July 30, 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

Re: Financial Factors in Selecting Plan Investments
Proposed Regulation (RIN 1210-AB95)

Dear Director Canary:

Trillium Asset Management is a registered investment advisor with $3.2 billion in assets under management plus over $550 million in model-driven platform assets. Trillium's investment process is focused on finding companies with strong growth prospects that are attractively priced. Our analysts conduct bottom-up fundamental analysis on the companies they cover, simultaneously reviewing both traditional financial metrics and ESG metrics that we believe can add value to the investment process. Trillium's investment approach integrates in-depth ESG research and analysis with rigorous, fundamental financial diligence to help identify the companies best-positioned to deliver risk-adjusted, long-term outperformance.

We believe that the proposed rule – "Financial Factors in Selecting Plan Investments" – misconstrues ESG integration and would lead to confusion and costs for retirement plan fiduciaries. We, therefore, urge you to allow the existing ERISA guidance to remain in effect and not move forward with a final rule.

First, over the past few decades extensive research and analysis by a wide variety of market actors and observers makes it clear that ESG factors can be material investment considerations. Impax Asset Management LLC's July 28, 2020 letter on the proposed rule provides a very useful discussion of this research which we recommend the department review very closely and thoroughly. That evidence alone is sufficient to justify not moving forward with a final rule because it leads to the conclusion that funds which incorporate ESG factors are competitive with conventional funds on a risk-adjusted performance basis.

Second, it is abundantly clear that "mainstream" financial institutions have concluded that ESG factors are a useful tool in building and providing portfolios that provide competitive risk-adjusted returns. For example, US SIF: The Forum for Sustainable and Responsible Investment's 2018 *Trends Report* showed enormous growth in financial institutions incorporating ESG factors.[1] Importantly, the report pointed out that client demand drove much of this interest. This strongly suggests that the proposed rule has failed to take into account a fundamental point: that beneficiary interests may very well be best realized in a significant number of scenarios through the incorporation of ESG factors. It also can lead one to the conclusion that the department may lack fundamental pieces of information and data that would be required before it can move forward with a final rule. Finally, it further supports the conclusion that the department's proposed rule may in fact not further its policy mandate to foster and promote the welfare of retirees.

It is therefore our opinion that the proposed rule appears built upon misinformed assumptions about the incorporation of ESG factors into investment processes and seems to ignore years of evidence that runs contrary to those assumptions. Accordingly, we recommend that the department not move forward with the proposed rule.

Sincerely,

Jonas D. Kron
Senior Vice President

[1] https://www.ussif.org/files/US%20SIF%20Trends%20Report%202018%20Release.pdf