

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Rule 30e-1

A. JUSTIFICATION

1. Necessity for the Information Collection

Section 30(e) of the Investment Company Act of 1940 (“Investment Company Act”)¹ requires a registered investment company to transmit to its shareholders, at least semi-annually, reports containing financial statements and other financial information as the Commission may prescribe by rules and regulations.² In addition, Section 30(f) permits the Commission to require by rule that semi-annual reports include such other information as the Commission deems necessary or appropriate in the public interest or for the protection of investors.³ Rule 30e-1 under the Investment Company Act generally requires a registered management company (“fund”) to transmit to its shareholders, at least semi-annually, a report containing the information that is required to be included in such reports by the fund’s registration statement form under the Investment Company Act.⁴ Failure to require the collection of this information would impede the amount of current information available to shareholders and the public about funds and would prevent the Commission from implementing the regulatory program required by statute.

Rule 30e-1 also permits, under certain conditions, delivery of a single shareholder report to investors who share an address (“householding”).⁵ Specifically, rule 30e-1 permits

¹ 15 U.S.C. 80a-1 *et seq.*

² 15 U.S.C. 80a-29(e).

³ 15 U.S.C. 80a-29(f).

⁴ 17 CFR 270.30e-1.

⁵ *See* 17 CFR 270.30e-1(f).

householding of annual and semi-annual reports by management companies to satisfy the transmission requirements of rule 30e-1 if, in addition to the other conditions set forth in the rule, the management company has obtained from each applicable investor written or implied consent to the householding of shareholder reports at such address. The rule requires management companies that wish to household shareholder reports with implied consent to send a notice to each applicable investor stating, among other things, that the investors in the household will receive one report in the future unless the investors provide contrary instructions. In addition, at least once a year, management companies relying on the householding provision must explain to investors who have provided written or implied consent how they can revoke their consent.

On May 25, 2022, the Commission issued a proposed rule and form amendments that would require certain funds to make enhanced disclosures regarding their environmental, social, and governance (“ESG”) investment practices in the management’s discussion of fund performance (“MDFP”) section of their annual reports.⁶ Specifically, the proposal would require a fund that seeks to achieve a specific ESG-related impact(s) (an “Impact Fund”) to discuss the fund’s progress on achieving its impact in both qualitative and quantitative terms during the reporting period and to discuss the key factors that materially affected the fund’s ability to achieve its impact. Additionally, funds for which proxy voting is a significant means of implementing their ESG strategy would be required to disclose certain information regarding how the fund voted proxies relating to portfolio securities on ESG issues during the reporting period. Funds for which engagement with issuers on ESG issues through means other than proxy voting is a significant means of implementing their ESG strategy would also be required to

⁶ See Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices, Investment Company Act Release No. 34594 (May 25, 2022) (“Proposing Release”).

disclose certain information about their engagement practices. Finally, the proposal would require an ESG-Focused Fund that considers environmental factors to disclose the aggregated GHG emissions of the portfolio.

Compliance with the disclosure requirements of rule 30e-1 is mandatory. Responses to the disclosure requirements are not kept confidential.

2. Purpose and Use of the Information Collection

The purpose of the collection of information required by rule 30e-1 is to provide fund shareholders with current information about the operations of their funds in accordance with Section 30 of the Investment Company Act. The amendments to the content of registered CEFs' shareholder reports are designed to tailor the disclosure framework for registered CEFs in light of the amendments to the offering rules applicable to them. For example, we expect that the rules' reforms to elevate the importance of registered CEFs' shareholder reports, relative to prospectus disclosure, with investors looking to the annual reports for key information. The amendments also are intended to modernize and harmonize disclosure requirements for registered CEFs with those applicable to operating companies and mutual funds and exchange-traded funds.

3. Consideration Given to Information Technology

Rule 30e-1 requires transmission of reports to shareholders. Shareholder reports have historically been sent in paper; however, investors may currently consent to the delivery of electronic versions. Once rule 30e-3 is in effect,⁷ certain registered investment companies will

⁷ 17 CFR 270.30e-3. *See* Optional Internet Availability of Investment Company Shareholder Reports, Investment Company Act Release No. 33115 (June 5, 2018) [83 FR 29158 (June 22, 2018)].

have the option to satisfy their obligation to transmit shareholder reports by making such reports and other materials available at a website address specified in a notice to investors.

4. Efforts to Identify Duplication

To ensure the relevance of the information filed by each fund and to avoid unnecessary paperwork and duplicative reporting, the Commission has promulgated specific rules and designed specific forms or items of forms for each type of investment company. The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication and reevaluates them whenever it proposes a rule or a change in a rule. The information required by rule 30e-1 is not generally duplicated elsewhere.

Information about fees and expenses, premiums and discounts, and outstanding senior securities that certain registered CEFs would be required to disclose in their annual shareholder reports under the proposal is also required in these funds' prospectuses. However, because the annual report will be incorporated by reference into the fund's prospectus under the proposal, requiring disclosure in both the prospectus and annual report should not require duplicative disclosure.

Although we proposed that registered CEFs would be required to report information on Form 8-K, we did not adopt the proposed Form 8-K amendments.

5. Effect on Small Entities

The current disclosure requirements for shareholder reports do not distinguish between small entities and other funds. The burden on smaller funds may be greater than for larger funds. This burden includes the cost of producing and transmitting the shareholder reports. The Commission believes, however, that imposing different requirements on smaller investment companies would not be consistent with investor protection and the purposes of shareholder

reports. The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.

Under the amendments, smaller registered CEFs generally would not be able to file short-form registration statements, so these funds would not be required to disclose in their annual reports: (1) information regarding fees and expenses, premiums and discounts, and outstanding senior securities; and (2) material unresolved staff comments. The other annual report requirements apply to all registered CEFs because we believe investors in both large and small registered CEFs would benefit from the additional disclosure.

6. Consequences of Not Conducting Collection

The frequency with which information in compliance with rule 30e-1 is collected is semi-annual, as set out in Section 30(e) of the Investment Company Act and rule 30e-1. Less frequent collection of information would impede the amount of current information provided to shareholders about their funds.

7. Inconsistencies With Guidelines in 5 CFR 1320.5(d)(2)

This collection is not inconsistent with 5 CFR 1320.5(d)(2).

8. Consultation Outside the Agency

The Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company industry through public conferences, meetings, and informal exchanges. These various forums provide the Commission and staff with a means of ascertaining and acting upon paperwork burdens confronting the industry. Before adopting the proposed amendments, the Commission will receive and evaluate public comments on the proposal and its collection of information requirements.

9. Payment or Gift

No payment or gift to respondents was provided.

10. Confidentiality

No assurance of confidentiality was provided.

11. Sensitive Questions

No information of a sensitive nature, including social security numbers, would be required under this collection of information. The information collection would not collect personally identifiable information (“PII”). The agency has determined that a system of records notice (“SORN”) and privacy impact assessment (“PIA”) would not be required in connection with the collection of information.

12. Burden of Information Collection

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995⁸ and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms.

We have previously estimated that it takes a total of 1,039,868 hours, and involves a total external cost burden of \$149,244,791, to comply with the collection of information associated with rule 30e-1.⁹ The table below summarizes our PRA initial and ongoing annual burden estimates associated with the proposed amendments to rule 30e-1.

⁸ 44 U.S.C. 3501 *et seq.*

⁹ This estimate is based on the last time the rule’s information collection was submitted for PRA renewal in 2020. *See* ICR Reference No. 202007-3235-015, *available at* https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202007-3235-015.

TABLE 1: RULE 30E-1 PRA ESTIMATES

	Internal initial burden hours	Internal annual burden hours ¹	Wage rate ²	Internal time costs	Annual external cost burden
PROPOSED AMENDMENTS TO FUND SHAREHOLDER REPORTS					
ESG Impact Disclosure					
			\$345		
Summary of ESG Impact achievement during reporting period	9 hours	6 hours ³	× (blended rate for compliance attorney, senior portfolio manager, and senior programmer) ⁴	\$2,070	\$3,654 ⁵
Total additional burden per fund		6 hours			\$3,654
Number of funds		× 58 funds ⁶		× 58 funds	× 58 funds
Annual burden		348 hours		\$120,060	\$211,932
ESG voting matters and engagement disclosure					
			\$345		
Disclosure of percentage of ESG voting matters and ESG engagement during reporting period	9 hours	6 hours ³	× (blended rate for compliance attorney, senior portfolio manager, and senior programmer) ⁴	\$ 2,070	\$3,654 ⁵
Total additional burden per fund		6 hours			\$3,654
Number of funds		× 769 funds ⁷		× 769 funds	× 769 funds
Annual burden		4,614 hours		\$1,591,830	\$2,809,926
GHG Emissions Metrics Disclosure					
			\$307 (blended rate for a senior accountant, compliance attorney, and senior programmer) ⁸		
Disclosure of portfolio level GHG emissions metrics for the reporting period	24 hours	16 hours ⁹		\$4,912	\$4,872 ¹⁰
Total additional burden per fund		16 hours			\$4,872
Number of funds		× 355 funds ¹¹		× 355 funds	× 355 funds
Annual burden		5,680 hours		\$1,743,760	\$1,729,560
Total estimated burdens for proposed amendments					
		10,642 hours			\$4,751,418
TOTAL ESTIMATED BURDENS INCLUDING AMENDMENTS					
Current burden estimates		+1,039,868 hours			+\$149,244,791

Revised burden estimates	1,050,510 hours	\$153,996,209
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Notes:

1. Includes initial burden estimates annualized over a 3-year period.
2. These PRA estimates assume that the same types of professionals would be involved in satisfying the proposed reporting requirements that we believe otherwise would be involved in complying with this requirement. The Commission's estimates of the relevant wage rates are based on the SIFMA Wage Report.
3. This estimate assumes that, after the initial 9 hours that a fund would spend preparing the proposed disclosure, which we annualize over a 3-year period, the fund would incur 3 additional burden hours associated with ongoing preparation of the proposed disclosure per year. The estimate of 6 hours is based on the following calculation: $((9 \text{ initial hours} / 3) + 3 \text{ hours of additional ongoing burden hours}) = 6 \text{ hours}$.
4. The \$345 wage rate reflects current estimates of the blended hourly rate for an in-house compliance attorney (\$368), a senior portfolio manager (\$332), and a senior programmer (\$334). \$345 is based on the following calculation: $(\$368 + \$332 + \$334) / 3 = \345 .
5. \$3,654 includes an estimated \$1,467 for 3 hours of outside legal services and an estimated \$2,187 for 3 hours of management consultant services.
6. Based on the staff's estimate of the number of funds registered on Form N-1A and Form N-2 with the term "impact" included in the fund name.
7. The estimated 769 funds includes the staff's estimate of 711 ESG-Focused Funds and 58 ESG Impact Funds registered on Form N-1A and Form N-2.
8. The \$307 wage rate reflects current estimates of the blended hourly rate for an in-house senior accountant (\$218), compliance attorney (\$368), and a senior programmer (\$334). \$307 is based on the following calculation: $(\$368 + \$218 + \$334) / 3 = \307 .
9. This estimate assumes that, after the initial 24 hours that a fund would spend preparing the proposed disclosure, which we annualize over a 3-year period, the fund would incur 8 additional burden hours associated with ongoing preparation of the proposed disclosure per year. The estimate of 6 hours is based on the following calculation: $((24 \text{ initial hours} / 3) + 8 \text{ hours of additional ongoing burden hours}) = 6 \text{ hours}$.
10. \$4,872 includes an estimated \$1,956 for 4 hours of outside legal services and an estimated \$2,916 for 4 hours of management consultant services.
11. Based on the staff's estimate of the number of funds registered on Form N-1A and Form N-2 with climate-related terms included in the fund name or principal investment strategies.

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to prepare, print, and transmit reports under rule 30e-1, such as for the services of independent auditors and outside counsel.

We previously estimated that 25% of the burden of preparing annual reports under rule 30e-1 is undertaken by outside professionals, such as outside counsel and independent auditors, retained by the fund at an average cost of \$400 per hour, resulting in a total external cost burden of \$149,244,791, to comply with the collection of information associated with rule 30e-1.¹⁰ As indicated in Table 1 above, we estimate that funds will incur a total amount of \$4,751,418 of external costs to comply with the proposed amendments.

¹⁰ *Id.*

14. Cost to the Federal Government

There are no costs to the federal government associated with rule 30e-1. The annual cost of reviewing and processing registration statements, post-effective amendments, proxy statements, shareholder reports, and other filings of investment companies amounted to approximately \$30 million in fiscal year 2021, based on the Commission's computation of the value of staff time devoted to this activity and related overhead. We note, however, that shareholder reports are filed with the Commission to comply with the requirements of Form N-CSR, and not rule 30e-1, which requires the transmission of the reports to shareholders.

15. Change in Burden

As summarized in Table 1 above, the estimated hourly burden associated with rule 30e-1 would increase from 1,039,868 hours to 1,050,510 hours (an increase of 10,642 hours). The estimated cost burden associated with rule 30e-1 would increase from \$149,244,791 to \$153,996,209 (an increase of \$4,751,418). This increase is due to the proposed amendments that would require funds to provide additional information related to its ESG investment practices in their annual reports. These changes in burden also reflect the Commission's revision and update of burden estimates for all information collections under this OMB control number (whether or not associated with rulemaking changes), and the Commission requested public comment on all information collection burden estimates for this OMB control number.

16. Information Collection Planned for Statistical Purposes

The results of any information collection will not be published.

17. Approval to Omit OMB Expiration Date

The Commission is not seeking approval to omit the expiration date for OMB approval.

18. Exceptions to Certification Statement for Paperwork Reduction Act Submission

The Commission is not seeking an exception to the certification statement.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information will not employ statistical methods.