



August 15, 2022

Submitted via comments submission portal at [www.sec.gov](http://www.sec.gov)

Vanessa A. Countryman, Secretary  
Securities and Exchange Commission  
Attn: File Number S7-10-22  
100 F Street NE  
Washington, DC 20549-1090

**Re: *Investment Company Names* 87 Fed. Reg. 36594 (June 17, 2022), File Number S7-16-22**

Dear Ms. Countryman:

The National Alliance of Forest Owners appreciates the opportunity to submit the following comments on the Securities and Exchange Commission's (SEC) proposed rule regarding *Investment Company Names* 87 Fed. Reg. 36594 (June 17, 2022), File Number S7-16-22 ("Proposed Rule").

The National Alliance of Forest Owners (NAFO) is a national advocacy organization advancing federal policies that ensure private working forests provide clean air, clean water, wildlife habitat and jobs through sustainable practices and strong markets. NAFO member companies, including investment advisers and investment companies, own and manage more than 46 million acres of private working forests. Private working forests are owned by individuals, families, small and large businesses, and Americans who invest in working forests for retirement. Private working forests are a critical nature-based solution to many of our most pressing environmental challenges.

Many NAFO member companies, including investment organizations, offer funds to institutional investors in their role as investment advisers. Some of these funds may have names related to environmental, social, and governance (ESG) impacts of the funds. Our sector recognizes the importance of accurate disclosures of information to investors and stakeholders. We support the SEC's recognition that "the name of a fund may communicate a great deal to an investor."<sup>1</sup>

### **Timber Investment Management Organizations**

Timberland has long been recognized by institutional investors for its merits as a portfolio diversifier. Timber investment management organizations (TIMOs) are management groups that connect institutional investors to the economic and environmental benefits of working forests. In short, TIMOs manage forests to generate long-term returns, acting as both brokers for institutional clients and caretakers of their investment property. TIMOs can range in size and scale, and can operate as independent companies or within larger organizations.

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<sup>1</sup> Proposed Rule, 87 Fed. Reg. at 36594.

## Importance of Private Working Forests & Wood Products to Environmental, Social, and Governance Impacts

More than one-third of the United States is covered by forests, and 47% of U.S. forests are private working forests.<sup>2</sup> These forests are sustainably managed to supply a steady, renewable supply of domestically grown wood for lumber, energy, paper, and packaging, providing more than 5,000 items that consumers use every day. They support 2.5 million well-paying American jobs, mainly in rural communities.<sup>3</sup>

By providing a continuing cycle of growing, harvesting, and replanting, private working forests provide immense environmental and economic benefits. The unique long-term nature of modern, sustainable forest management is not only appealing for many investors, but it also supports key environmental, economic and societal outcomes related to ESG factors.

Sustainably managed working forests and the forest products they produce are already one of our nation's greatest assets for achieving our climate goals: U.S. forests and forest products neutralize 15% of U.S. industrial carbon emissions every year.<sup>4</sup>

We can break down that large number into more granular terms. Approximately 90% of the timber harvest for domestic wood and fiber used to make forest products in the U.S. comes from private working forests. At the same time, these forests account for 80% of our net forest carbon sequestration, removing more carbon from the atmosphere than is emitted by all passenger vehicles in the U.S. each year.<sup>5</sup> Private working forests in the U.S. also store an estimated 82 billion metric tons of carbon. That amount is nearly half of the carbon stored in all U.S. forests combined.

In addition to climate mitigation, there are other important ESG related benefits associated with keeping working forests intact and productive. Forests are one of the leading land uses for protecting water resources. Through their natural structures and lifecycles, forests filter and clean our water, and influence where and how precipitation falls and flows into watersheds. Water supplies for communities around the country come from forested watersheds, where forests act as a natural filtration system for nearly 30% of the water we drink<sup>6</sup>. These natural benefits to water resources are why forests are often referred to as “green infrastructure,” essential to our well-being, communities, wildlife, and economy.

Similarly, private working forests also play an important role in supporting common species and conserving at-risk and declining species. These forests are widespread, representing 80% of the forestlands in some areas. Access to forests is vital to wildlife conservation, as 60% of our nation's at-risk species rely on private forestland for survival. NAFO forests provide connectivity among forested areas to allow for species to naturally move through their entire range during each stage of their lifecycle. Working together across ownership boundaries and jurisdictions is

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<sup>2</sup> Oswalt, Sonja N.; Smith, W. Brad; Miles, Patrick D.; Pugh, Scott A., coords. 2019. Forest Resources of the United States, 2017: a technical document supporting the Forest Service 2020 RPA Assessment. Gen. Tech. Rep. WO-97. Washington, DC: U.S. Department of Agriculture, Forest Service, Washington Office. 223 p. <https://doi.org/10.2737/WO-GTR-97> Table 11.

<sup>3</sup> Forest2Market. 2019. The Economic Impact of Privately-Owned Forests in the 32 Major Forested States. Available at [https://nafoalliance.org/wp-content/uploads/2018/11/Forest2Market\\_Economic\\_Impact\\_of\\_Privately-Owned\\_Forests\\_April2019.pdf#page=9](https://nafoalliance.org/wp-content/uploads/2018/11/Forest2Market_Economic_Impact_of_Privately-Owned_Forests_April2019.pdf#page=9).

<sup>4</sup> Janowiak, M.; Connelly, W.J.; Dante-Wood, K.; Domke, G.M.; Giardina, C.; Kayler, Z.; Marcinkowski, K.; Ontl, T.; Rodriguez-Franco, C.; Swanston, C.; Woodall, C.W.; Buford, M. 2017. Considering Forest and Grassland Carbon in Land Management. Gen. Tech. Rep. WO-95. Washington, D.C.: United States Department of Agriculture, Forest Service, p.68.

<sup>5</sup> Oswalt et al.

<sup>6</sup> <https://www.fs.usda.gov/managing-land/private-land>

key to understanding and sustaining fish and wildlife. That's why NAFO members are partnering with public and private stakeholders, like the U.S. Fish and Wildlife Service (USFWS).<sup>7</sup> Collaborative conservation efforts such as the National Alliance of Forest Owners' [Wildlife Conservation Initiative](#) can benefit species while keeping private working forests intact and productive.

The unique alignment of environmental and economic interests that result from modern, sustainable forestry delivers societal benefits while supporting many of the goals of ESG-oriented investors. Private working forests support many rural communities where timber is the driver of the local economy with \$288 billion of sales and manufacturing and \$109 billion in payroll. In addition to this rural community support, NAFO members also make more than 39 million acres of forestland available for public recreation, an area larger than the entire state of Georgia.

Many forestry companies, including TIMOs, are third-party certified for sustainable forest management. Sustainable forest management ensures increased use of wood in construction truly achieves climate, carbon, and other positive environmental outcomes. In the U.S., certification includes programs to certify forests to a forest management standard, chain of custody certification programs, and responsible wood fiber sourcing programs provided by the [Sustainable Forestry Initiative](#), the [American Tree Farm System](#), and [Forest Stewardship Council](#). These programs require substantial reporting of many of the same factors that are covered in ESG disclosures.

As a part of their business-as-usual operations, private working forests are already producing many of the ESG-related benefits that other sectors are looking to start or improve. Access to funding through healthy forest product markets and investments will continue to allow private working forests to deliver the environmental, social and economic benefits many ESG investors are seeking.

## Comments

We appreciate the opportunity to comment on the proposed investment company names amendments. Given the importance of privately-owned working forests as a driver for environmental and economic benefits, we support the SEC's recognition that lack of clarity within the ESG investment marketplace can pose financial risks and that names should accurately reflect what a fund is offering. It is also critical to ensure policy responses to those risks are as simple to implement as possible in order to minimize any further financial risks to investors.

### **1. The SEC should recognize the unique role of timberland investing and the solidly established role for TIMOs**

TIMOs are a unique investment class that straddles the world of investment funds and physical asset management. Many of the terms the SEC has used in other ESG-related rules are insufficient to capture the full scope of the activities of TIMOs. In the proposed rule, the SEC notes, "the fund may use any reasonable definition of the terms used in its name and should define the terms used in its name in discussing its investment objectives and strategies in the

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<sup>7</sup> Robles, M.D., C.H. Flather, S.M. Stein, M.D. Nelson, and A. Cutko. 2008. The geography of private forests that support at-risk species in the conterminous United States. *Front. Ecol. Environ.* 6:301–307.

prospectus.”<sup>8</sup> In the proposed rule, therefore, it is important for the SEC to note the importance of specific terminology to ESG impacts in the TIMO space.

For instance, the use of the terms like “GHG emissions” is insufficient to capture activities in the forestry and forest products sectors. These sectors sequester and store carbon naturally in carbon storage pools like forests, trees, soil, and long-lived wood products. A more complete term should be used, such as “emissions balance.”

The GHG Protocol’s upcoming Land Sector and Removals Guidance potentially provides insight into why the term “emissions balance” may be more applicable. The guidance is not yet final but will be in the relatively near future (currently expected in the first half of 2023).<sup>9</sup> The following definitions illustrate the many ways the forestry and forest products sectors actually remove and store carbon:

- 1) Removals: the transfer of greenhouse gases from the atmosphere to storage within a pool. Removals can be from biogenic or technological sinks and stored in land-based, product or geologic carbon pools.
- 2) Land sector emissions/removals: Accounting and reporting for greenhouse gas emissions and removals from agriculture, forestry, other land use, and land use change.
- 3) Biogenic product carbon pool: Carbon in products or materials derived from living organisms or biological processes but are not fossilized or from fossil sources.<sup>10</sup>

These definitions illustrate how using the term “emissions balance” creates a more accurate picture not just for forestry, but for agriculture and any sector or fund that goes emissions negative in the future.

## **2. The SEC should recognize that some fund disclosures may include reductions for inherently carbon-negative portfolio companies.**

Among its member companies, NAFO represents TIMOs, who manage forests for specific financial outcomes in their role as brokers for institutional investors in the forestry sectors. When TIMOs manage the forests, they are managing trees that sequester and store carbon as they grow. This means that many, if not all, TIMOs have a negative annual carbon footprint.<sup>11</sup> Some TIMOs generate carbon offsets for the marketplace from the carbon their forests are sequestering and storing; some do not. But all have forests that are sequestering and storing carbon as part of the normal course of business.

As the SEC decides how to make funds easier to compare, it should ensure that timber investment management funds can disclose their full carbon balance as part of the required reporting. The importance of providing an accurate carbon balance increases as more companies achieve being carbon neutral or carbon negative over time.

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<sup>8</sup> Proposed Rule, 87 Fed. Reg. at 36611.

<sup>9</sup> Land Sector and Removals Guidance, <https://ghgprotocol.org/land-sector-and-removals-guidance>.

<sup>10</sup> Land Sector and Removals Guidance, <https://ghgprotocol.org/land-sector-and-removals-guidance>.

<sup>11</sup> See [www.forestcarbondaataviz.org](http://www.forestcarbondaataviz.org) for a visualization of federal climate data for private working forests, which encompass TIMOs.

## Conclusion

Privately-owned working forests are an important climate solution and many companies in the sector are proactively disclosing ESG-related data. The SEC's final rule should acknowledge and provide opportunities for investment advisers to name funds to reflect an ESG focus in a manner that is transparent and fair to the investor. We support the SEC's recognition that investors should have clarity in their investment choices and should have access to transparent and comparable data to compare funds that use ESG factors to make investment decisions. NAFO appreciates the opportunity to comment on the draft rule. Please contact Anne Clawson at [REDACTED] for any follow up questions.

Respectfully,

A handwritten signature in black ink, appearing to read "David P. Tenny", with a long horizontal flourish extending to the right.

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[REDACTED]