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

Re: File No. S7-10-22

June 17, 2022

Dear Ms. Countryman:

Stanford Management Company ("SMC"), the office within Stanford University that oversees the University’s $40 billion investment portfolio, respectfully submits the following comments in support of the U.S. Securities and Exchange Commission’s proposal for The Enhancement and Standardization of Climate-Related Disclosures.

SMC’s investment objective is to maximize risk-adjusted returns over long periods of time to support current and future generations of Stanford students and scholars. Additionally, in June 2020, the University committed to achieving net-zero carbon emissions for its investment portfolio by 2050. In our investment approach, investment decisions about specific securities are primarily made by carefully selected external partners. We expect our partners to consider climate change risks and carbon externality costs when investing Stanford’s capital, and SMC, in turn, evaluates their approach to these issues when selecting partners and allocating capital among them.

SMC needs consistent, comparable, and reliable climate-related disclosures on a global basis to evaluate investments and measure the carbon footprint of Stanford’s investment portfolio. Company-level disclosures of Scope 1 and Scope 2 emissions are necessary to provide sufficient insight into SMC’s actively managed investment portfolio. Even if a company does not consider its greenhouse gas emissions to be material to its own operations, in aggregate, this information helps SMC measure and manage climate change risk across its portfolio. We anticipate SMC’s need for this disclosure will last for decades, as it may take parts of the global economy many years to transition to low or no net emissions.
Ideally, SMC would consider Scope 3 emissions to enable a more holistic view of a company’s overall generated emissions. However, generating sufficiently widespread and granular Scope 3 reporting presents significant practical and methodological limitations. First, many companies are likely to rely, at least in part, on industry average data to estimate emissions along their value chain. Industry averages have limited value to investors seeking to distinguish between companies and could distort microeconomic incentives. Second, it is nearly impossible to avoid duplicative counting of emissions when aggregating Scope 3 emissions across a large portfolio of underlying securities. We recommend the Commission only require Scope 3 reporting once further progress has been made to address these issues, and we note that researchers, including faculty at Stanford University, are working to develop improved methodologies.

The Commission’s draft proposal represents an important step toward addressing the information SMC requires. Requiring climate-related disclosures in registration statements and periodic reports, such as the Form 10-K, will increase the availability, consistency, and reliability of this information. Additionally, the Commission’s decision to align its proposal with recognized disclosure standards such as the Greenhouse Gas Protocol and The Task Force on Climate Related Financial Disclosure recommendations will improve comparability across Stanford’s global portfolio.

We thank the Commission for giving us the opportunity to comment on this proposal.

Sincerely,

Robert F. Wallace
CEO, Stanford Management Company