

June 17, 2022

Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Submitted via rule-comments@sec.gov

Release Nos. 33-11061; 34-94867; File Number S7-10-22 – The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Madame Secretary:

We welcome the opportunity to comment on the Security and Exchange Commission’s (the “SEC” or “Commission”) proposed Enhancement and Standardization of Climate-Related Disclosures for Investors (the “Proposed Rules”). National Grid supports the SEC’s objective to ensure that our investors are provided consistent, comparable, reliable, and decision-useful information to enable them to make informed judgments about the impact of climate-related risks on current and potential investments. Below, we provide specific comments to help the SEC improve its Proposed Rules in furtherance of these objectives.

National Grid plc is one of the world’s largest investor-owned energy utilities with a primary listing on the London Stock Exchange (LSE) where it is a constituent of the FTSE 100 Index, and a secondary listing in the form of its American Depositary Receipts on the New York Stock Exchange (NYSE). We serve almost 30 million customers and employ over 29,000 colleagues across the UK and the US. Our regulated business is committed to delivering electricity and gas safely, reliably, and efficiently to the customers and communities we serve across the UK and the US. We also own and operate a number of non-regulated businesses, including our interconnectors which connect the UK electricity system with mainland Europe to enhance system flexibility for a significant variable renewable energy future, our US-based renewable generation business which focuses on developing large-scale solar and wind projects across the country, and our Silicon Valley-based corporate venture capital and innovation group, which invests in innovative technology and energy entities of the future.

We consider ourselves to be industry leaders when it comes to environmental, social and governance (ESG) reporting, voluntarily reporting in line with leading frameworks such as the Sustainability Accounting Standards Board (SASB), the Global Reporting Index (GRI) and the EU Taxonomy¹. Our 2021/22 20-F filing includes our fifth Task Force on Climate-Related Disclosures (TCFD) report², which is fully compliant. We have also partnered with the Science Based Targets initiative (SBTi) to determine goals to keep the Earth’s temperature well below the 2-degree Celsius threshold, which the Intergovernmental Panel on Climate Change (IPCC)

¹ [EU Taxonomy, GRI and SASB: Our Disclosure Document 2021/22](#)

² [National Grid Annual Report & Accounts 2021/22](#)

indicates will help prevent catastrophic warming effects. Finally, we received the prestigious climate change ‘A’ score from CDP (formerly the Carbon Disclosure Project) for the sixth consecutive year for our corporate sustainability work in cutting emissions and moving towards a low-carbon economy.

On this basis, National Grid supports the SEC’s objectives of the Proposed Rules. However, as a dual-listed business, we are already required to make comprehensive climate-related disclosures in the UK, the location of our primary listing. We are currently mandated to make disclosures against TCFD recommendations, and the UK government is expected to incorporate the sustainability disclosure standards being developed by the International Sustainability Standards Board (ISSB) into law, to which we will also be required to comply. To manage the burden of compliance on foreign private issuers, while also meeting the objectives of the SEC Proposed Rules, our principal recommendation is for foreign private issuers subject to substantially comparable climate-related disclosure requirements, such as ourselves, be exempt from complying with the Proposed Rules. We believe that this recommendation would save a significant amount of effort and cost involved with complying with the requirements of multiple jurisdictions, while also minimizing any unnecessary duplication and confusion, which would ultimately contradict the objectives of providing useful information for the primary users of financial reporting.

We have also outlined several secondary recommendations that we believe the SEC should consider, particularly around: the identification of board members with climate change experience; the disclosure of specific locations with climate risks; the Article 14 requirement to include climate-related disclosures in the notes to the audited financial statements; and various clarifications and suggestions which could enhance consistency and comparability of disclosures.

The following sections outline these recommendations in further detail.

Foreign private issuer exemption

The Proposed Rules have been modelled on the TCFD recommendations, to elicit consistent and comparable disclosures, while also limiting the compliance burden on registrants. The TCFD recommendations have been widely endorsed as the global standard for climate-related disclosures relevant to investors and other primary users of financial reporting. As a result, many jurisdictions, including the UK, have mandated TCFD aligned reporting for most LSE listed companies.

The SEC rightly recognizes the ISSB standard setting body, which has also based its requirements on the TCFD, for its efforts to address the need for more useful, climate-related disclosures for investors and lenders. The UK is expected to incorporate the ISSB standards into law within similar timelines to those of the Commission’s proposal once they are published in final form. From our initial review of the ISSB draft disclosure standards, which were released in March 2022, we believe that the objectives and basis of reporting prescribed by these ISSB draft disclosure standards are broadly aligned to those of the Proposed Rules. The similarities between the ISSB and SEC proposals were further acknowledged in recent remarks by SEC Chair Gary Gensler, and subsequent communication from the ISSB confirmed that the SEC has

joined a group to enhance compatibility and alignment between the ISSB draft disclosure standards and other jurisdictions, including the SEC's proposal.

This supports our belief that the ISSB's disclosure standards in their final form should be considered an acceptable alternative to the Proposed Rules for foreign private issuers in ISSB mandated jurisdictions. Given the SEC's insistence on limiting the burden on registrants by basing their proposal on existing frameworks, we believe it would be prudent and consistent with the objectives of the Proposed Rules to apply an exemption for foreign private issuers in jurisdictions where the ISSB is required under local laws. Implementing this recommendation, would ensure investors continue to receive high quality, standardized and consistent data for registrants subject to dual reporting regimes.

Some of the areas of divergence between the ISSB draft standards and the SEC's proposal have been addressed in the following sections.

Identification of board members with climate change expertise

In a departure from the TCFD and ISSB draft standards, the Proposed Rules require disclosure regarding whether any Board member has expertise in climate-related risks, including disclosure on the nature of this expertise. We disagree with this proposal and would recommend that this requirement be removed. Our view is that any Board members assigned to be climate experts may be subject to undue and unnecessary scrutiny and exposure to personal liability where a Registrant's filings are found to be inaccurate. This is due to there being no safe harbour proposed from the imposition of enhanced liability on such board members, like the safe harbour available to Audit Committee financial experts within the meaning of, and as mandated by, the Sarbanes-Oxley Act of 2002. In addition, in our view, Board members are selected to govern, as a whole with members appointed to bring a wide range of skills, experiences and views to challenge and make decisions. Climate-related risks and opportunities are vast and complex and require a range of experience and knowledge to adequately consider and address them.

Instead, we recommend that disclosures are focused on identifying the relevant governing body responsible for oversight of climate-related risks and opportunities, describing how their oversight is reflected in codes and policies, and how the entity ensures that all members of the Board are appropriately educated and have the appropriate skills and experience to govern on matters related to climate change.

Disclosure of specific locations with climate risks

The SEC's Proposed Rules would require registrants to include the specific location of properties, processes or operations subject to an identified material climate risk, at the zip code or equivalent level. We strongly disagree with this requirement, particularly given our assets are considered critical national infrastructure in both the US and the UK. We believe that there may also be regulatory and legal impacts which should be seriously considered. In addition to regulatory limitations impacting this disclosure, forward-looking disclosures on the specific zip codes of material climate-related risks would likely open us up to unnecessary distrust and

potential litigation from local communities and businesses operating in those areas, particularly if there is potential for them to lose investor interest as a result.

Our strong preference would be to limit the disclosure of specific locations at a zip code or equivalent level, to where a material climate-related event has already occurred, within the bounds of legal and regulatory requirements. For the disclosure of locations for forward looking risks, we recommend that this requirement is removed or at the very least, registrants are provided with the option to provide a broader definition of location. This is especially appropriate given predicting climate-related risks in the future, based on scenarios, is not an exact science and may change over time.

Note to the audited financial statements

The Proposed Rule would require registrants to disclose in a new disclosure note (and hence subject to the registrants Sarbanes-Oxley internal control framework over financial reporting and subject to audit by the registrant's statutory auditor) the impact on financial statement line items of severe weather events and other natural conditions as well as the impact of transition activities. At a minimum, impacts would be presented on an aggregated line-by-line basis and separately for negative and positive impacts. The note would also separately disclose the aggregate amount of expenses and capitalized costs incurred to mitigate the risks of severe weather events and other natural conditions and to reduce greenhouse gas (GHG) emissions or otherwise mitigate exposure to transition risks. The disclosures would be required if the financial impacts are greater than one percent of that line item in aggregate or if the expenses or capitalized costs are greater than one percent of the total expensed or capitalized costs incurred.

We feel strongly that the Proposed Rules would not result in the production of consistent, reliable, and hence, decision-useful information on climate-related matters and would be challenging and costly to implement, particularly with respect to incorporating the Proposed Rules into internal control frameworks. Our recommendation is that disclosure of financial impacts is instead included with the Registrants 'Management's Discussion and Analysis of Financial Condition and Results of Operations' (MD&A) and "Operating and Financial Review and Prospects" (for 20F filers). We also recommend that the materiality thresholds are revised, that further guidance is provided to assist registrants in navigating the inherent subjectivity within such disclosures and that relief is given from retrospective application in the first year of disclosure.

One percent materiality threshold

The Proposed Rules state that the one percent materiality threshold is proposed to minimize the risk of under-reporting. However, our view is that one percent is a particularly low threshold which may inadvertently result in over-reporting, diluting the information that may be deemed relevant, useful, and material to investors. Additionally, it is out of step with materiality thresholds that registrants would normally use for other financial disclosures, resulting in the potential for further confusion. We would recommend that any disclosure of financial impacts is aligned to existing financial materiality levels to provide consistent, decision-useful information for the primary users of financial reporting.

Impact on internal control frameworks

Incorporating the proposed disclosures into the Registrants financial statements, would require a significant expansion in the scope of internal controls to identify events which would fall below standard materiality thresholds for the preparation of financial statements. The controls would be complex to design and test, given the current proposed one percent line-item threshold, combined with the subjectivity involved in identifying the impacts attributable to ‘transition activities’, when climate-risk is often only one of many interrelated factors that go into expenditure decisions. We also believe that given the complexity and precision involved, the costs of implementation would be high. It is our belief, that existing financial statement disclosure requirements already include adequate provision to identify financial impacts that are material to the primary users of financial statements. Along with our recommendation regarding revision of the materiality threshold applied, we also recommend that the location of these disclosures is moved to outside of the financial statements and that the Commission consider relief from disclosing comparative information in the first year of disclosure in line with the ISSB’s proposed drafts.

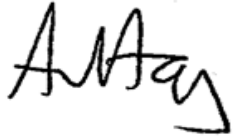
Other clarifications to enhance comparability

In addition to the above recommendations, National Grid requests that the SEC clarify the following aspects of the Proposed Rules:

- The Proposed Rules require registrants to include a time horizon for their identified climate impacts. Determining whether a given impact will affect the short-, medium-, or long-term could be more prescriptively defined, to promote consistency and comparability of information.
- The SEC requests that registrants provide emissions values in carbon dioxide equivalent (CO₂e). To do this, an entity must use a global warming potential (GWP) to translate other pollutants (e.g., methane) to a CO₂e value. We recommend that the SEC clarify which GWP to use to ensure consistency across reported values.
- Regarding Scope 3 emissions disclosures, National Grid requests that the SEC clarify two things. First, it is our assumption that the Scope 3 disclosure requirements would align with the GHG Protocol’s supplemental Corp Value Chain (Scope 3) Accounting and Reporting Standard, which does not require that an entity report value chain emissions. We believe that this practice would be appropriate for the Proposed Rules to maintain consistency with standard existing practice, reduce administrative burden, and limit data categories that are based highly on speculation. Second, the SEC should clarify that only those categories under Scope 3 that are relevant and material to a company’s business be required to be included in the reporting. Scope 3 includes 15 distinct categories, but, for example, only six are material to National Grid’s operations and included in our goals and reporting.

We look forward to contributing towards these Proposals and other climate-related efforts to help make certain that our ongoing clean energy transition is fair, affordable, and equitable for our customers and communities. Thank you for the opportunity to provide comments, and please do not hesitate to contact us with questions. We thank the Commission in advance for considering our and others' comments on the Proposal.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Agg'.

Andy Agg
Chief Financial Officer

A handwritten signature in black ink, appearing to read 'Duncan Burt'.

Duncan Burt
Chief Sustainability Officer