

PUBLIC SUBMISSION

Received: May 16, 2022 Tracking No. 139-2bsy-cqr1 Comments Due: May 16, 2022 Submission Type: API
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Docket: EBSA-2022-0002

Request for Information on Possible Agency Actions to Protect Life Savings and Pensions from Threats of Climate-Related Financial Risk

Comment On: EBSA-2022-0002-0001

Request for Information on Possible Agency Actions to Protect Life Savings and Pensions from Threats of Climate Related Financial Risk

Document: EBSA-2022-0002-DRAFT-0119

1210-ZA30 comment 00075 Adasina Social Capital Morgan 05162022

Submitter Information

Organization: Adasina Social Capital

General Comment

Dear Acting Assistant Secretary Khawar,

Adasina Social Capital is an investment firm dedicated to the idea that businesses, as well as individuals, have a responsibility to the well being of people and the planet along with providing a competitive financial bottom line. It is our fiduciary responsibility to understand that climate risk is a material liability. Further we understand climate risk is intricately linked to racial and gender equity. It is impossible to measure climate risk without also accounting for communities impacted by climate deterioration. Race is a leading indicator of environmental harm, as well as the linkage being named in the recent Executive Order on Climate-Related Financial Risk, which clearly states that climate risks should address the disparate impacts on communities of color (consistent with Executive Order 13985 of January 20, 2021 (Advancing Racial Equity and Support for Underserved Communities Through the Federal Government)).

Publicly traded companies not taking ESG, specifically climate risk and racial equity into account are leaving shareholders widely exposed to material and financial risk. ERISA investors are largely retail investors and number close to 137 million. The best

way to allow them to mitigate risk in their portfolio without being investment experts is to offer ESG investment choices that do this work for them. We would encourage your agency to be thorough in understanding the material risks to investors when it comes to climate and racial disparities.

Several actions we would encourage are:

- Strengthen and finalize its ESG fiduciary duty rule on an expeditious timeline;
- Set minimum standards for consideration of climate change, racial and economic inequality, and other systemic risks by ERISA fiduciaries as well as fiduciaries of retirement plans under the Federal Employees' Retirement System Act of 1986 (FERSA);
- Use Form 5500 Annual Return/Report ("Form 5500") to collect data on climate-related financial risk to pension plans;
- Require ERISA and FERSA money managers to explicitly integrate ESG considerations into their proxy voting policies and procedures; and
- Include climate change and racial and economic inequality in its risk-based audit program of the Thrift Savings Plan (TSP) to identify risks and vulnerabilities and assess the likelihood and magnitude of harm from these risks;
- Direct the Federal Retirement Thrift Investment Board (FRTIB) to conduct a rigorous audit of the TSP's exposure to climate-related financial risk, set science-based emissions targets, and offer climate-friendly investment strategies to participants.

Submitted for your consideration,

Renee Morgan

Director

Adasina Social Capital