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Submitted via regulation.gov

September 30th, 2020

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

RE: Proposed rule on Fiduciary Duties Regarding Proxy Voting and Shareholder Rights (RIN 1210-AB91)

To whom it may concern:

We are writing to provide comments in response to the Department of Labor's proposed rule, "Fiduciary Duties Regarding Proxy Voting and Shareholder Rights" (RIN 1210-AB91) (the "Proposal"). The Proposal does not describe a problem that needs to be "fixed" and thus should be withdrawn.

Impact Investors, Inc. founded in 2014, is registered as an Investment Adviser with the SEC. On behalf of our clients, we manage approximately $180,000,000 of assets. Since day one, we have been in the business of managing individually tailored investment portfolios, incorporating a wide range of material social, environmental, and governance issues to improve outcomes for our clients and for society.

The Proposal's obligation on fiduciaries to document the calculations behind each vote is onerous and unworkable. The Proposal will require fiduciaries to calculate the economic impact of every vote on the proxy ballot, including directors, independent auditors, say on pay and shareholder Proposals. This is costly and imprudent use of plan assets – the exact thing DOL should be protecting against.

As with the Department's ESG Proposal announced June 23rd, the proxy voting Proposal relies on scant evidence and a fundamental misunderstanding of the importance fiduciaries and other investors place on voting proxies in order to communicate their preferences to company management. Without it, the investor voice is greatly diminished.

DOL states the rule is needed because of "the recent increase in the number of environmental and social shareholder proposals introduced. It is likely that many of these Proposals have little bearing on share value or other relation to plan interests…" Yet, no data is provided to support this. In reality, on average, only 13 percent of Russell 3000 companies received a shareholder Proposal in any one year between 2004 and 2017. In other words, the average Russell 3000 company can expect to receive a Proposal once every 7.7 years.[1]

[1] CII Letter to Senators Michael Crapo and Sherrod Brown (Dec. 4, 2018), available at https://www.cii.org/files/issues_and_advocacy/correspondence/2018/December%205%202018%20Letter%20to%20Senate%20Banking.pdf

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Further, the focus on environmental and social proposals being a particular problem does not align with the direction of the financial markets where the practice of sustainable investment, including engaging in the shareholder process, is increasing rapidly.

Our business is to invest our clients' assets prudently which means understanding the short and long term effects of climate change, social factors and corporate governance on share value. According to a recent report by the US Commodity Futures Trading Commission[2], climate change poses serious emerging risks to the US financial system. Furthermore, the Sustainability Accounting Standards Board ("SASB") has linked environmental, social and corporate governance factors materially to financial performance. A recent case study for SASB by QMA, an investment firm founded in 1975 and part of Prudential Financial, Inc with $123 billion of assets under management, concludes, "It shows that investors value firms with good ESG scores more highly than firms with either neutral or bad ESG scores, incorporating their ESG investments and expenditures into stock pricing."[3] These are merely two examples of the many ESG factors materially affecting stock valuations.

Finally, social factors and corporate governance advocacy by shareholders encompass the goals of furthering the welfare of wage earners, improving working conditions and assuring work-related benefits and rights. The Proposal hinders the stated mission of the Department of Labor.

We respectfully request that the Proposal be withdrawn.

Thank you for your consideration of these comments.

Sincerely,

Catherine Woodman – Co-Founder
Shane Yonston – Co-Founder
Impact Investors, Inc - Financial Planning and Advisory Services

[2] Climate-Related Market Risk Subcommittee, Market Risk Advisory Committee of the U.S. Commodity Futures Trading Commission (September 2020)
[3] Sustainability Accounting Standards Board, ESG Integration Insights – Investors in Their Own Words (2019 Edition), available at https://www.sasb.org/wp-content/uploads/2019/12/ESG-Integration-Insights-2019.pdf