Office of Regulations and Interpretations
Employee Benefits Security Administration
Room N–5655
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

Attention: Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights

Re: RIN 1210–AC03

To Whom It May Concern:

We are writing to express strong support for the proposed rules put forward by the Department of Labor, clarifying that managers of retirement and private pension plans governed under the Employee Retirement Income Security Act ("ERISA") can and should consider material environmental, social and governance ("ESG") factors in their investment decisions. We believe the proposed rule changes are an important step forward in aligning the duties of ERISA fiduciaries with the long-term best interests of plan beneficiaries.

Inequality, climate change and other environmental, social and governance ("ESG") factors constitute systemic risks that need to be considered and managed in order to protect the long-term interests of retirement plan participants. A growing body of research demonstrates the financial relevance of ESG considerations ranging from climate change to racial discrimination, to individual firms as well as to diversified portfolios. The data and standards used to understand ESG risk and opportunity have steadily improved over the past decade and the recent formation of the International Sustainability Standards Board suggests there will be global consolidation around a common baseline of non-financial reporting standards in the near future.

This proposal would rescind harmful provisions from prior rules that created confusion around the ability of ERISA fiduciaries to incorporate ESG factors into decision-making, which resulted in a chilling effect on their consideration and negatively impacted beneficiaries. In particular, the imposed restrictions on the use of ESG products as Qualified Default Investment Alternatives (QDIA) and requirements for the "tie-breaker" standard were needlessly onerous, confusing and impractical. Similarly, the 2020 rules created unnecessary limitations on when and how ERISA fiduciaries should vote on shareholder proposals or engage corporate managers, effectively suppressing the ability of retirement plan participants to have a voice in their underlying investments.

Importantly, the proposed rule also affirms the financial relevance of systemic risks and opportunities posed by corporate governance, climate change and human capital. Investors who incorporate ESG criteria into their investment process are best positioned to evaluate the risks and opportunities embedded in a company. A company's management of ESG factors is an indication of asset and governance quality. It stands to reason that a company's board and senior management composition, ownership of of carbon-producing assets, and treatment of employees are relevant to a company's future performance and value. In fact, many ESG characteristics are included as "Risk Factors" in SEC filings because of the relationship of those characteristics with a company's exposure to legal, regulatory, and reputational risks.

Going forward, the Department should consider a requirement, or additional guidance, to compel ERISA fiduciaries to appropriately factor ESG risks and opportunities into investment decision-making in order to maximize the long-term best interests of beneficiaries. Failure to demonstrate appropriate consideration of ESG factors, given what we know, can no longer be considered consistent with fiduciary requirements of prudence and care.

Thank you for the opportunity to provide comment. We believe the proposed rule changes will have a demonstrably positive impact on retirement savers and we applaud the Department of Labor for its leadership.

Sincerely,

Margot Brandenburg, Senior Program Officer
Roy Swan, Director
Mission Investments
Ford Foundation