

July 27, 2020

Office of Regulations and Interpretations
US Department of Labor
200 Constitution Ave, NW
Room N-5655
Washington DC 20210

Online submission: <https://www.regulations.gov/comment?D=EBSA-2020-0004-0002>

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

Dear Secretary Scalia and Assistant Secretary Rutledge,

Boston Trust Walden Company is an independent, employee-owned investment management firm with \$9.8 billion in assets under management. As an investment manager and fiduciary, we seek to ensure our clients' assets are invested in securities positioned to manage risk and produce sustainable returns.

Our firm has been integrating environmental, social, and governance (ESG) factors into investment decisions since 1975—one of the longest track records of any institutional investment manager. ESG considerations are integral to our investment philosophy. Simply stated, we seek to invest in enterprises with sustainable business models, strong financial underpinnings, prudent management practices, and a governance structure that supports these objectives.

As such, we write to express our strong opposition to the US Department of Labor (DOL) Employee Benefits Security Administration's proposed rule, *Financial Factors in Selecting Plan Investments*, Regulatory Identifier Number (RIN) 1210-AB95, set forth in the Notice of Proposed Rulemaking (NPRM)¹.

Boston Trust Walden is not alone in recognizing that the integration of ESG factors into investment decision-making is an important element of limiting risk and protecting or enhancing shareholder value. The Principles for Responsible Investment (PRI), of which we are a member, now includes more than 3000 global investors with more than \$100 trillion in assets under management committed to incorporating these factors into their investment and ownership decisions.

Burgeoning investor and company support for the Sustainability Accounting Standards Board's (SASB's) industry-specific disclosure standards further illustrates a broad consensus regarding the importance of ESG factors in investment decisions. Codified in 2018, SASB standards were developed in a multi-year process using evidence-based research to determine the financial materiality of ESG considerations as well as extensive input from market participants. For companies, SASB helps identify, manage, and communicate to investors critical ESG risks and opportunities in a cost-effective manner. The SASB standards enable investors to evaluate and compare ESG performance to inform investment decisions and active ownership initiatives.

¹ <https://www.federalregister.gov/documents/2020/06/30/2020-13705/financial-factors-in-selecting-plan-investments>

SASB identifies five broad categories of sustainability in its [materiality map](#): Environment (e.g., greenhouse gas emissions, water and energy management); Social Capital (e.g., customer privacy, data security, access & affordability); Human Capital (e.g., employee safety and health, diversity & inclusion), Business Model & Innovation (e.g., supply chain management, physical impacts of climate change), and Leadership & Governance (e.g., business ethics, systemic risk management). The industry focused standards identify a manageable list of ESG factors across these broad categories that are most relevant for company trend and peer group performance analyses.

Boston Trust Walden serves on SASB's [Investor Advisory Group](#) (IAG) of asset owners and investment managers committed to encourage companies to adopt SASB disclosure standards. We have led numerous SASB IAG company engagements and almost all the companies have begun to report SASB metrics. With over 50 participants, including 8 of the 10 world's largest investment managers, the IAG represents approximately \$40 trillion in assets under management. The largest manager, BlackRock, has asked companies to publish sustainability data in alignment with SASB guidance by year-end 2020. This unprecedented level of investor support underscores what now can be called a mainstream belief that ESG factors are relevant, and even necessary, to make prudent investment decisions.

Not surprisingly, companies are following suit and take-up of SASB standards is growing exponentially. Since 2018, greater than 300 companies have reported SASB metrics (nearly 200 domiciled in the US), with more than 230 within the first half of 2020 alone. Moreover, company references to SASB in their sustainability publications—as part of a materiality assessment, reporting on a few individual SASB metrics, notice of participation in SASB webinars, among others—is a leading indicator of adoption of the standards and more than 600 companies (approximately half U.S. domiciled) have done so year-to-date. We expect full SASB reporting to proliferate accordingly, a strong signal that companies find similar value in accounting for key sustainability considerations.

Beyond considering ESG factors in investment decisions, Boston Trust Walden has a decades-long history pursuing active ownership strategies to encourage more sustainable business practices among portfolio companies. Our experience suggests that companies are often best positioned to articulate the business case for leading ESG policies and practices. Hence, we enclose an appendix with statements from a cross section of companies expressing how ESG performance is inextricably linked to long-term business success. These are but a small sample of countless statements we could provide.

In August 2019, the Business Roundtable issued its Statement on the Purpose of a Corporation. Signed by nearly 200 CEOs, the statement describes a fundamental corporate commitment to ethical business practices that deliver value to multiple stakeholders: customers, employees, suppliers, communities, and shareholders. The conclusion that “Each of our stakeholders is essential...for the future success of our companies...” is confirmation from key business leaders that good performance on sustainability—or ESG—is quite simply good for business.

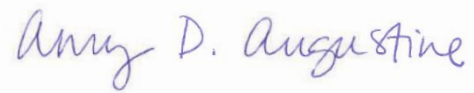
We believe the foundation of the proposed DOL Rule is flawed and built on a contrary assumption that ESG factors are somehow unconnected to the preservation and building of shareholder value. Before implementing such a dramatic set of changes to rules governing ERISA, we urge the DOL to undertake an in-depth analysis of the numerous academic studies and peer reviewed publications that demonstrate ESG factors can be material and relevant for investment decision making. We also concur with those investors that have appealed for a longer comment period of 90 days to allow for the necessary thoughtful review of the proposed rules.

We appreciate your consideration of our comments and urge that the Proposed Rule be withdrawn.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bill Apfel".

William H. Apfel, CFA
Chief Investment Officer

A handwritten signature in blue ink, appearing to read "Amy D. Augustine".

Amy D. Augustine
Director, ESG Investing

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Appendix

1. Bank of America

1.1. [Commitment to environmental sustainability](#)

1.1.1. “Bank of America is committed to improving the environment in how we approach our global business strategy, work with partners, make our operations more sustainable, support our employees, manage risks and govern our activities.”

1.2. [ESG](#)

1.2.1. “Guided by a common purpose to help make financial lives better, Bank of America is focused on responsible growth and environmental, social and governance leadership. ESG is embedded across our eight lines of business and reflects how we help fuel the global economy, build trust and credibility, and represent a company that people want to work for, invest in and do business with.”

2. BlackRock

2.1. [Approach to sustainability](#)

2.1.1. “We believe sustainability is core to value creation for our clients.”

2.2. [BlackRock Client Letter](#)

2.2.1. “We believe that sustainability should be our new standard for investing.”

2.2.2. “The most significant of these factors today relates to climate change, not only in terms of the physical risk associated with rising global temperatures, but also transition risk – namely, how the global transition to a low-carbon economy could affect a company’s long-term profitability. As Larry Fink writes in his [2020 letter to CEOs](#), the investment risks presented by climate change are set to accelerate a significant reallocation of capital, which will in turn have a profound impact on the pricing of risk and assets around the world.”

2.3. [Sustainability: The tectonic shift transforming investing \(February 2020\)](#)

2.3.1. “A commonly held view is that a return sacrifice is necessary when adopting sustainable investing because the shift is already embedded in current market prices. We disagree.”

2.3.2. “This tectonic shift has significant implications for the expected returns and relative pricing of assets – not just those perceived to be sustainable but for every asset in the investment universe. The consequences could not just alter existing return drivers or risk premia but create entirely new sources of premia.”

2.3.3. “Because these flows are in their early stages, we believe that the full consequences of a shift to sustainable investing are not yet in market prices.”

2.3.4. “We believe historical data does not tell us the full story: society will care much more about sustainability in the future than it has in the past, and this will be the key driver of investment flows and asset returns.”

3. Exxon Mobil

3.1. 2019 [Annual report](#)

3.1.1. “Our commitment to innovation, technology, brand, and sustainability drives value for customers and shareholders.”

4. Honeywell

4.1. Proxy 2019: [Corporate Responsibility and Sustainability](#)

4.1.1. “Honeywell takes seriously its commitment to corporate social responsibility, protection of our environment, and creation of sustainable opportunity everywhere it operates. This unwavering commitment underlies the principle that good business, economic growth, and social responsibility go hand-in-hand. Honeywell’s Environmental, Social, and Governance (ESG) initiatives are aligned with the Company’s long-term strategy, both informing and supporting Honeywell’s strategic plans. This alignment emerges from the inclusion of Environmental and Social (E&S) considerations in scenario planning and other strategic planning processes where E&S-related business risks and opportunities are identified and addressed.”

4.2. [Sustainable Opportunity Policy](#)

4.2.1. “This policy is deliberately and directly embedded into our company-wide operating system, a blueprint for continuous operational improvement. Endorsed annually by our CEO and senior leadership, the policy is posted in every facility and communicated to all employees and contractors.”

5. IBM

5.1. [Corporate Responsibility Report](#) 2019

5.1.1. “We are also building technology platforms designed to make organizations and their operations more resilient, efficient and sustainable for people and the planet. We know that in order to be successful, technologies must be not only effective, but trustworthy. IBM’s long-standing commitment to good tech reflects our company’s most deeply held values as well as our pledge to put responsible stewardship in the digital age at the core of our business strategy.”

5.1.2. “IBM has long recognized that diversity and inclusion are core to our culture and business.”

6. Intel

6.1. 2019 [Annual Report](#)

6.1.1. “At Intel, we have long believed that to truly be a leader in manufacturing, we must also advance environmental sustainability and corporate responsibility. For more than two decades, our sustainability practices have enabled us to create significant value for our customers, investors, employees, and community stakeholders.” —Ann Kelleher, Senior Vice President and General Manager of Manufacturing and Operations

6.1.2. “We believe our integrated approach to corporate responsibility and sustainability—built on a strong foundation of transparency, governance, and ethics—creates value for Intel and our stockholders by helping us mitigate risks, reduce costs, build brand value, and identify new market opportunities. The report and supporting materials are available at www.intel.com/responsibility.”

7. JP Morgan

7.1. [Environmental Social and Governance Report 2019](#)

7.1.1. “Environmental, social and governance (ESG) considerations are integrated into the policies and principles that govern our business and reflect our commitment to sustainable growth.”

7.2. [Letter from Jamie Dimon](#)

7.2.1. “Our ongoing focus on environmental, social and governance matters has made our firm stronger and more resilient, which allows us to do even more to take care of our clients, customers, employees and communities during this difficult time.”

7.2.2. “Our firm has long recognized that a diverse and inclusive company is a stronger and more successful company.”

7.3. [ESG Report 2019](#)

7.3.1. “We believe long-term thinking leads to sustainable business models. We know that how companies manage the risks and opportunities that ESG factors encompass has numerous consequences for their business results, sometimes for the worse. ESG factors are likely to influence reputational and regulatory downside risk. But they can also create opportunities for companies—for revenue growth, greater productivity, market access or recruiting and retaining talent.”

7.3.2. “We think of ESG factors as additional inputs that inform better investment decision-making and believe that incorporating these factors into investment processes—ESG integration—may strengthen risk management and contribute to more stable, enhanced financial returns. We believe that ESG integration can help deliver enhanced risk-adjusted returns over the long run. Academic research: ESG integration improves financial performance. Our view that ESG integration can deliver superior risk-adjusted returns is based on a large and growing body of empirical research.”

7.3.3. “Even more importantly, financial markets are starting to factor in a forward-looking view of the impact of climate change risk on companies’ performance. For example, in evaluating automotive companies, investors are asking about their electrification strategies to determine the risks and opportunities they will face as the transition to a low carbon economy gathers pace. Another example is increased evaluation of oil and gas companies’ strategies for shifting away from fossil fuels, to avoid the risk of stranded assets in the wave of transition to a low carbon society.”

8. Johnson & Johnson

8.1. [Credo](#)

8.1.1. “Our Credo is more than just a moral compass. We believe it’s a recipe for business success.”

9. Kimberly-Clark

9.1. [Global Sustainability Report 2019](#)

9.1.1. “We implement our strategy by further integrating sustainability objectives into our business and capital planning processes; aligning the priorities of our supply chain, brand and innovation teams; and establishing meaningful performance indicators.”

10. McDonald’s

10.1. [Scale for Good](#)

10.1.1. “Using our Scale for Good plays an important role in the Velocity Growth Plan and is right at the heart of our values. In order for people to feel good about visiting us, they need to feel good about our food, our company and the impact that we have on the world.”

10.1.2. “The world is changing. The population is growing, cities are expanding and temperatures are rising, stretching basic resources like water and food to their limits. These are complex challenges that demand innovative solutions and collective action. As one of the world’s largest restaurant companies, we have the responsibility and opportunity to take action on some of the most pressing social and environmental challenges in the world today. We embrace this opportunity to drive meaningful

progress, and to do so by collaborating with millions of customers, employees, Franchisees, suppliers and other partners.”

11. Pfizer

11.1. [Pfizer’s Green Journey Environmental Sustainability Goals](#)

11.1.1. “Pfizer is committed to a sustainable future. We take an entrepreneurial approach to sustainability practices to help produce measurable value for society and our business by reducing our reliance on energy and water and looking for innovative ways to better manage waste.”

12. Unilever

12.1. Sustainable Living [Strategy](#)

12.1.1. “We believe that sustainable business drives superior performance and that this is the only way to create long-term value for all our stakeholders.”

13. UPS

13.1. [2018 Progress report](#)

13.1.1. “Operating more sustainably is a core principle of our strategy and business operations. We pursue efficiency at every turn and deploy advanced technology to optimize resources and reduce our environmental impact.”

14. Walmart

14.1. [2019 ESG report](#)

14.1.1. “Embedded in our purpose is the principle of shared value: We increase business value by helping to address important needs in society and, conversely, we can help transform society through our business. For example, better ESG practices can enhance customer trust, catalyze new product lines, increase productivity, reduce costs and secure future supply, while simultaneously improving livelihoods, advancing economic mobility and opportunity, reducing emissions and waste, and restoring natural capital.”