Dear all,

Thank you for the opportunity to comment on the proposed rule "Financial Factors in Selecting Plan Investments." This rule would impose additional requirements for the use of environmental, social and governance (ESG) factors in investment choices for retirement plans and similar financial funds. It states the investment selections should be based solely on pecuniary factors.

In fact, there are many sound fiduciary reasons for adopting ESG factors in order to optimize investment outcomes. Industries that score low on ESG criteria are saddled with stranded assets, litigation risks, and strong regulations in other countries, which all increase the risk in investing in these industries. At the same time, ESG screened funds on average outperform their traditional counterparts (see, e.g., https://www.nb.com/documents/public/global/t0349_0119_wp_esg_investing_an_active_approach.pdf)

Therefore, there is no material evidence that supports the proposed rule for the sake of investor benefit.

On the other hand, the proposed rule would create substantial additional regulatory burden for financial service providers. They now need to provide additional documentation, according to confusing criteria, for choices they
would make simply for the purpose of maximizing financial return and stability for their customers. This leads to increased costs for financial service companies (and thus ultimate for their customers). Furthermore, if a financial service company would decide to eschew ESG criteria to avoid the regulatory burden of the proposed rule, it would lose an investment selection tool that was already proven to be effective, thus also leading to non-optimal investment outcomes for their customers. The current federal administration took office with the declared intent to ease regulatory burden where possible. The proposed rule, however, would do the opposite. Thus I ask the department to leave the existing rules in effects and do not move forward with the proposed rule.

Sincerely,
Ayres Freitas