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July 21, 2020

Mr. Joe Canary, Director
Office of Regulations and Interpretations
U.S. Department of Labor
Room N-5655
200 Constitution Ave., NW
Washington, DC 20210

RE: RIN 1210-AB95: Proposed Rule on Financial Factors in Selecting Plan Investments

Dear Director Canary:

Green America is a national membership organization dedicated to building a marketplace that fully takes into account the financial, social, environmental, and corporate governance factors that contribute to the well-being of our economy, workforce, communities, and the environment.

We represent 200,000 individual consumers and investors as well as 2,000 businesses and investment firms that operate on a triple bottom line, i.e., seeking positive financial returns while supporting social justice and environmental sustainability. In addition to educating and mobilizing people in their economic roles, we have invested the long-term Green America Endowment in accordance with well-established Environmental, Social, and Corporate Governance (ESG) principles.

Green America believes that the Department of Labor's proposed rulemaking released on June 23, 2020 to change the fiduciary standard for retirement plans governed by ERISA is fundamentally unsound and a danger to investors. The proposal represents a retreat from best practices and the fact that social, environmental, and corporate governance issues are financially material and need to be assessed for risk and opportunity.

Nationally and globally, investment professionals and their clients are increasingly integrating ESG criteria into their investment decision-making precisely to achieve the best financial outcomes over the long term. Financial planning for retirement is a long-term endeavor and with the fate of individuals, families, and communities at stake, it requires comprehensive consideration of all factors affecting risk and return. This is the basis for ESG investing, also known as socially responsible investing (SRI).

If the Department of Labor chooses to take action to update fiduciary requirements at this time, the preponderance of research points to the need for the Department of Labor to be requiring, not questioning, inclusion of ESG factors in ERISA-governed plans in order to promote the strongest returns.

As recently as April 3, 2020, a Morningstar article validated the positive returns of ESG funds in the current volatile market: "Sustainable Funds Weather the First Quarter Better Than Conventional Funds." Looking over a broader time horizon, a new report issued last month (June 2020), "Sustainable Investment: Exploring the Linkage between Alpha, ESG, and SDGs," also affirms that ESG-based investments can outperform their benchmarks. The Charles Schwab website also states: "SRI is a widely accepted investment approach that may allow investors to align their investments with their values without sacrificing performance" and Schwab research has found that over the long term, SRI approaches have tended to perform very similarly to non-SRI approaches, and with similar levels of volatility."

These are just a few of the multitudes of studies over the decades that have demonstrated the ability of ESG funds to match or outperform their conventional peers.

In addition to ESG investing successfully answering the question of financial performance, there is also an established record of governmental review in support of ESG investing. In October 2015, the Department of Labor's Interpretive Bulletin (IB) 2015-01 affirmed the ability of fiduciaries to take ESG factors into account in accordance with ERISA. The Bulletin states:

> "The IB also acknowledges that in some cases ESG factors may have a direct relationship to the economic and financial value of the plan's investment. In such instances, the ESG issues are not merely collateral considerations or tie-breakers, but rather are proper components of the fiduciary's primary analysis of the economic merits of competing investment choices."
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> "In addition, consistent with the obligation of ERISA fiduciaries to choose economically and financially superior investments, the IB makes it clear that the Department does not believe ERISA prohibits a fiduciary from addressing ETIs or incorporating ESG factors in investment policy statements or integrating ESG-related tools, metrics and analyses to evaluate an investment's risk or return or choose among otherwise equivalent investments."

Given the profound impacts of climate change, the loss of biodiversity, human rights impacts, and a myriad of supply chain issues and other concerns with market implications, it is imperative to continue to allow **all** financially material information to inform the investment process to ensure the appropriate due diligence.

Green America strongly urges that the rulemaking proposal on Financial Factors in Selecting Plan Investments be withdrawn. In order to obtain the level of input necessary for a sound decision, the public comment period should be extended to at least 90 days.

Thank you for your attention to this important matter.

Sincerely yours,

Fran Teplitz
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