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").

I work as an ESG/SRI specialist for a Turnkey Asset Management Platform in San Rafael, CA, and I also am the cofounder of a platform, ValuesAdvisor, that connects financial advisors and clients who care about incorporating ESG data into their investments.

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.

The proposed rule assumes ESG considerations could violate fiduciary duty, but other jurisdictions' regulatory interpretations support prudent investor consideration of ESG factors as material and within fiduciary duty. I work with financial advisors who specialize in the sustainable investing space, and 100% of them act in the best interest of their clients. In fact, many are even able to have a more comprehensive holistic view of their clients interests. These advisors look at ESG considerations that are material to financial performance and financial returns.

The myth that sustainable investing forces clients to give up financial return has been proven to be false. We now have data dating back to the 1970s on the relationship between sustainability and corporate financial performance. At the beginning of 2010, researchers at Harvard Business School and London Business School found more sustainable firms significantly outperformed their counterparts in terms of long-term stock performance and accounting performance. The study, "The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance" compared "High Sustainability" firms and "Low Sustainability" over 18 years (http://business-ethics.com/2011/11/14
1503-study-finds-sustainable-companies-significantly-outperform-financially). Additionally, a metastudy of more than 2,000 empirical studies and several review studies found that "roughly 90% of studies find a non-negative ESG-CFP relationship. More importantly, the large majority of studies report positive findings.

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.

ESG data can help uncover many potential risks to a portfolio. For environmental data, think of the BP Deepwater Horizon oil spill. BP has spent over $60 billion in penalties, court fees and clean up costs - which has had an impact on their financial bottom line (https://www.thebalance.com/bp-gulf-oil-spill-facts-economic-impact-3306212). For an example of social data, we need to look no further than Enron. Their stock fell from more than $80 a share at the beginning of 2001 to less than $10 by mid-November. Besides risk, there is also more potential upside examining this data. Despite women making up 51 percent of the population, they still are not anywhere near being equally represented in corporate leadership. Research shows that companies with women in leadership positions often perform better financially. One study of Fortune 500 companies showed that those with the highest representation of women board directors attained significantly higher financial performance, specifically with return on equity, return on sales, and return on invested capital (https://www.catalyst.org/research/the-bottom-line-connecting-corporate-performance-and-gender-diversity). A Credit Suisse study found that companies with more women in decision-making positions generate greater profits and stronger market returns (https://www.credit-suisse.com/about-us-news/en/articles/news-and-expertise/higher-returns-with-women-in-decision-making-positions-201610.html).

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

Sincerely,

Megan Morrice

Head of Operations, ValuesAdvisor