Dear Chair Gary Gensler,

Thank you for giving me the opportunity to comment on the Proposed Rule S7-10-22. Please find my comments on four of the “Request for Comment” questions of the Proposed Rules.

1- Request for Comment No: 2 (On how investors will utilize the disclosures)
2- Request for Comment No: 9, (on the definition of climate-related risks)
3- Request for Comment No: 13, (on the assessment of physical risks)
4- Request for Comment No: 20, (on business operations, strategy, or business model)

Please feel free to let me know, if any clarification is required.

Kind regards,
Ertan Kucukyalcin

1- Request for Comment No: 2 (On how investors will utilize the disclosures)

Comment: The Proposed Rules acknowledges that the requested “…information can have an impact on public companies’ financial performance or position and may be material to investors in making investment or voting decisions …” (Proposed Rules Introduction, p. 7). This passage points out to two interrelated dimensions. On the one hand, it is about the impact of climate-related risks on public companies and on the other hand the decisions of the investors. Our question is how we can connect the two dimensions.

- Investors want to maximize the value of their investments. This is calculated as the present value of all future free cash flows, which is a function of the future profits, dividend payout ratio (DPR) and cost of equity (We refer to DDM, as it is the simplest form for valuation. https://pages.stern.nyu.edu/~adamodar/pdfiles/valn2ed/ch13.pdf )
- The climate-related risks are -as defined in the Proposed Rules- can be Physical or Transition risks. (See pages 57-58 of the Proposed Rules for definitions)

Combining those two dimensions, the SEC may ask Registrants to provide qualitative & quantitative information to investors, so that they can better make decisions which “they believe” will maximize the value of their investments. Combining the two dimensions in a tabular way, will make information comparable across Registrants, and consistent over time. Below is such a table where registrants may fill in and disclose.

<table>
<thead>
<tr>
<th>Physical risks</th>
<th>Impact on Total Revenues</th>
<th>Impact on Total Costs</th>
<th>Impact on Dividend Payout Ratio</th>
<th>Impact on Cost of Equity</th>
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<td>Chronic</td>
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<td>Impact of laws &amp; regulations</td>
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<td>Imposition of a carbon price</td>
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<td>Changing demands or preferences of consumers</td>
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<td>Changing demands or preferences of investors</td>
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<td>Changing demands or preferences of employees</td>
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<td>Changing demands or preferences of business counterparties</td>
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Other Transition Risks


2- Request for Comment No: 9, (on the definition of climate-related risks)

**Comment:** We propose that the Rules explicitly clarify the “direction of causality” of impact. One direction is the impacts of environment on the Registrant, and the second is the impact of Registrant on environment. The Proposed Rules, explicitly adresses the former. However, many people understand the latter; Registrants’ impact on the environment. We recommend that that divergent understanding of the term “climate-related” should be explicitly clarified by the Proposed Rules. Otherwise, it will be difficult, if not impossible, to have a meaningful conversation between the Registrant and some of their stakeholders.

We can additionally assume that, by referencing the “Transition Risks”, the Proposed Rules also adresses the latter, however this is “implied” rather than being explicit.

3- Request for Comment No: 13, (on the assessment of physical risks)

**Comment:** Most of the Registrants will not have the required skillsets & experience in determining if flooding (or similar environmental impacts) are material. The profession that best suits to that task is the insurance. We recommend, Registrants obtain “evaluation reports” from the insurance companies (Registrants may decide whether to buy or not the insurance policy, however the premium level as compared to the asset value will signal the existing risk). Utilizing the services of Insurance providers will increase comparability, consistency and reliability by;

a. Enabling the Board to discharge its responsibility, with a third party assurance
b. Enabling boards to decide whether to buy or not an insurance policy
c. Enabling investors to better assess the risks, and hold the Board accountable for insuring risks,
d. Better skilled & experienced professionals to providing the assesment,
e. Allowing comparability among different Registrants, as the insurance companies will use standard assumptions (scenarios) for different Registrants.

4- Request for Comment No: 20, (on business operations, strategy, or business model)

**Comment:** We believe, one unintended consequence of the Proposed Rules will be an increase in divestures of certain assets by Registrants. This may happen in cases where the Boards of Registrants may feel it safer to get rid of those assets rather than a need to disclose risks associated with them. For example, we may see a Registrant in the Oil & Gas sector choosing to sell certain oil reserves. Registrant may disclose better reports, but the net effet on environment will be neutral. Even could be worse, as it will be more difficult to monitor non-listed companies (These assets will probably be sold to non-public companies). Therefore, a question to be answered remains; “Is this potential outcome a preferred one?”.

**Additional Note:** In parallel, we may also observe an increase in outsourcing by Registrants. This may allow them to transfer Scope 1 & 2 emissions to Scope 3 type. This may pose another unintended consequence going forward.