GreenFaith
Interfaith Partners in Action for the Earth

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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").

GreenFaith is a multi-faith climate and environmental organization that works with a diverse array of religious organizations. We conduct education and training about the moral basis for protecting the environment and organize campaigns that mobilize religious institutions, their leaders and members, to protect the Earth. For seven years, we have educated and equipped religious investors to align their financial investments with their moral values and to divest their holdings in the fossil fuel sector. It is because of this aspect of our work that I am writing on behalf of our 25,000 members to urge the Department to withdraw the proposed rule.

The rule reveals a fundamental misunderstanding of how professional investment managers – especially many of those serving religious communities - use environmental, social and governance (ESG) criteria as an additional level of due diligence and analysis in the portfolio construction process in order to align their investments with their moral values. In addition to this values-based rationale, these investment managers increasingly analyze ESG factors precisely because they view these factors as material to financial performance.

For example, and because this was an initiative in which GreenFaith was actively involved, please consider the following, which is representative of the findings of numerous other studies: "97% of the respondents pledging to divest (from fossil fuel holdings) in 2014, held 1% or less of their portfolio invested in fossil fuels as of 2019, all while maintaining or improving their expected risk-return profiles." "Divest Invest Philanthropy: Five Years After Launch.", The Croatan Institute, October 2019

There are literally dozens of other studies which reveal the same reality[1] – ESG strategies do not diminish returns

[1] Several examples include the following: "US ESG Funds Outperformed Conventional Funds in 2019", Morningstar, 2020, Morgan Stanley Institute for Sustainable Investing, 2019, "Sustainable Reality: Understanding the Performance of Sustainable Investment Strategies", Morgan Stanley Institute for Sustainable Investing, March 2015

and actually tend to improve them.

A second reason that we urge the rule's withdrawal is that it assumes that ESG strategies are not widely used by "mainstream investors." Within the religious sector, which is both diverse and large, the use of ESG strategies is altogether mainstream. While not all religious groups utilize ESG strategies, it is widely known that organizations such as the Interfaith Center for Corporate Responsibility and its many institutional members have been pioneers in the use of ESG strategies, for more than 30 years. It is unthinkable that these institutions might be persuaded by the proposed rule, 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 more risky or less profitable, let alone unaligned with their values.

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

Sincerely,

The Rev. Fletcher Harper
Executive Director