General Comment

It is puzzling and disturbing that the Department of Labor is proposing rulemaking that is an attack on ESG investing and would discourage fiduciaries from offering ESG funds because of burdensome requirements. This is occurring at a time when more and more companies, investors, and individuals are committed to ESG.

The proposed rulemaking provides no evidence that fiduciaries are choosing ESG investments based on prohibited factors; instead, it states that fiduciaries may be making decisions for impermissible reasons and that investment products may be marketed to fiduciaries on the basis of non-pecuniary benefits. No support is provided for these assertions.

The proposed rulemaking ignores the fact that investment managers consider ESG factors appropriately in line with fiduciary and financial considerations. Much research shows a positive link between ESG funds and financial performance.

The definition of when ESG factors are considered non-financial is very narrow, given the growing evidence regarding the link between such factors and financial performance. This research is ongoing and rapidly evolving, and the DOL should not require fiduciaries to prove that ESG factors are deemed material under generally accepted investment theories when those theories may not be up to date.

It is unclear when a defined contribution plans investment alternative would be deemed to include ESG assessments in its investment mandate. Many portfolio and fund managers integrate ESG considerations when making investment and voting decisions, though they do not claim to promote ESG benefits or follow an ESG-specific approach. (BlackRocks announcement earlier this year that it would make sustainability integral to portfolio construction and risk management
illustrates the mainstream appeal of ESG integration.) The DOL should make clear that the proposed rule does not apply in such cases.

The rulemaking is ill advised and should not be allowed.