June 17, 2022

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

Via Electronic Filing

Re: Enhancement and Standardization of Climate-Related Disclosures for Investors (File Number S7-10-22)

Dear Ms. Countryman:

Betterment LLC ("Betterment") appreciates the opportunity to respond to the Securities and Exchange Commission ("Commission") proposed regulation, released March 21, 2022, *The Enhancement and Standardization of Climate-Related Disclosures for Investors,* File Number S7-10-22 (the "Proposed Rule").

Betterment writes in support of required climate-related disclosures by public companies. In our experience, the information required by the Proposed Rule is necessary to continue developing and refining sustainable investing strategies, for which demand from retail investors continues to grow.

The Proposed Rule is scoped broadly, and many commenters have ably addressed its multiple facets on the record. Given the perspective offered by our role in the industry, we limit our comment to a single issue —to offer evidence that there is demand for the proposed disclosures, not only from institutional investors, but from retail investors as well.

Launched in 2010, Betterment leverages technology to offer its advisory clients globally diversified portfolios constructed using low-fee exchange traded funds ("ETFs"). As of March 31, 2022, Betterment managed $33 billion on behalf of approximately 750,000 clients.

The greatest generational wealth transfer in history is about to begin in earnest, with $7 trillion set to transfer in the next 5 years.[1] Moreover, according to Morgan Stanley's recent research,

[1] https://www.wsj.com/articles/older-americans-35-trillion-wealth-giving-away-heirs-philanthropy-11625234216

99% of millennials, soon to be in receipt of this wealth, express interest in "sustainable investing."[2] While the demographics of our clients range broadly, with a median age around 35, our client base is representative of this rising generation of millennial investors.

In 2017, we launched our first Socially Responsible Investing ("SRI") managed portfolio option, and in 2020, iterated our methodology to focus on the climate-aware pillar of ESG, including the addition of a new "Climate Impact" managed portfolio. In the year since that launch, both the number of clients electing an SRI strategy, and SRI assets under management, tripled.

We see evidence for meaningful retail investor demand for climate-related disclosures

Some commenters have suggested that the pressure for climate-related disclosure is coming primarily from institutional investors and that there is scant evidence that retail investors have any interest in such disclosure.

One public comment, signed by 22 law professors, suggests that "the SEC should directly attempt to gauge the level of investor demand among individuals" for the information required by the Proposed Rule. We agree that this is an important data point and that "the SEC should take these views into consideration."[3]

We also agree with the authors' suggestion that:

> The SEC would also do well to ask the institutions 'demanding' such information whether they have polled their individual clients, the ultimate investors, to determine whether they agree on the desirability or need for such information. That would provide a more meaningful measure of 'investor demand' than the Proposal presents.

On May 18, 2022, we emailed a survey to over 30,000 of our clients, all of whom had at least a portion of their assets managed by Betterment invested in one of our SRI portfolios. The survey included the following question:

2
https://www.businesswire.com/news/home/20211027005375/en/Morgan-Stanley-Sustainable-Signals-U.S.-Individual-Investors-Maintain-Strong-Interest-in-Sustainable-Investing-Despite-COVID-19-Pandemic

3 https://www.sec.gov/comments/s7-10-22/s71022-20126528-287180.pdf

Some public companies regularly report on greenhouse gas emissions produced by their business, while others do not. When it comes to considering which stocks to invest in, which of the following best describes you:

1. Emissions data could affect my decision to buy a stock, but it should be up to each company whether or not to report it.
2. Emissions data could affect my decision to buy a stock, and every company should be required to report it.
3. Emissions data would not affect my decision to buy a stock, and it should be up to each company whether or not to report it.
4. Emissions data would not affect my decision to buy a stock, but every company should be required to report it.

Approximately 3,000 clients responded to our survey, and the answers to the above question broke down as follows:

Results:

1. Emissions data could affect my decision to buy a stock, but it should be up to each company whether or not to report it. **(5%)**
2. Emissions data could affect my decision to buy a stock, and every company should be required to report it. **(90%)**
3. Emissions data would not affect my decision to buy a stock, and it should be up to each company whether or not to report it. **(1%)**
4. Emissions data would not affect my decision to buy a stock, but every company should be required to report it. **(4%)**

A reasonable interpretation of these results would be that 95% of respondents would potentially consider GHG emissions reporting, of the kind contemplated by the Proposed Rule, as material to whether they would purchase a security.

While some of our clients likely invest directly in stocks of companies via other platforms, at Betterment, they are invested exclusively in index funds. All 30,000 recipients of our survey have expressed a preference for portfolio strategies built around SRI index funds.

A retail investor's exposure to equities via index funds makes the uniform availability of *standardized* climate-related disclosure at the company level that much more critical, and the Proposed Rule would drastically improve the efficiency and robustness of the underlying process that produces such low fee, diversified investing products.

By relying on index funds, our clients are precisely the retail investors who would benefit from the Proposed Rule, as the Commission suggests in its proposal, because they "rely on analysts' interpretation of financial disclosures rather than directly analyzing those disclosures themselves."[4]

For example, Betterment's Climate Impact portfolio currently offers some of its exposure to equities via an index fund that seeks to reward carbon footprint "leaders" within each sector of the economy, by overweighting "companies with low potential and measured carbon emissions relative to higher carbon-emitting peers."[5]

That ETF tracks an index, constructed by MSCI, which ingests whatever company-level data that is available.[6] Given that this data is self-reported, it should not be surprising when MSCI notes, in its public comment on the Proposed Rule, that it "continues to encounter practical challenges in accessing climate-related information, stemming from inconsistent and incomparable data to overly broad boilerplate disclosure by companies."[7]

The Proposed Rule seeks to address the foundational disclosures that a chain of analysts, fund managers and investment advisers look to, when meeting the ever-growing retail demand for sustainable investing.

The various climate-related proposals issued by the Commission over the last 12 months, addressing index funds, investment advisers, and now, companies themselves, form an interactive patchwork, which, if enacted thoughtfully, should pave the way for the regulatory framework that retail investors need in the 21st century.

We thank the Commission for offering the opportunity to comment on the Proposed Rule, and we would welcome any further engagement on this issue.

Sincerely,

/s/ Boris Khentov
Head of Sustainable Investing

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[4] https://www.sec.gov/rules/proposed/2022/33-11042.pdf

[5] https://www.ishares.com/us/products/271054/ishares-msci-acwi-low-carbon-target-etf

[6] https://www.msci.com/documents/10199/c64f0873-5818-4304-aaf2-df19d42ae47a

[7] https://www.sec.gov/comments/s7-10-22/s71022-20129972-296470.pdf