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June 16, 2022

Ms. Vanessa A. Countryman
Secretary
U.S Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

RE: **File No. S7-10-22**; The Enhancement and Standardization of Climate-Related Disclosures for Investors (SEC Release Nos 33-11042; 34-94478).

Dear Ms. Countryman,

We are writing this letter on behalf of Impossible Foods Inc. Impossible Foods was founded to transform the global food system and reduce the impact of climate change by making the world's most delicious, nutritious, and sustainable meat, fish, and dairy — from plants.

The current trajectory of greenhouse gas ("GHG") emissions, global heating, and climate change, even with current national commitments, will lead to an unprecedented global economic depression over the next 25 years. Based on the scenario analysis performed by the Swiss Re Institute in April 2021[1], it is estimated that in a severe, unmitigated climate-change scenario, global GDP could be 18% less by mid-century compared to a no-climate change world.

The best way to reduce your carbon footprint, limit global warming, halt the collapse of biodiversity, save wildlife and ensure enough clean water for all of us is to ditch meat from animals. We help reduce water, land, and greenhouse gas emission footprints by providing the option of Impossible products over meat from animals.

Given our mission and activities, we strongly support the proposal of the Securities and Exchange Commission (the "SEC") to require public companies to disclose the climate-related risks they are facing and their strategies for addressing these risks.

The proposed rule would make a significant number of improvements to reporting on climate risks, including valuable guidance on how companies must disclose Scope 1 and 2 emissions and how they integrate climate-related risks and opportunities into their planning. The proposed disclosure requirements will help investors better understand the scope of a public registrant's

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[2] https://newclimate.org/wp-content/uploads/2022/02/CorporateClimateResponsibilityMonitor2022.pdf
[3] https://sciencebasedtargets.org/resources/files/SBTiProgressReport2021.pdf

[4] Should we require a registrant to exclude any use of purchased or generated offsets when disclosing its Scope 1, Scope 2, and Scope 3 emissions, as proposed? Should we require a registrant to disclose both a total amount with, and a total amount without, the use of offsets for each scope of emissions?

[5] https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf

climate-related targets or goals, including those related to GHG emissions, and assist investors in assessing a company's progress towards achieving those targets or goals. However, we are concerned that the proposed rule does not mandate Scope 3 disclosures for all registrants, where studies have shown that the Scope 3 emissions account for the majority of the total emissions. We also want the SEC to consider defining the Scope 4 emissions (or "avoided emissions") and providing the guidance for its disclosure and attestation requirements.

Below we have outlined our comments on the proposed rule.

Stricter mandates on Scope 3 emissions

The proposed rule would make a significant number of improvements to reporting on climate risks that investors have been demanding, including valuable guidance on how companies must disclose Scope 1 and 2 emissions and how they integrate climate-related risks and opportunities into their planning. A shortcoming of the current proposed rule is that it does not mandate Scope 3 disclosures for all registrants. Currently, disclosures are required from large registrants, only when Scope 3 emissions are deemed material or when registrants set GHG emissions reduction targets that include Scope 3 emissions. The proposal allows registrants to determine for themselves which emissions are material, and therefore warrant disclosure.

According to the Corporate Climate Responsibility Monitor 2022 report[2] by New Climate Institute in collaboration with Carbon Market Watch, Scope 3 emissions account on average for 87% of total emissions, but only eight of the twenty-five companies assessed have disclosed a moderate level of detail on their plans to address these emissions.

As per the Science-Based Target Initiative Annual Progress Report-2021[3], out of the total Science-Based Target Initiative (SBTi) companies that represent $38 trillion in market capitalization, almost 96% of these companies with approved science-based targets have targets covering scope 3 emissions.

A large percentage of companies in carbon-intensive sectors such as manufacturing, food, beverage, and agriculture industries have been leaving investors in the dark about the extent of the emissions they generate, the climate-related financial risks, and how they are managing and mitigating those emissions and risks. The exclusion of market segments, geographies, and product lines from emission reporting can be easily overlooked by consumers, shareholders, and regulators. This can have implications not only for the robustness of GHG emission reporting but also for the integrity of targets and emission reduction measures. While an investor would consider this information important, it is unlikely these companies will disclose Scope 3 emissions

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unless they are explicitly mandated to do so. The lack of mandated reasonable assurance for Scope 3 emissions disclosures will undermine the comparability and reliability of data on climate-related risks and opportunities, even within the same industry.

Action: The lack of mandatory, consistent, and reasonably assured Scope 3 emissions disclosures for all companies within all sectors represents a significant risk to the SEC's goals of emission transparency. To address the risk, the SEC should update the proposed rule to require mandatory disclosure of Scope 3 GHG emissions, with reasonable assurance of these disclosures by an independent party for all registrants, regardless of the industry.

Consider carbon offsets in the calculation of GHG emission disclosures

The Intergovernmental Panel on Climate Change and essentially every climate policy expert agree that simply reducing the rate of greenhouse gas emissions will not be enough to avoid the consequences of climate change. Negative emissions i.e., the measures that not only reduce the rate of increase but also remove already-emitted greenhouse gasses, are essential. "Carbon offset" is effectively a synonym for these negative emissions. Moreover, from a net climate impact perspective, negative emissions are a sustainable model and are highly relevant and important to regulate and incentivize.

For all scopes of GHG emissions, the proposed rules would require a registrant to disclose GHG emissions data in gross terms. The proposed rule would also require registrants to qualitatively disclose the role carbon offsets or renewable energy credits or certificates ("RECs") have on the registrant's climate-related business strategy if they are included in the registrant's net emissions reduction strategy. However, these offsets are excluded entirely from the GHG emissions data that would quantify their impact.

Carbon offsets are going to be a central part of companies calculating their net greenhouse gas impact to minimize their negative impact on climate as perceived by shareholders and consumers. We are concerned, however, that the carbon offsets traded and being communicated to the public by corporations lack oversight or rules to prevent fraud. There are many examples of companies fraudulently reporting and "gaming" carbon offsets, thereby deceiving and defrauding their shareholders and other stakeholders. Hence, it is critical to assess the validity and quality of the carbon offsets used in GHG emission calculations.

Action: In response to question 101[4] we suggest two actions. First, require registrants to disclose the total amount of emission across each category both with and without any purchased or generated carbon offsets. This allows for greater transparency and information disclosed about

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the quantitative impact of any disclosed carbon offsets. Second, we suggest three basic rules for disclosing and accounting for quality carbon offsets:

1. **Independent verifiability**: Verification is a crucial step in the generation of carbon offsets as it secures an organization's ability to sell or trade carbon credits in global carbon markets. Many companies provide independent verification of the offsets. Verification must be made mandatory when considering the offsets in the GHG emission disclosures. The third-party verification involves documentation review, site review, and technical review of the evaluations and findings observed during the documentation and site review. Carbon offsets that involve carbon fixation through photosynthesis and storage as plant biomass, such as reforestation or afforestation, can be verified with current satellite imaging technology. Biomass accumulation on land (i.e. forest growth) can be measured anywhere on the globe, inexpensively, with acceptable accuracy down to the resolution of a single tree.
2. **Uniquely Identifiable Offsets**: Carbon offsets can only be claimed by a single registrant. For instance, if registrant A removes one ton of carbon from the atmosphere, it can either claim this through its own GHG emissions calculation or transfer/sell it to registrant B as a carbon credit for registrant B to offset its GHG emissions. However, both cannot claim the same offset.
3. **Permanence:** The permanence of carbon offsets should be disclosed, and transient offsets should be discounted in net GHG calculations. For a carbon offset to be relevant to mitigating global heating and climate change, it must have an assurance of permanence. None of the carbon capture methods developed to date have 100% permanence, as even a forest has some degree of risk of converting into CO2 by fire or eventual decay. However, these risks can, and should, be factored in by relatively standard actuarial estimates and appropriate discounting, which are commonly used by the insurance industry.

Establishing these standards would also play a valuable role in creating and stimulating a robust trustworthy voluntary market for legitimate negative emissions, essential for supporting a market-based approach to averting the looming global economic depression triggered by unmanaged climate change.

<u>Displacement of emissions output (Scope 4)</u>

In the current guidance provided by the SEC, Scope 4 emission disclosures are not required and there are no guidelines as to the level of detail and completeness companies should disclose if they were to choose to disclose Scope 4 emissions. In a push to reduce carbon emissions,

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governments around the world have introduced incentives for automakers to develop electric vehicles in return for credits. For example, the EU has released a regulation (EU 2019/631) for new passenger cars and vans that provides credits to manufacturers for sales of zero and low-emissions vehicles, effectively recognizing the emissions displaced when such a vehicle replaces a conventional internal-combusion powered vehicle. The larger manufacturers then sell these credits at a 100% profit to those automakers that do not manufacture enough such vehicles to meet the regulatory requirement.

Recognizing and rewarding the displacement of GHG emissions when a lower-emissions product displaces its predecessor is a powerful market-based incentive to reducing overall GHG emissions. To date, however, the potential climate benefits of this approach have not been generalized and are currently limited to only a select few products or industries.

Action: Displacement of emissions through market-based replacement of GHG intensive technologies with better technology (Scope 4) accounts for a major part of current efforts and opportunities to avoid catastrophic climate change and its devastating economic impact. Despite their critical role in reducing GHG emissions, there is yet no guidance or accounting standard for Scope 4 emissions. The SEC or other standard setters should incorporate guidance for defining “avoided emissions” and the disclosures of the avoided emissions or negated emissions that occur through the consumption and substitution of alternative products across all the industries. The proposed rule should also define the assurance requirements for the Scope 4 emission disclosures.

<u>Proposed time horizons and materiality determination</u>

The proposed rules would require a registrant to disclose whether any climate-related risk is reasonably likely to have a material impact on a registrant, including its business or consolidated financial statements, which may manifest over the short, medium, and long term.

Action: For the disclosures to be comparable at an industry level, the SEC should define the minimum and maximum range for short term, medium-term, and long term. Most notably a formal threshold should be set for Scope 3 emissions. For example, SBTi sets this at 40% of overall emissions[5]: "Requirement to have a scope 3 target: If a company’s relevant scope 3 emissions are 40% or more of total scope 1, 2, and 3 emissions, a scope 3 target is required."

<u>Defining the term and the magnitude of extreme weather events</u>

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The proposed rule defines the physical risk to include both acute and chronic risks to a registrant's business operations or the operations of those with whom it does business. "Acute risks" is defined as event-driven risks related to shorter-term extreme weather events, such as hurricanes, floods, and tornadoes. "Chronic risks" is defined as those risks that the business may face as a result of longer-term weather patterns and related effects, such as sustained higher temperatures, rising sea-level rise, droughts, and increased wildfires, as well as related effects such as decreased arability of farmland, decreased habitability of land, and decreased availability of freshwater.

The proposed rule does not define the terms extreme or severe weather, which could allow for this framework to be interpreted and applied differently across various companies, depending on what management considers extreme or severe weather and how likely it is to happen, without enough guidance or examples to ensure complete physical risk disclosures. For example, is a thunderstorm covered by severe or extreme weather events? A thunderstorm that is currently not explicitly covered by the definition of physical risk could result in a significant impact on the financial position of a registrant as compared to a flood event. Additionally, as many of these extreme events may be unpredictable (the Texas freeze in 2021 for example), are the risks required for disclosure only based on historical precedence? (i.e. in California, wildfires should be a risk, while in New Orleans, hurricanes and flooding should be a risk).

Action: As these events are very subjective, the SEC should define the terms like severe and extreme weather that would comprise the physical climate risk events to ensure comparability and completeness of the disclosures across geographies and industries.

Adoption timeline and Relief periods

The current adoption timeline does not provide relief periods for new registrants, Emerging Growth Companies (EGCs), or newly acquired entities.

Action: Similar to the relief provided for SOX 404b compliance, disclosing climate-related disclosures, specifically Scope 3 emissions, completely and accurately requires significant data collection and validation over a period of time. In order to provide accurate disclosures, we suggest a relief period for disclosure requirements and reasonable assurance requirements for EGCs and certain acquisitions subject to materiality within a particular time period (for example one fiscal year from the date the proposed rule gets finalized). This will help better enable the disclosures to include accurate and thoughtful emissions data given enough time to collect and

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analyze that data in addition to the multitude of activity that comes with going public or undergoing an acquisition.

Closing Note

We thank the SEC for giving us the opportunity to provide the input and for giving the registrants and investors the time and consideration of their respective thoughts and suggestions with regards to Proposed Rule RIN 3235-AM87, The Enhancement and Standardization of Climate-Related Disclosures for Investors. We hope that you find our insights, as a sustainability company seeking to create solutions that avert climate change and preserve biodiversity, to be insightful. We look forward to working with the SEC to help ensure that the companies are transparent and held accountable for their role in climate change mitigation.

Sincerely,

Impossible Foods Inc.

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CC: Gary Gensler,

Chair Caroline A. Crenshaw, Commissioner

Allison Herren Lee, Commissioner

Hester M. Peirce, Commissioner

Renee Jones, Director, Division of Corporation Finance

Paul Munter, Acting Chief Accountant

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