

October 21, 2008

Florence E. Harmon, Acting Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Via e-mail to rule-comments@sec.gov

Re: File Number 4-567

Dear Ms. Harmon,

Trillium Asset Management Corporation (“Trillium”) is an investment management company based in Boston, Massachusetts specializing in socially responsible asset management. As an investment management company with approximately one billion dollars of assets under management we feel strongly that it is critical to have accurate and complete information about company environmental, social and governance (“ESG”) performance in order to assess fully the financial attractiveness of our holdings. Furthermore, we are guided by a belief that active investing offers competitive returns to the investor, while also promoting social and economic justice. As fiduciaries with twenty-five years experience in integrating ESG factors into investment and management decisions, we believe this information is of the utmost importance.

We welcome this opportunity to respond to the Securities and Exchange Commission (“SEC”) request for comment on modernizing the SEC’s disclosure system. Trillium strongly agrees with the SEC’s stated intention to rethink fundamentally our current disclosure system. While we recognize that thus far much of the discussion has focused on opportunities to harness new technologies to improve reporting, transparency and the usefulness of data, we wish to highlight the SEC’s statement that the “study will be a fundamental rethinking of financial disclosure, beginning with *the basic purposes of disclosure from the perspective of investors and markets.*” As such, we are specifically interested in focusing on the question: “What information that is not required to be filed or furnished with the Commission do investors and others use to make investment decisions or give investment advice?”

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We believe that the SEC should require companies to report on ESG – sustainability – issues.¹ Sustainability reporting is no longer just a niche among the world’s largest companies. Companies increasingly understand that a commitment to sustainability can contribute to long-term financial success – allowing companies to reach a broader range of investors and customers, increase operational efficiency, improve brand positioning, and potentially lead to opportunities to develop leadership in the marketplace. In order for companies to get credit for these commitments in the marketplace and from financial markets, they must disclose information about their progress towards meeting these social and environmental goals. For this reason, globally, over 4,600 companies issued reports on sustainability issues in 2007/2008 (www.corporateregister.com), including more than half of the global Fortune 250 (KPMG International Survey of Corporate Responsibility Reporting 2005).

Under this rubric of ESG, there are many examples of data points that are material to investors and managers and therefore should be subject to SEC reporting requirements. Below are but two examples:

Water – Over the past year, two reports of note have been released that illustrate that water management and reporting is an important part of evaluating a multitude of companies. In March, J.P. Morgan issued *Watching Water - A Guide to Evaluating Corporate Risks in a Thirsty World* and the Pacific Institute published *Corporate Reporting on Water*. These two reports provide tangible and cogent evidences that 1) water scarcity is a material issue confronting at least a dozen industry sectors, and 2) reporting on water scarcity risk is woefully inadequate. As companies struggle to address and create business opportunities in the 21st Century, these reports make it clear that investors need much better disclosure on water related risk.

Political Contributions – Disclosure of political spending by companies using corporate funds is critical for helping investors to assess a company's business strategy and whether it is overly reliant on political decisions. The fact that current law does not require companies to report or account for their soft money political donations made with corporate funds or their payments to trade associations and other tax-exempt organizations that are used for political purposes makes it difficult for investors to assess this risk. Authoritative articles² and studies³ have described how these expenditures have damaged corporate reputations, entangled companies in lengthy legal proceedings, resulted in criminal prosecutions, and raised questions about management behavior. Investors and investment advisers need the information necessary to evaluate the risks

1 We wish to remind the SEC that members of the Investor Network on Climate Risk (SEC File # 4-547) and the Rose Foundation (SEC File # 4-463) have argued that existing laws and rules should be deemed to require companies to disclose information relevant to toxic chemicals and climate risk. Unfortunately, those petitions have not been acted on by the SEC. Consequently, we believe this is a meaningful opportunity to urge the SEC to act on the petitions.

2 For example see Bernstein, Arron, *When Political Giving Doesn't Pay*, (June 1, 2008) Directorship.

3 For example see K., Meschke, Felix and Wang, Tracy Yue, *Corporate: Investment or Agency?* (August 11, 2008). EFA 2008 Athens Meetings Paper. University of Minnesota's Carlson School of Management.

posed by political spending, whether direct or indirect, to companies in which they may want to invest. However, they can do that only if companies are required to disclose their political spending with corporate funds.

But speaking more generally, the SEC should look to the Global Reporting Initiative (“GRI”) and its Sustainability Reporting Framework as a tangible example of a well functioning reporting system. The GRI provides guidance for organizations to use as the basis for disclosure on economic, environmental and social performance, including performance on direct economic impacts, the environment, labor practices, working conditions, human rights, society, and product responsibility. While the GRI framework does not address every issue of concern, it does facilitate transparency and accountability by companies of all sizes and sectors. More than 1,000 organizations globally declare that they use the Guidelines for their sustainability reporting, including 3M, Cisco Systems, Citigroup, Dell, Eli Lilly, Intel, General Electric, Procter & Gamble, and United Technologies. We urge the SEC to examine in depth the GRI system and explore ways in which it can be integrated into the SEC reporting requirements.

It is also important for the SEC to remain in step with other federal agencies. The United States Environmental Protection Agency (EPA) has already begun to improve corporate and agency disclosures of environmental information that will not only be useful to investors, but is designed to meet the requirements of the financial community. In fact, Congress has already directed EPA to develop a new regulation requiring businesses to report their greenhouse gas emissions. (See, Title II of the Consolidated Appropriations Act of 2008.) EPA has been directed to publish the final rule by June 2009.

In addition, on June 19, 2008, EPA along with the New York Society of Security Analysts (NYSSA) and AIG met to discuss the use of EPA data in financial and investment analysis. The dialogue explored a number of questions, including the following:

- What are EPA’s major repositories of environmental data, what do they contain, and how can they be accessed?
- How does the financial community use environmental data collected by EPA and other organizations in analysis and decision making? How does this vary across the financial community?
- How could EPA make its data sources, systems and expertise more useful and accessible to the financial community?
- What are appropriate short- and longer-term steps to maintain the dialogue between EPA and the financial community and achieve the goal of greater integration of environmental factors into financial decision making?

As a result of this meeting, the New York Society of Security Analysts (NYSSA) and the Conference Board have formed a Steering Committee to focus on how to improve access to data and the quality of environmental data bases for business and investment decision-making. In addition, the EPA has established an internal Data Management Workgroup that will focus on data quality and timeliness.

While we firmly believe the time is right for the SEC to begin requiring ESG issue reporting, in the event that the SEC disagrees at this time, we would urge the SEC to at least put a placeholder in the new reporting mechanism for this data. The metrics related to ESG information and the market's ability to quantify this data is constantly improving. If the SEC is not satisfied with the currently available frameworks and data sets, we believe that with the continual improvements in reporting criteria there will be readily available data in the near future which can be embraced by the SEC 21st Century reporting system.

Thank you very much for considering our comments and thoughts. In the event, the SEC decides to hold additional roundtable discussions on this matters we would welcome the opportunity to participate as panelists.

Sincerely,

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

Jonas Kron, J.D., M.S.E.L.
Senior Social Research Analyst