Submitted via regulations.gov

July 27, 2020

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

RE: Proposed rule on Financial Factors in Selecting Plan Investments (RIN 1210-AB95)

To whom it may concern:

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

I work as an investment professional within a large financial institution, where I manage funds for institutional investors. Within my very mainstream organization, environmental, social and governance (ESG) factors are being integrated rapidly into our investment offerings because we recognize that they offer insights that are material to financial performance.

With that perspective, it is clear to me that the Proposal rests on a fundamental misunderstanding of how many professional investment managers use 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. This is a risk management strategy aimed at incorporating factors such as physical climate risk and poor governance that evidence shows have a material economic impact on asset prices, especially when taking into account the risks that long-term, universal investors like pension plans face.

Numerous studies show that the consideration of ESG criteria in investment analysis generally produces investment performances comparable to or better than non-ESG investments. For more information on this subject, please refer to "ESG and Financial Performance: Aggregated Evidence from More than 2000 Empirical Studies" (available here: https://ssrn.com/abstract=2699610).

The Proposal would put an undue burden on fiduciaries who wish to offer ESG investment options by requiring additional investment analysis and documentation requirements. There is no reasonable basis for singling out the incorporation of ESG criteria for special and heightened scrutiny. As a result, 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 criteria in addition to more traditional financial criteria. As a result, it will unfairly, and harmfully, limit plan participants' options and diversification opportunities.

I respectfully request that the Proposal be withdrawn. Furthermore, I would request that the comment period be extended to 90 days to allow appropriate time for review and comment submission.

Thank you for your consideration of these comments.

Sincerely,

Caroline Vance