YourStake

August 16, 2022

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

RE; File Number S7-17-22 - Comments on Proposed Rule 33-11068 Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices

Dear Ms. Countryman:

YourStake appreciates the ability to comment on the Notice of Proposed Rulemaking "Environmental, Social and Governance (ESG) Disclosures for Investment Advisors and Investment Companies " (File No. S7-17-22) ("Proposal"). YourStake helps Asset Managers, Financial Advisors, and their clients understand and improve their portfolio values-alignment. We offer personalized ESG solutions and reporting to show the depth and breadth of information needed to make investing personalized, explainable, and transparent.

We stand in favor of these proposed changes as we believe they are instrumental in laying the foundation for addressing the growing concerns of greenwashing while aiding in building better standardizations across the industry. At the same time, we foresee a few challenges around the nuances of data collection and reporting and possible second-order effects. We also respectfully request a few changes to data reporting to make implementing these new disclosures more efficient for data providers.

How YourStake creates transparency and truth in ESG investing

YourStake was founded to catalyze values-aligned Investing for everyone. Our clients range from Registered Investment Advisors to large Asset Managers. Our tools are affordable, with our lowest tier of access at $999/seat/year and highest at $9,999/seat/year.

Our tools help advisors understand a client's values and understand portfolios through that lens. Advisors can utilize our portfolio screening tools to research funds and companies that align with their clients' ESG preferences, and demonstrate a portfolio's alignment with the specific issues that matter to each client, drawing from over 200 metrics.

Our reporting makes ESG more explainable, transparent and personalized to clients. Advisors often use our tools to demonstrate the difference in values-alignment between two portfolios, or between a portfolio and a benchmark.

Relevant to the motivation of the proposed rules, our users can also set up alerts to ensure the portfolio stays values-aligned as companies and funds change. Advisors can receive alerts to

assess potential portfolio drift and how they might take corrective action to maintain portfolio values alignment.

The rigor and transparency of data is key to our approach, as truth builds trust. All of our data is from publicly available sources, we generally avoid collecting data from voluntary company reporting to ensure apples-to-apples comparisons and to avoid greenwashing. Data is collected from government agencies, regulatory filings, academic institutions, or trusted NGO sources. We gather from over 200 sources and cite every data point in our tool so advisors can see, down to the individual holding, where the data is being sourced. Our database universe is 30,000+ issuers, 30,000+ Funds and ETFs, and 400,000+ securities, all across 195 Countries. We also maintain a proprietary database of shareholder engagement actions and share them in our reports for end clients to see what changes are being made at a company level.

We feel that the new reporting requirements laid out in The Commission's proposal will help aid in the overall quantity and quality of company reporting that meets our standards of rigor. Utilizing tools such as the ESG Strategy overview table and new additions to disclosures within prospectuses all in XBRL data language leads to better apples-to-apples comparisons.

Concerns and Nuances of data reporting and second-order effects:

While we agree with the Commission that disclosing ESG strategy, carbon emissions, and shareholder engagement according to a standard methodology will benefit the investor public, we wish to raise some concerns about the feasibility of comprehensive and accurate disclosures given the current state of data availability.

Carbon Emissions

1. Emissions without Scope 3 paints an unbalanced picture

Emissions footprints without Scope 3 lead to results that defy most investors' expectations. Without this disclosure data, investors are missing vital information as Scope 3 emissions can count for 65-95% of a company's emissions (EPA). This data distortion leads to the carbon emissions of many high-emitting companies being undercounted, particularly in upstream energy sectors. Investors aiming to reduce their exposure to carbon emissions can thus unintentionally invest in high-emitting companies as a component of a product labeled as low-carbon.

2. Scope 3 emissions aren't widely or consistently disclosed

In parallel to this Proposal, the Commission has begun encouraging companies to disclose emissions within their annual filings, but very few companies report Scope 3. At the time of writing, while 70% of large US and EU companies that disclose data on Scope 1 emissions also disclose at least some Scope 3 emissions, many are missing relevant categories, meaning calculations and comparisons cannot be consistent across companies. Investors must rely on estimates, or inconsistent voluntary reporting methodology.

3. There is a wide variance in Scope 3 emissions estimations by various firms

When data & rating firms estimate scope 3 emissions, there are a number of different ways to approach the topic that can lead to widely varying results.

Product classification: Firms can estimate scope 3 emissions by categorizing revenue streams, and applying a conversion factor to each stream. This is imperfect because most companies don't disclose detailed categorization of their revenue by product. So some guesswork is fundamentally involved in coming up with and filling out the taxonomy, as well as in applying a conversion factor to each segment. There is no standard book for applying conversion factors in the abstract here, and estimates can vary widely.

Sector classification: Firms can estimate scope 3 simply by identifying the general GICS or NAICS classification of a company. This estimation is imprecise and, if implemented alone, prevents effective within-sector analysis, which is the main objective of many investment strategies.

Proprietary black-box algorithms: Though there are numerous ways to estimate Scope 3 emissions using regression analysis or other methods within machine learning / artificial intelligence, some of these techniques could be more proprietary than others, and some more transparent than obfuscated. With a growing requirement to calculate Scope 3 emissions, we could expect that more companies establish ratings or calculation algorithms to partner with companies to aid in estimating these emissions and thus creating a wider variance of results.

With this in mind, the wide variance in techniques will lead to a wide variance in results. So, the Commission is faced with the following issue:

- Without Scope 3, emissions assessments are unbalanced for investors
- There's not enough corporate disclosure currently for apples-to-apples Scope 3 data for investor use

To get past this issue, we recommend the Commission should establish a roadmap to phase in Scope 3 emissions for all companies to:

a) Ramp up efforts to compel corporate Scope 3 disclosure within the 10-K via standardized XBRL markup
b) Assist companies by endorsing a single framework for consistent accounting (such as SASB)
c) Require Scope 3 calculations for all investors gradually, so that they can continue dialogue with companies to lead them forwards and find the best calculation method possible to create stronger transparency and comparison.

Shareholder engagement

Shareholder engagement can be a beneficial tool to drive corporate change on ESG issues. Evidence points to successful ESG shareholder engagement having an impact on financial performance as well (Dimson, Karakas, Li 2015). Investors can currently access shareholder engagement data through voluntary fund manager reporting that is generally not machine-readable and does not contain comparable metrics.

We believe that shareholder engagement should be consistently disclosed to allow for adequate investor analysis. Investors should, at a minimum, be able to see a record of engagement actions, and a list of what ESG issues were covered in a standardized disclosure format.

Furthermore, fund voting records captured within Form N-PX should be modernized into a machine-parsable format, implementing Proposal 34-93169 from 2021. Machine-parsable information would allow independent research companies, similar to YourStake, make proxy voting record information easily accessible to retail investors.

Conclusion

The above suggestions focus on providing increased access to information relevant to ESG investors in a manner that allows for apples-to-apples comparisons. Consistent and standardized reporting allows companies like YourStake to continue to help advisors and investors find values-aligned investments with minimum additional cost.

The commission's proposal helps establish the groundwork for the important task of minimizing greenwashing and creating a more transparent marketplace of ESG investment offerings. Overall, the proposal the commission put together is beneficial to creating a more transparent marketplace and provides us the ability to further aid in creating a more comparable data landscape to find the right funds for the right investors, advisors, and institutions.

Thank you for the opportunity to comment from our investor perspective on the proposal.

Patrick Reed and Gabe Rissman would be pleased to discuss any aspect of our comments with the Commission at a further time.

Patrick Reed, Co-Founder, and CEO

Gabe Rissman, Co-Founder, and President