FFI

July 30, 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").

FFI is a financial services firm that provides products and services that enable investors to create sustainable and responsible investment strategies. Our company is best known for The Carbon Underground 200™, which is a list of companies ranked based on the embedded emissions contained in their reported fossil fuel reserves. FFI Advisors is an affiliated company that was recently launched to manage an energy transition investment strategy.

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. In fact, the energy transition strategy that we are managing is created solely with the intent of achieving superior investment performance given the transition to a clean energy economy.

We understand and are in agreement with the notion that any plan investment, must be made for the sole benefit of plan participants, and that such sole benefit is the financial protection of the promised benefits to plan participants. We also agree that any ESG related strategy should be viewed within that lens. An investment made simply for the sole purpose of generating a social or environmental benefit, or to satisfy participant demand for such an offering, would run contrary to the basic investment principles outlined in ERISA.

However, ESG investing today is both mainstream, and undertaken for financial reasons because **investors and asset managers are recognizing that there is and will increasingly be an alignment between social and environmental performance and financial returns.** Numerous studies have been performed demonstrating that ESG investing is now mainstream. In 2018 the US SIF Trends Study found that over 26% of professionally managed assets were incorporating some form of ESG criteria for selecting investments, and that these trends are only accelerating.

Additional studies are consistently demonstrating that ESG strategies are outperforming strategies that do not take into account ESG considerations.

Our concern is that on its face, the proposed rule assumes that ESG strategies by their nature must sacrifice returns. This is an assumption has little factual support and puts an additional burden on ESG investors that is simply unnecessary.

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 more risky or less profitable.

I respectfully request that the Proposal be withdrawn.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

Sincerely,

Christopher Ito

Member of the Board of Fossil Free Indexes LLC