

October 2, 2020

To Whom it May Concern:

I write to provide comments in response to the Department of Labor’s proposed rule, “Fiduciary Duties Regarding Proxy Voting and Shareholder Rights” (RIN 1210-AB91) (the “Proposal”). The Proposal does not describe a problem that needs to be “fixed” and thus should be withdrawn.

In 2016 I graduated from the Wharton School at the University of Pennsylvania with an MBA, having greatly enhanced my knowledge of the corporate sector and how it can thrive. I focused my MBA on Environmental Risk Management, building on the business elements of sustainability topics I first studied at Rice University, where I double-majored in Environmental Engineering and Policy Studies. At Wharton, I grappled with how corporations are faced with the challenge of providing short-term returns to shareholders as well as long-term value for long-term investors. Since graduating, I joined shareholder advocacy group As You Sow as our Energy Program Manager. I have seen first-hand how productive dialogues with companies can lead to better risk management and increased awareness of Environmental, Social, Governance (ESG) issues as they emerge, evolve, and grow in their ability to materially impact shareholder value, especially for systemic risks such as those presented by the climate crisis. Investors exercising their fiduciary duty must be allowed the right to vote in a matter that incorporates evolving ESG concerns.

The changes proposed by the DOL are alarming and unjustified. The Proposal’s obligation on fiduciaries to document the calculations behind each vote is onerous and unworkable. The Proposal will require fiduciaries to calculate the economic impact of every vote on the proxy ballot, including directors, independent auditors, say on pay and shareholder Proposals. This is costly and imprudent use of plan assets – the exact thing DOL should be protecting against.

Counterproductively, the DOL is now proposing certain major limitations to what has been a functional process. DOL states the rule is needed because of “the recent increase in the number of environmental and social shareholder proposals introduced. It is likely that many of these Proposals have little bearing on share value or other relation to plan interests...” Yet, no data is provided to support this. Further, the focus on environmental and social proposals being a particular problem does not align with the direction of the financial markets where the practice of sustainable investment, including engaging in the shareholder process, is increasing rapidly. As stated by SEC Commissioner Allison Herren Lee, “Both investors and the broader public need clear information about how businesses are contributing to greenhouse gas emissions, and how they are managing — or not managing — climate risks internally.”¹ Large institutions like BlackRock agree that climate risks are material and have exercised their right to vote in favor shareholder proposals seeking better disclosure.

As with the Department’s ESG Proposal announced June 23rd, the proxy voting Proposal relies on scant evidence and a fundamental misunderstanding of the importance fiduciaries and other investors place on voting proxies in order to communicate their preferences to company management. Without it, the investor voice is greatly diminished.

¹ <https://www.nytimes.com/2020/09/27/opinion/climate-change-us-companies.html>

I personally am dedicating my life to pursue practical approaches to maintain a stable climate, and therefore planet, for generations to come. I believe investors and corporations have a critical role to play in solving the increasingly urgent climate crisis and that shareholder engagement, including voting in favor of shareholder proposals, is an effective way to ensure corporations are appropriately managing that responsibility.

I urge the DOL to withdraw the Proposal.

Thank you for your consideration of these comments.

Sincerely,
Lila Holzman