



July 29, 2020

**Submitted Electronically**

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:

Los Angeles Capital respectfully submits the following comments in response to the Department of Labor's proposed rule, "Financial Factors in Selecting Plan Investments" (RIN 1210-AB95) (the "Proposal").

Los Angeles Capital is a global equity firm engaged in managing assets for leading institutions around the world. The Firm is recognized as a pioneer in dynamic equity management, utilizing proprietary technology to engineer equity portfolios that adapt to today's equity market. Since inception, the Firm has developed extensive intellectual capital in risk management, portfolio construction and global trading. As of June 30, 2020, the Firm manages \$25.6 billion on behalf of large institutional investors in North America, Europe and the Middle East including \$2.5 billion in assets of ERISA plans.

Los Angeles Capital believes that ESG is both a return and a risk factor and that consideration of ESG criteria within a multi-factor framework in the stock selection process enhances a portfolio's risk and return profile. We see the Proposal as singling out ESG investing for a special rule, a special documentation requirement and a "heightened" level of scrutiny. The Proposal attempts to isolate ESG criteria from other financially material information in investments and implies that ESG criteria are non-financial.

We believe the Proposal should at a minimum acknowledge how investment managers integrate environmental, social and governance (ESG) criteria into their due diligence process for stock selection. Because ESG is a pecuniary consideration, we believe it is consistent with an investment manager's fiduciary duty.

As currently written, the Proposal is likely to have the perverse effect of dissuading fiduciaries from offering options for their plans that consider financially material ESG factors. As a result, the Proposal may unnecessarily limit investment options for plan participants and beneficiaries,

interfere with investment diversification targets, and impose increased costs and burdens on fiduciaries.

Los Angeles Capital respectfully requests that the Proposal be withdrawn or at a minimum amended to clearly state that ESG criteria may be considered in selecting investments and building portfolios to meet long-term investment objectives. Thank you for your consideration of these comments.

Respectfully submitted,

**Los Angeles Capital Management and Equity Research, Inc.**

By:

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