Re: SEC File Number S7-04-2, rule 35d-1

We are submitting this letter to address the challenges raised in applying the Names Rule to the use of the term ESG (environmental, social and governance) in fund names.

Since the adoption of rule 35d-1 in 2001, sustainable, responsible and impact (SRI) investing assets in the United States have grown almost six-fold to $12.0 trillion, according to US SIF Foundation's 2018 biennial Report on US Sustainable, Responsible and Impact Investing Trends[1], accounting for one in four dollars of total assets under professional management.

Despite this growth in the market, the lack of a clear framework to define and assess the "sustainability" of the underlying assets, as well as the fund(s) itself, undermines enthusiasm for these types of vehicles and increases risks for investors, particularly green washing.

There are many different criteria to assess when evaluating a security's impact on people, planet and trust and the overall ESG or sustainability of securities – and its prospects for long-term financial value perspective. These differing criteria further complicate the assessment of the fund or ETF owning positions in those securities. This is exasperated by the term "ESG" being used in a variety of different ways, often incorrectly. Given the heritage of multiple investing styles like socially responsible investing, impact investing or sustainable investing, metrics and standard definitions are needed to ensure the market fully understands what is or isn't ESG or impactful or sustainable.

In our view, a high-quality ESG security has environmental, social and governance factors incorporated into long-term business strategy as drivers of future financial success by mitigating risk and innovating around opportunity. **When ESG factors are analyzed in the investment process, from the perspective of either index creation or active management, this explicit and intentional incorporation of ESG assessment into portfolio construction should be a requirement to use the ESG label.** If a fund is named an "ESG fund," the basic requirement should be a results-oriented, metrics-based assessment of the positive or negative ESG characteristics of the underlying securities. These securities can then be effectively integrated into portfolio construction – either at the index level for index funds or in quantitative or fundamental models for actively managed funds.

ESG ratings or assessments, however, are only as good as the underlying data. So, what is required to properly assess ESG for individual securities, which can be aggregated into a fund?

1. First is the need for **transparency** in fund holdings. Without public access to consistent downloadable holdings of mutual funds and ETFs, millions of individual investors and financial advisors do not have downloadable, easy to use, comprehensive access to the full holdings of funds, the weights and their identifiers – besides PDFs of prospectuses, and sometimes fund families offer Excels to download. For full transparency, we recommend XML or other open-source technologies so that all potential investors can access consistent, downloadable holdings across funds for comparative analysis – and avoid expensive fees to service providers who do this in inconsistent or infrequent updates.

[1] https://www.ussif.org/fastfacts

2. Second is the lack of a **common standard for assessing ESG information** across securities and funds. Investors need all assets within a fund to follow one set of standards so that the metrics are improved as the data aggregates. The Sustainability Accounting Standards Board (SASB) has emerged as a leader in establishing an ESG framework that can standardize and improve the metrics for this assessment. Widespread use of SASB could facilitate uniform disclosure of the most financially relevant sustainability factors across companies and sectors globally, thus allowing for aggregation at the fund level. Other frameworks to consider are the Global Reporting Initiative (GRI) or the United Nations Sustainable Development Goals (SDGs).

3. Third is **accountability**. Only when transparent information is easily compared against a common standard can investors use the information to hold investment managers, fiduciaries, trustees, and advisors accountable for how they name their fund and market it to prospective investors.

Analysis of ESG quality is just one of the ways in which investors can assess investments for sustainability. Investors can also divest or invest because of an ethical commitment to peace, for instance, or gauge actual greenhouse gas emissions of companies under consideration for impact investment. Investors might look for funds where the manager is active in driving the company toward greater sustainability through proxy voting or direct engagement. In all these areas clear metrics and frameworks are imperative. That's why we build metrics and frameworks at Third Economy and HIP Investor. But upstream, opaque, incomparable data limits the value to investors.

We encourage the SEC to work constructively with market participants, including companies like Third Economy and HIP Investor, to facilitate more transparency, formalized standards, and higher accountability to those standards of reporting and disclosure. This will ensure the markets operate more efficiently and allow investors to pursue net-positive benefits for people, the planet, and trust, as well as risk-adjusted financial returns at the same time.

Thank you,

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