

August 16, 2022

Vanessa Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

RE: File No: S7-17-22 Environmental, Social, and Governance Disclosures for Investment Advisers and Investment Companies

Dear Ms. Countryman,

Boston Trust Walden is an independent, employee-owned investment management firm with approximately \$12.7 billion in firm-wide assets under management.¹ We have been integrating environmental, social, and governance (ESG) factors into investment management decisions since 1975—one of the longest track records of any institutional manager.

At Boston Trust Walden, we seek to invest client assets in enterprises with strong financial underpinnings, sustainable business models, prudent management practices, and a governance structure that supports these objectives. Consideration of ESG factors is part of our fiduciary duty to ensure client assets are invested in a set of securities well situated to produce superior risk adjusted returns over a long-term investment horizon. Additionally, we seek to meet our client's unique investment needs through both standard and customized ESG strategies.

We write to express our support for the SEC's intention behind the proposed rule regarding *Environmental, Social, and Governance Disclosures for Investment Advisers and Investment Companies*, File No S7-17-22. For more than four decades, Boston Trust Walden has been integrating ESG into investment strategies on behalf of our clients. In that time recognition of the financial materiality of ESG considerations has risen dramatically and, in turn, investor demand for ESG directed investment products. As a natural result, the ESG investment landscape has grown larger, more diverse, and increasingly complex. We believe increased transparency and investor access to more consistent and comparable information will serve to strengthen the industry overall and support investor decision-making and fund choice. We commend the Commission's efforts to address evolving market needs; but we also recognize, and detail below, specific ways in which the rule can be strengthened to be more effective, relevant, and fair for all industry participants.

In the sections that follow, we explain our support for specific elements of the proposed rule and include suggestions for how the rule may be strengthened.

Issuer Engagement Disclosure

At Boston Trust Walden, we believe integrating ESG considerations into investment decision-making and actively engaging companies to improve sustainable business practices is critical to managing risk and producing attractive, long-term investment results. Our multi-faceted approach to active ownership seeks to amplify the scope and scale of our impact, combining ESG analysis, direct

¹ Includes assets managed by Boston Trust Walden Company and its wholly owned investment adviser subsidiary, Boston Trust Walden Inc. as of June 30, 2022.

company engagement, shareholder resolutions, proxy voting, public policy, and multi-stakeholder collaborations. While direct engagement remains foundational to our work, it is this multi-faceted, collaborative approach to active ownership that is necessary for addressing the complex ESG risks and opportunities facing the companies in which we invest client assets

- **We recommend the Commission expand its definition of “engagement.”** We align with the SEC’s contention that engagement can be a valuable and comparable characteristic among investment funds. When engagement is a significant means of implementing a fund’s strategy, we agree it is helpful information to disclose. However, the proposal’s definition of engagement with issuers², with its narrow focus on ESG engagement meetings, is too limiting and inappropriately undervalues the diversity of engagement tactics and communication modes employed by investors.
 - **We recommend the Commission allow written communications to be included in its definition of issuer engagement.** Within the proposed rule, the Commission defines engagement as “substantive discussion” that is part of “ongoing dialogue.” As asset managers with a long-standing track record of active ownership, our experience is evidence that substantive discussion as part of ongoing dialogue can take a diversity of forms, inclusive of direct meetings in person or via phone call, but also via written exchanges. To ensure the proposed rule is fair for all industry participants and does not provide an advantage to larger investment companies and advisors, we recommend the Commission make clear in its proposal the varying forums in which substantive discussion and ongoing dialogue can take place.
 - **We recommend the Commission not discount issuer engagement that draws together ESG and financial performance.** The proposed rule’s requirement that to be counted a meeting must focus solely on ESG issues ignores the interconnection and interdependence between ESG factors and financial performance. As an investment manager that examines company ESG performance to enhance our understanding of potential financial outcomes associated with issues ranging from risks (e.g., losing the license to operate) to opportunities (e.g., generating new sources of revenue), our engagements with issuers include questions directly related to the connectivity between ESG-related activities and long-term enterprise value creation. The management of material ESG risks and opportunities cannot, and should not, be siloed.
- **We recommend the Commission remove the quantitative engagement reporting requirement.** The Commission rightly acknowledges the proposal’s narrow definition of “engagement” may have the unintended consequence of incentivizing funds to report the highest number or percentage of meetings possible. Doing so could create an environment in which *quantity* is valued more than *quality*, where issuers are flooded with meeting requests, and where larger asset managers have an outsized and unfair advantage. It may also lead fund resources to be directed into engagement tactics that are ineffective, inefficient, and misaligned with the fund’s objective to deliver results on behalf of clients. Instead of

² *Environmental, Social, and Governance Disclosures for Investment Advisers and Investment Companies*, page 81. “We are proposing to define “ESG engagement meeting” for this purpose to mean a substantive discussion with management of an issuer advocating for one or more specific ESG goals to be accomplished over a given time period, where progress that is made toward meeting such goal is measurable, that is part of an ongoing dialogue with management regarding this goal.”

requiring quantitative engagement reporting, whether described in absolute or normalized terms, we recommend focusing on a qualitative description of engagement, including if and how a fund applies a diversity of engagement tactics with issuers, which provides valuable and comparable information.

- **We recommend the Commission consider implementation of an expanded set of engagement options in the tabular form, with expanded qualitative disclosure in the annual report.** The proposal currently requires funds to select whether “proxy voting” or “engagement” are considered significant means of implementing their ESG strategy. We recommend expanding this list to include options such as: proxy voting, direct issuer engagement, shareholder resolutions, collaborative engagement, public policy engagement, and other. This expanded menu of options would provide investors comparing funds more consistent, comparable, and decision-useful information. The requirement of qualitative disclosure across each category would also provide investors necessary insight into how these engagement strategies are employed in the implementation of the respective ESG strategy.
- **We support the proposal not requiring meetings with issuers to be with personnel of a particular seniority.** In the proposal the Commission asks, “*Are there additional criteria that we should require in order for a discussion to constitute an ESG engagement meeting, for example, by requiring that meetings be with personnel of a particular seniority (such as executive officer or board member) of an issuer, requiring that the meeting must only discuss ESG issues?*” Our decades of experience actively engaging with issuers is evidence that members of senior management may not always be the most effective representatives for the issuer. This is particularly true when the discussion requires a specific subject matter expert or a representative from a particular business unit to adequately respond to investor concerns and questions. A requirement that all meetings include a member of senior leadership may also provide larger asset managers with an outsized and unfair advantage.
- **We support the disclosure requirement that funds *not* employing these active ownership strategies affirmatively state this fact.** In the increasingly diverse field of ESG investment and fund options, information related to what a fund is *not* doing to implement ESG strategies is just as valuable as what the fund *is* doing.

Proxy Voting Disclosure

At Boston Trust Walden, we believe proxy voting is a key element of our fiduciary duty in stewarding the assets of our clients. We take a thoughtful, principled approach when casting votes at company annual meetings, enabling us to leverage our position as shareholders to elect directors, address management proposals, and support shareholder resolutions aligned with our fund ESG strategies.

- **We recommend the Commission limit proxy voting disclosure requirements to those ESG factors most significant to implementation of the fund's ESG strategy.** We support the proposed rule's goal of providing investors with more insights into the proxy voting practices of funds when proxy voting is used to further fund ESG strategies. The proposed rule could be strengthened by providing more clarity around its definition of “ESG factors” that would allow funds to 1) appropriately identify those votes specifically aligned with ESG factors most frequently considered in implementation of the ESG strategy, and 2) group votes into like categories (e.g., climate action and lobbying or diversity and equality). This would provide investors helpful insight into funds voting practices and reduce the reporting burden that would result from more granular reporting requirements.

- **We recommend the Commission consider more carefully the complexity of aggregate percentage of votes disclosure.** In the proposed rule, the Commission presents the question, *“Are there any complexities with calculating the aggregate percentage of fund votes in furtherance of an ESG voting matter? Could there be situations in which a shareholder proposal may be related to a particular ESG factor the fund incorporates into its investment decisions but the fund nonetheless votes against the proposal, for instance because it believes the proposal would not be a constructive way to address the particular ESG matter?”*. Boston Trust Walden’s diligent approach to proxy voting requires the careful consideration and evaluation of the specific financial and ESG risk and opportunity implications of each individual proposal. Each year, there may be ESG resolutions we determine do not warrant our support because they are too prescriptive, do not address a significant ESG risk or opportunity, or fail to foster the creation of long-term shareholder value. Disclosure of our proxy voting guidelines and our description of the deliberative approach we undertake is as valuable to investors considering our funds as the quantitative disclosure of our voting record.

Greenhouse Gas Emissions Disclosure

Investors, businesses, governments, and regulators have a vested interest in understanding and managing climate-related investment risk. Boston Trust Walden is a signatory to the Net Zero Asset Managers Initiative and, as fiduciaries, we aim to assess and manage climate-related risks and opportunities across our equity investment strategies. For several years, Boston Trust Walden has calculated the greenhouse gas (GHG) intensity associated with our model investment portfolios. We support the proposed rule’s intent to provide investors more insight into the GHG emissions associated with a specific fund/strategy; however, to ensure the data collection process is not overly burdensome and the information disclosed is decision-useful, there are ways in which the rule could be strengthened.

- **We recommend the Commission prioritize the weighted average carbon intensity (WACI) metric and remove the requirement to disclose the aggregate carbon footprint.** In 2018, Boston Trust Walden shifted from calculating and disclosing the carbon footprint of model strategies toward the use of the weighted average carbon intensity (WACI) metric to ascertain a model portfolio’s exposure to carbon-intensive companies, expressed in tons of carbon equivalent per million dollars of revenue. We made this shift to align with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, recognizing the WACI metric is more applicable across asset classes and easier to understand and compare. Aggregate carbon footprinting is a challenging metric due to its inclusion of issuer market value, which can be highly volatile and complicate the interpretation of results. In contrast, the WACI metric is quantifiable, simple to calculate, and easily comparable across investment portfolios and benchmarks.
- **We suggest the Commission remove the requirement to include Scope 3 emissions disclosure.** While there is rising investor demand for Scope 3 emissions, issuer disclosure of these emissions remains nascent and currently available estimated Scope 3 emissions data can be unreliable and potentially misleading. While the SEC’s proposed Climate Risk Rule and other emerging tools and frameworks may help address these data gaps in the future, in this current environment the proposed rule’s disclosure requirement inclusive of Scope 3 emissions would be overly burdensome.

- **We recommend the Commission not specify the source of information for gathering issuer emissions data.** To ensure data collection costs remain reasonable, we recommend the proposed rule allow funds to determine their own sources for gathering issuer emissions data. Many asset managers have well established systems for gathering this information and the requirement of using only data found within regulatory reports may create additional costs associated with process and system changes. Flexibility, coupled with clear disclosure of both source data and methodology, will allow for investor assurance of data credibility with limited cost impact to asset managers.
- **We recommend the Commission allow use of estimated Scopes 1 and 2 emissions data for non-reporters.** For non-reporting issuers, the SEC should allow the use of estimated Scope 1 and 2 emissions data and should allow funds to utilize estimates provided by third-party research providers. Additionally, if estimates are required, a safe harbor should be permitted, and funds should be required to disclose the methodology used.
- **We believe the Commission should not limit a fund's ability to invest in non-reporting companies.** In the proposed rule, the Commission posed a question related to the exclusion of non-reporting companies or the limitation of a fund's ability to invest in non-reporting companies to 20% of a fund's net asset value. We believe the Commission should not impose this limitation. In the current market, emissions disclosure dramatically declines as the issuer's market cap (as a proxy for size) declines and this limitation could dramatically impact smaller cap equity investors. Further, the proposed Climate Risk Disclosure Rule is a more appropriate mechanism for advancing emissions disclosure for companies of all sizes. In the interim, the Commission should allow the use of estimated Scopes 1 and 2 emissions data for non-reporters.

Fund Categories

On page 24 of the proposed rule, the Commission states, "We are not proposing to define 'ESG' or similar terms." The Commission appropriately recognizes its objective is to establish consistent standards for ESG disclosure and to ensure marketing statements accurately reflect actions and investment decision-making. While the Commission is careful to state that it seeks not to define "ESG" in its use of the term "Impact" to describe the third fund category of "ESG-Impact Funds," the Commission is ultimately defining "Impact" and doing so narrowly.

- **Reconsider terminology used to describe the third fund category.** Since Boston Trust Walden began ESG-focused investing in 1975, the ESG investment community has applied a diversity of definitions to the term "impact." In the case of our firm, we define impact as a measurable improvement in an ESG policy, practice, or performance disclosure. The Commission's definition of the term "Impact" to describe the ESG-Impact Funds could create challenges for future use of that term to describe ESG strategies and outcomes. Within the ESG investment industry, "impact investing" is a broad categorization of investment strategies that seek to generate financial returns and deliver positive social and/or environmental impact. The Commission describes "ESG-Impact Funds" as strategies with "...a stated goal that seeks to achieve a specific ESG impact or impacts that generate specific ESG-related benefits." The examples provided by the Commission (e.g., a community development fund) represent a single facet of impact investing, one that is defined by a single goal or theme. We recommend the Commission consider re-naming the third category to more appropriately reflect the investment strategies the category encompasses (e.g., ESG Thematic Funds) and to allow investment companies and advisers use of the term "impact," so long as it is properly defined in disclosures and marketing materials.

Increasing the transparency of how investment companies and advisers utilize ESG analysis and active ownership in the asset management industry will serve to protect shareholders and strengthen the ESG investment industry. Standardizing the disclosures and timing of disclosures required, but leaving the specific definitions and descriptions of environmental, social, and governance strategies to the market participants is the appropriate avenue. Therefore, we ask the SEC to retain and, in certain instances, strengthen the elements of the Proposed Rule detailed above to ensure investors, investment advisers, and investment companies have uniform, comparable, and decision-useful information. We appreciate the opportunity to participate in this rulemaking, and thank you for consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth Scott". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Kenneth Scott, CFA
Co-Chief Executive Officer