IMPACT
CAPITAL
MANAGERS

July 29, 2020

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

Attention: Financial Factors in Selecting Plan Investments Proposed Regulation

Re: Proposed Rule - RIN 1210-AB95

To Whom It May Concern:

Thank you for the opportunity to provide comment on the proposed rule. Impact Capital Managers, Inc. ("ICM") and our members have significant concerns with the Department of Labor's changes to the fiduciary standard for ERISA-regulated retirement plans. Impact Capital Managers is committed to advancing the performance of our members – North American-based market-rate private capital funds who today collectively deploy over $12B - and to growing the impact investing marketplace with integrity and authenticity.

The fund managers in our network are sourcing and scaling innovative companies across America that are addressing some of our most pressing problems, from climate change to workforce development. They are active or former investors in over 850 companies, generating over 120,000 jobs, while delivering superior returns to investors. In short, they are backing the companies and innovations that are meeting growing consumer interest in ethical and purpose-driven business, and the technologies and products that will drive American leadership and competitiveness in the global economy.

The limited partners backing ICM fund managers include among others large institutional investors who appreciate that funds can can outperform benchmarks not in spite of social and environmental objectives but because of them. This is not conjecture or wishful thinking: A growing body of academic and market research demonstrates that performance on ESG metrics positively correlates to long-term financial performance.[1][2] For example, in 2018 US SIF surveyed 141 money managers with aggregated assets of more than $4 trillion who outlined their motivations for incorporating ESG criteria into their

[1] Oxford University and Arabesque Partners, "From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance," March 2015.

[2] The Journal of Portfolio Management, "Foundations of ESG Investing: How ESG Affects Equity Valuation, Risk, and Performance," July 2019.

investment process. Three quarters of these managers cited the desire to improve returns and to minimize risk over time. Fifty-eight percent cited their fiduciary duty obligations as a motivation.[3]

ICM is concerned that the proposed rule is out of step with this evidence and will place an unnecessary burden on fiduciaries, spurring them to conduct additional, arbitrary analysis, incurring costs and ultimately inhibiting ESG investments. This red tape is unnecessary and counter to the interests and well-being of plan beneficiaries. Limiting the offering of ESG funds restricts financial opportunities for ERISA-regulated retirement plans and exposes them to undue risk.

In this time of national crisis our combined efforts must be singularly focused on American resilience and recovery. All non-essential rulemaking during this period – coupled with an extremely short timeframe for commentary by stakeholders and the public - is at best misguided and hasty, and at worst, a waste of taxpayer funds. We join the US Impact Investing Alliance and the Members of Congress who have urged the Administration to suspend all rulemaking not directly related to the pandemic and recovery. This is not about politics but rather good economic sense.

Impact Capital Managers respectfully urges the Department of Labor to suspend the rulemaking until the COVID-19 pandemic has meaningfully eased and we know the American economy is back on track. Thank you for your consideration of our request.

Sincerely,

Marieke Spence
Executive Director, Impact Capital Managers

[3] US SIF, "Report on US Sustainable and Impact Investing Trends," October 2018.