



MARY REYNOLDS BABCOCK  
FOUNDATION

*helping to move people and places out of poverty*

July 29, 2020

Office of Regulations and Interpretations US Department of Labor  
Room N-5655  
200 Constitution Avenue NW Washington, DC 20210

RE: Proposed rule on Financial Factors in Selecting Plan Investments (RIN 1210-AB95)

To whom it may concern:

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 Mary Reynolds Babcock Foundation is a philanthropic organization based in Winston-Salem, North Carolina. Our mission is helping people and places move out of poverty and achieve greater social and economic justice. We work in 11 states across the American South.

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 they view these factors as material to financial performance.

The proposed rule assumes ESG strategies sacrifice financial returns, but our experience shows ESG strategies outperform non-ESG portfolios. For MRBF, 2017 was the first full year our portfolio was 100 percent invested according to strict ESG guidelines. That year and each year since, our investments have exceeded all benchmarks. Therefore, our ESG guidelines *are* in line with our fiduciary duty.

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I respectfully request that the Proposal be withdrawn.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,

Justin Maxson  
Chief Executive Officer  
Mary Reynolds Babcock Foundation