

June 17, 2022  
*By Internet Submission*

Ms. Vanessa A. Countryman  
Secretary  
U.S. Securities & Exchange Commission  
100 F Street NE  
Washington DC 20549-1090

Re: File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors (the “Proposed Rule”)

Dear Ms. Countryman:

I’m writing today to express my strong support for the Securities & Exchange Commission (“SEC”) Proposed Rule to require publicly traded companies to disclose climate-related financial risk information (S7-10-22). Climate change is already impacting or is expected to impact nearly every facet of the U.S. and global economy, including energy production, infrastructure, agriculture, residential and commercial property, and product supply chains, as well as human health and labor productivity. Climate change poses major risks to companies and their investors, including physical risks to real assets due to increasing frequency and severity of extreme weather events and transition risks posed by changes in regulation, technology, and market preferences as we shift to a net zero economy. Investors need transparent information about climate-related investment risks.

In addition to expressing my support, I would like to give some feedback on Proposed Rule.

In the energy, mining, and chemicals sectors, greenhouse gas emissions from joint ventures (JVs) and non-operated assets are not regularly disclosed, despite comprising a significant part of emissions from companies. Global energy companies like Shell, ExxonMobil, and Chevron have ownership interests in a vast portfolio of production assets in which they have stake but are controlled and operated by other third parties. These non-operated assets are estimated to comprise on average 40% of supermajor production. In mining, an industry responsible for 4-7% of global GHG emissions, JVs and non-operated assets account for more than 40% of the current production at the 10 largest mines in the world for numerous commodities, including minerals key to the clean energy transition, such as cobalt, copper, lithium, and nickel.

External stakeholders are recognizing the accountability gap that exists with non-operated assets. In 2020, the Environmental Defense Fund and Rockefeller Asset Management published a report that most international energy companies fail to report methane emissions from their non-operated JVs, creating an “emission omission.”<sup>1</sup> Among large public companies in the energy, mining, and chemicals sectors, only a small percentage provide any ESG reporting about their JVs and non-operated assets.

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<sup>1</sup> See <https://business.edf.org/insights/emission-omission>

And when companies do provide such reporting, it is often spotty, covering a single ESG metric, and not the seven constituent greenhouse gases required to be disclosed by the Proposed Rule.

I recognize that quantifying Scope 3 emissions is difficult. Supply chains are global and multilayered. But this challenge is a feature, not a drawback, of the Proposed Rule. Climate change is a global issue, and the Proposed Rule will have a global impact. The more disclosure of and visibility into greenhouse gas emissions, the more likely that companies and investors will work to reduce such emissions. Many of the comment letters you received in 2021 recognize the importance of Scope 3 emissions in disclosure.

I strongly urge that the SEC adopt a requirement mandating that all registrants disclose Scope 1, 2 and 3 greenhouse gas emissions, without regard to any materiality qualifier. However, I do understand that a carveout for smaller reporting companies based on disproportionate cost / benefit analysis may make sense.

A few suggestions that may make the Scope 3 emissions disclosure requirements easier to implement by registrants:

- Address the challenges that will arise from the use of different reporting periods by a registrant and its suppliers and customers.
- Acknowledge that registrants are likely to apply a wide range of methodologies to the calculation of Scope 3 emissions data and may have gaps in their ability to collect reliable information.
- Permit climate disclosures to be filed by amending the annual report, with a separate deadline such as 120 days after year-end, analogous to the way proxy disclosures are incorporated in an annual report on Form 10-K to allow for more time to collect Scope 3 data.

Separately, I want to applaud the Proposed Rule focus on governance. Management engagement with corporate boards on target setting and risk management, and how the company is showing progress against its plan is important.

I also respectfully request the SEC to consider similar disclosure requirements that address the social assets of ESG, including disclosure on community impact and human rights, workplace health and safety, and diversity and inclusion.

I appreciate your consideration of my comments on the Proposed Rule. I urge the SEC to finalize the Proposed Rule as quickly as possible. Please note that the views expressed in this letter are my own and do not represent the views of my employer or any other party.

Very truly yours,

Neetin Gulati  
New York, NY