

Vanessa Countryman
Secretary
US Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
United States of America

17 June 2022

Release Nos. 33-11042; 34-94478; File No. S7-10-22 – The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Madame Secretary,

1 Overview

Diageo plc (“**Diageo**”) is pleased to submit this letter in response to the request of the Securities and Exchange Commission (the “**Commission**” or “**SEC**”) for comments on the Commission’s proposal to require registrants to provide certain climate-related information in their registration statements and annual reports (the “**SEC Proposal**” or the “**Proposed Rules**”).

Diageo fully supports the Commission’s efforts to provide investors with consistent, comparable and reliable – and therefore decision-useful – information on climate-related issues. We believe that increased transparency and consistency in this area will drive good practices across sectors and industries, improve the ability of investors to make informed decisions based on comparable data provided by registrants regarding investment risks and opportunities, and will ultimately benefit broader stakeholder groups and the environment.

Furthermore, we fully support the Commission’s efforts to ensure that the Proposed Rules are aligned and do not conflict with other reporting regimes which already subject foreign private issuers to comprehensive climate-related disclosure requirements in their home jurisdictions. In our view, an approach to regulation that achieves the highest degree of harmonisation across geographies will yield the greatest benefit to investors and other stakeholders. This approach will best ensure that reported information is produced on a consistent and comparable basis and enable investors to compare data provided by issuers globally, and ease the compliance burden on such issuers. While we believe that the SEC Proposal represents a significant step towards a harmonised cross-border approach, we have identified several areas of the Proposed Rules which would, in our view, benefit from certain amendments in order to foster even greater consistency and comparability of disclosure.

Finally, consistent with our strong desire to drive for harmonised outcomes and disclosures globally, we respectfully request the Commission to consider whether there are alternative climate-related disclosure

regimes (“**Alternative Regimes**”) that are sufficiently similar in scope to, or the requirements of, the Proposed Rules to permit foreign private issuers to rely on disclosures made under such Alternative Regimes to satisfy the requirements ultimately adopted by the Commission.

2 About Diageo and our Commitment to Sustainability

Headquartered in London, England, we are a global leader in beverage alcohol, with over 27,000 employees globally and sales in approximately 180 markets around the world. In North America, our 200-plus brands, such as Guinness, Johnnie Walker and Smirnoff, are enjoyed by more than 140 million people every year.

Our securities are listed on the London Stock Exchange, Euronext Dublin, Euronext Paris and the New York Stock Exchange, and we file reports with the SEC as a foreign private issuer.

By virtue of our premium listing on the London Stock Exchange, we are required by the Financial Conduct Authority (the “**FCA**”) to report climate-related matters on an on-going basis in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosure (the “**TCFD Recommendations**”). The UK government is also proposing incorporating into law the sustainability disclosure standards being developed by the International Sustainability Standards Board (“**ISSB**”), which will provide an additional layer of climate change reporting obligations for companies like Diageo.

Our ambition is to be one of the best performing, most trusted and respected consumer products companies in the world. To achieve that ambition, we need to make sure we are doing business the right way, thinking about the long-term value and impacts we create for all our stakeholders, and the risks and opportunities of our operating environment and business model. We believe we have a responsibility to ensure that our people, our suppliers, the communities around our operations, our customers and consumers and society at large all benefit as a result of our business. As part of our sustainability strategy and ‘Society 2030: Spirit of Progress’ ambition (which includes targets validated by the Science-Based Targets Initiative), we intend to work from ‘grain to glass’ across our whole value chain – encompassing the people, resources and environment that contribute to our success – to achieve the following goals by the end of 2030:

- becoming net zero carbon in our direct operations (Scopes 1 and 2) and reducing our value chain (Scope 3) carbon emissions by 50%;
- reducing water use in our operations, with a 40% improvement in water use efficiency in water-stressed areas and 30% improvement across the company;
- supporting over 150,000 smallholder farmers with farming techniques to regenerate the land and build biodiversity; and
- ensuring that we use 100% recycled content in plastic packaging and that 100% of our packaging will be widely recyclable.

We disclose information about our strategic approach to environmental, social and governance (“**ESG**”) and progress against our 25 Society 2030: Spirit of Progress targets in our Annual Report on Form 20-F (“**Form 20-F**”), in our ESG Reporting Index and online at <https://www.diageo.com/en/society-2030/>. Our ESG reporting suite aims to provide comprehensive and comparable disclosures for a broad range of stakeholders. We also submit non-financial information to benchmarking and index organisations throughout the year, including CDP, Bloomberg Gender Equality Index, Corporate Human Rights Benchmark and the Dow Jones Sustainability Index. We are also rated highly on ESG performance by organisations like MSCI and Sustainalytics, reflecting the quality and comprehensive nature of our ESG disclosures.

In addition, we track our non-financial performance internally on a quarterly basis. We have developed an integrated reporting system that consolidates cross-functional non-financial data at market, regional and global levels, giving our internal stakeholders (including our senior management and Board of directors) a clear and consistent view of our performance and trajectory towards achieving these goals on a regular basis. Our aim in providing this data to internal stakeholders is to enable early action to amplify our opportunities and address potential risks, as we work to deliver our 'Society 2030: Spirit of Progress' goals.

3 We Support the Harmonisation of Climate-related Disclosure

We agree with the Commission on the need for consistent, comparable and reliable information to help investors make informed decisions about the allocation of capital against the backdrop of the climate transition. We believe that broad harmonisation of reporting frameworks will bring material benefits to investors by enabling more consistent and comparable disclosures across businesses, industries and markets, as well as simplifying reporting requirements for issuers in an increasingly complex and dynamic landscape. We support the establishment of a coordinated approach by regulators across jurisdictions, in order to reflect the reality that climate change is a cross-border issue.

In the paragraphs that follow, we discuss:

- (i) the ways in which Diageo (by virtue of our status as a company with a premium listing on the London Stock Exchange) is already subject to a disclosure framework around climate-related matters which is expected to be further developed by reference to ISSB requirements in due course, and should be considered to be substantially similar to the SEC Proposal;
- (ii) certain areas of the SEC Proposal which diverge from the TCFD (and ISSB) requirements to which Diageo is (or will likely become) subject, and which we believe are not necessarily conducive to fostering the publication of consistent, comparable and reliable – and therefore decision-useful – information for investors; and
- (iii) a proposal for permitting the climate-related sustainability disclosure standards being developed by the ISSB to be deemed an acceptable Alternative Regime to the Proposed Rules for foreign private issuers.

3.1 The TCFD Recommendations have already been incorporated into UK disclosure requirements, and ISSB standards are expected to follow in due course

The TCFD Recommendations

The TCFD is an industry-led group launched in 2015 by the Financial Stability Board and Mark Carney, UN Special Envoy on Climate Finance and UK Finance Adviser for COP26, with the aim of helping businesses understand their financial exposure to climate risk and disclose this information clearly and consistently. As part of this agenda, in 2017, the TCFD published the TCFD Recommendations which, as the Commission noted, “have been widely accepted by issuers, investors, and other market participants,”¹ and have been “widely endorsed by US companies and regulators and standard-setters around the world.”²

Given the widespread acceptance of the TCFD Recommendations as a global standard for climate-related disclosures, a number of jurisdictions (such as the United Kingdom, Canada, Hong

¹ SEC Proposal at 34.

² SEC Proposal at 37.

Kong, Japan, New Zealand, Singapore and Switzerland) have either mandated TCFD aligned reporting in domestic regulation or are in the process of doing so.

In the United Kingdom, reporting climate-related financial disclosures consistent with the TCFD Recommendations³ has already been mandated by the FCA for premium-listed companies like Diageo. While this requirement is on a 'comply or explain' basis, circumstances in which non-compliance can be permissibly explained are limited. The relevant rules specify that the FCA "ordinarily expect" a listed company to be able to make disclosures consistent with the TCFD Recommendations, "except where it faces transitional challenges in obtaining relevant data to embedding relevant modelling or analytical capabilities". In these circumstances, the company must disclose the steps it is taking or plans to take to be able to disclose fully in the future (and the timeframe for doing so).

As noted above, we have incorporated the TCFD framework into our reporting in our Form 20-F for the year ended 30 June 2021 and will continue to do so going forward. In addition, we anticipate that we will be required to disclose against the climate-related sustainability disclosure standards of the ISSB once these are finalised and the relevant disclosure framework is implemented into the legal framework of the United Kingdom, as discussed further below.

The ISSB Climate-related Sustainability Disclosure Standards Proposals

In October 2021, the United Kingdom announced a proposal for new Sustainability Disclosure Requirements which we understand will take the form of a new law mandating sustainability-related reporting, of which the disclosure standards currently being developed by the ISSB will be a core component. The intention of the ISSB (which was established by the International Financial Reporting Standards Trustees in November 2021) is to deliver a comprehensive global baseline of sustainability-related disclosure standards to provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions. The ISSB's aim is to develop comprehensive global disclosure standards, for both climate and other sustainability-related information. In March 2022, it published draft standards for climate-related disclosures which build upon the TCFD Recommendations as well as industry-based disclosure requirements from the Sustainability Accounting Standards Board.

³ Meaning the four recommendations and eleven recommended disclosures set out in the TCFD Recommendations (Listing Rule 9.8.6.R(8)(a)).

3.2 Much of the SEC Proposal is broadly harmonised with the TCFD Recommendations and draft ISSB climate-related disclosure standards

As the SEC has noted, the SEC Proposal is modelled in part on the TCFD Recommendations⁴ – including, in particular, the TCFD’s ‘4 pillars’ framework covering governance; strategy; risk management; and metrics and targets, and the SEC Proposal shares many areas of overlap with the TCFD Recommendations, including, but not limited to, requirements to disclose the following:

- (i) **Governance:** Both the SEC Proposal and the TCFD Recommendations require disclosure of the organisation’s governance around climate-related risks. For both, this includes disclosures regarding the processes and frequency by which the Board and/or committees are informed of climate-related risks; whether climate-related risks are considered as a part of strategy; the Board’s oversight of progress against climate-related targets or goals; whether there are management positions responsible for climate-related risks; the processes by which the relevant positions or committees are informed of relevant climate-related risks; and whether such management positions or committees report to the Board or relevant Board committee.
- (ii) **Strategy:** Both the SEC Proposal and the TCFD Recommendations require disclosure of climate-related risks and the impact of those climate-related risks on the organisation’s business. For both, this includes disclosures relating to certain climate-related risks over the short, medium and long term (qualified in each case by a level of materiality); and disclosures relating to both physical and transition risks.
- (iii) **Risk management:** Both the SEC Proposal and the TCFD Recommendations require disclosure of the processes the organisation has in place for identifying, assessing and managing climate-related risks, including consideration of the relative significance of climate-related risks in relation to other risks facing the organisation.
- (iv) **Metrics and targets:** Both the SEC Proposal and TCFD Recommendations require disclosure of certain metrics, targets and goals, including Scope 1 and Scope 2 greenhouse gas emissions. The TCFD “strongly encourages” all organisations to disclose Scope 3 emissions. In addition, the draft ISSB climate-related disclosure standards require organisations to report on Scope 3 greenhouse gas emissions, subject to certain exceptions.⁵

⁴ Our analysis in section 3 focuses primarily on the TCFD Recommendations, however, given that the TCFD Recommendations and the proposed ISSB climate-related disclosure standards are largely consistent, the same comparisons could be drawn between the SEC Proposal and the draft ISSB standards.

⁵ While the SEC Proposal mandates independent assurance of Scope 1 and Scope 2 greenhouse gas emissions, neither the TCFD Recommendations nor the draft ISSB climate-related disclosure standards discuss assurance of climate-related data. We understand this is likely a result of the fact that both the TCFD framework and the draft ISSB standards are what are typically referred to in the United Kingdom as “soft law” standards. This means that while reporting against their requirements can be mandated by law, the standards themselves are not legally binding instruments and so would not ordinarily be expected to be prescriptive on such matters. However, we anticipate that assurance requirements of the type mandated under the SEC Proposal are likely to be included in legislation in the United Kingdom which we expect will mandate reporting against the ISSB standards for UK-listed companies and other businesses.

3.3 Some elements of the SEC Proposal diverge from the TCFD Recommendations and draft ISSB standards in ways which we believe do not promote the disclosure of decision-useful information for investors

Notwithstanding our broad support for the SEC Proposal, we are concerned about a handful of requirements which we believe will lead to inconsistent reporting practices across jurisdictions, and will not promote the disclosure of consistent, comparable, reliable and decision-useful information for investors. We discuss our concerns in this regard below, and also make suggestions for alternative approaches where we think such alternatives may be helpful to achieving the aims of the SEC Proposal.

3.3.1 Note disclosure in the financial statements at a 1% materiality threshold:

Our concerns with the Proposed Rule

As currently drafted, the SEC Proposal would compel a registrant to disclose the financial impacts of climate-related events and transition activities on the line items of its consolidated financial statements, where the sum of the absolute values of all the impacts is more than 1% of the total line item for the relevant financial year. This prescriptive materiality threshold is significantly lower than what registrants such as Diageo would typically use for other disclosures (both within our financial statements and elsewhere within our SEC filings), and would require us to identify and quantify individual events which, on their own, fall well below the 1% threshold in an effort to calculate the combined impact of such events.

We believe the requirement to disclose the impact of climate related events and transition activities in the notes to our audited financial statements at a 1% level is problematic for a number of reasons. First, we believe the imposition of a prescriptive test for materiality (in particular, at such a low level) will have the effect of over-stating the importance of matters which may be of little or no consequence for our business, and therefore also of limited value to investors. We note that the establishment of a fixed percentage as a definitive proxy for materiality is inconsistent with SEC Staff Accounting Bulletin 99 (“**SAB 99**”), which states in relevant part that:

“The staff has no objection to...a ‘rule of thumb’ as an initial step in assessing materiality. But...it cannot appropriately be used as a substitute for a full analysis of all relevant considerations. Materiality concerns the significance of an item to users of a registrant’s financial statements. A matter is ‘material’ if there is a substantial likelihood that a reasonable person would consider it important.”

SAB 99 goes on to reference the Financial Accounting Standards Board Statement of Financial Accounting Concepts No. 2, which articulates the concept of materiality as follows:

“The omission or misstatement of an item in a financial report is material if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item. Equating a fixed percentage with materiality in this manner is largely inconsistent with the Commission’s policy as reflected in SAB 99 and elsewhere.”

By compelling disclosure of matters in a registrant’s audited financial statements which may have a limited or non-material impact on its results of operations, the Proposed Rules would have the effect of forcing registrants to significantly expand the scope of their internal controls over financial reporting in order to pick up and quantify events which would fall significantly below standard materiality thresholds for the preparation of financial statements prepared in accordance with US

generally accepted accounting principles (“**US GAAP**”) or international financial reporting standards (“**IFRS**”) as issued by the International Accounting Standards Board. It would also have the effect of compelling a registrant’s independent auditors to adjust their procedures to stress test the accuracy of these disclosures for the purpose of issuing their audit opinion, which would impose additional layers of work and scrutiny on what would likely be wholly immaterial matters for a registrant, and therefore of limited usefulness for an investor.

Our second concern with the Commission’s approach in this regard relates to the fact that the compilation of climate-related data of the type that the Proposed Rules contemplate for inclusion in a note to a registrant’s audited financial statements is subject to significant uncertainties and assumptions, and does not always lend itself to detailed numerical quantification. For example, the identification of matters that are “climate related” is extremely subjective, as would be the designation of a particular matter as being a “transition activity”. In the case of Diageo, we would find it particularly challenging to differentiate certain initiatives aimed at improving operational efficiencies across our value chain from being part of a “transition activity”, even where they are being carried out in part to reduce, or would otherwise have the effect of reducing, our carbon footprint. Similarly, our initiatives aimed at improving water efficiency in certain water-stressed jurisdictions are rooted in our desire to support the communities in which we operate. While these initiatives may be construed in part as “transition activities”, this does not tell the whole story, and could have the perverse effect of identifying an activity as being in aid of climate change, when in fact it was initiated for other reasons.

In short, we do not believe the Proposed Rules in this regard will result in the production of consistent, comparable and reliable – and therefore decision-useful – information on climate-related matters. In addition, we believe the cost of compliance for these proposed requirements significantly outweighs the potential benefit to investors.

Finally, we respectfully submit that the timeframe for implementing this element of the Proposed Rules (which would be required for fiscal year 2023) is unrealistic. Specifically, it would require a revised internal control framework to be implemented within months of the adoption of the Proposed Rules in order to commence the collection of relevant data at the start of the fiscal year. As a large global company subject to a range of reporting regimes, we are confident that it will take significantly longer than a few months to implement the procedures necessary to capture and analyse the data required under the SEC Proposal, and even longer to subject these procedures to the scrutiny of our independent auditors.

Our proposed alternative

Rather than requiring registrants to include a note to their audited financial statements setting out the impact of climate related matters on the line items at a prescriptive 1% threshold, to enable full contextualisation of the relevant issues, we suggest the Commission amend the requirements of Item 303 of Regulation S-K: “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 5 of Form 20-F: “Operating and Financial Review and Prospects” in order to require registrants to provide either (i) a discussion of the impact of climate related matters on the registrant’s financial condition and results of operations for the year, or (ii) a standalone disclosure of the climate related matters. Registrants can be required to quantify those matters which have had a material impact on the Registrant’s business as a whole, allowing management to assess materiality using the generally accepted methods for making such a determination. This approach will allow registrants to provide as much narrative detail as they require to explain the complexities of particular events or matters in order to position them within the right context to be best understood by investors.

3.3.2 Identification of any board member with climate change expertise:

Our concerns with the Proposed Rule

We believe that the requirement to identify any board member with “expertise in climate-related risks” increases the possibility of a siloed approach to oversight of this complex issue, where judgement could be deferred to the designated “climate change expert” on a board of directors. In our view, the diverse perspectives of each of our Board members and the consideration of climate change matters in the context of their own professional experience (be it legal, financial, operational or otherwise) is critical to ensure robust oversight of climate-related risks and opportunities. The impact of climate-related risks and opportunities on a business is complex, and therefore, we strongly believe that a wide range of skills, expertise and perspectives is required to properly understand and address them. No single board member, regardless of their past experience, will necessarily be best-placed to understand and analyse the impact of a particular climate-related risk on all aspects of a registrant’s business.

All board members have a collective responsibility for the supervision of a company, including its management, risks and strategy. We are concerned that by identifying an “expert” on a board, there is a real risk that this fundamental principle of corporate governance will be inadvertently undermined. In particular, there may be an unintentional suggestion that the nominated expert is best placed to deal with all challenges arising in the area of climate change risk alone, when in practice a range of expert inputs will likely be required to effectively oversee the identification and management of such risks.⁶

Our proposed alternative

While we do not agree with the proposal contemplated by Item 1501(a)(1)(ii), we are supportive of the approach laid out in Item 1501(a)(1)(i) and (iii)-(v) as well as Item 1501(a)(2) and (b). In our view, information around climate risk expertise should relate to the relevant governance body charged with oversight of climate-related risks and opportunities. We respectfully suggest that the Commission consider requiring an entity to disclose information about the governance body or bodies with oversight of climate-related risks and opportunities, and information about management’s role in those processes. An entity could be required to disclose, among other things:

- the identity of the body responsible for oversight of climate-related risks and opportunities;
- how the body’s responsibilities for climate-related risks and opportunities are reflected in the entity’s terms of reference, board mandates and other related policies;
- how the body ensures that it receives adequate information to enable it to formulate strategies and make decisions in order to respond to climate-related risks and opportunities in an effective manner; and
- how the body ensures that the appropriate skills and competencies are available to oversee strategies designed to respond to climate-related risks and opportunities.

⁶ For the reasons set out above, we are not supportive of the designation of a single “climate change expert”. However, should the proposal be adopted as currently drafted, we would have additional concerns around the potential enhancement of scrutiny and exposure to liability for the identified expert. In particular, we note that the Proposed Rule does not address liability under Section 11 of the Securities Act of 1933. In our view, any such designated board member should not be subject to any additional or “expert” liability under the US federal securities laws.

This approach, which broadly aligns with the draft ISSB climate-related disclosure standards, would take the focus away from a single individual, and encourage a more expansive approach to ensuring that a registrant maintains appropriate climate change expertise and complementary skillsets across its relevant governing bodies.

3.3.3 Approach to the disclosure of climate-related physical risks:

Our concerns with the Proposed Rule

We respectfully note that the SEC Proposal takes what we believe to be a highly prescriptive approach to the disclosure of physical risks. In our view, an overly prescriptive approach may lead to an unnecessary granularity in disclosure, subjecting registrants to unduly burdensome requirements while providing only limited benefits to investors. We believe that physical risks reporting should accord to the standards appropriate for each business, ensuring that the relevant disclosure provides contextualised information (including about the standards used) to investors.

By way of example, we are concerned about the proposed disclosure requirements relating to flooding and the location of assets in regions of high or extremely high water stress. Many businesses such as ours already have sophisticated systems in place to identify and manage risks of this type, and their approaches vary depending on what is most appropriate for the regions and sectors in which they operate. In some cases, businesses may be making these assessments on a basis which is more comprehensive than that contemplated by the SEC Proposal. For example, we have built our own approach to identifying areas of water stress and relevant contributing factors, expanding on recognised Water Resource Institute definitions, because we believe this enables more effective management of water risk and better stewardship.

Our Proposed Alternative

We believe the Commission should encourage registrants to disclose information on climate-related physical risks in a way that is appropriate to their business and permits the inclusion of narrative disclosures to contextualise the information provided. While we acknowledge that the Proposed Rules do not prohibit such narrative explanation, the inclusion of what we consider to be overly-prescriptive disclosure requirements tend to encourage disclosure of a more “tick the box” nature, rather than providing a fulsome account of climate-related physical risks.

3.4 We respectfully encourage the Commission to continue to seek alignment between the Proposed Rules and ISSB Standards, and provide that foreign private issuers reporting against such standards be deemed to satisfy the requirements of the Proposed Rules

As noted at the start of this letter, we believe that, as a way of advancing the goal of greater harmonisation of climate-related disclosure across jurisdictions, the Commission should continue to work closely and align with the ISSB. We note and support the recent communication from the ISSB confirming that the SEC has joined a group of jurisdictional representatives who have the stated objective to enhance compatibility between the ISSB’s proposed framework for climate-related disclosure and ongoing jurisdictional initiatives, such as the SEC Proposal. Of course, we fully support the Commission’s efforts to date to ensure that the Proposed Rules do not conflict with other reporting regimes, including the ISSB.⁷

⁷ SEC Aims for Harmony With Global Standards on Climate Reporting, Bloomberg Law, May 19, 2022, available at https://news.bloomberglaw.com/esg/sec-aims-for-harmony-with-global-standards-on-climate-reporting?utm_source=rss&utm_medium=CTNW&utm_campaign=00000180-dd7f-d649-abbf-dfff6ed80001.

As noted earlier, we kindly urge the Commission (in addition to seeking to align the final form and any future versions of the Proposed Rules with ISSB standards to the greatest extent possible) to revise the Proposed Rules to provide that foreign private issuers subject to Alternative Regimes deemed by the Commission to be substantially similar to the requirements of the Proposed Rules (once issued in final form) are able to satisfy their disclosure obligations by complying with such regimes. As the Commission will be aware, this is a well-established practice that works well in other reporting areas. By way of example, foreign private issues are currently allowed to defer to their home country rules with regards to corporate governance requirements. Similarly, foreign private issuers are also permitted to report in accordance with IFRS without the need for a reconciliation to US GAAP.

More specifically, and for the reasons described in this letter, we believe that climate-related disclosures made pursuant to sustainability disclosure standards developed by the ISSB should be deemed to be an acceptable Alternative Regime.

In response to certain of the SEC's specific requests for comment in this regard, we provide the following:

- *Comment Request 184:* If we adopt an alternative reporting provision, should we specify certain minimum standards that the alternative reporting regime must meet in order to be recognised and, if so, what standards?

Response:

We respectfully submit that instead of requiring that an alternative reporting regime maintains certain prescribed minimum standards, the Commission could articulate the minimum standards with which a foreign private issuer must comply in order to report in compliance with an Alternative Regime. For example, were the ISSB standards to be implemented in such a way as not to require independent attestation of Scope 1 and Scope 2 greenhouse gas emissions, the Commission could make it a condition of complying with ISSB standards *in lieu* of the SEC Proposal that the registrant provide an independent attestation of its Scope 1 and Scope 2 greenhouse gas emissions. In this way, the SEC can ensure that the most material elements of the Proposed Rules will be satisfied by all registrants, while not imposing on foreign private issuers subject to multiple regulatory regimes the burden of mapping out all of the nuanced and less material differences that might exist between the Proposed Rules and an Alternative Regime.

- *Comment Request 187:* If we adopt an alternative reporting provision, should we require a registrant using that system to: (i) state in the filing that it is relying on this alternative reporting provision; (ii) identify the alternative reporting regime for which the climate-related disclosure was prepared; and (iii) identify the exhibit number of the filing where the alternative disclosure can be found?

Response:

We respectfully submit that a registrant publishing disclosure in compliance with an Alternative Regime could be required to (i) identify the relevant Alternative Regime for which its climate-related disclosure was prepared, (ii) state in its filing that it is relying on such regime and (iii) identify the exhibit number of the filing where the alternative disclosure can be found.

4 Conclusion

In conclusion, Diageo fully supports the Commission's efforts to provide investors with consistent, comparable, and reliable information on climate change-related issues. We believe significant science-based action is needed to create a sustainable low-carbon future and that high-quality, decision-useful disclosures are a key element that can help drive that action. Moreover, we strongly believe that greater harmonisation across sustainability-related disclosure frameworks is a crucial component that will benefit both investors and issuers, and therefore we urge the Commission to explore all possible opportunities for alignment with the proposed ISSB standards. As noted above, we respectfully submit that this should include certain revisions to the SEC's proposed approach, including making changes to provide an exemption to foreign private issuers making disclosures under a substantially similar Alternative Regime.

We would be pleased to respond to any enquiries regarding this letter or our views on the SEC Proposal generally. Please contact the undersigned at Diageo (tel: [REDACTED]) if you would like to discuss any of these matters.

We thank the Commission in advance for considering our and others' comments on the SEC Proposal.

Yours sincerely,



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