



# National Milk Producers Federation

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June 16, 2022

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

**RE: Proposed Rule on the Enhancement and Standardization of Climate-Related Disclosures for Investors (File No. S7-10-22)**

Dear Ms. Countryman:

The National Milk Producers Federation (NMPF) is pleased to submit the following comments on “The Enhancement and Standardization of Climate-Related Disclosures for Investors” (File Number S7-10-22).

The National Milk Producers Federation, established in 1916 and based in Arlington, VA, develops and carries out policies that advance the well-being of dairy producers and the cooperatives they own. The members of NMPF’s cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of dairy producers on Capitol Hill and with government agencies. NMPF provides a forum through which dairy farmers and their cooperatives formulate policy on national issues that affect milk production and marketing.

The U.S. dairy industry has a demonstrated commitment to sustainability spanning decades, as evidenced by the progress we have made in reducing our environmental footprint as well as in the resources we have devoted to programs, research, and services to continue that journey. By 2007 producing a gallon of milk used 90 percent less land and 65 percent less water, with a 63 percent smaller carbon footprint than in 1944.<sup>1</sup> And in 2017, producing a gallon of milk required 30 percent less water, 21 percent less land, and a 19 percent smaller carbon footprint than it did in 2007.<sup>2</sup>

As part of its collective commitment to provide the world responsibly-produced dairy foods that nourish people, strengthen communities and foster a sustainable future, the

<sup>1</sup> Capper, J.L., R.A. Cady, D.E. Bauman The environmental impact of dairy production: 1944 compared with 2007. 2009. Journal of Animal Science. 87:6 Pp 2160–2167. <https://doi.org/10.2527/jas.2009-178> 1

<sup>2</sup> Capper, J.L., and R.A. Cady. 2020. The effects of improved performance in the U.S. dairy cattle industry on environmental impacts between 2007 and 2017. Journal of Animal Science. 98:1. Pp.1-14. <https://doi.org/10.1093/jas/skz291>

U.S. dairy industry has **set aggressive new environmental sustainability goals to become greenhouse gas neutral or better, optimize water usage and improve water quality by 2050.**<sup>3</sup>

To reach these 2050 goals, the U.S. dairy industry will need to identify technological and other advancements that can accelerate improvements, enabling nimble adaptation and focusing on technology and practices that can be scaled for maximum impact. To meet these challenges, we have mobilized through the Net Zero Initiative (NZI) a partnership of the U.S. dairy community<sup>4</sup> that seeks to unite the assets and expertise of trade, professional and industry organizations in a collaborative effort to create a path and growing portfolio of strategies and programs to achieve carbon neutrality, as well as significant improvements in water quality, through adoption of economically viable technologies and practices. Featured NZI programs and partnerships include:

- Dairy Soil & Water Regeneration<sup>5</sup>: This \$23.2 million research program involves eight farms, spread across the four major dairy regions, and eight research institutions. It focuses on three dairy feed production research gaps:
  - Soil carbon sequestration for regional dairy feed rotations
  - Environmental, agronomic and delivery outcomes of new manure-based fertilizer products
  - Soil health and water benefits
- Dairy Scale for Good: This initiative partners with commercially operating dairies to demonstrate the ability to significantly reduce greenhouse gas emissions and improve water quality and quantity, while increasing and diversifying on-farm revenue. Nestlé and Starbucks have both launched on-farm pilots in partnership with the DS4G initiative. To achieve all of this, the initiative will pursue:
  - New technology and practice change due diligence
  - Profit and loss modeling
  - De-risking through demonstration
  - Ecosystem services market building
- Greener Cattle Initiative<sup>6</sup>: The Greener Cattle Initiative is an industry-oriented research consortium that supports the development of commercially feasible solutions to reduce methane emissions from dairy and beef cattle. The program is a

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<sup>3</sup> Innovation Center for U.S. Dairy. 2020. New Environmental Goals Including Carbon Neutrality and Cleaner Water with Maximized Recycling by 2050.

<https://www.usdairy.com/sustainability/environmental-sustainability>

<sup>4</sup> <https://www.usdairy.com/getmedia/89d4ec9b-0944-4c1d-90d2-15e85ec75622/game-changer-net-zero-initiative.pdf?ext=.pdf>

<sup>5</sup> <https://foundationfar.org/news/ffar-grant-enhances-dairy-industry-sustainability/>

<sup>6</sup> <https://foundationfar.org/consortia/greener-cattle-initiative/>

vehicle for collaboration and exposure to new ideas while leveraging resources and de-risking R&D. It focuses on:

- Feed additives
  - Genetics
  - Feed reformulation
  - Technology
- Dairy Feed in Focus Program<sup>7</sup>: To support the U.S. Dairy Net Zero Initiative (NZI), the Dairy Feed in Focus Program (FiF) is developing a replicable program and toolset to scale the adoption of best management practices in feed/forage production and feed efficiency for feed and forage grown on the dairy farm. These practices are expected to result in significant benefits for climate change mitigation, soil health, and water quality on dairy farms of all sizes. This program provides data tracking; technical support regarding best management practices (BMPs) implementation; monitoring, reporting and verification; and incentivize payments for participating farmers who adopt conservation practices.

One outcome of the dairy community's sustainability work has been to invest in a customer and consumer assurance program related to on-farm social responsibility. Created by NMPF, in partnership with Dairy Management Inc., the National Dairy FARM Program: Farmers Assuring Responsible Management™ functions *“to show customers and consumers that the dairy industry is taking the very best care of cows and the environment, producing safe, wholesome milk and adhering to the highest quality of workplace management.”*<sup>8</sup>. Launched in 2017, The FARM Environmental Stewardship (ES) platform provides a comprehensive estimate of GHG emissions and energy use on dairy farms with a suite of tools and resources for farmers to measure and improve their footprint.<sup>9</sup> FARM ES quantifies the cradle-to-farmgate GHG emissions associated with milk production. Organizations representing 80 percent by milk volume currently participate in FARM ES. To-date, over 2,600 on-farm assessments have been completed on dairies in 42 states ranging in size from 10 to over 35,000 lactating cows. FARM ES is the dairy community's platform for a consistent, unified approach to GHG measurement that is accessible to all dairy farmers. It provides the dairy community with farmgate GHG emissions results to enable aggregate Scope 3 reporting and address growing customer and consumer interests.<sup>10</sup>

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<sup>7</sup> [https://www.agri-pulse.com/ext/resources/AgSummit/FeedinFocus\\_Agri-Pulse2021.pdf](https://www.agri-pulse.com/ext/resources/AgSummit/FeedinFocus_Agri-Pulse2021.pdf)

<sup>8</sup> National Dairy FARM Program. 2020. <https://nationaldairyfarm.com/>

<sup>9</sup> FARM Environmental Stewardship. 2020. <https://nationaldairyfarm.com/dairy-farm-standards/environmental-stewardship/>

<sup>10</sup> FARM Environmental Stewardship. 2022. “Scope 3 Reporting Using FARM ES”. [https://nationaldairyfarm.com/wp-content/uploads/2022/03/FARM\\_Scope-3-Reporting-Using-ES\\_032522.pdf](https://nationaldairyfarm.com/wp-content/uploads/2022/03/FARM_Scope-3-Reporting-Using-ES_032522.pdf)

The FARM ES program is:

- Voluntary – The initiative is open and available to any U.S. dairy farmer, cooperative, and processor to participate.
- Science-based – Assessing on-farm greenhouse gas (GHG) emissions requires modeling. FARM ES leverages the scientific and research investments the dairy community has made in collaboration with other research institutions. It uses a scientific, peer-reviewed model based on IPCC Tier 2 methods and life cycle assessment (LCA) research.<sup>11</sup> The LCA was conducted in compliance with ISO 14040:2006 and 14044:2006 standards, with the exception that a single impact assessment method, global warming potential, was adopted.
- Aligned with recognized GHG accounting frameworks – FARM ES is the recommended tool for dairy co-ops and processors to use to assess the “Purchased Goods and Services” category of Scope 3 emissions as outlined in the Scope 3 Inventory Guidance for U.S. Dairy Cooperatives and Processors.<sup>12</sup> The Guidance has been reviewed by the GHG Protocol and is in conformance with the requirements set forth in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The GHG Protocol is heavily referenced within the SEC’s proposed rule.
- Focused on continuous improvement – FARM ES offers materials and resources to support farms in their continuous improvement journey. The dairy community approaches sustainability topics, including GHG emissions, in a precompetitive and non-prescriptive manner. Our program is neutral with regards to farm size, geography, and production style. We believe that every dairy farm is on its unique path toward continued progress in advancing positive environmental outcomes.

NMPF’s five years of experience in managing a Scope 3 GHG assessment and reporting tool means we are well-positioned to provide comments on the SEC’s proposed rule. Our comments focus on the Scope 3 emissions disclosure requirements under the proposed rule as this is the area most likely to impact dairy farmers and the dairy cooperatives that NMPF represents.

**We believe that it is premature to include Scope 3 emissions disclosure within the SEC climate-related disclosure rules.** The inclusion of Scope 3 emissions risks undermining the efforts the dairy industry has made toward developing trust and buy-in for a voluntary GHG assessment program. Ultimately, this could jeopardize our efforts to reach our 2050 target to be GHG neutral. A rule to mandate Scope 3 emissions

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<sup>11</sup> Thoma, Greg, et al. "Greenhouse gas emissions from milk production and consumption in the United States: A cradle-to-grave life cycle assessment circa 2008." *International Dairy Journal* 31 (2013): S3-S14. <https://www.sciencedirect.com/science/article/pii/S0958694612001975>

<sup>12</sup> The Innovation Center for U.S. Dairy. 2019. [https://www.usdairy.com/getmedia/f00e5bce-74bf-4388-a4d6-65bfd4e4ae7c/scope\\_3\\_ghg\\_inventory\\_guidance\\_for\\_u-s-\\_dairy\\_cooperatives\\_and\\_processors-\(1\).pdf?ext=.pdf](https://www.usdairy.com/getmedia/f00e5bce-74bf-4388-a4d6-65bfd4e4ae7c/scope_3_ghg_inventory_guidance_for_u-s-_dairy_cooperatives_and_processors-(1).pdf?ext=.pdf)

disclosure risks setting us back in garnering adoption for the following reasons:

- The dairy community is proud of the enrollment in the FARM ES program. To-date, over 2,600 on-farm assessments have been completed on dairies in 42 states ranging in size from 10 to over 35,000 lactating cows. However, the SEC proposed rule would result in companies pushing to accelerate the number and pace of on-farm assessments beyond staff and resource availability within the dairy supply chain to adequately respond.
- We have a robust program, but the responsibility of collecting and aggregating on-farm data has to-date rested on the shoulders of dairy farmers and their cooperative or processor without compensation from the companies that would be subject to the SEC proposed rules and that desire such data. The financial burden on dairy farmers and cooperatives is likely to be significant; and yet, these are not the organizations directly subject to the SEC proposed rules. Dairy farmers, cooperatives, and processors are indirectly impacted by the SEC proposed rules because they sell their products to registrants and will be asked to report Scope 3 emissions data. Smaller dairy cooperatives and processors generally lack the adequate staffing resources at their disposal to conduct on-farm GHG assessments, and thus stand to be highly impacted by the SEC proposed rules. SEC has not analyzed or taken into consideration the financial burden on dairy farmers, cooperatives, or processors that the SEC proposed rules will impose.
- While the proposed SEC rule suggests a safe harbor for Scope 3 emissions disclosure and does not require verification of such data, companies subject to the rule are likely to seek out additional Scope 3 data verification given the requirement to disclose: *“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.”*<sup>13</sup> In addition to the cost associated with additional verification, we fear that the pursuit of Scope 3 data verification will reverse our industry’s progress because the lack of qualified verifiers risks that unqualified individuals will attempt on-farm assessments, thereby reducing credibility with farmers and resulting in faulty data collection.

Our program today relies on trained, second-party evaluators to conduct on-farm assessments. The second-party evaluators are employed or contracted by dairy cooperatives and processors. These individuals have strong relationships with the farms they assess and deep knowledge of dairy farming. They support farms in

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<sup>13</sup> The Enhancement and Standardization of Climate-Related Disclosures for Investors, 87 Fed. Reg. 21380 (Apr. 11, 2022)

continuous improvement planning, which is beneficial toward pursuing our industry-wide GHG reduction goals. They meet all the requirements of a robust verifier other than impartiality in its purest form. There are few, if any, third-party verifiers with sufficient dairy farm or general on-farm experience to conduct on-farm data verification – this contrasts with the broad availability of GHG verifiers in manufacturing, retail, and other facilities where GHG accounting is more straightforward and modeling is not necessary. Accurately collecting the data inputs required at the farm requires expertise. Consider, for example, the interpretation of farm nutrition software printouts to estimate total herd dry matter intake over the course of the year across different feeding groups. If such software printouts are unavailable, such data must be manually estimated based on expert knowledge.

- The SEC proposed rules suggest annual reporting of emissions data. As an industry, our recommendation is to conduct on-farm evaluations every three years, with the end-result being an aggregate GHG emissions figure updated every three years at the dairy cooperative or processor level. More frequent GHG assessments in the agricultural context can be misleading because of the multitude of factors that vary year-to-year, like herd productivity, weather, feed types, economics, and more. Our industry focus is on longer-term trends so that we may promote positive continuous improvement without worrying about year-to-year noise in data. We have concerns that the SEC proposed rules will motivate registrants to seek out annual updates to Scope 3 emissions figures, which carries the singular benefit of compliance with SEC rules while placing substantial burden on suppliers. Such a requirement would reduce the willingness to participate in GHG assessments.
- The proposed rule also requires companies to document mitigation strategies. With regards to their agricultural supply chain, most companies are still in the phase of better understanding their baseline and making initial plans for reduction strategies. This is because assessing a baseline, in and of itself, requires a substantial investment of financial and staff resources.
- NMPF and its members are longtime supporters of voluntary conservation programs operated by the U.S. Department of Agriculture. Dairy farmers are eager to use programs such as the Environmental Quality Incentives Program to further augment their ongoing stewardship efforts, guided by the science-based data that the FARM ES platform works to provide. In this context, NMPF is collaborating with a variety of agricultural and conservation stakeholders to build support and momentum for enhancing funding for conservation programs. Doing so is critical to meeting not only existing but also future program needs, and we are fearful that moving prematurely to require Scope 3 emissions disclosure may set back trust in the overall policy-making space and hinder our efforts, especially if data is required to

be disclosed at a time when the conservation funds producers heavily rely on to further their sustainability goals are still oversubscribed and underfunded.

**Should the proposed rules proceed with Scope 3 emissions disclosure requirements, we strongly encourage adjusting the timeline for compliance to at least FY 2028.** While the SEC proposed rules allow companies to use average Scope 3 emissions factors for products, rather than supplier-specific data, we suspect that the proposed rule would heavily motivate companies to seek out supplier-specific data.<sup>14</sup> Our rationale for a delay in Scope 3 disclosure requirements is captured below. Though many of the points are specific to the dairy industry, we believe that other raw material sectors would share similar concerns.

- The proposed rule references the GHG Protocol as its core basis for Scope 3 emissions accounting methodology. We are supportive of using a consistent and well-recognized method for Scope 3 accounting like the GHG Protocol. We note, however, that the GHG Protocol is coming out with new guidance relating to the land sector in early 2023.<sup>15</sup> Incorporating learnings from that new guidance into our Scope 3 assessment program will take time.
- The FARM Program operates on a three-year cycle, wherein participating cooperatives and processors work to complete on-farm assessments over the course of three years. Companies have already made plans for implementation for the cycle ending in 2024, which would not provide supply chain partners with data to meet a FY 2024 reporting deadline for Scope 3 emissions. The next version cycle runs from mid-2024 through mid-2027.
- The FARM Program pursues updates every three years to incorporate new science and enhance program offerings. The next version of FARM ES will entail an update to the GHG model underpinning the tool. FARM ES will transition to a “process-based” model through work with the Ruminant Farm Systems model (RuFaS) – an initiative involving researchers from across the country focused on environmental

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<sup>14</sup> Consider, for example, this wording within the SEC proposed rule that implies a preference for supplier-specific data over industry average data [emphasis added]: “*Although we recognize that a registrant **may sometimes need to** use industry- and national-average data when calculating its Scope 3 emissions, information about the data sources for its Scope 3 emissions would help investors better understand the risk exposure posed by the registrant’s value chain in comparison with other registrants and make more informed investment decisions.*” The Enhancement and Standardization of Climate-Related Disclosures for Investors, 87 Fed. Reg. 21380 (Apr. 11, 2022)

<sup>15</sup> GHG Protocol. Land Sector and Removals Guidance. <https://ghgprotocol.org/land-sector-and-removals-guidance>

modeling of dairy farms.<sup>16</sup> The dairy community is investing its own resources into this research effort given the importance of scientific progress in the area of on-farm GHG modeling. Shifting to a process-based model offers several benefits for addressing customer requests while offering more insights to farmers. It will be the first model designed for on-farm use to utilize process-based modeling in a livestock system. Given that this refreshed version of our program with cutting-edge GHG science will not be available until the mid-2024 to mid-2027 cycle, a delay in Scope 3 emissions disclosure is warranted.

- Through the Innovation Center for U.S. Dairy, the dairy industry is also undertaking a research effort to measure industry-wide progress toward our 2050 goals on a periodic basis, including progress toward our GHG neutrality goal. As part of this work, a new industry-wide GHG figure is expected in 2027, which could be utilized toward Scope 3 accounting. In the absence of an updated, industry-wide GHG figure, companies that are not able to get supplier-specific data – for example, companies far down the supply chain who are not purchasing farmgate milk – would be limited to the 2013 industry-wide figure<sup>17</sup> or a less-robust alternative available from other sources.
- Further evidence of the need for a delayed timetable is found within the SEC proposed rules itself: *“We recognize that the methodologies pertaining to the measurement of GHG emissions, particularly Scope 3 emissions, are evolving.”*<sup>18</sup>

In addition to our comments about the SEC proposed rules related to Scope 3 emissions disclosure requirements above, we offer the following specific points of feedback to portions of the proposed rule:

*“Although we recognize that a registrant may sometimes need to use industry- and national-average data when calculating its Scope 3 emissions, information about the data sources for its Scope 3 emissions would help investors better understand the risk exposure posed by the registrant’s value chain in comparison with other registrants and make more informed investment decisions.”*<sup>19</sup>

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<sup>16</sup> <http://rufas.org/>

<sup>17</sup> Thoma, Greg, et al. "Greenhouse gas emissions from milk production and consumption in the United States: A cradle-to-grave life cycle assessment circa 2008." *International Dairy Journal* 31 (2013): S3-S14. <https://www.sciencedirect.com/science/article/pii/S0958694612001975>

<sup>18</sup> The Enhancement and Standardization of Climate-Related Disclosures for Investors, 87 Fed. Reg. 21377 (Apr. 11, 2022)

<sup>19</sup> The Enhancement and Standardization of Climate-Related Disclosures for Investors, 87 Fed. Reg. 21380 (Apr. 11, 2022)



- As written, the SEC proposed rules do not make explicit that industry or sector emissions factors will be fully acceptable for Scope 3 emissions disclosure. We encourage SEC to make the option for use of average emissions factors in Scope 3 disclosures more explicit.

*Question 12: “For the location of its business operations, properties or processes subject to an identified material physical risk, should we require a registrant to provide the ZIP code of the location or, if located in a jurisdiction that does not use ZIP codes, a similar subnational postal zone or geographic location, as proposed? Is there another location identifier that we should use for all registrants, such as the county, province, municipality or other subnational jurisdiction? Would requiring granular location information, such as ZIP codes, present concerns about competitive harm or the physical security of assets? If so, how can we mitigate those concerns? Are there exceptions or exemptions to a granular location disclosure requirement that we should consider?”*

- It is not feasible to collect information about climate-related risks to the zip-code level for commodity supply chains. Moreover, even if it were possible, such information would be a considerable violation of farmer privacy. If location data is disclosed, it should be no more granular than regionalized to protect privacy.

*Question 17: “Should we include the negative impacts on a registrant’s value chain in the definition of climate-related risks, as proposed? Should we define “value chain” to mean the upstream and downstream activities related to a registrant’s operations, as proposed? Are there any upstream or downstream activities included in the proposed definition of value chain that we should exclude or revise? Are there any upstream or downstream activities that we should add to the definition of value chain? Are there any upstream or downstream activities currently proposed that should not be included?”*

- The SEC proposed rule suggests that registrants should provide information about risks, impacts, and more for a very broad set of climate-related impacts.<sup>20</sup> Requesting information about climate-related risks within the registrant’s value chain may result in tremendous strain on supplying companies, such as dairy farmers and cooperatives, to provide never-before-requested information. We do not believe that climate impacts, risks, and other information should be required for the registrant’s value chain.

*Question 94: “Should we require a registrant to disclose its GHG emissions both in the aggregate, per scope, and on a disaggregated basis for each type of greenhouse gas that is included in the Commission’s proposed definition of “greenhouse gases,” as proposed? Should we instead require that a registrant disclose on a disaggregated basis*

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<sup>20</sup> The Enhancement and Standardization of Climate-Related Disclosures for Investors, 87 Fed. Reg. 21365 (Apr. 11, 2022)

*only certain greenhouse gases, such as methane (CH<sub>4</sub>) or hydrofluorocarbons (HFCs), or only those greenhouse gases that are the most significant to the registrant? Should we require disaggregated disclosure of one or more constituent greenhouse gases only if a registrant is obligated to separately report the individual gases pursuant to another reporting regime, such as the EPA’s greenhouse gas reporting regime or any foreign reporting regime? If so, should we specify the reporting regime that would trigger this disclosure?”*

- NMPF does not recommend requiring a disaggregated basis for Scope 3 emissions disclosure. The SEC proposed rules state: *“Because measuring the constituent greenhouse gases is a necessary step in calculating a registrant’s total GHG emissions per scope, the proposed disaggregation by each constituent greenhouse gas should not create significant additional burdens.”*<sup>21</sup> While this statement is true for the registrant’s own Scope 1 and 2 calculations, it is not necessarily true of supplier-specific Scope 3 emissions data. For example, the FARM ES tool generates a total GHG footprint in CO<sub>2</sub>e per pound of milk produced. Dairy cooperatives and processors aggregate that data for Scope 3 reporting purposes to their customers. The model behind the tool is capable of disaggregated gas types, but this information has not, to-date, been requested of the supply chain. Providing this more granular breakdown would in fact create an additional burden on dairy suppliers without any clear benefit to external parties.

*Question 96. Should we require a registrant to express its emissions data in CO<sub>2</sub>e, as proposed? If not, is there another common unit of measurement that we should use? Is it important to designate a common unit of measurement for GHG emissions data, as proposed, or should we permit registrants to select and disclose their own unit of measurement?*

- CO<sub>2</sub>e is an appropriate and common unit of measurement.

*Question 98. Should we require a registrant to disclose its Scope 3 emissions for the fiscal year if material, as proposed? Should we instead require the disclosure of Scope 3 emissions for all registrants, regardless of materiality? Should we use a quantitative threshold, such as a percentage of total GHG emissions (e.g., 25%, 40%, 50%) to require the disclosure of Scope 3 emissions? If so, is there any data supporting the use of a particular percentage threshold? Should we require registrants in particular industries, for which Scope 3 emissions are a high percentage of total GHG emissions, to disclose Scope 3 emissions?*

- The SEC proposed rules suggest annual reporting of emissions data. As an industry, our recommendation is to conduct on-farm evaluation every three years, with the

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<sup>21</sup> The Enhancement and Standardization of Climate-Related Disclosures for Investors, 87 Fed. Reg. 21375 (Apr. 11, 2022)

end-result being an aggregate GHG emissions figure updated every three years at the dairy cooperative or processor level. More frequent GHG assessments in the agricultural context can be misleading because of the multitude of factors that vary year-to-year, like herd productivity, weather, feed types, economics, and more. Our industry focus is on longer-term trends so that we may promote positive continuous improvement without worrying about year-to-year noise in data. We have concerns that the SEC proposed rules will motivate registrants to seek out annual updates to Scope 3 emissions figures, which only carries the benefit of compliance with SEC rules. Such a requirement would reduce the willingness to participate in GHG assessments.

*Question 100. Should Scope 3 emissions disclosure be voluntary? Should we require Scope 3 emissions disclosure in stages, e.g., requiring qualitative disclosure of a registrant's significant categories of upstream and downstream activities that generate Scope 3 emissions upon effectiveness of the proposed rules, and requiring quantitative disclosure of a registrant's Scope 3 emissions at a later date? If so, when should we require quantitative disclosure of a registrant's Scope 3 emissions?*

- As previously noted, we believe it is premature to include Scope 3 emissions disclosure within SEC climate-related disclosure requirements. It is unclear what a qualitative description of Scope 3 emissions may contain and whether that would result in additional information asks of suppliers that may prove overly burdensome.

*Question 104. Should we, as proposed, allow a registrant to provide their own categories of upstream or downstream activities? Are there additional categories, other than the examples we have identified, that may be significant to a registrant's Scope 3 emissions and that should be listed in the proposed rule? Are there any categories that we should preclude, e.g., because of lack of accepted methodologies or availability of data? Would it be useful to allow registrants to add categories that are particularly significant to them or their industry, such as Scope 3 emissions from land use change, which is not currently included in the Greenhouse Gas Protocol's Scope 3 categories? Should we specifically add an upstream emissions disclosure category for land use?*

- Allowing registrants to add additional categories beyond those specified in the GHG Protocol would undermine the SEC's stated goal to promote "consistent, comparable, and reliable information."

*Question 105. Should we require the calculation of a registrant's Scope 1, Scope 2, and/or Scope 3 emissions to be as of its fiscal year end, as proposed? Should we instead allow a registrant to provide its GHG emissions disclosures according to a different timeline than the timeline for its Exchange Act annual report? If so, what should that timeline be? For example, should we allow a registrant to calculate its Scope 1, Scope 2,*

*and/or Scope 3 emissions for a 12-month period ending on the latest practicable date in its fiscal year that is no earlier than three months or, alternatively, six months prior to the end of its fiscal year? Would allowing for an earlier calculation date alleviate burdens on a registrant without compromising the value of the disclosure? Should we allow such an earlier calculation date only for a registrant's Scope 3 emissions? Would the fiscal year end calculations required for a registrant to determine if Scope 3 emissions are material eliminate the benefits of an earlier calculation date? Should we instead require a registrant to provide its GHG emissions disclosures for its most recently completed fiscal year one, two, or three months after the due date for its Exchange Act annual report in an amendment to that report?*

- It is unreasonable to expect that suppliers providing Scope 3 emissions data would be able to provide such information on a timeline that matches the registrant's fiscal year. Each supplier is reporting to multiple registrants, each with a potentially different fiscal year. Moreover, that fiscal year may not match the supplier's fiscal year. We thus recommend flexibility in the timeline for any Scope 3 emissions disclosure.

Additionally, as noted above, we have concerns over the annual nature of Scope 3 emissions disclosure that the SEC proposed rule seeks. As an industry, our recommendation is to conduct on-farm evaluation every three years, with the end-result being an aggregate GHG emissions figure updated every three years at the dairy cooperative or processor level. More frequent GHG assessments in the agricultural context can be misleading because of the multitude of factors that vary year-to-year, like herd productivity, weather, feed types, economics, and more. Our industry focus is on longer-term trends so that we may promote positive continuous improvement without worrying about year-to-year noise in data. We have concerns that the SEC proposed rules will motivate registrants to seek out annual updates to Scope 3 emissions figures, which carries the singular benefit of compliance with SEC rules while placing substantial burden on suppliers. Such a requirement would reduce the willingness to participate in GHG assessments.

*Question 106. Should we require a registrant that is required to disclose its Scope 3 emissions to describe the data sources used to calculate the Scope 3 emissions, as proposed? Should we require the proposed description to include the use of: (i) emissions reported by parties in the registrant's value chain, and whether such reports were verified or unverified; (ii) data concerning specific activities, as reported by parties in the registrant's value chain; and (iii) 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, as proposed? Are there other sources of data for Scope 3 emissions the use of which we should specifically require to be disclosed? For purposes of our*

*disclosure requirement, should we exclude or prohibit the use of any of the proposed specified data sources when calculating Scope 3 emissions and, if so, which ones?*

- The dairy community's on-farm GHG assessment tool, FARM ES, enables suppliers to report an aggregate emissions factor in lb CO<sub>2</sub>e / lb Fat and Protein Corrected Milk (FPCM). This is a standard unit for dairy GHG emissions. The science behind FARM ES is peer-reviewed, published, and aligned with relevant scientific methods (for example, the underlying LCA was ISO 14040:2006 and 14044:2006 compliant). Dairy suppliers could easily point to the scientific merit of GHG emissions calculated using our program. Additionally, the data is collected by trained, second-party evaluators with deep dairy expertise, in other words, individuals that are able to collect consistent and accurate data. These individuals, however, do not meet the traditional definition of "impartiality" required by a traditional GHG verification body as they have a relationship with the farm on which they are collecting data. Requiring that registrants disclose whether data is "verified or unverified" may inadvertently lead registrants to require suppliers to seek additional third-party verification of on-farm data. This would be counterproductive to our industry efforts because: (1) there are few verifiers with on-farm expertise; it risks unqualified individuals conducting data collection and doing so inaccurately; (2) it would be expensive and provide limited additional value compared to the second-party-evaluators that currently collect data. We thus recommend against any request for information about verification unless it is flexible enough to recognize the tremendous value that our current system brings about in terms of data consistency and quality, even if not through a traditional third-party entity.

*Question 107. Should we require a registrant to provide location data for its disclosed sources of Scope 1, Scope 2, and Scope 3 emissions if feasible? If so, should the feasibility of providing location data depend on whether it is known or reasonably available pursuant to the Commission's existing rules (Securities Act Rule 409 and Exchange Act Rule 12b-21)? Would requiring location data, to the extent feasible, assist investors in understanding climate-related risks, and in particular, likely physical risks, associated with a registrant's emissions' sources? Would a requirement to disclose such location data be duplicative of any of the other disclosure requirements that we are proposing?*

- It is not feasible or practical to collect information about Scope 3 emissions to a granular geographic scale for commodity supply chains. Moreover, even if it were possible, such information would be a considerable violation of farmer privacy. If location data is disclosed, it should be no more granular than regionalized information to protect privacy (e.g., at the country level or, if within the U.S., broken out by broad regions).

*Question 108. If we require a registrant to provide location data for its GHG emissions, how should that data be presented? Should the emissions data be grouped by zip code*

*separately for each scope? Should the disclosure be presented in a cartographic data display, such as what is commonly known as a “heat map”? If we require a registrant to provide location data for its GHG emissions, should we also require additional disclosure about the source of the emissions?*

- Emissions data should not be disclosed at the zip code level for Scope 3 emissions. It is not feasible or practical to collect information about Scope 3 emissions to a granular geographic scale for commodity supply chains. Moreover, even if it were possible, such information would be a considerable violation of farmer privacy. If location data is disclosed, it should be no more granular than regionalized information to protect privacy (e.g., at the country level or, if within the U.S., broken out by broad regions).

*Question 198. Should we provide a compliance date for the proposed Scope 3 emissions disclosure requirements that is one year later than for the other disclosure requirements, as proposed? Should the compliance dates for the Scope 3 emissions disclosure requirements be earlier or later? Should the compliance date for the Scope 3 emissions disclosure requirements depend upon whether the registrant is a large accelerated filer, accelerated filer, or non-accelerated filer?*

- As noted, we believe that it is premature to include Scope 3 emissions disclosure within the proposed rules. Should such requirements move forward, we suggest a compliance date of no sooner than FY2028.

The dairy community has a demonstrated commitment to being an environmental solution. We value collaboration with supply chain partners that programs like FARM ES enable, including in the area of Scope 3 emissions reporting. However, as outlined above, we have concerns about the inclusion of Scope 3 emissions disclosure within the SEC proposed rules. We would welcome the opportunity to discuss our concerns in more detail.

Sincerely,



Nicole Ayache  
Vice President, Environmental Stewardship and Sustainability  
National Milk Producers Federation