Occupy the SEC
http://www.occupythesec.org

August 14, 2022

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

Re: Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environmental, Social, and Governance Investment Practices (File Number S7-17-22)

Dear Ms. Countryman:

Occupy the SEC[1] ("OSEC") commends the Securities and Exchange Commission ("Agency") for its proposed disclosure and reporting framework standards to combat greenwashing by investment companies and advisers.

Effective Standards

Greenwashing has become a vexing concern in recent years, as investor interest in socially conscious investing has been exploited by certain unscrupulous fund promoters and advisers. Even ethical participants in the fund markets have disappointed some investors due to a mismatch between investor expectation on the one hand, and the actualities of fund operations and advisory services on the other. The Agency's proposal goes a long way towards establishing common standards that allow participants on both sides of the ESG markets to meaningfully communicate with each other. Moreover, the establishment of the proposed standards will facilitate the work of the Agency's Climate and ESG Task Force. These standards will prevent greenwashing funds and advisers from hiding behind the regulatory ambiguity that is endemic to the current ESG disclosure regime.

The proposal adopts a principles-based approach that strikes a welcome balance between legal certainty and regulatory flexibility. The Final Rule should not further "ESG" or similar terms, as strict definitions can be utilized by industry participants to evade regulations based on mere semantic distinctions. Moreover, the proposal commendably formulates its instructions for

[1] Occupy the SEC (http://occupythesec.org) is a group of concerned citizens, activists, and financial professionals that works to ensure that financial regulators protect the interests of the public, not Wall Street.

performing Greenhouse Gas ("GHG") calculations by referring to existing standards (i.e., the GHG Protocol and Partnership for Carbon Accounting Financials (“PCAF”) standards), rather than creating new, ad hoc ones. Further, the proposed requirement to publish data in Inline XBRL format will facilitate data analysis by investors and their representatives. This, in turn, will make it more difficult for regulated persons to hide pertinent information in a flood of legalese and small print disclosures.

Materiality

The Agency should disregard industry arguments that greenwashed representations by funds and advisers may not be “material.” ESG factors pervade all aspects of modern life, with implications for virtually every financial or commercial transaction. This is particularly so in the area of climate change. Scholarly studies are fairly consistent in establishing that climate change is not only a scientific fact, but one that will have predictably deleterious impacts on economic productivity. One fairly conservative study estimates that by the time 4°C of warming is reached, 9% of annual economic output will be lost relative to the base with no warming effect.[2] Such impacts would be felt across the global economy, with especial impact on industries such as insurance, agriculture and forestry. Some models predict far more dire economic consequences from lower levels of warming.[3] In light of this basic reality, it behooves the Agency to consider that statements of facts that touch on ESG factors are likely to be material by default.

Compliance Period

The Agency has proposed a one-year compliance period for prospectus disclosure requirements and regulatory reporting on Form N-CEN, and an 18-month compliance period for annual report disclosure obligations. These are commendably short compliance periods, compared to implementation periods that the Agency has adopted for other regulations in the past. Still, the Agency should consider adopting its proposal even more quickly than planned.

Admittedly, the market for ESG-related funds has experienced recent turbulence. However, we nevertheless believe that there will continue to be great market interest in ESG products (both in the form of investor interest and well as marketing interest by funds and advisers). Market participants are well aware of the extreme weather events that have occurred in last few weeks alone (i.e., historic floods in Kentucky and California, wildfires and deadly heatwaves in Europe, etc.). Such participants are doubtless aware that these real-world events have consequences for the financial markets, and interest in ESG products can be expected to increase in the near term to account for these realities. These participants can therefore benefit from quicker implementation of the proposed disclosure standards.

We urge the Agency to take the above considerations into account in its promulgation of robust rules and form amendments affecting ESG investment practices.

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[2] Keith Wade, *The Impact of Climate Change on the Global Economy*, Schroders (Aug. 31, 2016), https://www.schroders.com/de/SysGlobalAssets/digital/us/pdfs/the-impact-of-climate-change.pdf.

[3] *See id*.

Thank you for your attention to this matter of great public interest.

Sincerely,
/s/
Occupy the SEC

Akshat Tewary
Eric Taylor
Neal Tailor
Josh Snodgrass
et al.