



June 17, 2022

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

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

Dear Ms. Countryman:

Thank you for allowing The Allstate Corporation (“we” or “Company”) the opportunity to provide comments to the Securities and Exchange Commission (“Commission”) on the above-referenced proposed rule covering climate-related disclosures released on March 21, 2022.

As one of the largest property-casualty insurance companies in the U.S., we recognize the importance of effectively modeling, pricing, and managing weather-related risks which are impacted by a changing climate. Also important is informing investors about how we evaluate and manage climate-related risks and practices and programs we have implemented in an attempt to mitigate and reduce our contributions to climate change. We have told our climate story over the years in various publicly issued reports (start dates in parentheses), including our annual Sustainability Report (2004), CDP submissions (2010), and SASB and TCFD Indices (2020).¹

Overall, we support a climate-related disclosure framework based on the following foundational principles:

- **Principles-based.** Registrants that are exposed to and managing climate-related risks should be allowed to inform investors about how they evaluate and manage those risks from the point of view of the registrant. More specifically, as climate-related risks affect each registrant differently, climate-related disclosure rules should provide sufficient flexibility to allow each registrant to apply judgment about the information it discloses to its investors. We believe a principles-based disclosure framework would allow registrants the flexibility to provide material information to investors in a manner that best meets their informational needs. We support the general efforts of the Commission to move toward more principles-based guidance and believe climate-related disclosures is an area where this transition would be very helpful to both registrants and investors.
- **Materiality.** Materiality is a foundational principle in our existing financial reporting framework and provides a foundation for all registrants and investors to apply when preparing and evaluating financial statements and related disclosures. We believe it is critical that all

¹ Reporting includes Scope 1, 2, and 3 GHG emissions data.

thresholds in the Commission's proposed rule should follow existing guidance and case law on materiality.

- **Decision-usefulness.** While registrants have substantial data on their business, all data is not relevant to investors. Climate-related disclosure requirements need to be developed at a level that allows investors to efficiently analyze and understand the information and be able to make informed decisions with the data.

Our comments on the proposed climate disclosure rule are discussed in several categories for your review and consideration.

Filing mechanism, Timing for providing information to the Commission, and Other implementation matters

In its existing rulemaking processes, the Commission has established precedent that permits registrants to file certain information after the filing of the Form 10-K, including:

- Proxy statements may be filed within 120 days after end of fiscal year, when Part III of the Annual Report on Form 10-K incorporates by reference information from the proxy
- Form SD – Specialized Disclosure Report filed under 17 CFR 240.13p-1 for conflict minerals disclosure may be filed no later than May 31

Allowing a separate filing at a date following the filing of Form 10-K for climate-related disclosures would allow for more timely and relevant information to be gathered by registrants, would reduce informational differences between information contained in a registrant's sustainability report and climate-related information in the Form 10-K, and allow for the creation of a separate set of internal controls covering the information in the separate filing. To fulfill requirements in the proposed rule, we would expect to leverage existing data gathering processes for completing our sustainability report and for submitting climate-related information to third-party climate-data aggregators. Based on an analysis released by the Harvard Law School Forum on Corporate Governance², for sustainability reports filed from January to June 2021, 81% of the reports were issued in April through June. Accordingly, allowing a later filing date would permit registrants to retain and enhance existing processes for new disclosure requirements instead of developing entirely new data gathering and reporting processes to meet an earlier filing requirement. The later due date will also better align with deadlines for other climate-related data submissions, such as CDP Worldwide and the Dow Jones Sustainability Index, which has a June deadline.

Further, we believe a separate climate-related filing with a later due date will provide similar benefits the Commission discussed when issuing the final rule³ on conflict minerals in August 2012:

- A separate form allows users to more easily locate information they are seeking
- Registrants have sufficient time to prepare and file climate-related information separate from their annual report, and
- Registrants have the option to use the same personnel to handle the filing of both the Form 10-K and a separate climate report.

Finally, related to the requirement to present historical information for years prior to the adoption date, we believe the Commission should modify this requirement as accumulating historical information on a retrospective basis is not practical given the processes necessary to capture and

² <https://corpgov.law.harvard.edu/2021/11/02/the-state-of-u-s-sustainability-reporting/>

³ <https://www.sec.gov/rules/final/2012/34-67716.pdf>

compile the information as required by the proposed rule did not previously exist and implementing and applying them on a retrospective basis would be extraordinarily expensive and time consuming. Accordingly, we propose that registrants not be required to provide historical, comparative disclosures for years before the initial adoption date. Additionally, we are concerned with the initial adoption date potentially covering the 2023 Form 10-K, filed in 2024. We do not believe it would be possible for registrants to design processes and procedures to collect the required information and have them in place at the beginning of 2023. As a result, we believe the new disclosure requirements should not be required to be applied any earlier than the 2024 Form 10-K, filed in 2025.

Financial statement metrics

We support providing decision-useful information to investors but believe the level of granularity of the financial statement metric disclosures proposed by the Commission would not result in the accumulation and disclosure of information that is decision-useful in all cases. The Commission states that it expects “the proposed financial statement metrics impact would provide additional transparency into the nature of a registrant’s business and the significance of many of the climate-related risks and impacts on its overall financial condition.” In contrast, we believe requiring disclosures for potentially every individual financial line item based on extremely low disclosure thresholds would produce an excessive amount of information for investors that would be difficult for investors to evaluate and ultimately would not be decision-useful.

We believe the 1% threshold for the financial impact metric disclosure requirements is extremely low and does not consider the rules and concepts of materiality built into Regulation S-X which typically apply guidelines far in excess of the 1% threshold while requiring the provision of additional information such that the “required statements, in light of the circumstances under which they are made, are not misleading.”

Greenhouse Gas (“GHG”) Emissions

Determining Scope 3 emissions for investment portfolios is particularly complex, since it requires attributing a proportional share of each investee’s emissions indirectly financed by the registrant’s debt or equity investments. Estimating these GHG emissions is important to forming a baseline view of the investment portfolio’s carbon footprint but is still subject to many challenges due to incomplete or inaccurate reported GHG emissions data from the underlying companies or issuers and varying approaches to estimation. For private company investments, private equity funds containing private company investments, and certain public securities (i.e., municipal bonds), GHG information is typically not available or only available on an inconsistent basis and issues exist with respect to its availability and reliability. In addition, methodological guidance to measure and disclose financed emissions is still evolving, with the Partnership for Carbon Accounting Financials (PCAF) making significant progress, but information is still only available for a subset of asset classes. Accordingly, we propose the SEC make the requirement to disclose Scope 3 GHG emissions data for invested assets a voluntary disclosure. Similarly, we believe voluntary disclosure would be appropriate in other areas as well until industry guidance is developed or otherwise emerges. For example, the extent to which writing auto and home insurance policies trigger Scope 3 emissions disclosures must be determined before any disclosure requirements become effective.

As it relates to private companies, it is our experience that only a very low percentage provide GHG emissions data, and we do not believe this situation will change materially between now and the required disclosure date. Moreover, while we recognize the progress of the ESG Data Convergence Project (“Project”) initiated in 2021, we also note participation in the Project is voluntary. The Project is working toward driving “convergence towards consistent reporting on

material ESG metrics” for the private market industry, and those metrics include GHG emissions (Scope 1 and 2; Scope 3 is optional)⁴. There are currently over 100 general partners (GPs) and limited partners (LPs) involved in the Project, and the first-ever set of converged metric submissions were due from GPs and LPs on April 30, 2022. While we are encouraged by the efforts of the Project to drive standardized reporting and increased involvement in ESG reporting in the private market industry, we believe further development of guidance and standards through initiatives like the Project and the PCAF methodologies are important first steps before the Commission requires the disclosure of Scope 3 GHG emissions data for invested assets of a registrant.

Due to the availability of information, we believe registrants should be given an option to present Scope 1, 2, and 3 GHG emissions disclosures on a different timeline than the existing timeline for Exchange Act annual reports (i.e., emissions information would be “as of” an earlier date than the covered report).

- For Scope 1 and 2 emissions, registrants typically do not have the data required for emissions calculations available to permit their incorporation into a Form 10-K filing following existing filing dates. For example, utility data takes the first few weeks of January to be assembled. Calculations and internal quality assurance checks over data extend into mid-February, after which the data undergoes another four to six weeks of third-party verification. Under this timeline, work is not completed until mid- to late-March, which would be after the Commission’s filing deadline for large accelerated and accelerated filers.
- For financial services registrants’ (e.g., insurers) invested assets captured in Scope 3 disclosures, there is up to a one-year reporting lag for GHG emissions data. More specifically, existing sources for public company GHG emissions data (e.g., MSCI and CDP Worldwide) typically gather emissions information from various sources mid-year and publish their information late in the year thereby resulting in emissions data that is on a substantial lag and not reflective of exposures at the reporting date. PCAF methodologies to estimate Scope 3 GHG emissions for specific asset classes could address reporting lags; however, information used to estimate the emissions is not an exact match to a registrant’s investments, which creates a potential trade-off between the timing of filing climate-related disclosures and the precision of the Scope 3 emissions data.

Physical and transition risks

We believe the requested information on physical and transition risks is too granular and should be modified to include only information that would be decision-useful to investors and be more aligned with external datasets. For example, for physical risks that have had or are likely to have a material impact on the business or financial statements, a filer must provide information at a ZIP code level, if available. Requiring information at a granular level such as ZIP code would create an operational burden and would produce an excessive amount of information that we expect would not be decision-useful for most investors. Moreover, for property-casualty insurers, the information may represent confidential business information that should not be required to be disclosed for competitive reasons.

Attestation

If the attestation requirement remains in the final rule, we believe the effective date may need to be extended for purposes of practicality as there are multiple layers of guidance that have not yet been produced, and it is unclear how much time will be necessary to create and disseminate the guidance.

⁴ https://ilpa.org/wp-content/uploads/2022/01/22.01.20-ESG-Data-Convergence-FAQs_vShare.pdf

First, the PCAOB will need to review its current attestation standards to determine if the standards provide a sufficient framework for the attestation engagement covering climate disclosures. While the PCAOB can start with the attestation standard in AT Section 101 (“AT 101”), AT 101 has not been updated since its issuance in 2003.

Second, the creation and publishing of interpretive guidance is necessary. From a registrant’s point of view, we have found publicly issued interpretive guidance to be a good resource when considering the establishment of processes and related controls, along with understanding how third-party practitioners view our business. For example, for attestation engagements on GHG emissions under current AICPA attestation standards, AICPA leadership recognized the need for additional guidance beyond established standards. In July 2017, when the AICPA released its guide “Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information),” Susan S. Coffey, CPA, CGMA, AICPA executive vice president, public practice noted the following⁵ (emphasis added by Allstate):

*The guidance we have developed, which is applicable to all aspects of sustainability reporting, including environmental, social and governance, will serve as a critical mechanism for **enabling consistency across sustainability assurance engagements**. This will further distinguish CPA assurance services and increase stakeholders’ confidence in the credibility and reliability of organizations’ reported sustainability information.*

We propose the Commission remove the existing effective dates for engagements to provide limited assurance (and by extension, reasonable assurance) from the proposed rule. Instead, we believe the Commission should set dates for limited assurance engagements only after attestation standards and interpretive guidance have been published.

Finally, based on the limitations and challenges discussed throughout this letter, we believe the level of assurance in all instances should be to the level of “limited assurance”; similar to that of information in a Form 10-Q reviewed by the independent auditor. The independent auditor provides the following assurance for Form 10-Q filings:

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

There are also other portions of footnotes today that have an “unaudited” label attached to them, so it is clear to investors what has been audited versus unaudited.

We appreciate this opportunity to share our thoughts with the Commission and would be happy to make ourselves available for further discussions.

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⁵ <https://www.aicpa.org/news/article/aicpa-issues-new-sustainability-attestation-guide>