



July 21, 2016

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

Re: File Number S7-06-16 - Concept Release on Business and Financial Disclosure Required by Regulation S-K

Dear Mr. Fields,

Trillium Asset Management LLC (“Trillium”) is an investment firm based in Boston, Massachusetts specializing in sustainable and responsible investment. We currently manage over \$2 billion for institutional and individual clients. We write today in support of enforceable SEC requirements for companies to report environmental, social and governance (“ESG”) information in SEC filings.

Increasingly, investors are looking to include ESG factors into the investment process as a way to identify the companies best positioned to deliver strong long-term performance. In addition, these same investors expect their investments to have a positive impact on society and the environment.

We believe that companies that adhere to strong positive ESG policies can increase profitability and develop a competitive edge. We have found that integrating ESG factors into the investment process is the best way to deliver appropriate long-term, risk adjusted returns to our clients.

Trillium’s investment process is focused on finding companies with strong growth prospects that are attractively priced. Our analysts conduct bottom-up fundamental analysis on the companies they cover, simultaneously reviewing both traditional financial metrics and ESG metrics that we believe can add value to the investment process.

We do not believe that ESG integration can be successful simply through a process of “screening out” companies after the fact, and Trillium analysts have used additional information about environmental, social, and governance factors as crucial components of our investment process for over 30 years. When our analysts make recommendations to our buy list, they present a synthesized overview of a company that includes all aspects of company performance, including ESG risks and opportunities.

In order to implement this investment process Trillium commits significant staff time and resources to conducting ESG research. This involves the use of information from research providers and from entities such as the CDP, as well as our own independent research. As part of our analytical process, we are reviewing information on key performance indicators

that are sector- and industry-relevant. In seeking out and gathering this information we regularly contact issuers asking them to provide additional information about their environmental and social performance, policies and practices. It is not uncommon for these inquiries to go unanswered or to require extended outreach before receiving a response. Additionally, Trillium regularly engages companies through shareholder proposals and dialogues to encourage them to publish sustainability reports. However, we believe that investors should not have to go to such lengths to extract information that should be disclosed routinely to investors because it is of material interest.

For example, for over a decade investors, including Trillium, have filed a shareholder proposal asking The Home Depot to disclose its equal employment opportunity (EEO) information. This shareholder proposal regularly sees levels of shareholder support around 25%.

As shareholders have explained to the company in dialogues and as expressed in our shareholder proposals, we believe companies with good EEO records have a competitive advantage in recruiting and retaining employees. We believe The Home Depot's customers are increasingly diverse and a diverse work force is more likely to anticipate and respond effectively to consumer demand. Furthermore, allegations of discrimination in the workplace burden shareholders with costly litigation and fines that can damage a company's reputation. But even beyond the "four walls" of the company we are concerned with this issue because the U.S. Equal Employment Opportunity Commission regularly reports racial minorities comprised at least a third of the private industry workforce, but approximately a tenth of executives and managers. Likewise, women represented 48.0% of the workforce, but just 29.0% of executives and managers. Employment and advancement barriers persist that we believe present a challenge to healthy economic growth. And for investors with diversified portfolios, a healthy economy, like a financially healthy firm, is important.

Trillium first raised this issue with The Home Depot in 1998 and it still does not provide its EEO information – even in the face of 25% votes. It is not reasonable to expect investors to expend time and resources for almost 20 years trying to get an issuer to disclose what is widely understood to be useful and important information to a reasonable investor.

It is our belief that while sustainability information on company websites is helpful, it is not adequate to address investor needs. This is because website reporting is not universal, is not uniform, tends to be anecdotal, and does not facilitate company-to-company comparisons. In the current scheme the disclosures may be anywhere on a company website, if it exists at all. These challenges are particularly pronounced at small and medium cap companies.

For example, Trillium has been encouraging oil and gas companies since 2012 to provide uniform disclosures on methane emissions so that we can understand both the impact on the company of lost product (methane is the key component of one of oil and gas producers' primary product, natural gas) and the impact of the company on climate change (methane is a powerful greenhouse gas that is over 80 times more powerful on climate

change than carbon dioxide). Currently, the most uniform way for companies to disclose this information is through the CDP Oil and Gas Module. But companies have shown a stubborn resistance to filling out the module fully and completely – only selectively disclosing the information they choose to provide. Slowly, however, we have begun to see some movement, but that has only been after persistent pressure from shareholders over years accompanied by shareholder proposal votes that regularly exceed 30%. But even then, the information is not being presented in a uniform and comparable format that will allow both the comparison of company-to-company, but also allow for aggregation so as to understand the impact on global climate change. Again, it is not reasonable for investors to be put in a position where they must file shareholder proposals and hold a multitude of meetings and phone calls with companies to get information that shareholder votes show is of interest to a reasonable investor.

Trillium also uses ESG information in other shareholder advocacy efforts. Trillium has found shareholder advocacy can be an effective way to have a positive impact on company policies, practices and performance. We further believe that being a shareholder carries the responsibility to be an active owner on ESG issues. We engage companies on their ESG performance using all of the tools at our disposal: direct dialogue with senior company leadership, filing or co-filing shareholder proposals, working within multi-stakeholder institutions, convening company/stakeholder meetings, investors education, proxy advisory discussions, speaking publicly about issues of concern, and many other tools. In doing so we encourage companies to take positive and impactful environmental and social actions that are consistent with company and shareholder interests or in the interests of our core holdings. In addition to focusing on what may be described as a narrower definition of material issues, we also consider impacts on industries, markets, the broader economy, the environment, and society. In order to achieve these goals, however, we need more and better ESG information from issuers.

For example, it has been well demonstrated that climate change will have significant negative economic consequences. As the President’s Report on Cost of Delaying Action found, warming to 3° Celsius above preindustrial levels will result in \$150B in costs to the United States. And at 4° Celsius, it would be an additional \$200B.¹ Furthermore, investors cannot hedge their way out of the risks associated with climate change because the impacts are so broad. As the University of Cambridge *Unhedgeable Risk*² report explained

Short-term shifts in market sentiment induced by awareness of future climate risks could lead to economic shocks and losses of up to 45 per cent in an equity investment portfolio value (23 per cent loss for fixed income portfolio). Around half (53 per cent) of this decline is “hedgeable” if investments are reallocated effectively, but the other half (47 per cent) is “unhedgeable,” meaning investors and asset owners are exposed unless some system-wide action is taken to address the risks.

¹ <https://www.whitehouse.gov/blog/2014/07/29/new-report-cost-delaying-action-stem-climate-change>

² <http://www.cisl.cam.ac.uk/publications/sustainable-finance-publications/unhedgeable-risk>

What this points to is a strong investor interest in engaging corporations on climate change mitigation, because it is in the investor's self-interest even if not in the particular issuer's interest.

In addition, ESG information is important to Trillium's ability to thoughtfully execute proxy votes at issuer annual meetings. When making decisions about everything from director elections, to executive compensation and especially shareholder proposals, Trillium considers ESG factors in the voting process. But without good ESG information we believe the governance process cannot function as intended.

Finally, we are aware that many other organizations have provided the SEC with their comments and thoughts on the Concept Release. We would like to take this opportunity to emphasize that we find those comments and recommendations to be constructive and helpful – warranting close attention by the SEC. These include correspondence from US SIF, Domini Social Investments, Ceres, Investor Environmental Health Network, the 30% Coalition, CDP, Interfaith Center on Corporate Responsibility, Center for Political Accountability, the Financial Accountability and Corporate Transparency Coalition Principles for Responsible Investment, the International Corporate Accountability Roundtable, Investor Responsibility Research Center Institute, and the Human Capital Management Coalition.

Trillium strongly supports enforceable SEC requirements for companies to report ESG information. The current disclosures by registrants, however, do not satisfy the needs of investors such as Trillium. While voluntary reporting frameworks are better than nothing at providing ESG information at participating companies they do not provide the consistency, accuracy and completeness that is inherent in securities filings.

Thank you for your consideration of these comments. We would be pleased to meet with the Commission and its staff to discuss them further.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jonas Kron', with a long horizontal flourish extending to the right.

Jonas Kron
Senior Vice President