GREIF
PACKAGING SUCCESS TOGETHER®

August 7, 2023

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Re: Proposing Release: Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations and Other Related Amendments; PCAOB Rulemaking Docket Matter No. 051

Dear Office of the Secretary:

Thank you for the opportunity to respond to the Public Company Accounting Oversight Board's proposing release, *Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations and Other Related Amendments ("proposed amendments" or "NOCLAR proposal").* Greif, Inc. ("Greif," the "Company," "we," "our") is a leading global manufacturer of industrial packaging and services with operations in over 35 countries with sales for the fiscal year ending October 31, 2022 of $6.3 billion and total assets of $5.5 billion. Greif is publicly traded on the New York Stock Exchange (NYSE: GEF, GEF.B).

As a Company subject to audit by an independent registered public accounting firm subject to PCAOB regulation, we have concerns over the scope and cost of the proposed amendments. We believe the level of additional audit effort and cost will greatly outweigh the purported benefits. Our response focuses on three primary areas of concern:

1. We believe the scope is too broad and addresses issues far beyond the purpose of a financial statement audit.
2. We believe the requirement to investigate and communicate matters regardless of perceived materiality is inconsistent with principles of the financial statement audit process.
3. We expect the cost of implementing the proposed standard will be significant, and we believe these costs greatly outweigh any potential benefits to investors.

Proposed scope

As a multinational public company, we are subject to thousands of laws and regulations in hundreds of legal jurisdictions (countries, states, provinces, cities, counties, and the like). The vast majority of these laws and regulations are not directly relevant to financial reporting and are unlikely to ever be material to the financial statements.

The proposed amendments would require our auditor to spend countless hours inventorying and understanding all the various laws and regulations applicable to the Company. This will also require subject matter expertise that is well beyond the knowledge and technical expertise of financial statement auditors (e.g., in areas such as environmental, safety, quality, human resources, and legal compliance).

To the extent noncompliance in these areas poses a financial penalty or risk to the financial statements, the existing US GAAP accounting and disclosure framework already contemplates management's process to evaluate and respond to those risks (and the auditor's requirements to evaluate that assessment). This includes management's internal control framework for risk assessment, as well as guidance on loss contingencies in existing U.S. GAAP and regulations of the Securities and Exchange Commission.

Further, we do not believe it is the auditor's role to determine whether noncompliance has occurred. This is a management function carried out by the subject matter experts in the specific regulatory area. Requiring the external auditor to independently investigate and second guess management has never been the purview of financial statement auditors, except as noted in the current standards with respect to laws and regulations that have a direct and material effect on the financial statements. Compliance assessments are best left to the regulatory government agencies that are subject matter experts and company management that is responsible for ensuring compliance. External audit oversight should only be required with respect to the direct and material impacts of noncompliance with laws and regulations on financial reporting.

Consideration of immaterial matters

We believe requiring the external auditor to investigate and communicate likely instances of noncompliance with laws and regulations, regardless of materiality, is not the core purpose of the external audit. Materiality is a foundational concept in the audit process that provides a lens in which auditors can evaluate whether a matter is likely to influence the decisions of financial statement users and, therefore, requires attention. This is a necessary concept to allow for the efficient execution of audits within tight reporting deadlines at a reasonable cost. We do not believe there is any meaningful benefit to the substantial cost of an auditor spending time, and further diverting management attention, in investigating and responding to items that are clearly not material to financial reporting.

We also do not agree with the proposed requirement that immaterial noncompliance with laws and regulations be communicated to the audit committee. This group is already tasked with providing oversight in an ever-increasing and complex business environment. Diverting attention from material matters to consider and respond to matters that are clearly immaterial may increase the risk that material matters are not given enough attention by audit committees.

Costs of implementation

The proposed standard states that the increased audit effort may be considerable, and the costs associated with the proposal may be substantial. We agree with this assessment and expect that our audit costs would significantly increase. Further, significant internal resource time and attention of management and outside experts will be needed to adequately respond to the additional auditors and audit requests. We are concerned that the time and attention of our operational specialists charged with compliance with laws and regulations, such as environmental, health, safety, and employee relations, will be diverted in addressing audit requests that are related to indirect and immaterial matters from a financial statement perspective. This will require the Company to expand resources, at significant cost, to ensure we can still give proper time and attention to the already existing regulations and governing bodies in those areas.

Greif has never had a violation of a law or regulation that has had a material impact to our financial statements. Our experience suggests that the vast majority of companies are in a similar situation, and yet will have to incur significant incremental annual costs for further auditing processes which we believe to be outside the scope of the financial statement audit and are already working properly. The proposed standard seems to penalize the majority of companies doing the right thing in an attempt to detect a small minority of companies attempting to circumvent laws or regulations.

We commend the PCAOB for its work in addressing the problems that gave rise to its creation. We believe the quality of financial reporting, and the processes and controls within organizations, have been greatly enhanced by this work. However, with respect to the proposed standards, we believe any theoretical benefit that may arise from the assessment and disclosure of indirect and immaterial items is far outweighed by the practical certainty that this new standard will radically increase costs and management and auditor attention and resources. In other words, the proposed standard starts the industry down the path of diminishing marginal returns.

We would be pleased to discuss our comments with you at your convenience. Please feel free to call me at 614-499-4485.

Sincerely,

Michael J Taylor

Michael Taylor
Vice President, Corporate Controller and Chief Accounting Officer