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August 16, 2022

VIA EMAIL AT RULE-COMMENTS@SEC.GOV

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

Re: Release No. IA-6034; IC-34594 (File No. S7-17-22); Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices

Dear Secretary Countryman:

We appreciate the opportunity to respond to the request by the U.S. Securities and Exchange Commission ("Commission") for comments regarding the above-referenced release (the "Proposing Release").[1] The Proposing Release proposes amendments to existing rules and forms to create a standardized framework requiring certain funds[2] and certain investment advisers to disclose their environmental, social and governance ("ESG") investment practices. The proposed amendments are intended to promote "consistent, comparable, and reliable" information to facilitate informed decision-making related to ESG investment product and strategy offerings.

The Proposing Release contains five key components: (i) proposed amendments expressly requiring specific ESG-related disclosures in fund prospectuses, annual reports, and investment adviser regulatory filings; (ii) proposed amendments to classify ESG

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1 *See* Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social and Governance Investment Practices, SEC Rel. No. IA-6034; IC-34594, 87 FR 36654 (June 17, 2022).

2 When referring to a "fund," we generally mean management investment companies registered under the Investment Company Act of 1940, as amended ("1940 Act"), unit investment trusts and business development companies.

investment product and strategy offerings in three defined categories: "integration", "ESG-focused" and "impact"; (iii) proposed amendments to implement a standardized approach for certain types of ESG funds and advisers to disclose their ESG investing processes and strategies; (iv) proposed amendments requiring disclosure of proxy/engagement practices and on greenhouse gas ("GHG") emissions metrics for certain types of ESG Funds; and (v) disclosure- and census-style reporting-related amendments to Form N-CEN and Form ADV.

Dechert LLP is an international law firm with a wide-ranging financial services practice that serves clients in the United States and abroad. In the United States, we represent a substantial number of U.S. mutual fund complexes, closed-end funds, ETFs, private funds, fund boards, fund independent directors, investment advisers and fund service providers. In developing these comments, we have drawn on our extensive experience in the financial services industry generally. Although we have discussed certain matters addressed in the Proposing Release with some of our clients, the comments that follow reflect only the views of a group of attorneys in our financial services practice, and do not necessarily reflect the views of our clients, other members of our financial services group or the firm generally.

We recognize the Commission's legitimate interest in promoting a "consistent, comparable, and reliable" disclosure framework that facilitates informed decision-making related to ESG investment product and strategy offerings and appreciate the opportunity to offer comments to support those objectives. However, we have reservations about the Commission's proposed disclosure framework. In particular, we believe the proposed disclosure framework prioritizes comparability over materiality, accuracy and nuance and is overly broad. We believe investors would be better served with a more principles-based disclosure framework that embraces the diversity of ESG investment processes and strategies.

I. General Comments on the Proposed Rulemaking

We support the objectives that the Commission has identified in the Proposing Release to enhance investor understanding of ESG strategies and facilitate investor comparisons among different ESG strategies across funds and advisers. However, we believe that any disclosure regime, including ESG-specific disclosure requirements, should be rooted in

materiality.[3] As noted in the Proposing Release, "the Commission has long required funds to provide key information about a fund's fundamental characteristics, while requiring advisers to provide clear information about their advisory businesses and the investment strategies they utilize or recommend to clients."[4] We believe that the proposed disclosure framework in the Proposing Release departs from the long-standing materiality standard and prioritizes comparability of disclosures and information provided by funds and advisers over accuracy and nuance. Given the considerable diversity in style and approaches to ESG investing and in the ways that advisers use and weigh different ESG factors, we believe that investors will be better served if the Commission reframes the proposal to focus on materiality, rather than seeking to sort the universe of ESG strategies into one of several categories further organized by checked boxes.

The Commission should consider the unintended consequences of the Proposing Release. While the proposed disclosure requirements are intended to create "consistent, comparable, and reliable" information about ESG practices in Commission filings, we believe that the variation in ESG strategies cannot be captured in three discrete categories. In our view, the proposed disclosure requirements may give investors a false sense of comparability of funds and strategies and lessen (rather than enhance) investor understanding of ESG strategies. We believe the Commission's focus should be on whether ESG disclosures are clear and accurate rather than whether they are presented in a similar "one-size-fits-all" format.

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3 *See TSC Indus., Inc. v. Northway, Inc.,* 426 U.S. 438, 449 (1976).

4 *See* Proposing Release at 8.

We suggest that the Commission (i) clarify and narrow the scope of "Integration Funds" and "integration" strategies[5] and of "ESG-Focused Funds" and "ESG-focused" strategies[6] to focus on funds and strategies that generally hold themselves out as ESG investment products (to the extent the Commission determines to retain the proposed classifications); (ii) reconsider the proposed proxy voting and engagement disclosures in their entirety; (iii) limit GHG emissions reporting to funds that are focused on reducing GHG emissions; (iv) revise the proposed Form ADV instructions to narrow the scope of data collected and of the proposed disclosure requirements to focus on ESG factor(s) that are a material part of an investment adviser's significant investment strategies or methods of analysis; and (v) consider a two-year or longer implementation period to account for the costs and time needed to implement the proposed disclosure framework.

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[5] Under the proposed rule, an "Integration Fund" is defined as "a [f]und that considers one or more ESG factors alongside other, non-ESG factors in its investment decisions, but those ESG factors are generally no more significant than other factors in the investment selection process, such that ESG factors may not be determinative in deciding to include or exclude any particular investment in the portfolio." *Id.* at 316-17. In addition, under the proposed rule, "integration" strategies are defined as strategies that "consider one or more ESG factors alongside other, non-ESG factors in [an adviser's] investment advice, but such ESG factors are generally no more significant than other factors in advising [the adviser's] clients with respect to investments, such that ESG factors may not be determinative in providing advice with respect to any particular investment. . . ." *Id.* at 358-59.

[6] Under the proposed rule, an "ESG-Focused Fund" is "a [f]und that focuses on one or more ESG factors by using them as a significant or main consideration (1) in selecting investments or (2) in its engagement strategy with the companies in which it invests." *Id.* at 317. Additionally, the Proposing Release indicates that a fund that tracks an ESG-focused index, applies an inclusionary or exclusionary screen, includes one or more ESG factors in its name, advertises the use of one or more ESG factors in its investment process, or has a policy of voting its proxies and engaging with management of its portfolio companies to encourage ESG practices or outcomes would be an ESG-Focused Fund. *Id.* at 33. In addition, under the proposed rule, "ESG-focused" strategies are defined as strategies that "focus on one or more ESG factors by using them as a significant or main consideration in advising [an adviser's] clients with respect to investments or in [the adviser's] engagement strategy with the companies in which [the adviser's] clients invest. . . ." *Id.* at 359.

II. Classification of Funds and Strategies

A. Integration Funds/Strategies

The proposed definitions of "Integration Fund" and "integration" strategies are too broad. The definitions, if adopted as proposed, would capture a substantial number of funds and strategies that do not, and would not, consider ESG factors to be more important than many other non-ESG factors in the investment process, and yet their use would be elevated through mandating prominent disclosure. This could thereby potentially over-emphasize their significance and lead investors to believe that ESG factors play a larger role in the investment process than they actually might. This emphasis would work against the Commission's intent to use the integration classification to ensure that funds and advisers do not overemphasize the role ESG plays in the investment process when ESG factors are not considered more significant than other fundamental factors.

To the extent that the Commission retains "integration" funds and strategies as a category, we believe that the Commission should narrow the relevant definitions so that they are based on whether ESG factors are a material component of the decision-making process and whether the fund or strategy is held out as using those factors. The focus should be on materiality – to be labeled an Integration Fund or strategy, ESG factors should be a material component of the decision-making process.

We believe a narrower definition would align the Commission's intent with the diversity and nuances of ESG strategies and investment processes as they may exist in practice. For example, there are a significant number of actively managed funds that consider a wide range and number of fundamental factors, only one or several of which are ESG factors, but would not be considered or held out as Integration Funds, and have not considered it appropriate to elevate these ESG factors to their principal investment strategy disclosures in Item 4 of Form N-1A. Such funds include those that consider pure governance factors, such as whether a company has a classified board or a well-functioning compensation committee, as well as funds that consider environmental and social factors for purely financial reasons, such as whether a company may face EPA fines or be successful in recruiting and retaining talented employees. Yet, such funds would meet the proposed definition and be required in their Item 4 disclosures to summarize in a few sentences how they incorporate such factors into their investment selection process. The inclusion of one ESG factor in the investment selection process among many non-ESG factors is not what investors would expect from a fund classified as an Integration Fund. Similarly, explicitly

requiring disclosures about ESG factors that are not more significant to the investment decision process than other factors, which are not required to be disclosed, may lead investors to believe the ESG factors are more significant than they are in reality to the strategy.

In addition, a narrower definition based on a materiality standard would be more consistent with investor expectations and current disclosure requirements under Form N-1A, which require a fund to "[e]xplain in general terms how the [f]und's adviser decides which securities to buy and sell."[7]

Therefore, to the extent that the Commission retains "integration" funds and strategies as a category, we believe that the Commission should narrow the relevant definitions so that they are based on whether ESG factors are a material component of the decision-making process and whether the fund or strategy is held out as using those factors. We believe that a narrower scope to these requirements would better capture those funds and strategies that give the level of consideration to ESG factors expected by investors that seek to invest based on their ESG values.

B. ESG-Focused Funds/Strategies

We further recommend that the Commission revise the proposed definitions of "ESG-Focused Funds" and "ESG-focused" strategies and reconsider the prescriptiveness of the disclosure requirements for ESG-Focused Funds and strategies.

We believe the definitions of "ESG-Focused Funds" and "ESG-focused" strategies are imprecise and should be more targeted to achieve the Commission's intent of countering "greenwashing" and improving investor understanding of ESG investing. There is considerable diversity in how advisers use ESG factors, as well as in their purpose. For example, the Proposing Release indicates that a fund that applies an inclusionary or exclusionary screen, irrespective of the materiality of such a screen, would be an ESG-Focused Fund. Under this approach, any fund that uses an investment screen to exclude tobacco companies would be classified as an ESG-Focused Fund. However, there is a range of uses and purposes for such screens. Some funds and strategies use them because they believe that tobacco companies present long-term risks that are detrimental to returns,

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[7] *See* Item 9(b)(2) of Form N-1A.

while others do so out of the belief that tobacco is bad for society. Still other funds and strategies combine these two views, for example from the belief that the latter is the primary reason for the former. Some funds and strategies that do not otherwise consider ESG factors or pursue ESG goals employ such screens, whereas others combine a number of negative and positive screens into a strategy that is expressly held out as ESG-focused. The Commission's proposed definitions would classify all of these different funds and strategies together and require disclosures in the same, rigid format, implying to investors that these funds and strategies focus on ESG in the same way, to a similar degree and with similar purposes. In particular, for those funds and strategies for which these screens are immaterial to their investment process, the proposed definitions of ESG-Focused Funds and strategies would nonetheless classify them as ESG-focused and label them as such through disclosures to investors, which would confuse and distort the importance of these factors in the investment process.

For these reasons, we believe that the Commission should revise the definitions of ESG-Focused Funds and strategies to focus on materiality and on funds and strategies that expressly are held out as focusing on ESG. We also recommend at a minimum that the Commission delete the second prong of the definition (*i.e.*, the use of one or more ESG factors "in its engagement strategy with the companies in which it invests") in its entirety.[8] Under this prong of the definition, any fund or strategy that considers an ESG factor, which could include fundamental factors that historically have not been broadly regarded as ESG factors, such as corporate governance, as part of its proxy voting and engagement process with the companies in which it invests, could be considered an ESG-Focused Fund or strategy. We do not believe that the Commission intended the definition to require funds and strategies that consider ESG factors as part of the fund's or strategy's proxy voting and engagement process even when the ESG factor is not a significant or main consideration (as the case would be for a number of corporate governance matters) to provide the same level of disclosure as a fund or strategy that purchases securities to become a shareholder of a company to vote based on the ESG factors contained in the fund's principal investment strategies and proxy/engagement policies. Additionally, this requirement would be inconsistent with proposed Item 9(b) and Item 4(a) of Form N-1A, which would not require a fund to consider its proxy policy or engagement strategy when disclosing its principal

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8 *See* Proposing Release at 317.

investment strategies.[9] These Items would require a fund to consider how the investments it *buys or sells* achieve its intended investment objective. Therefore, we believe this prong should be deleted in its entirety.

We further recommend that the Commission reconsider the proposed tabular disclosure required for ESG-Focused Funds because it is too prescriptive and does not capture the nuances of ESG investing. Under the proposed rule, ESG-Focused Funds would be required to provide in a prescribed tabular format: an overview of the factors considered; check each box that applies to a fund's ESG strategies; a description of how the fund incorporates ESG factors; and disclosure of proxy voting and engagement strategies. While we appreciate the Commission's intent to improve comparability, the format and prescriptiveness of the chart creates a potential for investor confusion. The proposed "check the box" format might lead investors to draw incorrect inferences about how ESG-focused a fund is based on the number of checked boxes without any meaningful discussion of what a checked box means as part of a fund's ESG strategy. The Proposing Release states that an ESG-Focused Fund must "complete each row with the brief disclosure required by that row – and only the information required by the relevant form instruction".[10] This level of prescriptiveness does not allow a fund the flexibility to convey the central features of its ESG investment policy, and instead floods the investor with information that may not be relevant to a specific fund in an effort to improve comparability. We recommend a simpler narrative disclosure requirement that would allow a fund to prioritize the key ESG information specific to the fund rather than flood the investor with information that does not apply.[11]

For these reasons, we recommend that the Commission revise the definition of ESG-Focused Funds and the required tabular disclosure.

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9 *See Id*. at 316-322.

10 *See Id*. at 37.

11 We further note that the transition to include this type of disclosure will likely take the industry, at a minimum, two years to incorporate to ensure that service providers (such as printers) can implement the format changes. It will also cost far more than what the Commission currently estimates.

III. Proxy Voting and Shareholder Report Disclosure

A. Proxy Voting and Engagement Shareholder Report Disclosure

We appreciate the Commission's initiative in considering how ESG-Focused Funds and strategies interact with ESG-related proxy voting and engagement. However, we believe that the proposed disclosure on ESG-related proxy voting and engagement should not be included in the prospectus and annual report requirements because the proposed disclosure requirements are too prescriptive and would not provide investors with information meaningful to their investment decisions.

As stated in the Proposing Release, proxy voting and engagement is a "significant power that can be used to influence the actions of portfolio companies", but engagement is by its very nature nuanced and discreet.[12] Requiring ESG-Focused Funds "for which engagement with issuers, either by voting proxies or otherwise, is a significant means of implementing their ESG strategy" to check a proxy voting box and/or an engagement box in the first row of the ESG Strategy Overview Table in the prospectus forces investors into one-size-fits-all categories.[13] A similar point can be made about the proposed requirement that an adviser check the "ESG-Focused" box in Form ADV Item 5.K if the adviser uses ESG factors "in [its] engagement strategy with companies."[14] This check-the-box approach could inadvertently homogenize proxy voting and engagement approaches taken by funds and advisers, which would render the engagement process less effective. Furthermore, mandating that funds and advisers self-identify as having a strategy that does or does not use proxy voting and/or engagement risks giving investors the impression that proxy voting and engagement are binary "yes" or "no" attributes. Circumstances may necessitate that a fund engage with issuers on ESG issues to advance ESG goals, which the fund had not previously identified. For example, an ESG-Focused Fund that did not have a history of using engagement as a significant means of implementing its ESG strategy may have found engagement to be an essential tool amidst the unforeseeable crises stemming from the COVID-19 pandemic and the war in Ukraine. We see no reason to force funds into two

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12 *See* Proposing Release at 60.

13 *Id*. at 61.

14 *Id*. at 354-55.

categories when market realties and the dynamic relationship between investors and portfolio companies may call for funds to be flexible in their use of engagement. If this requirement is to be retained, the Commission should instead permit funds to provide narrative disclosure on their proxy voting and engagement strategies.

If the prospectus disclosure requirement is adopted, we believe that the Commission should not move forward with the proposal to require funds that check the proxy voting box in the ESG Strategy Overview Table to disclose in the annual report the percentage of ESG-related matters that it voted for in furtherance of its ESG focus. Conceptually, this requirement would reduce the nuance and overlap in ESG considerations to a simple binary proposition. An investor examining such "yes" or "no" information, either specifically or in the aggregate, would not gain any meaningful understanding of the ways in which a fund or adviser has used a proxy vote to communicate its overall strategy or how it is working with portfolio companies to achieve longer-term and complex environmental and social goals.

Moreover, for this disclosure to be relevant, funds would need to be permitted to limit the disclosure to ESG matters relevant to their strategy. Yet, defining the scope of the ESG matters relevant to a fund's strategy would raise difficult definitional issues that would introduce ambiguity into the reported percentages. Further ambiguity would be introduced through use of term "significant" as referenced above. A materiality standard would make the instructions for both the prospectus and annual report clearer. Furthermore, the percentage may not be reflective of the overall proxy voting strategy of the fund. Given these limitations, investors may find that the percentage of voting matters is of little use. Absent this new requirement, investors would still have access to the detailed proxy voting data provided on Form N-PX. Therefore, we see this requirement as creating more confusion than clarity.

The Commission should also consider removing the requirement to disclose the number or percentage of issuers with which the fund engages and the total number of "ESG engagement meetings" in annual reports. Engagement with portfolio companies on complex environmental and social goals often requires nuance, patience and a longer-term time horizon. Sometimes engagement is more effective if conducted in private, which in the right circumstances can indicate to the company and its management that the investor has the company's longer-term interests in mind. Of course, sometimes a more public and adversarial approach may be appropriate. For these reasons, we do not believe that these

metrics are meaningful "key performance indicators," as the Commission characterizes them. We see no meaningful relationship between the number of ESG engagement meetings and the efficacy of an ESG-Focused Fund's engagement. While we acknowledge the theoretical benefits of quantitative measures of performance, these figures would be rife with ambiguity, and as a result would be of little value in comparing the ability of ESG-Focused Funds to communicate investors' interest to portfolio companies. By mandating the reporting of these figures, the Commission could encourage spurious meetings on ESG. We appreciate that the rule proposal has considered this risk. We also question why ESG should be the only subject on which meetings must be quantified and disclosed.

B. GHG Shareholder Report Disclosure

We recommend that the GHG emission reporting requirements for investment companies be adopted only if the Commission adopts and implements the GHG emission-related disclosure requirements proposed in the rule titled Enhancement and Standardization of Climate Related Disclosures for Investors[15] (the "Proposed Climate Rule") to avoid an untenable situation where registered investment companies are required to collect and report information about the portfolio companies, that the portfolio companies themselves are not required to report. Absent a portfolio company reporting requirement, it would be costly for registered investment companies to gather GHG emissions data about their portfolio companies, and the data gathered would be less accurate than data provided directly by the portfolio companies emitting the GHGs. Requiring registered investment companies to produce GHG emissions data beyond what is provided by their portfolio companies places an undue burden on investment companies and does little to protect or inform investors. If GHG emissions data is important information for investors to have, then it should be the responsibility of operating companies and not the registered investment companies to originate such information.

We appreciate the Commission's desire to provide environmentally focused investors with "consistent, comparable, and reliable" climate change metrics. As proposed, the rule would require ESG-Focused Funds that indicate they consider environmental factors in their investment strategies in response to Item C.3(j)(ii) on Form N-CEN ("environmentally focused funds") to disclose the carbon footprint and the weighted average carbon intensity

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[15] *See* The Enhancement and Standardization of Climate Related Disclosures for Investors, SEC Rel. No. 33-11042; 34-94478, 87 FR 21334 (Apr. 11, 2022).

("WACI") of their portfolio, unless the fund affirmatively states that it does not consider GHG emissions in the ESG Strategy Overview table required by Item 4(a)(2)(ii)(B). We encourage the Commission to narrow the scope of the GHG reporting requirement to funds that indicate in their strategy disclosure that the fund is focused on reducing GHG emissions. We understand that not all environmentally focused funds are focused on limiting their exposure to GHG emissions, and thus could be constrained by this requirement. Thus, if this rule is adopted, it should be tailored to strategies focused on GHG emissions. Requiring all environmentally focused funds to report GHG emissions risks exaggerating the importance of GHG emissions to certain funds' strategies, which could undermine the importance of other environmental objectives. For example, an environmentally focused fund that focuses on sustainable water systems might consider GHG emissions, but not as a primary factor.

As proposed, the rule imposes a data hierarchy where funds are directed to use Scope 1 and Scope 2 emissions data in portfolio company reports filed pursuant to the Securities Exchange Act of 1934 or the Securities Act of 1933 ("regulatory report"), then GHG emissions information that is otherwise publicly provided by the portfolio company, and if a fund, after conducting a reasonable search, does not identify such emissions information, the fund is instructed to use a good faith estimate of the portfolio company's Scope 1 and Scope 2 emissions. In consideration of international and global strategies, we recommend expanding the definition of "regulatory report" to include reports filed pursuant to international standards by non-U.S. companies that include comparable metrics on Scope 1 and Scope 2 emissions. Additionally, the proposed rule should be limited to the Scope 1 and Scope 2 emissions data included in regulatory reports. The disclosure could then be qualified by the percentage of portfolio companies that include GHG emissions in their regulatory reports, and where necessary, the percentage of international regulatory reports could be highlighted. The Commission might also consider explicitly permitting funds to include statements in their shareholders reports disclosing that the GHG emissions of reporting portfolio companies should not be understood to represent the average GHG emissions of the entire portfolios of such funds. Requiring funds to consider GHG emissions information publicly provided by the portfolio company outside of regulatory reports, and, if necessary, to prepare a "good faith estimate" imposes an undue burden on funds. GHG information found outside of regulatory reports will be prepared using different methodologies and potentially less accurate information, which will make the data less consistent, comparable, and reliable, and ultimately less useful to investors. Estimates by their very nature will be less accurate. While we appreciate the desire to "provide

portfolio-wide measures of the fund's carbon footprint",[16] we would suggest that limiting required reporting to GHG emissions data available in regulatory reports and disclosing the percentage of reporting companies would be more useful to investors and less burdensome on funds.

We also suggest that the Commission drop the requirement to report Scope 3 emissions. For the same reason that the Commission has not proposed including Scope 3 emissions in the total GHG emissions, we recommend that Scope 3 emissions should not be required disclosure; the availability of information regarding Scope 3 emissions is limited, there is potential for double counting emissions where a fund invests in portfolio companies that are in the same value chain, it is difficult to accurately measure Scope 3 emissions because they are produced by the activities of third parties in a portfolio company's value chain, and there are difficulties inherent in the "comparability, coverage, transparency, and reliability of Scope 3 data."[17]

Additionally, the Commission should provide a safe harbor for funds that rely on the GHG emissions data provided by portfolio companies, similar to the safe harbor that was proposed to be provided for public company reporting of Scope 3 emissions under the Proposed Climate Rule, which would provide that "[a] statement… that is made by or on behalf of a registrant is deemed not to be a fraudulent statement… unless it is shown that such statement was made or reaffirmed without a reasonable basis or was disclosed other than in good faith."[18] It would be unfair to subject funds and their officers to liability for using data required by this proposal over which they have limited oversight.

IV. Adviser and Private Fund Form ADV Reporting/Disclosure Requirements

The Commission is also proposing new reporting and disclosure requirements in Form ADV Part 1A and Part 2A. In Form ADV Part 1A, the proposed reporting requirements are generally intended to collect information about ESG factors used in the advisory services provided to separately managed account and reported private fund clients. The

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16 *See* Proposing Release at 105.

17 *Id*. at 93.

18 *See* Proposed Climate Rule at 474.

Commission suggests that collection of this census-type data would provide the Commission, investors, and other market participants with structured data that can be used to understand industry trends in the market for ESG investment products and services. We believe that the reporting requirements, as proposed, are overly broad and would require reporting about ESG factors, even if they are not a material part of the advisory services provided. As a result, the collected information would be unnecessarily broad and would not provide the Commission with the meaningful census-type information that it desires.

For example, in Form ADV Part 1A, Schedule D, the proposed instruction states, "Do you consider *any* ESG factors as part of one or more significant investment strategies or methods of analysis in the advisory services you provide to this private fund? Yes or No?" (emphasis added). A "Yes" response would trigger additional reporting by the adviser. The question is excessively broad. Specifically, an adviser that employs a more traditional fundamental, bottom-up analysis, and that considers the governance of a company (*e.g.,* its effectiveness, board composition and experience, etc.) in determining if to invest in the company, may determine that "yes" is the appropriate response, even if only that one factor could be deemed to be an "ESG factor" and that one factor was not a material part of the decision to invest in that company.

We instead recommend that the instruction be reworded to narrow the scope of the data collected by targeting data about ESG factor(s) that are a material part of one or more significant investment strategies or methods of analysis.

The amendments to Form ADV Part 2A would require registered advisers to disclose: a description of the ESG factors considered in providing advisory services and how they are incorporated for each significant investment strategy or method; and, if ESG factors are considered when selecting, reviewing or recommending portfolio managers, a description of the factors considered and how they are incorporated. Although we acknowledge the importance of disclosing material information about an adviser's investment strategies and methods of analysis to clients, for reasons similar to those discussed above, we believe these disclosure requirements are unnecessarily broad and lessen, rather than enhance, client understanding of ESG investing. In addition, our views on these proposed disclosure requirements are set forth above, as part of our broader comments on the proposal.

V. Implementation Periods

If the proposal is adopted, investment advisers and funds would have either one year or 18 months to comply with the various provisions of the rule, depending on types of funds and/or strategies.

We are concerned that this proposal, together with the proposed changes to Rule 35d-1 under the 1940 Act and other rules that the Commission has proposed this year, if adopted, will require significant time and resources to implement. The proposal will likely impact more funds and advisers than anticipated. Accordingly, we strongly recommend that the Commission consider lengthier compliance dates. We propose that at least a two-year time period would be warranted.

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We appreciate the opportunity to comment on the Proposing Release. If the Commission or its staff have any questions or wish to discuss matters discussed in this letter, please contact: Julien Bourgeois at (202) 261-3451, Brenden P. Carroll at (202) 261-3458, Sonia Gioseffi at (415) 262-4504, Alexander Karampatsos at (202) 261-3402, Mark Perlow at (415) 262-4530, or Anthony Zacharski at (212) 698-3552.

Very Truly Yours,

/s/ Dechert LLP
Dechert LLP