BOSTON COMMON
ASSET MANAGEMENT

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Office of Regulations and Interpretations
Employee Benefits Security Administration, Room N-5655
U.S. Department of Labor
200 Constitution Ave. N.W.
Washington, DC 20210

Re: Department of Labor RIN 1210-AB95, "Financial Factors in Selecting Plan Investments"

We write to provide comments in response to the Department of Labor's ("DOL") proposed rule, "Financial Factors in Selecting Plan Investments" (RIN 1210-AB95) (the "Proposal").

Boston Common Asset Management, LLC is a global investment manager that specializes in sustainable and responsible global equity strategies. We currently manage approximately $3 billion in assets under management including some assets for ERISA clients. We seek long-term capital appreciation by investing in diversified portfolios of high quality stocks.

The DOL fails to articulate a rational connection between the relevant facts and the proposed rule. The Proposal reveals a fundamental misunderstanding of how professional investment managers use environmental, social and governance (ESG) criteria as an additional level of due diligence and analysis in the portfolio construction process. Investment managers increasingly analyze ESG factors precisely because they view these factors as material to financial performance.

Our current financial system has created enormous opportunity and growth but is also at the center of market failures. Through short term thinking, by not pricing negative externalities such as carbon pollution, we have begun to threaten entire species, and the world our children will inherit. Finance must play an integral role in sustainable growth. Boston Common sees itself as stewards of that transition, combining the rigor of bottom-up financial analysis tools with the integration of environmental, social and governance (ESG) factors to build portfolios of companies oriented towards the long-term for our clients. Through dialogue, we encourage companies to be more accountable, and more transparent with all stakeholders.

Long-term investors need to maintain solid reference points—or values—about a viable economy, a healthy planet and genuine prosperity. They must be able to see a company's business plan, or an industry's evolution, in the wider context of economic, environmental and financial stability and ensure that they embed the changes required into corporate systems, structures and cultures.

We believe it is up to shareowners to help form a market where sustainable reasonableness is rewarded over the long-term. We must counteract the huge pressures that corporations face to externalize their costs and to maximize short-term returns above all else. Our proxy voting and engagement is intended to support long-term thinking by corporate managements. We believe that long-term oriented decision making will improve the fundamentals of the companies we invest in, eventually becoming reflected in the value of its shares. These improvements may take the form of lower risk premia, higher earnings, cost savings, product and process innovation, policy changes, etc. As shareowners we seek transparency and accountability from companies, but also empower steps towards better environmental, social, and governance frameworks.

Specifically, we are concerned for the following reasons:

1. It is wrong for the DOL to tell a fiduciary they should not exercise their right to vote. Owning shares comes with three primary rights: the right to sell the share, the right to a dividend and the right to vote a proxy. Disenfranchising fiduciaries from their right to vote a proxy is fundamentally inappropriate.

2. Proxy voting is one of the most visible and verifiable ways in which investors can practice responsible ownership. A key element is to allow shareholders to raise issues before a crisis that erodes shareholder value arises.

3. The DOL presents no data that shows plan fiduciaries are using excessive plan resources to research and vote proxies. The Proposal relies on the Business Roundtable's comment letter to the SEC's Rule 14a-8 rulemaking and the Washington Legal Foundation. Neither of these can be considered independent sources of research or data.

4. The Proposal will lead to an extreme concentration of voting power among a few very large firms whose proxy votes are large enough to "make an economic impact on the plan's investment." The onerous requirements to justify proxy votes and the threat of a regulatory investigation into voting practices will likely dissuade many plans from voting. This will leave the fiduciaries of the largest plans with outsized influence. Such concentration is not good for healthy markets.

5. The Proposal misses the materiality of longer-term systemic risks, like climate change, to investor returns limiting voting rights to issues that can be demonstrated to produce short-term value generation. The proposal is dismissive of environmental and social issues on the proxy ballot stating, "It is likely that many of these proposals have little bearing on share value or other relation to plan interests."

6. The absence of a cost-benefit analysis should disqualify the proposed rule. The DOL provides no data to quantify the purported benefits: "The societal resources freed for other uses due to voting fewer proxies (minus potential upfront transition costs) would represent benefits of the rule."

7. 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.

8. The Proposal states that blanket voting policies are not cost-justified unless they favor management. DOL states that the 2016 guidance allowed blanket voting policies leading some plans to vote on too many proposals and thus expended assets unnecessarily. However, the Proposal's "permitted practices" allow for three scenarios where fiduciaries can set blanket voting policies and avoid the arduous economic analysis if they agree to vote in favor of management. This directly contradicts the Proposal's core premise that fiduciaries must not vote on matters not economically relevant to the plan.

   Moreover, the Proposal presumes that management is always right and that investors are insignificant. If this were the case, we would not have any bankruptcies or losses of value.

9. DOL's concerns of excessive costs due to increased number of environmental and social shareholder proposals are unfounded. The DOL posits that "voting costs sometimes exceeding attendant benefits has been amplified by the recent increase in the number of environmental and social shareholder proposals introduced." 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.

For all the reasons articulated above, the Proposal is likely to have the perverse effect of dissuading fiduciaries, even against their better judgment, from offering options for their plans that consider ESG factors as part of the evaluation of material financial criteria. As a result, it will unfairly, and harmfully, limit plan diversification and perhaps compel plan participants to choose options that are either more risky or less profitable.

We respectfully request that the Proposal be withdrawn. Thank you for your consideration of these comments.

Sincerely,

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