July 29, 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 recently graduated from the George Washington University, which recently opened community wide discussion into the structuring and financial feasibility of the University's endowment being divested from fossil fuels. The University decided, at the onset of this month, to completely divest the University's endowment from fossil fuels because it is as financially responsible choice to take up. The impacts of this decisions regarding GW's ~$2 billion endowment flows to all members of GW's community, from its faculty and staff to students and alumni.

The Department of Labor 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.

Above all else, the DOL's proposed rule neglects the fact that ESG strategies allow for financial institutions and the clients they serve to make more sound, financially responsible investments. Not only do ESG strategies allow for smarter investments, but they have been shown to outperform. From 2014-2019, sustainable funds did well in both up and down markets relative to conventional peers. "When markets were flat (2015) or down (2018), the returns of 57% and 63% of sustainable funds placed in the top half of their categories. When markets were up in 2016, 2017, and 2019, the returns of 55%, 54%, and 65% of sustainable funds placed in the top half of their categories," according to MorningStar

Furthermore, this proposed rule assumes ESG considerations are not widely applied, while in fact there is a history of effective use of material ESG considerations by mainstream investors. According to the CFA institute, 73% of global investors in 2015 indicated they take ESG issues into account in their investment analysis and decisions. Global surveys show that more than half of global asset owners are currently implementing or evaluating ESG considerations in their investment strategy.

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 riskier or less profitable.

I respectfully request that the Proposal be withdrawn.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

Sincerely,

Jan Nowak