Congress of the United States
Washington, DC 20515

May 13, 2024

Hon. Gary Gensler, Chair
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chair Gensler,

We were encouraged by the recent finalization of the SEC's climate disclosure rule, which represents an important step in providing investors with the information they need to accurately assess climate-related financial risk. We write now to urge you to finalize an anti-greenwashing rule you proposed in May 2022 titled "Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices" ("ESG Disclosures Rule"). Finalizing this rule is critical for addressing greenwashing and other exaggerated or unfounded ESG-related claims amongst funds and investment advisers. This rule is an important complement to "Investment Company Names," a rule the SEC finalized last September.

As the SEC noted in its proposing release, "[i]nvestor interest in ESG strategies has rapidly increased in recent years with significant inflows of capital to ESG-related services and investment products," and investment advisers have responded "by creating and marketing funds and strategies that consider ESG factors in their selection process."[1] However, funds and investment advisers are not currently required to substantiate their ESG strategies and practices through disclosures, which creates opportunities for greenwashing and other exaggerated or unfounded claims. We applaud the steps the SEC has taken to address these issues, including by bringing enforcement cases under current law,[2] and by proposing rules to bring transparency to the market of ESG services and investment products. Investors need disclosures to know whether the ESG-branded and marketed services and investment products align with their investment needs, preferences, and expectations.

We recommend the final ESG Disclosures Rule include several key elements the SEC proposed: 1) only allowing funds for which ESG factors are a significant or main consideration to use ESG language in their names; 2) requiring engagement and proxy voting disclosures for certain funds; and 3) requiring GHG emissions disclosure for certain funds. We also encourage the SEC to consider requiring or allowing disclosure of additional metrics that funds use to implement their ESG strategy, as many commenters recommended.

We thank you for your commitment to protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation by requiring climate-risk disclosures by issuers. We hope to see the ESG Disclosures Rule finalized as soon as possible.

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1 Proposing Release: Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices, 7, May 25, 2022, https://www.sec.gov/files/rules/proposed/2022/ia-6034.pdf.

2 Press Release: SEC Charges BNY Mellon Investment Adviser for Misstatements and Omissions Concerning ESG Considerations, May 23, 2022, https://www.sec.gov/news/press-release/2022-86.

Sincerely,

Brian Schatz
United States Senator

Tina Smith
United States Senator

Sean Casten
Member of Congress

Juan Vargas
Member of Congress

Elizabeth Warren
United States Senator

Eleanor Holmes Norton
Member of Congress

Summer Lee
Member of Congress

Katie Porter
Member of Congress

Delia C. Ramirez
Member of Congress

Barbara Lee
Member of Congress

Jan Schakowsky
Member of Congress

Jared Huffman
Member of Congress

Ro Khanna
Member of Congress

Rashida Tlaib
Member of Congress

Kevin Mullin
Member of Congress

Sheldon Whitehouse
United States Senator

Melanie Stansbury
Member of Congress

Sydney Kamlager-Dove
Member of Congress

Nydia M. Velázquez
Member of Congress

Nikema Williams
Member of Congress

Alma S. Adams, Ph.D.
Member of Congress