27 July 2020

Mr Jeffrey Turner
Employee Benefits Security Administration
US Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210
United States

Re: Proposed Rule RIN 1210-AB95

Dear Mr Turner

As Dr Brad Cornell, professor emeritus at UCLA's Anderson School of Management, wrote in the *Financial Times* earlier this month, "The environmental, social and governance bandwagon is rolling. Companies are becoming ESG advocates, tempted by promises that they will become more profitable and valuable if they follow the ESG script, say the right things and spend money improving their ESG ratings… Much as we would like to accept this virtuous story, we believe that the whole concept has been overhyped and oversold. Furthermore, it is backed by weak to nonexistent evidence of promised pay-offs for either companies or investors, and fraught with internal inconsistencies that undercut its credibility." This temptation has often lured pension plan fiduciaries; and indeed, the metrics, purported results, and even definition of ESG investing is rife with contradictions.

I am writing, therefore, to offer my strong support for the Department of Labor's proposed rule on financial factors for selecting pension plan investments. This ruling, if finalized, will not only make pension plan managers more accountable to their legally bounded mandates, but also, more importantly, bolster the confidence and returns of retirement savers.

Given the blossoming — yet inconsistent — ESG landscape, it is also worth noting that some of the biggest proponents of ESG investing admit themselves that financial returns, the core and primary focus of a pension fund, can be hindered by this type of strategy. For example, on BlackRock's website, the following appears at the bottom of the homepage: "A fund's environmental, social and governance ("ESG") investment strategy limits the types and number of investment opportunities available to the fund and, as a result, the fund may underperform other funds that do not have an ESG focus. A fund's ESG investment strategy may result in the fund investing in securities or industry sectors that underperform the market as a whole or underperform other funds screened for ESG standards." This speaks volumes to what we know, and to what the Department rightfully points out, namely that pension funds should not sacrifice their participants' return in pursuit of a politically or socially driven investing agenda.

In this light, on pages 10 and 11 of the ruling, it states that this regulation was designed "to make clear that ERISA plan fiduciaries may not invest in ESG vehicles when they understand an underlying investment strategy of the vehicle is to subordinate return or increase risk for the purpose of non-pecuniary objectives. The duty of loyalty — a bedrock principle of ERISA, with deep roots in the common law of trusts — requires those serving as fiduciaries to act with a single-minded focus on the interests of beneficiaries." I agree with this particular section wholeheartedly.

Thank you for this opportunity to offer my comments on this ruling. It is hoped that the Department finalizes it with the strong protections for pension plan participants contained therein. I applaud the Department and its Employee Benefits Security Administration for standing up to quell this ESG hype with regard to selecting plan investments.

Sincerely,

James Stuart

James Stuart

Managing Director
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