October 26, 2018

Brent J. Fields
Secretary
United States Securities and Exchange Commission
100 F Street, NE Washington, DC 20549-1090

Mr. Fields,

Natural Investments, a registered investment advisor and a member of US SIF: The Forum for Sustainable and Responsible Investment, respectfully submits this petition for rulemaking on environmental, social and governance (ESG) disclosure pursuant to Rule 192(a) of the Securities and Exchange Commission's (SEC) Rule of Practice. Over the past decade, numerous petitions and stakeholder engagements seeking different kinds of ESG information suggest, in aggregate, that it is time for the SEC to regulate in this area. The SEC has clear statutory authority to require disclosure of ESG information, and doing so will promote market efficiency, protect the competitive position of American public companies and the U.S. capital markets, and enhance capital formation.

No longer a niche practice, ESG analysis in securities selection has fully mainstreamed and is widely considered to be an integral part of assessing the risks of operations and ownership. Research illustrates that companies that consider and successfully address ESG issues are better managed and have higher share value than those that do not, something that has been known to sustainable and responsible investors for decades (http://www.ussif.org/performance).

Nevertheless, the disclosure of ESG policies and practices is voluntary and insufficient, and as such, is fraught with inconsistent standards of presentation, as many struggle to provide investors with complete and comparable ESG information that is relevant, reliable, and decision-useful. The current minimal level of ESG disclosure in required SEC filings is entirely inadequate. In addition, many companies do not report anything at all along these lines, hindering the capacity of investors to adequately know whether or not management is properly addressing material risks to the bottom line. Without such comprehensive information, it is very difficult for investors to make adequate decisions about such investments, including how to vote proxies. It is particularly important that all types of investors, from the average and sophisticated individual to the professional financial analyst, have consistent, easy-to-understand access to all the information they deem necessary and material - regardless of size, interests and sophistication.

US SIF: The Forum for Sustainable and Responsible Investment, which has called for robust ESG disclosure reporting since 2009, knows from the research of its members and the investment field that meaningful disclosure reporting is beneficial to a wide array of stakeholders.

- In 2015, Deutsche Asset & Wealth Management and Hamburg University published an article titled, *"ESG and Financial Performance: Aggregated Evidence From More Than 2,000 Empirical Studies"*. The team conducted a meta-analysis of over 2,000 empirical studies since the 1970s, making it the most comprehensive review of academic research on this topic. They found that the majority of studies show positive findings between ESG and corporate financial performance (CFP). "The results show that the business case for ESG investing is empirically very well founded. Roughly 90% of studies find a

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nonnegative ESG–CFP relation. More importantly, the large majority of studies reports positive findings. We highlight that the positive ESG impact on CFP appears stable over time."

- A 2015 report by the Morgan Stanley Institute for Sustainable Investing found that "investing in sustainability has usually met, and often exceeded, the performance of comparable traditional investments." This is on both an absolute and a risk-adjusted basis, across asset classes and over time, based on its review of US-based mutual funds and separately managed accounts. "Sustainable equity mutual funds had equal or higher median returns and equal or lower volatility than traditional funds for 64 percent of the periods examined."

Given this, we respectfully request that the Commission require all registrants, regardless of size, to report annually on a comprehensive, uniform set of sustainability indicators comprised of both universally applicable and industry-specific standards. Commission rulemaking will reduce the current burden on public companies and provide a level playing field for the many American companies already engaging in voluntary ESG disclosure.

It would be quite easy to develop ESG disclosure rules, as the leading sustainable investing frameworks from other entities that have been examining these issues for many years can be very helpful to you in issuing such guidance, including US SIF's proposal, the Global Reporting Initiative (GRI), CDP (formerly the Carbon Disclosure Project), the Climate Disclosure Standards Board, the UN Guiding Principles Reporting Framework, Ceres/Investor Network on Climate Risk (INCR), the Sustainability Accounting Standards Board (SASB), the International Integrated Reporting Council (IIRC), UN Global Compact, Dow Jones Sustainability Index, and global stock exchange listing requirements for sustainability disclosure.

Thank you for your consideration and attention to a matter of great importance to millions of investors in this country. This is clearly a situation where regulation is of great financial benefit to investors.

Sincerely,

Michael Kramer

Michael Kramer, Managing Partner