

Thank you for the opportunity to respond to the request for information to solicit public perspectives on environmental, social, and governance (ESG) practices in the municipal market.

Community Capital Management (CCM) has over two decades of experience as an impact and ESG investing manager. We manage mutual funds and separate accounts across various strategies, with our largest strategy in fixed income. Our mission seeks to deliver superior risk-adjusted returns through investment strategies that contribute to positive environmental and social outcomes. Our strategies utilize an innovative approach to fixed income and equity investing by combining the positive outcomes of impact and ESG investing with rigorous financial analysis, an inherent focus on risk management, and transparent research.

We support the MSRB's efforts to improve ESG disclosure and transparency. ESG information is helpful to purchasers of bonds to evaluate the credit attributes, trends, fiscal health, and possible risk of governmental entities more accurately. The comments that follow are made in recognition of the clear alignment of interests that exist between the MSRB's mission of protecting and strengthening the municipal market, and the professional needs of analysts of municipal risk.

In our opinion, municipal financial disclosure is of poor quality compared to other markets in which we participate. This is due to a myriad of reasons, including but not limited to, size of the market, issuer size, and approvals needed for releases. Like financial disclosure, ESG-related disclosure is of poor quality when compared to other sectors, such as corporate bonds. We believe issuers have the ESG information/data already collected and therefore disclosing this information should not be a major undertaking.

### **Section (B): Investors in Municipal Securities**

- 1. Do you consider ESG-related information material to your investment decisions? If so, in what way? Is ESG-related information important to your evaluation of a municipal issuer's creditworthiness? If so, what ESG-related information do you consider most relevant to a municipal issuer's creditworthiness and why?**

*ESG-related information material is critical to every investment we purchase. As an impact and ESG investment firm, we must have a high degree of confidence that the security will have a positive environmental and/or societal outcome(s) to people and communities. In addition, we must be able to quantify and report on these ESG metrics and outcomes to our investors. Therefore, the investment team uses the ESG-related information to help understand the benefits of the investment and is an important resource in our evaluation process.*

*These materials are also helpful when evaluating a municipal issuer's creditworthiness given some sectors are more prone to ESG-related risks, such as public power, which could increase the*



*financial risk. More ESG-related information gives analysts a better understanding of potential risks, which can contribute to our evaluation of an issuer's creditworthiness.*

- 2. Do you generally have access to all the ESG-related information you need to make an informed investment decision? If so, can you identify the source(s) of the information you use (e.g., municipal issue disclosures on the EMMA website, other municipal issuer communications, time-of-trade disclosures, third-party vendors or proprietary analyses? If not, please identify the gaps in information and market transparency.**

*Yes, CCM generally works closely with issuers and underwriters to gather all required information to make an informed decision and be able to adequately quantify and qualify the impact and ESG investment for investors.*

- 3. Does your expectation as to the availability and sufficiency of ESG-related information change depending on whether the purchase of the municipal securities is made in the primary market or secondary market? If so, how?**

*We primarily buy in the new issue market vs. secondary market since investors typically get better information about the underlying loan(s) in the primary market than what is available to buyers in the secondary market. Once a bond is trading in the secondary market, issuers seem to have less interest in providing additional, or updated, information. However, as we move toward greater transparency as it relates to the ESG outcomes of the deal, we would expect more information to be made available for bonds trading in the secondary market.*

- 4. In light of the potential availability of ESG-related information from other sources, how can municipal issuers best present and disseminate their ESG-related information to investors? What topic areas do you believe are most relevant for municipal issuers to include when providing ESG-related disclosures? In your view, is it sufficient for ESG-related disclosures to just describe material ESG-related factors? Is there a benefit to municipal issuers further describing the initiatives and other projects they are pursuing to address such risks?**

*EMMA would be a good resource to disseminate information as it is free to investors and issuers. Another resource could be the issuers website. Often times, it is difficult to find information on an issuers website and many times investors have no idea what the issuers have or have not posted. An issuer would be prudent to have a plan that addresses ESG factors in the short, medium, and long term for municipal market participants and all stakeholders (i.e., tax payors and regulators). Understanding how the project fits into the issuers larger plan – such as if the project is standalone or if it's a local, state, or national plan – would be helpful information to disclose.*



*Since some sectors are more prone to ESG risk, it would be critical to have certain disclosures that makes these risks clear and that there can be varying financial risk associated with the ESG risk. The risk of “E” is different than “S” and “G.” An example of “E” (or environmental) is the ramifications after the Texas snowstorm of 2021. Some public power utilities ended up having to declare bankruptcy. This risk was more related to a physical risk. On the “S” (or social) side, disclosing what communities and persons are ultimately being helped, served, and addressed is a great start. As for “G”, governance has always been important in municipal analysts so would be an important part of the disclosure.*

*We believe that better disclosure allows for more possible purchasers of the security, which over time could improve pricing for the issuer.*

- 5. Certain market participants have expressed concerns that, while analysts and investors have expressed their desire for more standardized ESG-Related Disclosures, there is no consensus on which data and metrics are important or essential. Do you believe such disclosures should be standardized? Do you believe there is a consensus on which data and metrics are important or essential? If so, can you provide insight as to what consensus you believe does or could exist? If not, what barriers do you believe exist in reaching a consensus?**

*We believe the reason there is no consensus for the data or metrics that are important is due to the fact that investment decisions made by municipal bond analysts vary because of 1) the subjectivity in assessing the degree of importance that any known factor may have on the repayment of debt in the future; and 2) the investment context including, but not limited to, risk tolerance, investment strategy, type of bond (e.g., current interest v. zero-coupon), interest rate/yield, and time horizon. Therefore, it is essential that ESG disclosures are sufficiently detailed and comprehensive in order to support a variety of research methodologies.*

*Given the fact that issuers are the experts on their ESG projects – they must report on these projects internally, to taxpayers, and if rated, to rating agencies – they have already collected detailed ESG information. We believe issuers should share all their data to the market through EMMA. This includes measurable and quantifiable metrics, and if the project is being pursued to provide impact and ESG outcomes, the issuer should report on the achievements of each particular outcome.*



**6. When purchasing municipal securities for ESG-Designated Funds, what ESG-related information is most useful for the investment decision? How do fund managers screen securities to ensure that they meet a fund's criteria? Once purchased, what information is most relevant in assessing that a security continues to meet the ESG criteria established for an ESG-Designated Fund?**

*We will always go through the preliminary offering documents (for new issue) and official statements (already trading in the market) to get detailed information on the ESG aspects of the bond. In reviewing the documents, we decide whether the security will fit in our portfolio. After issuance, reporting has become just as important and should be part of all ESG-related municipal deals. For those that provide this documentation, we will review and monitor the deal to ensure the initial ESG goals of the deal are being met.*

**7. When purchasing ESG-Labeled Bonds, do you evaluate municipal securities with an independent certification differently from bonds that do not have such a certification? If so, how? If not, why not? In your view, what are the benefits to an investor of purchasing a bond with an independent certification?**

*We will always do our own due diligence. Any additional information we can gather from other sources is looked at and considered. As ESG continues to grow and mature the information cannot be static. It should continue to evolve with the market.*

Thank you for the opportunity to provide our comments on the request for information to solicit public perspectives on environmental, social, and governance (ESG) practices.

Sincerely,



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results. CCM has distinct investment processes and procedures relating to the management of investment portfolios for institutional clients. The firm's strategies are customized, rather than model-based, and utilize an innovative approach to fixed income and equity investing by combining the positive outcomes of impact and environmental, social, and governance (ESG) investing with rigorous financial analysis, an inherent focus on risk management, and transparent research. Bonds are subject to interest rate risk and will decline in value as interest rates rise. Stocks will fluctuate in response to factors that may affect a single company, industry, sector, or the market as a whole and may perform worse than the market. A sustainable investment strategy which incorporates impact investing and/or ESG criteria may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values-based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

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