

June 17, 2022

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

Via email: rule-comments@sec.gov

**Re: File Number S7-10-22; Release No. 33-11042
The Enhancement and Standardization of Climate-Related Disclosures for Investors**

Dear Ms. Countryman:

Performance Food Group Company (“PFG”) writes to comment on the U.S. Securities and Exchange Commission’s (the “Commission”) proposed rules (the “Proposed Rules”) entitled “The Enhancement and Standardization of Climate-Related Disclosures for Investors” in Release No. 33-11042 (the “Proposing Release”).¹ We respectfully request that the Commission consider the following recommendations for changes and clarifications to the Proposed Rules were they ultimately to be adopted as final rules (as so adopted, “Final Rules”).

PFG is an industry leader and one of the largest food and foodservice distribution companies in North America with more than 150 locations in the U.S. and parts of Canada. Founded and headquartered in Richmond, Virginia, PFG and our family of companies market and deliver over 250,000 quality food and related products to over 300,000 locations, including independent and chain restaurants; businesses, schools and healthcare facilities; vending and office coffee service distributors; and big box retailers, theaters and convenience stores. PFG’s more than 30,000 dedicated associates are committed to building strong relationships with the valued customers, suppliers and communities we serve. Our common stock trades on the New York Stock Exchange under the symbol “PFGC”.

At the heart of PFG is our commitment to serving communities across the nation. We believe that inspiring our associates, providing innovative, sustainably-sourced products and positively impacting the environment through energy management are crucial to this mission. We strive to not only meet all environmental regulations and requirements at each of our locations and distribution centers, but also to continuously improve our environmental, social and governance (“ESG”) performance across our business and our supply chain.

Our approach to ESG is framed through a strengths-based strategic planning process with our dedicated ESG Executive Steering Committee and ESG subcommittee working groups. Our ESG Executive Steering Committee provides reports to the Nominating and Governance Committee of our Board of Directors, which has oversight over environmental strategies and programs, health and safety, corporate social responsibility, diversity and inclusion, corporate governance, sustainability and other ESG matters. To support the ESG Executive Steering

¹ Release No. 33-11042, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, 87 Fed. Reg. 21,334 (Apr. 11, 2022).

Committee, we set up cross-functional working groups designed to help us develop and manage our ESG strategy.

PFG is committed to integrating our ESG initiatives across our business and embedding ESG performance into our business culture to ensure that we can continue to deliver exceptional service and value to our customers and also establish PFG as a responsible corporate citizen actively engaged in working to make the world a better place. We publish an annual corporate sustainability report, which has grown to cover a range of topics, including climate change and carbon management, renewable energy, greenhouse gas emissions, waste management, responsible sourcing, associate engagement and development, diversity and inclusion, and community engagement, among others. In our annual corporate sustainability report, we disclose our progress on certain greenhouse gas emissions using the GHG Protocol for Corporate Accounting and Reporting, report on various financial metrics using the Task Force on Climate-Related Financial Disclosures (“TCFD”) framework and provide additional reporting under the Sustainability Accounting Standards Board’s standards for food retailers and distributors.

Based on our review of the Proposed Rules and our experience collecting, managing and, when appropriate, disclosing information regarding our ESG initiatives, we offer the following comments on the Proposed Rules for the Commission’s consideration. Although there are additional considerations noted by other organizations, our feedback focuses on specific areas where we believe adjustments are necessary for us and similar companies to effectively operationalize the Proposed Rules, while reducing operability challenges that could impede comparability, compliance, and the timely disclosure of enhanced climate-related information.

Mandatory Scope 3 Reporting

We currently report our Scope 1 and Scope 2 emissions in our corporate sustainability report. With the aid of a third-party consultant, we are able to calculate these emissions using information supplied by our utility providers and through an analysis of diesel fuel usage by our fleet of vehicles. To date, we do not report on Scope 3 emissions and are currently unaware of any formal, specific inquiries from our investors about Scope 3 emissions. We believe the Commission’s proposal to mandate Scope 3 emissions reporting would pose a series of expensive logistical and administrative challenges to our business.

For a distribution business such as ours, there is substantial uncertainty at the present time as to what is in scope, and what is out of scope, for purposes of Scope 3 reporting. For example, it is unclear how suppliers would allocate emissions calculations to our specific business, whether we would be required to include our emissions as a lessor (a substantial percentage of our distribution assets are leased), and how far downstream we would need to go in terms of capturing information from our customers and employees, as we are unaware of any central clearinghouse or data repository that currently monitors, calculates or estimates such information.

Even if the fundamental ambiguities around what is in scope, and what is out of scope, for our business were to be resolved, we are concerned that most of our suppliers and customers

will not have the resources, systems or desire to provide us with the types of data we would need to report on our own Scope 3 information. As noted above, we serve over 300,000 distinct customer locations and we have over 10,000 suppliers, a vast majority of which are small businesses that are not publicly traded and, therefore, not subject to the related reporting requirements.

The proposed disclosure requirements would unfairly burden PFG's thousands of private suppliers and put PFG and our suppliers and customers at a competitive disadvantage. Our food distribution supplier base consists of a constantly-changing, wide spectrum of suppliers ranging from small businesses selling a single category of product (*e.g.*, produce) to large national and regional suppliers. The foodservice distribution industry is highly competitive. PFG believes that our scale enables us to benefit from economies of scale in purchasing and procurement, and to drive supply chain efficiencies that enhance our customers' satisfaction as well as pass that on to the ultimate end consumer. We believe that the requirements imposed by the Proposed Rules would reduce our ability to drive these efficiencies and potentially raise prices for the end consumer of the food products in our supply chain. Additionally, our suppliers may prefer to do business with private competitors that do not require them to take on the burden of providing emissions data. Given the low margins in food distribution, adding the contractual burden of providing us with certain data to our agreements with our supplier partners may not be sustainable for these small businesses. By way of example, we believe very few of our suppliers currently track emissions data, and they would not be in a position to provide us with that kind of information for purposes of our own reporting. These shortcomings would likely extend to other classes of information as well. Information that is provided to us may be incomplete or make heavy use of estimates, which would pose further questions as to its accuracy, particularly if it is to be incorporated into reports we are required to file with the Commission. Moreover, due to lead times and expected response rates, we are not optimistic that any data we do receive from third parties, however imperfect, would be received in time for incorporation into our annual Form 10-K filing.

While we appreciate the Commission's proposal of a limited safe harbor for Scope 3 information, our concern is that the safe harbor is too narrow to be of practical use given the significant uncertainties around Scope 3 data for PFG. First, we would still need to complete the exercise of determining whether Scope 3 emissions are material, which would involve the expenditure of significant resources, such as substantial labor and expense for third-party consultants and tracking tools, among other expenditures. Second, as noted above, we may be unable to obtain Scope 3 data from a substantial number of our suppliers and customers. In that case, even if the disclosure is made in good faith, presenting such an incomplete picture to investors would reduce the comparability and usefulness of the Scope 3 data provided to investors. The proposed safe harbor does not mitigate the fact that data inputs will be imperfect at best or, more fundamentally, that there is substantial uncertainty as to what is in scope for purposes of Scope 3 reporting. We strongly believe that the Commission should not require reporting of Scope 3 emissions for registrants that do not establish Scope 3 goals, especially until such time as estimation methodologies and data visibility significantly improve.

Timeline for Reporting Scope 1 and Scope 2 Emissions

The data needed to report our Scope 1 and Scope 2 emissions is available on a lagged basis that substantially exceeds financial reporting timelines. With the assistance of a third-party consultant, we currently are able to calculate our Scope 1 and Scope 2 emissions approximately 6 months following the end of our fiscal year. We do not believe it is practical for this data to be provided within the financial reporting timeline and, therefore, request that the Commission permit all GHG emissions to be reported at least 180 days after a registrant's fiscal year end. We believe that an alternate reporting timeline would also reduce the use of estimates and thus increase the accuracy and usefulness of the information provided to investors.

Proposed Regulation S-X Requirements

Our principal concern with proposed Article 14 of Regulation S-X is the 1% presumptive materiality threshold. Beyond the isolated universe of information where a 1% standard is currently required (*e.g.*, reporting of excise taxes under Rule 5-03.1(a)), our accounting controls are not typically established to highlight financial information at such a small amount on a line-by-line basis. Reconfiguring our systems and accounting controls to do so would present a number of practical difficulties and could only be done with great expense. PFG would have to reset its scope for Sarbanes-Oxley controls and the applicable systems included in such scope at this much lower materiality base. In order to re-design our controls and implement new policies and procedures, we would also need to hire a number of new employees, particularly at the management level. Based on historical projects and the number of our systems, we estimate that the costs would be in the millions of dollars, with substantial portions repeating annually. We believe that the cost estimates provided by the Commission significantly underestimate the cost of implementation.

Additionally, there is no accounting standard for determining whether a particular expenditure is climate-related for purposes of the 1% threshold, nor is it clear how we would separate out the climate impact for a given line item when many factors may affect the calculation of a line item. As a practical matter, even if we are below the 1% threshold for a given metric, we would still be required to perform significant manual analyses each quarter to ensure we remain below the threshold.

Therefore, given the reasonable investor approach to materiality currently established for most financial reporting, we request that any update to the Regulation S-X requirements use the Commission's established definition of materiality. Additionally, it would be helpful to refine the definition of climate-related expenditure, as most of our investments in warehouses, equipment and transportation all include a better environmental impact. We also believe that the items required to be disclosed by the proposed amendments to Regulation S-X would be better disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations under Item 303 of Regulation S-K, consistent with the stated goal of the MD&A "to provide material information relevant to an assessment of the financial condition and results of operations of the registrant...."

Board Climate Expert

Proposed Item 1501(a)(1)(ii) of Regulation S-K would require disclosure as to whether any member of a registrant's board of directors "has expertise in climate-related risks, in such detail as necessary to fully describe the nature of the expertise." The Proposing Release includes no safe harbor in liability for the named climate expert. This absence of a safe harbor stands in contrast to the proposed safe harbor from liability for board cybersecurity experts under Item 407(j)(2) of Regulation S-K under the Commission's recent proposal for cybersecurity disclosure.² Likewise, it is asymmetrical to the liability safe harbor for audit committee financial experts under Item 407(d)(5)(iv) of Regulation S-K. Accordingly, we request the Commission include a similar safe harbor from liability in any Final Rules if the Commission adopts Item 1501(a)(1)(ii) of Regulation S-K as proposed.

Targets and Goals

The Proposing Release identifies several areas where a registrant's internal targets and goals regarding climate would be required to be disclosed. Proposed Item 1501(a)(1)(v) of Regulation S-K, for example, would require disclosure of whether and how the registrant's board of directors "sets climate-related targets or goals, and how it oversees progress against those targets or goals, including the establishment of any interim targets or goals." Proposed Item 1503(c)(1) of Regulation S-K would require disclosure whether a registrant has "adopted a transition plan as part of its climate-related risk management strategy, describe the plan, including the relevant metrics and targets used to identify and manage any physical and transition risks." Proposed Item 1503(c)(1) of Regulation S-K instructs registrants that "to allow for an understanding of the registrant's progress to meet the plan's targets or goals over time, a registrant must update its disclosure about the transition plan each fiscal year by describing the actions taken during the year to achieve the plan's targets or goals." Proposed Item 1506 of Regulation S-K requires even more comprehensive disclosure if a registrant "has set any targets or goals related to the reduction of GHG emissions, or any other climate-related target or goal."

Like most other businesses, PFG routinely sets internal targets and goals for any number of operational metrics. Some targets and goals, such as those impacting executive compensation, are highly formalized and already reported to investors in our annual proxy statement. Many other targets and goals, however, are less formal, more aspirational, highly flexible and are not prepared with a view towards disclosure to investors. With respect to climate, our internal targets and goals may change rapidly as better understanding of scientific processes is achieved and new mitigation technologies come online. In many cases, these internal metrics are proprietary and could lead to competitive harm if shared with competitors. For these reasons, we do not believe climate-related targets and goals should be required to be disclosed.

Transition Provisions

² Release Nos. 33-11038; 34-94382; IC-34529, *Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure*, 87 Fed. Reg. 16,590 (Mar. 23, 2022).

In light of the many compliance challenges the Proposed Rules would present, we do not believe the compliance deadlines embedded in the Proposing Release are realistically achievable. Implementation of the Proposed Rules in their current form will require us to make significant investments in upgrading our systems and procedures, as well as require us to hire several new employees to track and report the added information. We believe at least two more years from the date the Final Rules are adopted would be necessary to implement the Proposed Rules were they to be adopted in their current form.

Additionally, we believe there is some ambiguity in the Proposing Release as to the need to report on historical periods under Article 14 of proposed Regulation S-X. Proposed Rule 14-01 provides that disclosure would be required for the registrant's most recently completed fiscal year and for the historical fiscal year(s) included in the registrant's consolidated financial statements in the applicable filing. The Proposing Release also provides that a registrant, however, would not need to provide a corresponding historical metric for a fiscal year preceding its current reporting fiscal year if it is eligible to take advantage of the accommodation in Securities Act Rule 409 or Exchange Act Rule 12b-21.³ While Securities Act Rule 409 and Exchange Act Rule 12b-21 provide a circuitous route to excluding prior-year periods during the first year any Final Rules are effective, we believe the Commission should provide a transition provision that makes clear prior period reporting is not required in the first year any Final Rules are effective. Under such a transition period, in year two, two years of data would be reported, and by year three, three years of data would be required.

Furthermore, from time to time, PFG engages in strategic M&A activity, particularly to acquire businesses that are complementary to our own and have the ability to broaden our geographic scope or product offerings. The Proposed Rules do not appear to make any allowance for integrating acquired businesses, which would present many additional challenges to implementing any Final Rules. An acquired business may not have public-company style controls and may not track data or report on scope emissions. While we would over time integrate such a business into our own reporting systems and control environment, our experience has been that the transition cannot be accomplished quickly.

Without a transition period for acquired businesses comparable to other control adoption timing, it is possible we would face a significant compliance challenge in integrating the business in sufficient time to make any required Commission disclosures and obtain assurance over them as the Proposed Rules would require. These challenges would be heightened the further into our fiscal year that we complete an acquisition. As a result, we are concerned that as a result we may be placed at a competitive disadvantage in an auction scenario if other bidders are not subject to reporting requirements applicable to public companies. Similarly, we may be forced to decline to engage in otherwise productive M&A activity without a transition mechanism in any Final Rules. For these reasons, we request that the Commission permit registrants at least one year to integrate an acquired business before scope emissions and other disclosures in respect of the acquired assets is required.

³ Proposing Release, 87 Fed. Reg. at 21,364.

Ms. Vanessa Countryman

June 17, 2022

Page 7

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PFG appreciates the opportunity to comment on the Proposed Rules and would be pleased to discuss our comments further with the Commission or its Staff.

Very truly yours,

A handwritten signature in blue ink, appearing to read "A. Brent King".

A. Brent King
Executive Vice President, General Counsel
and Secretary