To whom it may concern:

As a member of the Board of a Charitable Foundation, 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").

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 these factors are material to financial performance.

The proposed rule assumes ESG strategies sacrifice financial returns, but current research findings show ESG strategies' outperformance. A 2016 analysis of Morningstar Analyst Rating for funds found that funds tagged as "socially conscious" have better 'star ratings' than the overall universe. In a meta-study of more than 200 sources, 88% found that companies with strong sustainability performance had better operational performance and cashflows, and 80% found strong sustainability performance had positive effects on investment performance. "From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance", Gordon L. Clark, Andreas Feiner, Michael Viehs, March 2015

ESG considerations are widely applied by mainstream investors - such assets have expanded to
$12 trillion today, up 38% from $8.7 trillion in 2016. Investors are increasingly realizing that ESG criteria is important when considering material risk. Trends, US SIF, 2020

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.

I respectfully request that the Proposal be withdrawn.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

Sincerely,
Tom Stone