



Submitted via internet submission at:

<https://www.federalregister.gov/documents/2021/10/14/2021-22263/prudence-and-loyalty-in-selecting-plan-investments-and-exercising-shareholder-rights#open-comment>

December 10, 2021

Ali Khawar, Acting Assistant Secretary US Department of Labor

RE: Proposed rule on Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights (RIN 1210-AC03)

Dear Mr. Khawar:

On behalf of Trillium Asset Management, LLC (Trillium), I welcome the opportunity to provide this comment letter supporting the Proposed Rulemaking on Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights, dated October 13, 2021. We encourage the Department of Labor (DOL) to allow and encourage fiduciaries to consider climate change and other environmental, social, and governance (ESG) factors when they make investment decisions and when they exercise shareholder rights, including voting on shareholder resolutions and board nominations.

Background of Trillium

Trillium was founded in 1982 by Joan Bavaria, the “mother of socially responsible investing”. From our beginning, we have exclusively focused on sustainable and responsible investing and have been at the forefront of ESG thought leadership. Trillium combines a holistic, fully ESG-integrated fundamental investment process to uncover compelling long-term investment opportunities with active ownership. Trillium delivers equity, fixed income, and alternative investments to institutions, intermediaries, high net worth individuals, and charitable and non-profit organizations with the goal of providing positive impact, long-term value, and ‘social dividends’. In June of 2020, we were acquired by Australian financial

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services firm, Perpetual Ltd, and we remain a certified B Corp¹. With over \$5 billion in assets under management (as of 9/30/21), Trillium continues to offer investment strategies and services that advance humankind towards a global sustainable economy, a just society, and a better world.

Importance of Integration of ESG

Trillium has long believed in the importance of incorporating ESG information into our investment decision-making framework. The information that comprises ESG disclosure gives us, as investors, insight into how management teams are assessing, approaching and managing a diverse set of risks and opportunities, and allows us to assess the quality of management teams and their skill at managing complexity. As investors, we need ESG information to assess how these extra-financial risks impact the companies we choose to invest in.

We have found that many of the topics covered under the ESG umbrella are intersectional and cannot be separated. For example, how can we consider climate change in our investment decisions without considering the human rights of those most deeply affected? While some communities will be dealing with rising temperatures, others will be faced with rising sea levels or changing rain patterns. Other communities, and often the same ones, are bearing a disproportionate burden of pollution from industrial facilities' contributions to the changing climate. And all too often, many of these are communities of color, with environmental racism exacerbating the deep structural inequality in not only in the U.S., but also globally. We therefore urge the DOL to encourage investors to consider a wide range of ESG topics, rather than limited consideration of solely the suggested climate change, governance, or human capital management impacts.

We believe the Proposed Rule rightly returns investment decision-making to fiduciaries and removes additional reporting and analysis requirements for ESG investments. The Proposed Rule sets out clear guidelines for fiduciaries to abide by when making investment choices,

¹ The B Corporation award is not indicative of the future performance of Trillium Asset Management. B Lab, a non-profit organization helping companies manage corporate social responsibility, recognizes businesses that have earned an overall score in the top 5% of approximately 4,000 Certified B Corporations in one of the impact areas assessed: community, customers, environment, governance, and workers.

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including consideration of ESG criteria. The Proposed Rule clears the way for investment managers to consider ESG factors precisely because of risk, return and fiduciary considerations. The Proposed Rule reflects a fundamental understanding of the use of ESG criteria and sustainable investing.

Active and Engaged Ownership

Throughout our long history of investing on behalf of our clients, being active shareholders has been an important component of our work. We consider it fundamental to our mission and our fiduciary responsibility to engage with the companies that we invest in on behalf of our clients to press for positive change on ESG topics or opportunities that we believe will help improve ESG policies, performance, or impact.

Trillium and our clients know that every company, no matter how sustainable, still has environmental and social impacts. Sometimes those impacts are material to the company's financial health while other times they are more closely related to the wellbeing of ecosystems, communities, consumers, employees, or other stakeholders. In every situation, however, we believe it is each company's responsibility to embrace the myriad of opportunities it has to address these impacts.

We also believe that as investors and fiduciaries to our clients, we have the responsibility to bring these opportunities and challenges to the companies we invest in. Therefore, Trillium and our clients have used the tools of shareholder engagement for almost four decades to help move companies to adopt more sustainable business practices. That is what shareholder engagement is at Trillium – exercising the rights and powers we have as shareholders to support and create positive change in corporate environmental, social, governance policies, practices, performance, and impacts.

A key component of our engagement work is thoughtful and engaged proxy voting. In conjunction with our proxy advisor service, we develop and annually update our proxy voting guidelines. They are designed with the best interests of our clients in mind, and often lead to votes that may be in direct opposition to company management recommendations. They thus serve to inform management and boards of portfolio companies of our view on a wide range of ESG issues. In addition, regular review and updating of our guidelines allows for

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thought leadership; an opportunity for Trillium to pioneer new approaches to proxy voting on subjects such as director elections and executive pay packages. We make our votes, current and historic, public and searchable. At times, we will communicate our votes in a more active and directed way with companies and the public.

We are pleased that the Proposed Rule has taken the very positive step of returning to the long-held standard that the proxy vote is an asset of the plan and therefore falls within fiduciary duties. The emphasis in the Proposed Rule on the affirmative exercise of the proxy vote and its usefulness in supporting good governance and productive corporate behavior is welcome. Accordingly, Trillium supports the DOL's removal of the increased documentation provisions.

In summary, we believe that a broad and encompassing approach to integrating ESG into our investment decisions is fundamental to the work we do on behalf of our clients. Indeed, our many years of experience using ESG information to inform our investment decisions on behalf of our clients leads us to the inescapable conclusion that incorporation of ESG information as well as active and engaged ownership is our responsibility to them.

We strongly applaud the Department for issuing the Proposal. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Matthew Patsky". The signature is written in a cursive, flowing style.

Matthew Patsky
CEO, Trillium Asset Management

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