

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

16 August 2022

Dear Ms. Countryman,

New Forests is a global investment manager of nature-based real assets and natural capital strategies, with USD 6.5 billion in assets under management across 2.6 million acres of investments. We manage a diversified portfolio of sustainable timber plantations and conservation areas, carbon and conservation finance projects, agriculture, timber processing and infrastructure. We aim to generate shared prosperity for our clients and the communities in which we operate and accelerate the transition to a sustainable future.

New Forests supports the amendments to the Investment Advisers Act of 1940 and the Investment Company Act of 1940 to require registered investment advisors to provide additional information on environmental, social, and governance (“ESG”) investment practices, per File Number S7-17-22. We believe this will help minimise greenwashing and align the United States with emerging international best practice for ESG disclosure.

As part of the disclosure, investment advisors should provide their definition of ESG; this could be incorporated into the disclosure table for ESG Focused and ESG Impact funds.ⁱ However, it is not within the scope of the Securities and Exchange Commission (“SEC”) to define ESG. Regardless of whether an ESG definition is included in the final rule, fund disclosures should not differ based on the type of fund to allow for comparison across fund types.ⁱⁱ

New Forests’ responses to some of the questions in the proposal are outlined in the sections below. We welcome further discussion on any of the points raised.

ESG Integration Funds


New Forests believes that definition of ESG Integration is clearⁱⁱⁱ and that a brief description of how ESG factors are integrated into the investment process would be a useful disclosure, as this could support the objective of the proposed rule updates to limit greenwashing.^{iv} As proposed in Question 7, a disclosure table similar to the one outlined for ESG Focused and ESG Impact funds would be useful to consolidate information. Funds that consider greenhouse gas (“GHG”) emissions should disclose how GHG emissions are considered, including the methodology used and quantified criteria that support the investment decision (e.g., emissions intensity, types of GHGs, etc.).^v

However, the rule should acknowledge that the GHG Protocol, which is noted as the preferred reporting methodology, is currently being revised. Should the results of the GHG Protocol updates be incompatible with the objectives of this proposed rule, the SEC should revise its disclosures guidance.

Additionally, the SEC should require that funds that are carbon neutral or carbon negative (i.e., sequestering more carbon than they are emitting) report that information, as well. This is material information for investors and is very useful for investors interested in the green transition.

New Forests Inc.

150 Spear Street, Suite 1350, San Francisco CA 94105 United States
+1 415 321 3300 | www.newforests.com

A decorative graphic consisting of several thin, wavy, light green lines that curve upwards from the bottom left towards the bottom right of the page.

ESG Focused Funds

New Forests proposes that the definition of an ESG Focused strategy should be “strategies that consider one or more ESG factors by using them as a significant or main consideration in selecting investments or in engagement with portfolio companies.”^{vi} This change would align the wording with that used for ESG Integration funds and limit potential confusion around classification between these fund categories.

New Forests believes that ESG Focused strategies are not just those that follow a specific index or screen and that making that part of the definition would be limiting.^{vii}

Regarding the questions (17-24) posed related to the ESG Strategy Overview (“**Overview**”) table, New Forests supports the format of, and topics included, in the disclosure. Funds should not be able to use a term other than ESG for the table and should not change the wording used to support comparability across strategies. Specific comments on the Overview sections are provided below.

Overview of the Fund’s ESG strategy^{viii}

New Forests believes that the qualitative description section is useful. However, the first four items in the checklist section of this topic should require investors that check those boxes to provide more information (i.e., strategies that track an index should be required to name the index).

How the Fund incorporates ESG factors in its investment decisions

This section should be split into two rows; the first should have a checklist in the “check all that apply style” used in the proceeding row and the second row for the section should have space for a qualitative disclosure.^{ix} The list could include items such as the following:

- Conducts ESG due diligence
- Analyses ESG-related risks
- Analyses ESG-related opportunities
- Assesses the financial impact of ESG-related risks and opportunities

In the qualitative disclosure section, strategies should disclose the items noted in questions 35, 38, 39, and 40. However, per question 37, New Forests does not believe it is useful for the SEC to define the extent to which screens should be used. Similarly, disclosing the internal methodologies or third-party data providers used is not necessary in the Overview, as there may be competitive concerns with disclosing this level of information.^x

Impact Fund Disclosure^{xi}

New Forests is supportive of the requirements outlined for ESG Impact funds. Both qualitative and quantitative information should be required from these strategies to support transparency. While ESG Impact funds should explicitly define the relationship between impact and financial outcomes, this is not necessary for ESG Focused funds.

While outside the scope of these proposed rule changes, New Forests believes that all investment strategies should disclose their impacts, whether positive or negative, and that the disclosures proposed for ESG strategies are relevant for all strategies. New Forests would welcome a future SEC rule that outlined these requirements for all strategies.

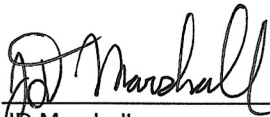
Proxy Voting or Engagement with Companies

All investment strategies, regardless of ESG alignment, should disclose their engagements with companies; again, this is outside the scope of the proposed rule changes, but New Forests would be supportive of such a rule in the future.

Conclusion

In summary, New Forests is broadly supportive of the efforts of the SEC to integrate ESG disclosures into existing investment disclosure requirements to minimise the risk of greenwashing and promote comparability. We welcome further engagement with the SEC on this topic.

Yours sincerely,



JD Marshall
Director, Operations
New Forests, Inc.

ⁱ Response to question 1.

ⁱⁱ Response to question 2.

ⁱⁱⁱ Response to question 3.

^{iv} Response to question 5.

^v Response to question 6. New Forests supports GHG disclosures aligned with our comments from the "The Enhancement and Standardization of Climate-related Disclosures for Investors" proposed rule.

^{vi} Response to question 13.

^{vii} Response to question 14.

^{viii} Responses relate to questions 25-30.

^{ix} Response to question 31.

^x Response to question 43.

^{xi} Responses relate to questions 52-57.