Everence

Everence Financial
1110 North Main Street
Post Office Box 483
Goshen, IN 46527
www.everence.com

Toll-free: (800) 348-7468
T: (574) 533-9511

File Number S7-17-22
Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices

August 15, 2022

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

Dear Ms. Countryman:

Everence Capital Management is the Advisor to Praxis Mutual Funds, founded in 1994 to help investors integrate their faith values into their investment portfolios. Everence Financial, the parent of Everence Capital Management, serves as the stewardship agency of Mennonite Church USA. Praxis manages assets of just over $2 billion and has been actively pursuing ESG related activities since the inception of the funds.

I support the Proposal to ensure that investors are provided with information that helps them understand the environmental, social and governance considerations of the funds in which they invest. However, we believe the proposed rule will lead to a significant burden for ESG fund managers while leaving an opening for firms claiming to "integrate ESG" in their process to avoid detailed disclosure.

ESG Integration category
The term "ESG integration" suggests a deep level of incorporation of ESG factors into the investment process. Managers that consider ESG factors alongside other financial factors should not be described as pursuing "integration".

We propose eliminating the "ESG integration" category altogether. If an investment manager is not actively considering ESG as an integral part of their investment process, they should not be able to use the ESG term in their name, marketing, or prospectus disclosures. Distinguishing which funds truly integrate ESG into their process (and therefore are subject to the rule) from those who only talk about it will go far in reducing the greenwashing the rule is intended to address.

Tabular versus narrative disclosure
Generally, a tabular disclosure is an effective way for managers to communicate their strategies, but the rule should allow for a narrative description of the fund's ESG strategy to appear in the prospectus. Investors should be afforded the ability to evaluate strategies based on a deeper understanding than what is provided by a table or check-the-box tool. Third party ESG analysis firms will likely be drawing conclusions from prospectuses, so allowing for narrative descriptions in addition to the tabular data will be critical.

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Screening methodology
Requiring investment managers to disclose ESG screening thresholds, percentages of revenue, and other proprietary information that reveal a fund's screening methodology compels managers to describe proprietary, competitive information. Managers not pursuing ESG strategies are not required to disclose their analytical processes, valuation models, and other proprietary analysis.

Third party ESG analysis firms
Portions of the proposal seek to solve perceived problems with third-party data providers that are not the responsibility of investment managers. The disclosure rule should not place a burden on fund managers to assess the quality of the data provided by or to reconcile differences between assessments by multiple third-party ESG analysis firms. Non-ESG fund managers use myriad sources of third-party analysis that are not similarly disclosed in filing documents.

Impact Fund disclosure
The prospectus disclosure requirements for impact funds are too expansive by requiring a fund manager to discuss the financial impacts of the impact strategy. Existing requirements for performance reporting and discussions, benchmark comparisons, and manager commentary in the fund's management discussion of fund performance (MDFP) are sufficient to give investors the information they need to evaluate the strategy.

Thank you for your attention to this important topic.

With regards,

Chad M. Horning

Chad M. Horning
Chief Investment Officer, Everence Capital Management
President, Praxis Mutual Funds