October 2, 2020

VIA ELECTRONIC FILING

Attention: Proxy Voting and Shareholder Rights NPRM
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: RIN 1210-AB91, Fiduciary Duties Regarding Proxy Voting and Shareholder Rights
proposed rule

Dear Assistant Secretary Wilson,

I write today on behalf of Zevin Asset Management¹, a Boston-based company that invests globally, integrating environmental, social, and governance (ESG) issues into our financial analysis. We manage approximately $600 million on behalf of institutional and individual clients who direct Zevin Asset Management to invest responsibly and discharge their shareholder rights to encourage sound risk management and positive change at public companies.

Active ownership, including informed proxy voting, is a cornerstone of responsible investment stewardship, and it promotes long-term risk management (in both companies and investment portfolios). It also helps investment managers fulfill our fiduciary duties. We rely on the current rules governing proxy voting and shareholder rights to conduct active ownership and address long-term material risk issues on behalf of our clients.

As professional investors, we believe strongly that the proposed rule would make an unwarranted change in the current understanding of fiduciary duty for those who manage ERISA covered pension plans. This would erode shareholder rights and harm investors more broadly.

Fiduciary duty is widely understood to include active ownership, including informed proxy voting on shareholder proposals affecting portfolio companies. We vote actively on behalf of our clients, researching board nominees, analyzing executive compensation, and studying the range of environmental, social and governance (ESG) issues that are addressed in shareholder proposals. Shareholder proposals, in particular, often address issues that can pose long-term material risks to companies (such as climate change, human rights, labor standards other ESG issues) that are not currently being addressed by management. Shareholder proposals are a valuable tool for shareholder input into corporate policies and business strategies that affect shareholder value. The fact that the largest asset owners and institutional investors in

the world also engage in thoughtful proxy voting and policy development further confirms that proxy voting is a useful tool for all investors and well within the realm of responsible investment activity.

Because the proposed rule will harm fiduciaries’ ability to protect the interest of their beneficiaries, we urge the Department to withdraw it. We further urge you to consider the negative impact that this rule would have, if adopted, beyond ERISA covered pension plans, resulting in a needless and harmful contraction of shareholder rights.

The status quo regarding proxy voting is positive. It is beneficial for companies. A 2015 study found that adoption of ESG shareholder proposals “leads to positive announcement returns and superior accounting performance, implying that these proposals are value enhancing. ...labor productivity and sales growth increase after the vote.” An MIT study of 4,624 shareholder initiatives found that companies that adopted ESG proposals saw a persistent share-price increase of between 2.1 percent and 2.5 percent when the decision was announced. A Harvard Business School study of ESG engagements from 1999-2009 found that successful engagements (those where the proposal was adopted) led to excess returns of 4.4 percent over a 1 year period.

The proposed rule change posits the existence of a non-existent “problem” (inappropriate voting by ERISA fiduciaries) and claims that it is exacerbated by growth in shareholder proposals. However, although proposals have increased since 1988, the year chosen by the DOL for comparison, they have not increased in recent years. Shareholder proposals make up a small fraction — only 2 percent — of ballot items.

Proxy voting is also beneficial for investors, investment institutions, and retirement plan beneficiaries. At Zevin Asset Management, we routinely exercise our clients’ voting rights as an integral part of responsible investment stewardship. Voting on shareholder proposals very frequently advances the case for increased disclosure at portfolio companies. Such enhanced disclosure allows shareholders to make better investment decisions as well as potentially improving management and oversight of risks companies face.

For the above reasons, and in concurrence with the calls of many other responsible investment managers and asset owners of all sizes, we urge the Department to withdraw the proposed rule. Thank you for considering our view.

Sincerely,

Pat Miguel Tomaino
Director of Socially Responsible Investing
Zevin Asset Management

4 https://www.hbs.edu/faculty/conferences/2013-sustainability-and-corporation/Documents/Active_Ownership_-_Dimson_Karakas_Li_v131_complete.pdf