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17 June 2022

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

Dear Ms. Countryman

Subject – File Number S7-10-22

Further to the issuance of the proposed rules re the Enhancement and Standardisation of Climate Related Disclosures for Investors, please find attached our detailed comments.

We are very supportive of standardising and enhancing climate related disclosures to ensure there is a clear understanding of the material risks that businesses potentially face as a result of climate change.

Climate change is very much a global risk and thus we believe in globally harmonised reporting and we therefore urge regulators to work together and align their reporting requirements as this will facilitate both an understanding of the issue and help drive collective action, which is needed to successfully address climate change, and would also be a cost effective reporting solution for businesses. We are supportive of the work of the ISSB in this space and believe it would be helpful if their output became the baseline standard used by all jurisdictions with individual jurisdictions adding any additional requirements.

We believe it is critical that any climate disclosures are proportionate to the level of climate risk that a business faces and that any requirements promote meaningful disclosures rather than boilerplate statements. It is also important that the framework of climate disclosures that is adopted ensures that investors understand

- the significant uncertainty that is inherent in climate related physical and transition risks and,
- that as climate related science evolves and our collective knowledge increases, how businesses understand and assess the risks they face is likely to evolve and change quite considerably over time.

We also support the disclosures being in a company's annual report/registration statement as opposed to another separate report as we believe in integrated reporting as this facilitates a better understanding of a business.

We very much appreciate that the SEC have based much of their disclosures on those set out by the TCFD, as we believe globally harmonised reporting is essential to ensuring there is a clear understanding of a global issue and that this is critical for both investor understanding but also to help businesses take collective action.

Our key area of concern is with respect to the proposed disclosures in the audited financial statements. We do not object to the principle of climate related disclosures in the audited financial statements when relevant and material, however we do not believe that the proposed disclosures would be of any significant use to investors, nor do we believe that they are feasibly proportionate.

We are also concerned that when you take the proposed climate related disclosures as a whole, a registrant's filing would become dominated by quite complex climate related disclosures which would overshadow other important information about a company's financial condition and growth potential and hence would distort the relative importance of issues for investors. Thus, we think that as with most other disclosures climate related disclosures should only be required when deemed to be material.

From our experience of producing both climate-related and non-climate-related disclosures in recent years, we believe that the estimated costs that have been outlined are very optimistic and that the cost of implementing these proposals would be much greater than that set out in the proposal. On the basis of the current proposals, we believe that the additional cost to us will run into the many tens of millions.

If you would like to discuss any of our comments, then please do not hesitate to contact me.

Yours Sincerely

Lysanne Gray
EVP Sustainable Business Performance and Reporting

A. Overview of the Climate Related Disclosure Framework

We believe registrants should make all financially material disclosures in their standard filings as part of their regular business reporting rather than in additional filings or separate reports.

The Commission's climate related disclosure framework should be aligned to the framework recommended by the TCFD as this will help elicit comparable disclosures and help reduce the reporting burden. The TCFD framework should be adopted in full.

The registrant should be able to present the required climate related disclosures where they believe it most suitably sits in the context of the structure of their filing as opposed to all the disclosures being in an appropriately titled separate section.

We do not think it would be appropriate to require registrants to incorporate by reference climate related disclosure items that appear in a sustainability report prepared by the registrant into their SEC filing.

We recognise the prima facie benefit of including all climate related disclosures in one separate section for ease of comparison with other registrants, but we believe that investors could more easily misinterpret any information presented in that way. In our view, it is critical that investors are reading the data in the context of each specific business and its particular facts, circumstances and story.

B. Disclosure of Climate Related Risks

We support the disclosure of climate related risks that are reasonably likely to have a material impact on the registrant over the short and medium term. We believe that it would drive greater consistency if the time period for short and medium term were defined. Our suggestion for the short term is 0 to 3 years and medium term 4 to 10 years. We do not believe that it is possible to look out beyond 10 years and assess what is reasonably likely.

We believe there would be significant benefit in aligning the definition of climate related risks to that used in the TCFD framework (i.e., regulatory, market and physical risks which includes both acute and chronic risk). We don't believe that the definition of transition risks should include reputational risk as a reputational risk is always caused by an event or lack of an event and it is these underlying risks that need to be articulated if they are material. In other words, reputational harm comes about as a result of the crystallisation of a risk, but it is not a risk in itself.

We do not believe that a registrant should need to identify specific locations subject to an identified material physical risk at the level of zip codes, this is far too much detail. The fact there is such a location and the reasons why it is at risk should be sufficient. Similarly, we do not think that the rules should in general prescribe disclosing the exact value of properties that are exposed to some physical risk or the exact quantum of the business reliant on water from water stressed area, albeit we recognise for some businesses this may be appropriate.

We support the optional nature of any disclosures with respect to climate related opportunities.

C. Disclosure Regarding Climate Related Impacts on Strategy, Business Model and Outlook

Requiring a registrant to describe potentially material impacts from climate related risks should generate helpful disclosures which would assist in enhancing investors understanding of how significant climate change could be on the strategy, operations and performance of a business. It is important, however, that the disclosures are seen as potential impacts and are not seen as forecasts or estimates and the wording of the requirement should ensure there is no misinterpretation.

If the disclosures are qualitative then time horizons are not critical to the disclosure but if the potential impact is quantified in some way, then the associated time horizons used would also need to be disclosed.

Instead of requiring registrants to discuss how they have considered the potential impacts, we believe it would elicit better responses if they were expressly asked to outline both the actions they are undertaking to mitigate against these risks and the KPI's they are using to monitor progress in this area.

If a registrant leverages climate related financing instruments' – such as climate linked bonds, then we agree that it would be appropriate to disclose the KPI's tied to such financing instruments.

We also agree that registrants should disclose if they are using carbon offsets or RECs and the role that they will play in any carbon reduction targets the business may have.

If a climate related risk materialises in a period and it has had a significant impact on either profit, assets, liabilities or cash then it would be appropriate to disclose the nature of the event and the nature of the impact. This would be best done by narrative, rather than in tabular form as it will be important for the context and details to be fully shared, and a mandatory table may limit the disclosure and hence reduce understanding.

We don't believe that it is necessary to require the disclosure of any internal carbon prices used by a business to manage their operations. There are so many different ways to use internal carbon prices that understanding the context would be critical to understanding why a carbon price was being used and the reason for the chosen price. In many cases it is not because that is the price that the business thinks will be charged in the future at some stage. Thus, we believe it would lead to unhelpful comparisons of reported internal carbon prices, which are created to achieve many different goals, and this would not drive enhanced understanding of climate risks or mitigation activities.

We don't believe that registrants should be required to disclose an internal carbon price which is determined by a prescribed methodology which would be set out in the proposed rules. The only purpose such an internal carbon price could serve would be to monetise the carbon emissions of a business. We do not believe that would be particularly helpful as it is just as easy to compare the actual carbon emissions of businesses – in fact this is easier as they are not impacted by movements in currency rates.

Whilst we recognise the potential value add of businesses performing scenario analyses, we also recognise the expertise and resources it entails is significant and hence the cost/benefit may not be appropriate for many businesses, so we support the proposal to disclose the results of such scenario analyses if they have been undertaken.

We support the proposal that it is optional to separately disclose climate related opportunities. We believe any material strategic climate related opportunities arriving from climate change will naturally be disclosed in discussions about a business's strategy and plans at the appropriate time. Listing lots of potential opportunities without the context of strategy and investment requirements would be misleading.

D. Governance Disclosure

We support the requirement for a business to describe how their board and senior management oversee climate related risks, including the setting of targets and the ongoing monitoring of progress together with any linkages to remuneration. There is however a risk that some of the proposed requirements are interpreted as needing a level of granularity with respect to these processes and the employees involved in such processes which would be disproportionate to the importance of these matters relative to other information on this topic.

We also understand that it is critical that Boards include individuals who understand climate related risks and what needs to be done to help mitigate against these risks, however we do not believe that it would be appropriate to identify one Board member as the climate change expert. There are two reasons for this, the first is that given the pervasive nature of climate risks and the speed with which the science around it is evolving we believe that all Board members need to fully engage in this topic and we wouldn't want to run the risk of encouraging disengagement by appointing an expert, the second is "what is a climate change expert" – unlike the finance area, there are no recognised general qualifications that can help to identify individuals who would universally be considered to be all round climate change experts with the relevant business expertise too.

If this proposal was retained in the final regulations, then consideration would need to be given to providing the same safe harbour legislation as is applied to an audit committee's financial expert (within the meaning of, and as mandated by, the Sarbanes Oxley Act. Absent such a safe harbour, the identified Board member may be subject to enhanced liability risk in a number of circumstances, which would reduce the number of candidates willing to take on such a role and together with the "newness" of this area and the number of experts with the additional capabilities required to be a Board member would severely limit the pool of qualified and willing candidates.

E. Risk Management Disclosure

We support the requirement for businesses to describe their processes for identifying, assessing and managing climate related risks. However, we do not believe it is necessary to also require businesses to specifically address how they have considered each of: regulatory requirements or policies, country emission limits, shifts in customer or counterparty preferences, technological changes. Such a requirement has the potential to drive a tick box exercise to risk identification ie only report on the ones outlined in this proposed requirement rather than businesses looking holistically at what they do and how climate change could impact their business.

We support the disclosure of "transition plans" but do not believe that the proposals should either mandate or exclude the transition risks that should be disclosed. In terms of updates to the transition plans we believe that businesses should only be required to provide updates as and when they believe it is appropriate to do so. We would not support any requirement to update on the progress in delivering transition plans more frequently than annually. Climate related risks are medium to long term risks and the actions being taken to mitigate against them are also med to long term actions thus the speed of delivery would not necessitate more frequent reporting.

F. Financial Statement Metrics

As previously noted, we are very supportive of businesses disclosing their climate risks and what they are doing to mitigate those risks to ensure investors fully understand the potential implications of climate change on their operations. We also understand that such disclosures are likely to be quite extensive given the nature of the risk i.e., the multitude of implications, the uncertainty on how climate change will manifest itself, the interdependency of businesses on each other, the evolving science and the general level of knowledge on such a complicated subject. However, we do not believe that it is meaningful, nor indeed possible if it was meaningful, to split out the primary financial statements into income, costs, capital and cash relating to "normal business operations" and those related to "the impacts of severe weather events, natural conditions and transition activities, and related risk mitigation activities".

If we consider first, climate related impacts. From our understanding, the draft requirement refers to severe weather events to avoid the debate about whether a weather event is a result of climate change or not. However, the definition of severe weather is also open to very broad interpretation and thus inconsistency in reporting. Also the impacts of severe weather have been impacting businesses for many years e.g hurricanes in the US, floods in Bangladesh, and the associated loss of revenue and costs, or for some businesses the associated increase in income and profit are embedded in to the long term financial performance of these businesses and thus any requirement to separate them out would not seem meaningful as they are not an indicator of future climate change impacts. In addition, as these severe weather events have happened over many years the costs to mitigate the impact are embedded in the operational costs of the business and are not separably identifiable. Also identifying lost sales and lost profits from such events would be quite judgemental and thus including what can only be high level estimates within the financial statements where the numbers are normally required to be based on much firmer evidence, would lead to misinterpretation and confusion.

Turning to "costs of risk mitigation activities". Due to the very complex implications of climate change and the pervasive nature to many businesses' operations, it will simply not be possible for all businesses to separably identify the cost of climate risk mitigation activities in a current year's income statement. This will be particularly challenging for businesses who have been aware of the risks posed by climate change for some time and have been adapting their processes, capital investments and raw material suppliers over many years since these risks have come to light. And even for those who have not had this particularly high on their radar, lots of the businesses they interact with will have, and hence the costs of what they buy will have been impacted by other people adapting to manage climate risk. Below are two examples to help illustrate this point: example 1 - two years ago a factory needed a complete renovation to be able to introduce new available technology to make a particular product more efficiently – however, because it was in a flood plain and whilst no climate event had occurred in the last 40 years, it was decided that because of the now known climate risk it would be sensible to relocate this factory. This would have meant a greater capital spend than if the factory had remained on its original site or potentially a more significant rental charge. This increase in rent or depreciation which is a climate risk mitigation cost is currently being incurred in the income statement. However, it is impossible to separate this out now, as when that decision was made two years ago, the business case did not separately identify the additional costs related to climate risk mitigation. Example 2 – in the last couple of years when changing a supplier of a raw material to get a better quality raw material or lower cost, many aspects of a tenderers operations would be considered in addition to quality and price, but in particular how that raw material was manufactured or grown and the climate impact of their operations and thus implicit in a suppliers price could be an element of increased cost as a result of them having less carbon emitting operations – but this is not separably identified. For large companies such as Unilever there are hundreds if not thousands of decisions being made each year which could in some way link to climate risk mitigation and which impact the costs of the business and potentially revenues too and it is impossible to separately identify those. This inability to separately identify such costs and revenues is not limited to climate risk, this would be the same for all the risks we face as a business.

We understand and support the spirit of what the proposed rules are trying to achieve ie more granularity about the impact of climate change, but we believe that focussing a company's efforts on trying to think about the material activities and costs that will come in the future and trying to drive some consistency in approach across businesses, whilst also incredibly challenging and subject to interpretation, will be much more meaningful for investors.

We believe that any disclosures in the financial statements should be consistent with existing GAAP.

We believe that the proposal for a registrant to provide a narrative discussion of whether and how any of its identified climate- related risks have affected or are reasonably likely to affect the registrant's consolidated financial statements should only be applicable if the impacts are material or reasonably likely to be material and that this disclosure should be made in the Operating and Financial Review ("OFR") or Management's Discussion and Analysis of Financial Condition and Results of Operations section ("MD&A") of the registrant's filing.

We also believe that if the aim is to provide comparable disclosures then much greater clarity on the definition of severe weather, other natural conditions and transition activities would be required and again any information should only be required if it is material to the registrants business.

Furthermore, we believe that requiring businesses to estimate and report in the financial statements lost sales from climate related events and transition activities would not be consistent with GAAP. Any material impacts could be required to be disclosed in narrative form in the OFR or MD&A.

The proposal to use a 1% materiality threshold for the disclosure of these items in the financial statements would pose a significant issue for businesses as this is a significantly lower threshold, than that which is generally used by businesses in developing their reporting policies, processes, systems and controls. Thus, if this threshold was to be adopted, there would need to be a significant revamp of a business's policies, processes, systems and controls to facilitate such reporting across each line item of the financial statements, which would be extremely expensive and would take years to implement. It would also significantly impact the work of the company's independent auditors. Accordingly, we believe that the normal definition of materiality should apply for any disclosures related to climate related risks.

We are supportive of registrants disclosing whether any of the estimates and assumptions used to produce the consolidated financial statements were materially impacted by exposures to risks and uncertainties associated with climate related events and providing a qualitative description of how such matters have impacted the estimates and assumptions. We understand that this information would need to be disclosed in the consolidated financial statements.

Given we believe that any disclosures around the financial impact of climate related risks and opportunities, apart from information regarding any material impact on estimates and assumptions used to produce the consolidated results, should because of its nature be disclosed in the OFR or MD&A and not the financial statements, we do not believe that such information should be subject to ICFR requirements or audit.

We do not support including non-financial metrics in the financial statements. Any such information should be disclosed in other parts of the registrants filing. This would be consistent with the current approach on all non-climate related non-financial metrics that businesses have ben using for years to understand and inform others about their business.

If there is a requirement to audit non-financial information then new auditing standards would need to be developed to ensure the audit work was appropriate to the metric and that there was consistency in audit approach across the market.

G. GHG Emissions Metrics Disclosure

We support the disclosure of a registrants GHG emissions however we do not believe it is necessary to disclose these on a disaggregated basis for each type of GHG.

We believe it is essential that the definition of GHG used in any requirements is fully aligned with the GHG protocol to ensure comparability across businesses. Thus, we support the requirement for registrants to separately report Scopes 1 and 2.

The GHG protocol allows different approaches to calculating Scope 3 so this information is less comparable but as long as there is a requirement to describe the basis on which it has been calculated then we believe that this is useful information. There does however need to be a recognition in the proposals that this number will be calculated on a best efforts basis, as a registrant will be very dependent on information from third parties and where this is not available industry standards and other such estimations will need to be used and thus it has a much greater level of estimation and hence uncertainty than Scope 1 and Scope 2 reporting and other climate related metrics.

We do not believe that any Scope 3 disclosures should be disaggregated into the different types of Scope 3 emissions, however we do believe it could be useful to separate out those Scope 3 emissions over which a business believes it has some influence or indirect control.

We support the disclosure of emissions both gross and net of purchased or generated offsets. It should be noted that there are no standards around what an offset is and thus any disclosure will need to include a narrative as to what a registrant regards as an offset.

We support allowing registrants to calculate its GHG emissions for a 12-month period ending on the latest practicable date in its fiscal year that is no earlier than three months prior to the end of the year to alleviate the year end burden on registrants – as collecting information from third parties and calculating estimations is more time consuming than reporting numbers generated from a registrants own systems.

In general, we do not believe that providing location data with respect to GHG emissions is feasible or decision useful information.

Whilst we understand the logic behind GHG intensity ratios and believe they can be useful measures for businesses to indicate progress, we do not believe that is possible to produce one meaningful definition that would be appropriate across a broad range of businesses to facilitate comparability. Thus, we do not believe it should be a mandatory disclosure.

We support requiring historical comparative GHG emission data where it is available.

We believe that any methodology used to calculate emissions should be pursuant to the GHG Protocol's Corporate Accounting and Reporting standard and we support the disclosure of significant inputs and assumptions. With respect to which organisational boundary to use, we believe that registrants should be able to choose between an organisational boundary which is in compliance with the GHG Protocol or an organisational boundary using the same scope of entities, operations, assets and other holdings as used in preparing its consolidated financial statements, with disclosure as to what organisational boundary has been used.

With reference to emission factors, we believe registrants should adopt those considered to be most appropriate for the businesses operations.

We believe a safe harbour for all emission disclosures, not just Scope 3, from certain forms of liability under the US federal securities laws is appropriate, given the nature of carbon emissions and the ability of anyone to measure these exactly.

H. Attestation of Scope 1 and 2 Emissions Disclosure

Whilst in general we support independent assurance of all the material information provided to investors, and hence in principle have no problem with having climate related data assured we believe that before this can happen a significant amount of work needs to be undertaken by the assurance providers to ensure that there are appropriate auditing standards for such non-financial information which has been based on a significant amount of externally provided data and estimations. The current auditing standards used by some public accounting firms were designed for adhoc financial information rather than non-financial information. We also need to remember that financial auditors are accustomed to auditing against very detailed accounting standards, at present there are no such standards for climate related reporting hence the audit approach must be somewhat different. This will take time to develop and evolve thus we do not think it would be realistic to require attestation for a couple of years.

We believe that any firms that are providing attestation services for non-financial information should meet certain criteria which would include compliance with independence rules and they should also be regulated.

We do not support inclusion of GHG emissions disclosure in the financial statements. Whilst we recognise the importance of GHG emissions to many businesses there are a large number of non-financial kpi's that could be equally as important to understanding the business and thus just including GHG data would be misleading. We believe the appropriate location for all important non-financial information is in the OFR or the MD&A where the appropriate context can be given to the reported non-financial kpi's.

I. Targets and Goals disclosure

We support the disclosure of any GHG targets that a registrant has set, including the scope, details of the method of calculation and any baseline being used, together with any plans it has to meet the targets.

We do not believe there is a need to specifically disclose any other climate targets as where material they will feature in the plans the registrant has to meet the GHG reduction targets.

We believe the PSLRA statutory safe harbours should be applied to any statements involving climate related targets and goals or other climate related forward looking information regardless of where such disclosures are located.

J. Registrants subject to the Climate Related Disclosure Rules and Affected Forms

We support the adoption of an alternative reporting provision that would permit a registrant that is a foreign private issuer and subject to the climate related disclosure requirements of an alternative reporting regime that has been deemed to be substantially similar, to satisfy its disclosure obligations, by complying with the reporting requirements of the alternative reporting regime. We would also be supportive of reciprocity for US businesses listed on foreign stock exchanges.

We understand that some countries may wish to develop their own climate and wider sustainability reporting standards, however to facilitate investor understanding as well as ensuring cost effective reporting, we believe that it would be extremely beneficial if we had a common global baseline standard. The ISSB is in the process of developing such standards, and we believe it would be extremely beneficial for the SEC to adopt ISSB standards as a baseline. Adoption of the ISSB baseline would provide investors with consistent, comparable and decision-useful information to inform their investment decisions. Whilst the SEC and ISSB climate reporting proposals are currently well aligned, explicit adoption of the ISSB baseline will also help to future-proof climate reporting since it is anticipated that ISSB standards will evolve over time based on materiality assessments and the SEC rules may evolve over time as well; this would mitigate the risk of future divergence in climate reporting requirements

K. Structured Data Requirement

No comments

L. Treatment for Purposes of Securities Act and Exchange Act

No comments

M. Compliance date

Given all the comments about the difficulties around the financial statement elements of the proposed disclosures the ability to comply for years beginning 1st Jan 2023 would be impossible. Thus, a later adoption date should be considered.

17 June 2022