

# PUBLIC SUBMISSION

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Financial Factors in Selecting Plan Investments

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## Submitter Information

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## General Comment

The proposed rule restricting consideration of ESG factors when managing 401k accounts is a blatant example of regulatory overreach. If there were only one legitimate way to evaluate investment decisions, the field would be small and based on simple mathematical analysis of investment opportunities. The fact is that many proprietary investment management approaches are in use, and they form the basis of differentiating many respected businesses offering investment advice and related services. Is there an analytical basis for curtailing the use of ESG factor assessment? Are other factors or approaches to investment being subjected to similar regulation? I think not.

ESG factors reflect understanding of short- and long-term risk, which is a cornerstone of sound investment analysis. When properly applied, they provide a systematic framework for assessment of risks and mitigations which are not captured through conventional approaches. Most importantly, ESG factors span interdependencies and/or externalities which have been absent from purely financial analysis. Supply chain disruptions due to natural disasters, costly environmental accidents, shifts in global policies, and obsolescence in the face of disruptive technology have been wisely predicted through ESG analysis. Businesses apply it internally for improved success, as do investors. What is the motivation for restricting this sensible approach?

Furthermore, ESG factors reflect the personal preferences of individual investors. What harm would this regulation cause to people with ethical, cultural, or religious preferences or imperatives who seek investments screened for alignment with their beliefs?

Please accept this critique of the ill-conceived policy coming from a experienced investor, CEO,

and Board Director. My ESG involvement began with student activism in the 1980s to encourage divestment from businesses supporting South African Apartheid. The ESG framework of that era, the Sullivan principles, was promulgated by Rev. Leon Sullivan to promote corporate social responsibility. I have held investments in socially and environmentally aligned funds and individual stocks for over 35 years. I am recognized for subject matter expertise in applying climate science to public infrastructure mega-projects, complex industrial facilities, and communities. I am a licensed professional geoscientist educated at Yale in Earth and Planetary Sciences. My business experience is augmented by a PhD in Business and Social Sciences focused on socially and environmentally informed decision analysis.

The trend for ever-wider ESG adoption exists because of its legitimacy, a trend which should be supported, not restricted. In any case, it cannot be stopped due to its clear merits, though depriving workplace retirement account holders access to quality and transparency in ESG options would be cruel, unfair, and unpopular.