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Submitted electronically via www.sec.gov/rules/submitcomments.htm

June 17, 2022

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

RE: File Number S7-10-22; Proposed Rule on The Enhancement and Standardization of Climate Related Disclosures for Investors

Dear Ms. Countryman,

The National Grain and Feed Association (NGFA), American Feed Industry Association (AFIA), and North American Millers' Association (NAMA) submit this joint statement in response to the Securities and Exchange Commission's (SEC) request for public comment as published in the ***Federal Register*** on April 11, 2022, related to its proposed rule that would amend the Securities Act of 1933 and Securities Exchange Act of 1934 to require SEC registrants to provide certain climate-related information in their registration statements and annual reports.

AFIA, based in Arlington, Va., is the world's largest organization devoted exclusively to representing the business, legislative and regulatory interests of the U.S. animal food industry and its suppliers. AFIA's members include over 650 domestic and international companies, such as livestock feed and pet food manufacturers, integrators, pharmaceutical companies, ingredient suppliers, equipment manufacturers and supply companies that provide other products or services to feed manufacturers. More than 75 percent of the feed in the United States is manufactured by AFIA members. AFIA's members also manufacture approximately 70 percent of the country's non-whole grain ingredients, including soybean meal, distillers co-products, vitamins, minerals, amino acids, yeast products and other miscellaneous and specialty ingredients.

NGFA, established in 1896, consists of more than 1,000 grain, feed, processing, exporting and other grain-related companies that operate more than 8,000 facilities and handle more than 75 percent of all U.S. grains and oilseeds. Its membership includes grain elevators, feed and feed ingredient manufacturers, biofuels companies, grain and oilseed processors and millers, exporters, livestock and poultry integrators, and associated firms that provide goods and services to the nation’s grain, feed and processing industry. NGFA also consists of 27 affiliated State and Regional Grain and Feed Associations.

NAMA represents millers of wheat, corn, oats, and rye in the U.S. and Canada. NAMA has 37 members with 149 locations across 31 states, Puerto Rico, and Canada, and represents the milling industry before the White House, federal agencies, and Congress.

Members of our organizations include both SEC- and non SEC-registrant companies that would be substantially affected by requirements proposed within SEC’s rule.

As indicated by SEC, the goal of the proposal is to enhance and standardize climate-related disclosures so as to provide investors with decision-useful information about the impact of climate-related risks on current and potential investments. To do so, the proposed rule would require information about an SEC registrant’s climate-related risks that are reasonably likely to have a material impact on its business, results of operations, or financial condition. This required information about climate-related risks also would include disclosure of a registrant’s greenhouse gas (GHG) emissions, including direct emissions (Scope 1), indirect emissions from purchased electricity or other forms of energy (Scope 2), and emissions from upstream and downstream activities in its value chain (Scope 3), if material or if the registrant has set a GHG emissions target or goal that includes Scope 3 emissions. Within this statement, our organizations will limit comments to the proposed Scope 3 GHG emissions reporting requirements.

Under the proposal, SEC would require certain registrants to disclose Scope 3 emissions, both disaggregated by each constituent GHG and in the aggregate expressed in terms of carbon dioxide equivalents, if the registrant determines such emissions are material or if the registrant has set a GHG emissions reduction target or goal that includes its Scope 3 emissions.

If required to disclose Scope 3 emissions, the registrant under the proposed rule is to:

- Identify the categories of upstream or downstream activities that have been included in the calculation of the Scope 3 emissions;
- Describe the data sources used to calculate the Scope 3 emissions, including the use of any of the following:
    - Emissions reported by parties in the registrant’s value chain, and whether such reports were verified by the registrant or a third party, or unverified;
    - Data concerning specific activities, as reported by parties in the registrant’s value chain; and
    - Data derived from economic studies, published databases, government statistics, industry associations, or other third-party sources outside of a registrant’s value chain, including industry averages of emissions, activities, or economic data.

- Describe the methodology, significant inputs, and significant assumptions used to calculate its GHG emissions, including organizational and operational boundaries;
- Include, in addition to Scope 3 emissions from activities in its value chain, GHG emissions from outsourced activities that the registrant may have previously conducted as part of its own operations; and
- Describe any significant overlap in the categories of activities producing the Scope 3 emissions within its value chain, and how it accounted for such overlap.

As SEC proceeds with its rulemaking, our organizations encourage the Commission to consider the following concerns related to requiring Scope 3 emissions disclosures.

- **SEC's proposed rule will expand Scope 3 emissions reporting, creating burdens on value chain participants.** Existing rules already require SEC-registered companies to disclose material risks regardless of the source or cause of the risk. To support reporting of climate-related material risks, SEC issued guidance in 2010 to help companies think about how to apply existing disclosure rules in the context of climate change. Since the 2010 guidance was issued, some companies routinely have disclosed climate-related information in SEC filings under the current rules.

  However, SEC now generally suggests within its proposed rule that Scope 3 emissions are material for most registrants, stating "Given their relative magnitude [Scope 3 emissions], we [SEC] agree that, for many registrants, Scope 3 emissions may be material to help investors assess the registrants' exposure to climate-related risks, particularly transition risks, and whether they have developed a strategy to reduce their carbon footprint in the face of regulatory, policy, and market constraints." SEC also states, "While we [SEC] are not proposing a quantitative threshold for determining materiality, we note that some companies rely on, or support reliance on, a quantitative threshold such as 40 percent when assessing the materiality of Scope 3 emissions." Related to a quantitative threshold, our organizations note it is widely recognized that Scope 3 emissions for an SEC-registrant company involved in food production exceed 40 percent.

  Such positions expressed by the Commission in the proposed rule undoubtedly will lead to more registrants determining Scope 3 emissions are material and need to be reported, resulting in an increased burden not only on registrants, but also on their value chain participants. Our organizations believe that under an essentially mandatory and expanded Scope 3 reporting requirement, registrants will request and expect robust emissions data from value chain participants to support their Scope 3 reporting. These expectations will transfer the reporting burden and associated costs to value chain participants who in many cases currently do not have the resources or expertise to provide such information. When estimating the incremental and aggregate burden and costs for the proposed requirements, SEC does not consider those that would be placed on non-registrants that are a participant of a registrant's value chain. These burdens and costs likely will greatly exceed those for registrants.

- **Calculating Scope 3 emissions is inherently challenging.** In its proposal, SEC states "Scope 3 emissions typically result from the activities of third parties in a registrant's value chain and thus collecting appropriate data and calculating these emissions would potentially be more difficult than for Scopes 1 and 2 emissions." In contrast to SEC's statement, our organizations believe that calculating Scope 3 emissions is widely recognized as being inherently much more difficult than determining Scopes 1 and 2 emissions, and calculating such emissions requires significant personnel, resources, expertise, and data management. Among the challenges associated with calculating Scope 3 emissions are: 1) collecting relevant and sufficiently granular data from value chain participants; 2) determining an appropriate methodology to account for data gaps; and 3) identifying overlaps in value chain categories and avoiding double counting of emissions. Due to these inherent challenges, modeling with use of assumptions often is used to calculate Scope 3 emissions. This brings varying levels of uncertainty to the calculation, and can undermine the ability to make meaningful comparisons between various Scope 3 values that may be reported.

- **Data collection for Scope 3 reporting raises significant privacy issues.** SEC seeks comment in its proposal as to whether emissions data should be grouped by zip code for each scope. We believe this potential level of granularity in data collection creates significant concerns about how private data and personal information would be protected, especially in rural areas. Establishing a regulatory requirement that necessitates disclosure of private information by participants within a registrant's value chain could constitute a substantial and unwarranted invasion of privacy.

- **Scope 3 reporting requirements will promote consolidation within the value chain.** If existing value chain participants of a registrant are unable to provide emissions data for Scope 3 reporting, registrants likely will seek out other participants who can. This type of exchange will disproportionally affect small- and mid-sized value chain participants that are less likely to have the resources and expertise required for Scope 3 emissions reporting and drive consolidation within the value chain. Consolidation within the agriculture sector can harm rural economies, reduce competition, and negatively affect market efficiency.

- **Scope 3 reporting requirements create potential liability issues for value chain participants.** Disclosures of Scope 3 emissions would be deemed fraudulent by SEC if such disclosures were made or reaffirmed without a reasonable basis or were disclosed other than in good faith. However, what constitutes a "reasonable basis" or "other than in good faith" is unclear. Since Scope 3 includes emissions from value chain participants, liability associated with satisfying the "reasonable basis" or "in good faith" standards for such reporting inherently extends throughout the value chain. This potential liability adds yet another layer of burden and cost to value chain participants.

Concluding Statement

Our organizations believe that SEC's proposed Scope 3 emissions reporting requirements would have a significant impact on participants within a registrant's value chain. We urge SEC to not proceed with mandating Scope 3 emissions reporting until the Commission conducts broad stakeholder engagement with the agricultural community and adequately addresses the concerns of value chain participants.

Sincerely,

Michael J Seyfert

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National Grain and Feed Association

Constance Cullman

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