September 17, 2020

Office of Regulations and Interpretations
Employee Benefits Security Administration
Room N-5655
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

Attention: Proxy Voting and Shareholder Rights NPRM

Rule Number: RIN 1210-AB91

Dear Secretary Scalia,

I am writing to express my support for the recent proposed The Labor Department rule that aims to clarify that fiduciaries can make proxy decisions only based on economic considerations. This rule will undoubtedly hold these firms more accountable and make maximizing returns on investment the sole reason for their action. As the Executive Director of the West Virginia Manufacturers Association, I believe that those who work hard, save wisely and plan for the future should receive the compensation in retirement that they are deserve. This proposed rule is another step to ensure that this is the case for all.

As I am sure you are aware, the National Association of Manufactures has worked tirelessly over the last couple of years to gain better oversight regulation for proxy firms. Manufacturers care about this issue because we believe that by not prioritizing returns, proxy firms dominate a market, which hurts people's pensions across the state. More often than not, these proxy firms make decisions based on a political agenda and whatever they deem to be "responsible investing." In doing so, they recommend ESG-related strategies which recent research clearly shows disappoint on various standard index funds and do not maximize returns. For example, BlackRock's performance on ESG shows that ESG investment has led to decreased returns: for the five years ending May 15, BlackRock's S&P 500 Growth ETF beat the Clean Energy ETF by an annual average of more than 10 percentage points.

Manufacturers in West Virginia account for 10.25% of the total output in the state, employing 6.48% of the workforce. This 6.48% is not just a figure, its real individuals who rely on their jobs and this industry. It is hard working West Virginians who I have been fortunate enough to know over my last 7 years at the West Virginia Manufacturers Association. Manufacturers are honest Americans who want the best for their families, now and in the future. Many of them have money

in pension plans, retirement plans and other investments, and have seen firsthand how ESG investing has whittled away at their income.

For too long, proxy advisory firms have avoided proper oversight, leading to questionable methodologies, errors, conflicts of interest and a lack of transparency in how they make decisions. According to the proposal, fiduciaries and their agents face decisions on 148 million discrete proxy votes each year. That is 148 million decisions that are putting the retirement funds of hardworking and honest people at risk. This can go on no longer.

The DOL decisions takes a commendable step in curbing this issue but there is more to be done. I urge the DOL to explain precisely how a plan determines whether a vote will have a positive economic impact. Without this clarification, we cannot be sure that these proxy firms will take all the necessary steps to center maximizing returns in their decisions. Furthermore, we strongly believe that the robo-voting section of the rule, does not go far enough and we encourage the DOL to look at prohibiting this type of voting for issues that would be costly for pension holders and retirees. These matters are not simply issues that can be automated. They must be thoughtfully considered and all votes must count. Robo-voting allows for a lack of oversight that we are trying to eliminate.

I believe that this rule is a big win for manufacturing workers around the country and in West Virginia. I urge The Labor Department to clarify the rule to ensure that impactful oversight occurs of proxy-voting firms.

Thank you for your time.

Sincerely,

Rebecca McPhail
President, West Virginia Manufacturers Association

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