



Corteva, Inc.
9330 Zionsville Road
Indianapolis, Indiana 46268

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

**Re: The Enhancement and Standardization of Climate-Related Disclosures for Investors,
File No. S7-10-22 (March 21, 2022) (the “Proposal”)**

Dear Ms. Countryman:

Today we write you on behalf of Corteva, Inc. (NYSE: CTVA), a U.S. pure-play agriculture company that utilizes industry-leading innovations in seed and crop protection products to profitably deliver solutions for the world’s most pressing agriculture challenges, including food security (“Corteva”). We appreciate the opportunity to express our concerns related to the Proposal.

We first want to express our general alignment with the observations of the Society of Corporate Governance¹ and Business Roundtable² with respect to the Proposal’s impact on registrants, as well as their suggestions for improvements upon the Proposal. Second, while we support providing shareholders with material information related to our climate change risks and preparedness, we also want to take this opportunity to share our belief that several key provisions are not in the best interests of our shareholders and other stakeholders. The generation of granular information required under certain key provisions of the Proposal imposes high costs and large risk exposures to registrants, while providing shareholders with information that would not be inherently comparable or material and likely causing delays in reporting material information through annual reports. However, because of the breadth of the Proposal, we have not attempted to provide comprehensive comments, but have instead focused on the areas of highest concern to Corteva.

¹ Society for Corporate Governance, Letter to the U.S. Securities and Exchange Commission on The Enhancement and Standardization of Climate-Related Disclosures for Investors (June 17, 2022).

² Business Roundtable, Letter to the U.S. Securities and Exchange Commission on The Enhancement and Standardization of Climate-Related Disclosures for Investors (June 17, 2022).

Proposed Changes to Regulation S-X

We do not believe that registrants will be able to operationalize the changes proposed to Regulation S-X as currently stated in the Proposal. The estimates, models, and metrics³ required under the proposed Regulation S-X changes, along with the 1% materiality threshold, also present challenges and substantial costs on registrants with respect to the development of new policies, operational processes and related controls, financial reporting, as well as with their related audit and internal control assessments.

Even if the Proposal were workable, we do not believe these costs burdens are justified through any benefit to shareholders. Corteva has not received any inquiries from its shareholders requesting the level of granularity set forth in the Proposal with respect to its climate change impacts or transition risks, and the expenditures related thereto. Additionally, as currently proposed, the level of uncertainty around the estimates made will not be clear to shareholders, potentially creating undue reliance on these values. Therefore, we believe that the Commission should instead replace the proposed Regulation S-X requirement entirely with an amendment to Item 303(b) of Regulation S-K that would require registrants to consider material climate-related impacts when discussing the results of operations, capital resources, and liquidity. Climate-related disclosures would be more meaningful and digestible in the context of management's discussion and analysis when presented alongside a registrant's disclosures of other trends, risks and impacts to their financial condition.

We believe that this approach will significantly reduce implementation costs while enhancing the quality of disclosures provided to investors by providing shareholders an integrated view of how climate change risks and mitigation strategies fit into the registrants' business and strategy overall. It will also give management an opportunity to make clearer to shareholders the limitations of management's estimates and assumptions through a plain English narrative.

If the Commission chooses to include these climate-related disclosure requirements within Regulation S-X, we believe the 1% line-item threshold set forth should be replaced with a general materiality threshold taken in the context of the financial statements as a whole, which would be consistent with U.S. generally accepted accounting principles (GAAP) or other Commission Staff Accounting Bulletins (SAB). A general materiality standard would also be more aligned with the

³ The Proposal contains certain information gaps around the calculation of metrics, such as the determination of lost revenues with respect to transition risks and costs savings from climate mitigation activities, and lacks certain implementation guidance, such as how a registrant would determine whether a "severe weather event" constituted a "climate-related event". Financial impact metrics that require companies to disclose disaggregated information about the impact of climate-related conditions and events and transition activities are a new concept under GAAP. Therefore, if the Commission continues to move forward with these disclosures, we respectfully request that the Commission direct the Financial Accounting Standards Board (FASB) to provide further accounting guidance for the implementation these financial statement reporting items.

materiality standards of the existing Task Force on Climate-Related Disclosure (TCFD) framework, as well as the expectations of our shareholders.⁴

Scope 3 Emissions

While the Proposal suggests that the disclosure of Scope 3 emissions “may be useful” to investors, we believe that prescriptive and costly disclosure requirements are not appropriate for information that may only be useful to certain shareholders or for certain companies. Scope 3 emissions by definition are the result of activities from assets not owned or controlled by the registrant, but indirectly impacting the registrant’s value chain that often the registrant may not be able to influence significantly.⁵

Because of their indirect nature, registrants, as the Commission acknowledges in the Proposal, often struggle to obtain reliable Scope 3 emissions data and instead must make significant estimates to determine their Scope 3 emissions, which makes these disclosures inherently less accurate and useful to shareholders. There are no consistent data sources or methodologies for developing the assumptions utilized in Scope 3 emissions estimates. The Greenhouse Gas (GHG) Protocol, which is utilized by most registrants reporting Scope 3 emissions, permits registrants to make significant judgments on the inclusion of certain categories of Scope 3 emissions within their reporting.⁶ Due to these judgments, current Scope 3 emissions reporting practices are not

⁴ See, e.g., BlackRock, “Proxy voting guidelines for U.S. securities” (January 2022) (“Disclosure of material issues that affect the company’s long-term strategy and value creation, including material ESG factors, is essential for shareholders to be able to appropriately understand and assess how effectively the board is identifying, managing, and mitigating risks.”); Legal & General Investment Management, Corporate Governance & Responsible Investment Policy 2022 (April 2022) (“LGIM focuses on the material issues that can impact a company’s long-term sustainability, both financially and reputationally.”); State Street Global Advisors, “Global Proxy Voting and Engagement Guidelines for E&S Issues” (March 2022) (“While we believe that sustainability-related factors can expose potential investment risks as well as drive long-term value creation, the materiality of specific sustainability issues varies from industry to industry and company by company. With this in mind, we leveraged several distinct frameworks as well as additional resources to inform our views on the materiality of a sustainability issue at a given company, including...” (emphasis added)); T. Rowe Price, “Proxy Voting Guidelines”, (October 2021) (“Voting Decision Elements. The following table details the specific considerations that we take into account when assessing resolutions. Framing Question: 1: Does the resolution address an environmental or social issue that is material for this company? In our view, materiality is a key consideration because it is suboptimal to distract the company and its board with resolutions on issues that are not financially material. To determine materiality, we use frameworks specifically designed for that purpose: the SASB and our proprietary Responsible Investment Indicator Model (RIIM)”; Vanguard, “Vanguard Investment Stewardship Policy Insights: Our Perspective on Say on Climate proposals (May 2022) (In explaining its approach to “Say on climate” proposals, “[o]ur case-by-case approach to evaluating climate-related proposals is grounded in our duty to safeguard and grow our clients’ assets. Vanguard expects boards to effectively oversee material climate-related risks, implement strategies to manage and mitigate risks and seize opportunities, and disclose those risks using widely recognized investor-oriented reporting frameworks. We also expect regular reporting, aligned with the TCFD framework, on progress to meet goals . . .”).

⁵ E.g., The U.S. Environmental Protection Agency, Scope 3 Inventory Guidance, www.epa.gov/climateleadership/scope-3-inventory-guidance (2022)

⁶ Greenhouse Gas Protocol, “Corporate Value Chain (Scope 3) Accounting and Reporting Standard” (“Companies should use the principle of relevance when determining whether to exclude any activities from the inventory boundary . . . Companies should also use the principle of relevance as a guide when selecting data sources. . . Selection of data sources depends on a company’s individual business goals.”) (September 2011) at 24.

designed to provide comparability across registrants.⁷ Additionally, even when receiving such data from third parties, it is not typical to receive Scope 3 emissions data within the timelines utilized for annual reports on SEC Form 10-K.

As a result, the voluntary disclosure of Scope 3 emissions remains a minority practice among registrants⁸, and a consistent standard for the calculation of Scope 3 emissions still does not exist. Most registrants reporting Scope 3 emissions today report these emissions on an aggregated basis. Under the Proposal, registrants would be required to identify the categories of upstream or downstream activities that are included in the Scope 3 emissions calculation, and if any category is significant to the registrant, providing separate Scope 3 emissions data for those categories. Corteva has received no shareholder inquiries specifically with respect to its Scope 3 emissions performance or Scope 3 emissions data by category.

Even when a registrant reports a Scope 3 emissions target, the targeted amount may be an immaterial amount of the registrant's overall controllable GHG emissions because the ability of the registrant to reduce Scope 3 emissions is constrained. While the Commission suggests that a registrant can influence its Scope 3 emissions by "choosing to purchase from more GHG emission-efficient suppliers" and "working with its suppliers and downstream distributors to take steps to reduce those entities' Scope 1 and 2 emissions (and thereby drive reductions in the registrant's Scope 3 emissions risks)⁹, we do not believe that registrants have this power universally and requiring registrants to drive climate disclosure policy through to their suppliers and distributors may have negative business and social consequences.

The Proposal, if enacted, will place registrants at a competitive disadvantage to private competitors, who will not need to consider the GHG emissions reporting capabilities of their suppliers and will have the flexibility to select suppliers on business fit and cost. To meet the reporting requirements and deadlines set forth in the Proposal, registrants ultimately would be driven to concentrate their business with larger suppliers who are well-equipped to invest in the infrastructure for reporting their GHG emissions. Concentrations of supply chains could ultimately make registrants more vulnerable to supply chain risks, including events like the COVID-19 pandemic and severe weather events aggravated by climate change. Like many registrants, Corteva, has a sustainability goal to increase spend with minority and smaller suppliers, which typically have less resources¹⁰ to implement the technologies to track and

⁷ *Id.* at 6 ("Use of this standard is intended to enable comparisons of a company's GHG emissions over time. It is not designed to support comparisons between companies based on their scope 3 emissions. Differences in reported emissions may be a result of differences in inventory methodology or differences in company size or structure.")

⁸ The Conference Board, [Disclosing Scope 3 GHG Emissions](#) (February 2022) (finding on 11% of Russell 3000 and 43% of S&P 500 companies disclose Scope 3 emissions).

⁹ Proposal at 161.

¹⁰ U.S. Small Business Administration, Office of Advocacy, "Small Business Facts: Spotlight on Minority-Owned Employer Businesses" (May 2019)(finding 99.9% of minority businesses are small businesses with having 500 employees or less); U. S. Federal

monitor their GHG emissions. These social sustainability goals would need to be revisited considering the costs of these more stringent reporting constraints that will make it more difficult for registrants, like Corteva, to do business with them.

Downstream Scope 3 emissions can likewise be problematic. There are currently no registrants that correspond to the standard identification code (SIC) associated with agricultural production, however, these industries produce most of the raw products used by publicly traded companies.¹¹ Most farming operations, particularly family farms, do not have the farm management technologies and expertise to track GHG emissions, which can be aggravated by the lack of broadband internet access.¹² Further, implementation of these new capabilities by farming operations within the Commission's proposed implementation timeline is unlikely. If Corteva were required to impose emission tracking requirements on our distributors or consumers, we could effectively drive small and mid-size farmers out of business and/or lead to more consolidation in agriculture, thereby further aggravating existing food insecurity and the ability of family farm operations to compete.¹³

We ultimately believe that Scope 3 emissions should be excluded from the disclosure requirements as it is of reduced importance to shareholders, since the ability of the registrant's management to control or influence is constrained and driving such climate reporting measures may have unintended consequences on the competitiveness of smaller, non-public enterprises and run counter to the registrant's overall business strategy and supply chain security. Where registrants are utilizing larger suppliers, the Scope 3 emissions could be repetitive with other publicly available sources reporting the suppliers' Scope 1 and 2 emissions. Therefore, we believe the Commission should remove the Scope 3 emission disclosure requirements at least until reporting and estimation practices become more standardized and data quality has improved through more cost-effective reporting and tracking mechanisms. In the alternative, we believe the Commission should consider alternatives for emission reporting, including a separate climate and GHG emissions report furnished to the Commission later in the second half of the calendar year.

Physical Risks

The Proposal currently requires a level of granularity on physical risks that is unprecedented including the location of the properties, processes, or operations subject to each identified physical risk, including the disclosure of ZIP codes (or subnational postal zone or geographic

Reserve System, "Small Business Credit Survey: 2021 Report on Firms Owned by People of Color" (finding most firms of color did not have their financing needs met).

¹¹ American Farm Bureau Federation, "Overreach of SEC Proposed Climate Change Rule Could Hurt Agriculture" (May 6, 2022).

¹² *Id.*

¹³ *Id.*

location if the location does not use ZIP codes). Corteva generally has received very few shareholder inquiries related to its physical risks from climate change from shareholders, and never at this level of granularity.

We expect this requirement would, as it would for many registrants, pose serious security and intellectual property risks for Corteva, by creating a road map to find key intellectual property and assets. The U.S.-China Economic and Security Review Commission recently acknowledged that China's desire to achieve self-sufficiency, as well as to strengthen its own agricultural industry, has incentivized the theft of U.S. agriculture assets.¹⁴ The theft of our products could not only lead to material losses for us and our shareholders, but also enable the development of versions of American seed lines at a much faster pace, thereby reducing the competitiveness of U.S. agriculture generally.¹⁵ These thefts also create opportunities for the development of bioweapons using the DNA from genetically modified seeds and crops to harm the U.S. economically and disrupt food security worldwide¹⁶.

Therefore, we expect the physical risk disclosure would impose increased ongoing costs for registrants to protect their assets. Shareholders would face increased risk to the return on their investment, and farmers would have their livelihoods put at risk in a manner that increases the threat to food security.

We believe the best interests of our shareholders, as well as the interests of our industry, farmers and other stakeholders is best served by maintaining a principle-led, less prescriptive approach to a physical risk disclosure, and therefore, respectfully request the Commission eliminate the prescriptive requirements to identify the operations, processes, properties, and ZIP location, which would make a registrant's operations and assets less secure.¹⁷

¹⁴ Greenwood, Lauren, "China's Interests in U.S. Agriculture: Augmenting Food Security through Investment Abroad", U.S.-China Economic and Security Review Commission Staff Research Report (May 26, 2022)(citing Chinese national who collected thousands of samples from Monsanto and Pioneer brand testing fields and subsequently shipped them to China so they could be studied and made into a new hybrid seed for Beijing's use).

¹⁵ *Id.* at 8-10.

¹⁶ *Id.* at 16-17.

¹⁷ Corteva has received consistent interest from investors on the competitiveness and performance of its research and development portfolio. The Commission has recognized the significant costs and adverse consequences intellectual property theft has to registrants and shareholders, including through its recent cybersecurity proposal. SEC Release Nos. 33-11038; 34-94382, "Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure" (March 9, 2022) at 9-10 (recognizing investors and companies are harmed by "[l]ost revenues resulting from intellectual property theft and the unauthorized use of proprietary information . . . ; reputational damage that adversely affects customer or investor confidence; and [d]amage to the company's competitiveness, stock price, and long-term shareholder value.

Assurance and Timetable for Implementation

We respectfully request that the Commission reconsider the assurance requirements set forth in the Proposal, as they are not currently consistent with market practices for GHG emission disclosures, and the requirements of climate change reporting frameworks. For example, the Proposal would also require registrants to obtain assurance of their Scope 1 and 2 emissions, while the current TFCF does not. Likewise, less than half (~45%) of S&P 500 companies are providing assurance on their GHG emissions, and less than 10% of the companies obtaining assurance did so with a public accounting firm. In nearly all such cases, the assurance provided was limited.¹⁸

Additionally, particularly due to the high level of estimations and management judgements required to make the disclosures required by the Proposal, we believe the assurance process will be much more time consuming and costly than currently suggested by the Commission's Proposal. As a reference point, the implementation date of Section 404 of the Sarbanes-Oxley Act was ultimately extended for many registrants due to an under-estimation of the time required to implement its requirements. The practice of applying internal controls over financial reporting was much more mature relative to disclosures under the Proposal, therefore, implying a longer relative timeline to implement. Because GHG emissions disclosures and the related assurance practices are developing practices, for both registrants and assurance providers, we expect the preparation for, and execution of, these assurance engagements to be time consuming and costly. Furthermore, much of the data required for GHG emissions disclosures, is currently disclosed on timelines much less restrictive than a registrant's annual report deadline. This will inevitably add to costs and force many registrants to adjust their annual report timelines closer to Commission deadlines, thereby delaying shareholders access to other material information and creating greater risks of posting delays within EDGAR.

If the Proposal were to be adopted with the high-level of disclosure required by the Regulation S-X amendments, and/or Scope 3 emissions requirements included, we believe all registrants, along with assurance providers, would benefit from a minimum one-year extension of the implementation deadlines set forth in the Proposal, along with the elimination of providing climate risk and emission reporting for historical periods prior to the implementation. This extension would reduce the risk of reporting delays, give registrants further opportunities to improve data quality and internal control processes, and work with assurance providers to ensure a more productive assurance process.

¹⁸ See Center for Audit Quality, S&P 500 and ESG Reporting (Aug. 9, 2021).

Governance Disclosures

The Proposal also would mandate a high-level of detail with respect to climate change governance and risk management around climate matters, to a degree that is not in proportion to management's internal evaluations of risk that may view other matters of much greater significance to the registrant. As an agriculture company, our product innovations are a meaningful part of our response to climate change. Therefore, overly granular disclosures could harm competitiveness by providing information that would be useful to our competitors. The Proposal's disclosure requirement regarding whether the registrant's board of directors has a member with climate expertise would encourage registrants to continue to pursue directors with a single purpose (i.e., an audit committee financial expert, a cybersecurity expert, and a climate expert), versus board directors well-versed in a range of areas and well-experienced in strategic implementation, leadership, operations, and/or the applicable industry expertise. We believe shareholders' interests in optimizing returns is best served by directors experienced, not only in advising, but with the skills to oversee management's incorporation and execution of climate change risk and mitigation strategies into a registrant's strategic business plans designed to maximize shareholder value.¹⁹

¹⁹ See also, e.g., State Street Bank, "ESG Insights: ESG Stewardship and Engagement for Outsized Impact" (April 30, 2022) ("Too many companies are still thinking about climate as a separate issue from their long-term strategy. There should be considerable overlap between how companies are positioning themselves for climate change and their long-term strategy."); Turner, Natasha, "How Vanguard considers ESG risk", Investment News. (April 8, 2022) (with Vanguard's global head of investor stewardship noting "We have no agenda beyond shareholder return. That frustrates those who say, 'How can you say that? Climate change today is an essential crisis, and everyone should be doing everything they can.' There's a frustration with lack of governmental action, particularly in the States, and therefore a desire for other entities to step in and do something. We don't believe that's the role we can or should play. We are not a solution to a societal challenge that needs governmental action.")

Conclusion

We appreciate the opportunity to share our perspective on the Proposal and its impacts on registrants and agriculture through the comment process. Due to the complexities of the Proposal, we encourage the Commission to publish a revised Proposal addressing these concerns and those of others for further comment.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Anderson", with a long horizontal flourish extending to the right.

David J. Anderson
EVP, Chief Financial Officer

A handwritten signature in blue ink, appearing to read "C. Fuerer", with a long horizontal flourish extending to the right.

Cornel B. Fuerer
SVP, General Counsel & Secretary