CHANGE FINANCE

11823 N 75th St
Longmont, CO 80503
dan.carreno@change-finance.com
303-339-0524

July 29, 2020

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

To Whom It May Concern,

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

Change Finance is an asset management company focused on using Environmental, Social, and Governance (ESG) data to mitigate risk for investors. Specifically, ESG data has allowed us to limited the degree to which our clients are exposed to investments suffering from litigation, regulation, loss of social license, and stranded fossil fuel asset risk. Research indicates that ESG data is particularly useful in avoiding earnings volatility and controversies that can weigh on security valuations for up to a year.[1]

Risk mitigation is entirely consistent with successful retirement planning, so it is quite confusing that the Department of Labor would propose a rule to limit retirement plan participants access to asset managers that incorporate this data. 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.

There is no indication that ESG oriented portfolios underperform their peer group. The Journal of Sustainable Finance published a meta-analysis in 2015 that examined over 2,000 individual studies on this subject. The

CHANGE FINANCE

meta-analysis concluded that the majority of studies find a positive relationship between high ESG metrics and strong corporate financial performance. An even greater majority, approximately 90%, could not establish a link between ESG and negative financial performance.[2] The DOL's proposed rule assumes that plan participants will sacrifice returns if invested in ESG strategies, but the vast majority of available data does not support this assertion.

Similar to debt to equity ratios or free cash flow analysis, ESG data provides investors with valuable insights into corporations' inherent strengths and vulnerabilities. Countless investors and institutions are successfully utilizing this data. It makes little sense not to afford retirement plan participants the benefits.

Change Finance respectfully requests that the Proposal be withdrawn. Thank you for your consideration of these comments.

Sincerely,

Hunter Lovins
Chief of Impact

Daniel Carreno
EVP, Business Development / Director of Shareholder Advocacy

Andrew Rodriguez
Chief Executive Officer / Chief Investment Officer

Dorrit Lowsen
President, Chief Operating Officer

[1] Subramanian, Savita, James Yo, Jill Carey Hall, Toby Wade Alex Makedon, Oshung Kwon, and Jimmy Bonilla. 2019. *ESG Matters – US: 10 Reasons You Should Care About ESG*. Bank of America Merrill Lynch. September 23. https://www.bofaml.com/content/dam/boamlimages/documents/articles/ID19_1119/esg_matters.pdf

[2] Friede, Gunnar, Timo Busch, and Alexander Bassen. 2015. "ESG and Financial Performance: Aggregated Evidence from more than 2000 Empirical Studies." *Journal of Sustainable Finance and Investment* 5, no. 4: 210-233. http://dx.doi.org/10.1080/20430795.2015.1118917