or business sensitive information. For example, the proposal requires a company “to describe any analytical tools, such as scenario analysis, that the registrant uses to assess the impact of climate-related risks on its business and consolidated financial statements, or to support the resilience of its strategy and business model in light of foreseeable climate-related risks.” Such information might legitimately represent confidential company information without providing comparably useful information to investors. As a result, the specific requirement to provide a description of the impacts of climate risks on a company’s strategy, business model, and outlook should be eliminated in favor of existing disclosure requirements.

VI. Governance and Risk Management Disclosure

The Proposal requires disclosure of “certain information concerning the board’s oversight of climate-related risks, and management’s role in assessing and managing those risks.” Such disclosures include, among other things, identification of board members or committees responsible for oversight of climate related items, disclosure of any board members with expertise in climate-related risks, disclosure of board logistics such as the process and frequency by which the board or relevant committee meets and discusses climate-related risks, disclosure regarding how the board considers climate-related risks as part of the business strategy and risk management, and how the boards sets climate-related goals and targets and oversees progress. Similar disclosure requirements regarding management are contemplated.

Issuer’s face many risks, the specifics and magnitude of which vary greatly among different companies. Requiring a specific and prescriptive disclosure of the identification of specific board members or committees having oversight of climate-related risks may cause boards to dedicate limited meeting time and resources to climate-related risks to the detriment of other, perhaps more material issues. Other than the standard audit, compensation, and nominating/governance committees, no other set of risks or board activities require similar board committee delegation or disclosure. While the Proposal does not specifically require boards to designate members or committees to undertake oversight of climate-related risks, the disclosure requirement will likely cause boards to feel compelled to make such delegations. In this vein, we believe any rules adopted as set forth in the Proposal will be viewed as an attempt to “change

behavior.” McCormick believes that climate-related risks are important and likely do deserve specific discussion and consideration by boards, however, whether board should have dedicated members or committees for climate-related risks should be left to the board to decide based on the company’s specific climate risk profile, and whether specific disclosure of those members or committees is relevant should be left to the issuer when considering the materiality of the climate-related risks to the company, including as compared to other risks faced by the company. As such, this requirement should be eliminated from the Proposal in favor of the more general, principles based disclosure regime that currently exists. If such a disclosure is required, McCormick believes it should be limited to circumstances where material and is most properly made in an issuer’s annual proxy statement along with other disclosures related to risk oversight and board and committee structure.

Additionally, McCormick is concerned that requiring mandatory disclosure of board members with “expertise in climate-related risks” is unnecessary and will not provide meaningful disclosure for investors. Many directors are experienced leaders with long-tenures running and managing or being involved in large, complex organizations, that involve an understanding of many risks and opportunities. They are experienced in many areas, and well qualified to understand and oversee climate and the untold number of other risks and opportunities facing a company. With the exception of financial literacy that is required for audit committee membership, there is no other specific “expertise” of board members that requires disclosure. Finally, “expertise” is not a well-defined term under the Proposal, and as a result (i) such disclosure will not provide meaningful, comparable information to investors as expertise could be evaluated quite differently from company to company and (ii) there is risk that a greater level of education, background, or other knowledge may be implied by investors when one is designated as having “expertise,” thereby also reducing the usefulness of such disclosure to investors. As such, McCormick believes it should be left to individual issuers to determine whether or not “expertise in climate-related risks” is a skill or qualification that would be meaningful to investors in considering the mix of skills and qualifications present on an issuer’s board of directors, and therefore whether disclosure of such skills is necessary or appropriate. As such, this requirement should be eliminated from the Proposal in favor of the more general, principles based disclosure regime that currently exists.

VII. Conclusion

McCormick appreciates that the SEC is considering whether and how existing climate disclosure and information practices need to be enhanced or standardized. McCormick also agrees that in certain respects consistency and comparability can be improved with guidance that underscore the importance of material climate-related disclosures, while still acknowledging the evolving nature of climate-related data and the associated analysis and reporting methodologies as well as the fact that climate-related risks are company specific and the relevance to investors can vary greatly from company to company.

However, we are concerned that the SEC’s Proposal will be overly burdensome and unworkable in many respects. The costs imposed, combined with a lack of flexibility and an expedited implementation timeline, could make compliance extremely difficult for issuers. Despite the complex nature of compliance, the investor benefit associated with portions of the Proposal is unclear at best, and in some instances the required disclosures likely would increase

investor confusion and/or incentivize issuers to reduce efforts to address climate issues. We are also concerned that the SEC's Proposal would impose potentially significant and unnecessary liability risk on companies.

The SEC has a critical role to play to protect investors, maintain fair, orderly and efficient markets, and facilitate capital formation. Any proposal to mandate climate disclosures should advance this vitally important mandate and be grounded in SEC's time-tested materiality standard and recent focus on principles based disclosure. As a result, we urge that the SEC publish a revised Proposal addressing these concerns for further comment.

We would be happy to discuss these comments or any other matters you believe would be helpful. Thank you.