

From: Alya Kayal
2014 5:44 PM
Planning
Subject: US SIF Comments on
2018 Draft Strategic Plan



Sent: Monday, March 10,
To: OFM Performance and
Cc: Lisa Woll; Alya Kayal
the Proposed SEC 2014-

Dear Mr. Mohan,

On behalf of US SIF: The Forum for Sustainable and Responsible Investment, we are pleased to submit our comments on the *Proposed SEC 2014-2018 Draft Strategic Plan*, along with our proposal in 2009 requesting mandatory corporate environmental, social and governance (ESG) disclosure and making ESG or “sustainability” reporting a top priority (please see attached documents).

Thank you for taking our views into consideration and for the opportunity to comment.



The Forum for Sustainable and Responsible Investment

Via electronic submission to: PerformancePlanning@sec.gov

March 10, 2014

Vikash Mohan
Program Analyst, Office of Financial Management
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549–2521

Re: Comments on Proposed SEC 2014-2018 Draft Strategic Plan

Dear Mr. Mohan:

On behalf of US SIF: The Forum for Sustainable and Responsible Investment, the U.S. membership association of investors and financial professionals engaged in sustainable and responsible investing (“SRI”), we appreciate that the Securities & Exchange Commission (SEC) is seeking public comment on the 2014-2018 Draft Strategic Plan.¹ US SIF’s members include investment management and

advisory firms, mutual fund companies, research firms, financial planners and advisors, broker-dealers, banks, credit unions, community development organizations, non-profit associations, and pension funds, foundations and other asset owners. For more information, see www.ussif.org.

One of US SIF's key organizational priorities is enhanced reporting of corporate environmental, social and governance (ESG) information. We are pleased that the Draft Strategic Plan, under Strategic Goals 1 and 3, as well as under several strategic objectives,² includes a focus on disclosure. There is increasing demand from investors for corporate sustainability reporting, and investment firms such as Calvert

Asset Management Company, Inc., Domini Social Investments, Green Century Capital Management, Inc., MMA Praxis Mutual Funds, Parnassus Investments, Pax World Management, Sentinel Investments, Trillium Asset Management, Corp., Veris Wealth Partners, Walden Asset Management, Bank Sarasin &

¹ At the start of 2012, \$3.74 trillion out of \$33.3 trillion of assets under professional management in the United States—11 percent of the market—were held by individuals, institutions, investment companies or money manager that practice SRI.

² [DRAFT] Strategic Goals and Strategic Objectives. **Strategic Goal 1: Establish and maintain an effective regulatory environment.** Strategic Objective 1.1: The SEC establishes and maintains a regulatory environment that promotes high-quality disclosure, financial reporting, and governance, and that prevents abusive practices by registrants, financial intermediaries, and other market participants. Strategic Objective 1.2: The SEC promotes capital markets that operate in a fair, efficient, transparent, and competitive manner, fostering capital formation and useful innovation. Strategic Objective 1.3: The SEC adopts and administers regulations and rules that are informed by robust economic analysis and public comment and that enable market participants to understand clearly their obligations under the securities laws. Strategic Objective 1.4: The SEC engages with a multitude of stakeholders to inform and enhance regulatory activities domestically and internationally. **Strategic Goal 3: Facilitate access to the information investors need to make informed investment decisions** Strategic Objective 3.1: The SEC works to ensure that investors have access to high-quality disclosure materials that facilitate informed investment decision-making. Strategic Objective 3.2: The SEC works to understand investor needs and educate investors so they are better prepared to make informed investment decisions.

Cie AG, Henderson Global Investors, and Triodos Investment Management, among many others, support such disclosure. Investor efforts to comprehensively incorporate ESG information into investment decisions has been hindered by a lack of comprehensive and comparable data. The still voluntary nature of corporate reporting means that the information remains inconsistent and incomplete.

In 2009, US SIF and its members provided comments to the SEC requesting mandatory corporate environmental, social and governance disclosure and making ESG or “sustainability” reporting a top priority (*please see attached*).³ In this letter we proposed two components for such disclosure. The first requested that the SEC require issuers to report annually on a comprehensive, uniform set of sustainability indicators comprised of both universally applicable and industry-specific components. The second asked that the SEC issue interpretative guidance to clarify that companies are required to disclose short- and long-term sustainability risks in the Management Discussion and Analysis section of the 10-K (MD&A). Since then, US SIF and US SIF members have met with SEC Commissioners and staff on numerous occasions and have stressed the importance of ESG disclosure, among other issues.

As part of necessary ESG disclosure, US SIF and its members strongly support a rule on corporate political contributions disclosure. In January 2014, investors urged the SEC to move forward expeditiously on a rule requiring corporations to disclose political spending to shareholders. We also expressed concern about the decision to remove the rulemaking from the SEC's 2014 agenda. This rulemaking petition has received a historic level of interest, with more than 750,000 comment letters

submitted (including by US SIF and its members), the vast majority in support. These comments, from individuals and institutions, including pension funds, State Treasurers, and other major investors, represent a diverse collection of voices united in their support for transparent markets and elections. Disclosure of political expenditures exposes whether a company is acting in a manner consistent with its business plan and public values. It can reveal legal, regulatory and business risks not otherwise apparent to investors.

Additionally, there have been several recent important developments related to ESG disclosure:

- On March 5, 2014, the Toronto Stock Exchange and the Chartered Professional Accountants of Canada issued a new publication that provides guidance on environmental and social disclosure, *A Primer for Environmental & Social Disclosure*.⁴ The primer discusses principles for environmental and social business conduct, mandatory disclosure requirements, developments in key performance indicators and other global initiatives to advance ESG disclosure.
- In February 2014, the European Union (EU) reached agreement on new rules governing corporate disclosure of non-financial information. These new rules apply to publicly listed companies and financial institutions with more than 500 employees, and will require disclosure of information on policies, risks and performance on environmental matters, social and employee-related issues, human rights, anti-corruption and board diversity. The new proposal must be adopted by the European Parliament and EU member states in the European Council, and news reports state that it is expected to pass the European Parliament in April 2014 and go to the European Council for adoption afterward.

³ US SIF Letter to Mary L. Schapiro, Securities and Exchange Commission, submitted on July 21, 2009. See: http://www.ussif.org/files/Public_Policy/Comment_Letters/SIF_SEC_ESG_Disclosure_Policy_Letter_and_Submission%2008142009.pdf.

⁴ *A Primer for Environment & Social Disclosure* can be found at <http://tmx.com/en/pdf/A-Primer-for-Environmental-and-Social-Disclosure.pdf>.

- The Sustainable Stock Exchanges Initiative, a project organized by the UN Conference on Trade and Development, the United Nations Global Compact, the Principles for Responsible Investment and the United Nations Environment Programme Finance Initiative, has partnered with nine stock exchanges to develop ways to enhance corporate transparency on ESG issues. One of those exchanges is NASDAQ, and in mid-2013, a group of US investors (members of Ceres' Investor Network on Climate Risk, or INCR), delivered a proposal for new listing standards regarding sustainability disclosure to NASDAQ, per NASDAQ's request for it to do so. The proposal represented feedback from over 100 institutional investors around the world and their views on mandatory ESG reporting. NASDAQ is currently considering the proposal and is discussing it with other exchanges of the World Federation of Exchanges (WFE) in 2014.

Thank you for taking our views into consideration and for the opportunity to comment. If you have any questions regarding the contents of this letter, please contact me directly

Sincerely

Y,

Lisa N. Woll
CEO

Attachment: US SIF Comment Letter on ESG Disclosure,

2009. cc: SEC Investor Advisory Committee