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13 Dec 2021

Filed electronically at www.regulations.gov
Office of Regulations and Interpretations
Employee Benefits Security Administration
Room N-5655
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

Subject: RIN 1210-AC03, Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights

Dear Sir or Madam:

Thank you for the opportunity to submit comments on the notice of proposed amendments to the "Investment Duties" regulation of Title 1 of the Employee Retirement Income Security Act of 1975, as amended ("ERISA"), entitled "Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights" ("Proposal or NPR"), often referred to as an update to the "ESG" rule or Environmental, Social and Governance rule.

Franklin Templeton is a global investment management organization, headquartered in San Mateo, California, employing over 10,000 employees with offices in over 30 countries. Franklin Templeton currently manages over $1.5 trillion in assets, including over $200 billion in the U.S for individuals saving for retirement through defined contribution plans, defined benefit plans and Individual Retirement Accounts ("IRAs"). Franklin Templeton is dedicated to the investment needs of U.S. retirement participants through all phases of the retirement accumulation and distribution cycles, and to partnering with the entire retirement community – plan sponsors, plan consultants and advisors, recordkeepers, and financial advisors to plan participants and IRA owners – to offer products and services which meet the needs of investors saving for and in retirement.

In addition, Franklin Templeton is a member of a number of industry trade associations which have taken an interest in both this current proposed regulation, as well as the Department's prior regulation on these topics ("Financial Factors in Selecting Plan Investments"). These organizations include (but are not limited to) the Investment Company Institute ("ICI"), the Securities Industry Financial Markets Association ("SIFMA"), The SPARK Institute, the Investment Adviser Association ("IAA"), the Coalition of Collective Investment Trusts ("CCIT") and the Defined Contribution Institutional Investment Association ("DCIIA"), among others.

As we noted in our comment letter on the Department's prior regulation on this topic, both Franklin Templeton and our trade associations had concerns about the prior regulation, and we join our trade association colleagues today in supporting the proposed changes to the Investment Duties regulation. More specifically, we believe that the Proposed Rule reflects feedback and comments from the industry on the prior rule, and support the principles-based approach for the application of ESG factors in the investment of retirement assets.

As noted, Franklin Templeton has participated in the drafting of several industry trade association comment letters, and we do not intend to reiterate specific comments on the regulation here. Rather, we would like to take this opportunity to note several changes to the rule that Franklin Templeton supports, and believes will lead to better outcomes for retirement savers:

- Acknowledgement that ESG factors are relevant to risk/return, and that fiduciaries are not exposed to additional perceived or actual risk if they include any ESG factors in their evaluation of plan investments;
- Removal of the prohibition on QDIAs that have ESG objectives. The prior rule prohibited plans from utilizing a QDIA if the alternative included or considered ESG factors;
- Reduction in documentation requirements associated with the "tiebreaker" provision; and
- Changes to the proxy voting rule, which return the duties regarding proxy voting responsibilities for fiduciaries to the state prior to the current rule.

We appreciate the opportunity to comment on the Proposal, and for the Department's consideration of both our and our trade association comments.

Sincerely,

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