RBC Global Asset Management Inc.
155 Wellington Street West, 22nd Floor
Toronto, Ontario, Canada M5V 3K7

Thursday, July 30, 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

Re: Financial Factors in Selecting Plan Investments
Proposed Regulation (RIN 1210-AB95)

Dear Director Canary:

On behalf of RBC Global Asset Management (RBC GAM), thank you for the opportunity to submit comments on the notice of proposed rulemaking entitled "Financial Factors in Selecting Plan Investments" (the Proposal).

RBC GAM is the asset management division of the Royal Bank of Canada and is a provider of global investment management services and solutions to investors through separate accounts, pooled funds, mutual funds, exchange traded funds and specialty investment strategies. The RBC GAM group of companies manage approximately USD $371 billion in assets worldwide (as at June 30, 2020).

At RBC GAM, our principal duty is to maximize investment returns for our clients without undue risk of loss, within the investment limits described in each investment mandate. We believe that being an active, engaged and responsible owner empowers us to enhance the long-term, risk-adjusted performance of our portfolios. This includes assessing material ESG factors as an integral part of our investment process.

While we commend the Department of Labour's aim of providing clarity for ERISA fiduciaries, we believe the Proposal will in fact result in confusion and misunderstanding of the goal of ESG integration. In our view, there has been a shift over the last several decades from a capital intensive economy, where companies with strong balance sheets were very likely to succeed, to an economy where intangible assets, including brand, reputation and intellectual property, may have a significant impact on the long-term success of a company. There is a growing body of evidence that companies that manage their ESG risks well have better financial results over the long run. As investors, we must understand how a company is managing its material ESG risks and opportunities in order to properly value the company as part of our investment process. This was articulated well in the comment letter from the Sustainability Accounting Standards Board (RBC GAM participates on the Investor Advisory Group) that describes its work in identifying ESG factors that are reasonably likely to be financially material. By integrating material ESG factors, we believe we will enhance long-term, risk-adjusted returns for our clients.

In addition, we are concerned that the Proposal does not properly distinguish between ESG integration, where investors are using ESG integration to enhance long-term, risk-adjusted returns, and economically targeted investing, sometimes referred to as socially responsible investment or ethical investment, where investors are seeking to align investments with values or benefits outside of financial returns. The goals of each are very distinct. As noted above, we believe ESG integration is consistent with the fiduciary duty to select investments and/or investment courses of action based solely on their pecuniary factors.

As a result of the concerns described above, we believe the Proposal will result in negative impacts for beneficiaries, particularly the inability to benefit from the potential enhanced risk-adjusted returns of ESG integration. These negative impacts are set out in detail in the comment letter from the Canadian Coalition for Good Governance, of which we are a member and whose views we fully support.

Our fiduciary duty to act in the best interests of our clients is paramount. We believe that enhancing the long-term, risk-adjusted returns of our clients must include a fulsome analysis of material ESG factors. We respectfully request that you allow the existing guidance to remain in effect and not move forward with a final rule.

Sincerely,

RBC Global Asset Management Inc.

Melanie Adams
V.P. & Head, Corporate Governance & Responsible Investment