Dear Mr. Khawar:

On behalf of Change Finance, P.B.C I appreciate the opportunity to provide comments in response to the Department of Labor's ("DOL") proposed rule, "Request for Information on Possible Agency Actions to Protect Life Savings and Pensions from Threats of Climate-Related Financial Risk," (RIN 1210-ZA30) (the "Release").

The Release seeks public input on DOL's future work relating to retirement savings and climate-related financial risk in response to the Executive Order on Climate-Related Financial Risk. Our comments focus on the actions DOL should consider in response to the executive branch directive.

Change Finance, P.B.C was founded to leverage the power of capital markets to promote a more just and sustainable world while helping investors meet their financial goals. Traditionally the Wall Street asset management industry has repeatedly ignored their investors’ moral and ethical demands by failing to generate meaningful and measurable positive impact through available investment options. Our mission is to rapidly shift investment practices toward sustainability, focusing on long-term investment and the generation of positive social and environmental impacts across all asset classes.

Our world is changing. Investors in the 21st century face new and increased risk from stranded assets, litigation, and reputation loss. Our proprietary Isolated ESG Risk-Factor Methodology utilizes more than 100 individual factors related to people, planet, and profit to ensure that we invest in the most responsible and sustainable companies. That means the companies we invest in must meet all our standards regardless of industry. We launched the first Certified Carbon Neutral Fund which currently has more than $100 million in assets under management. It allows investors to simultaneously accomplish two previously contradictory goals: to seek wealth creation through the capital markets.

Finalize the ESG and Proxy Voting Rule

The most important action for DOL to take to protect the life savings and pensions of workers, from the threats of climate-related financial risk, is to finalize the proposed rule "Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights" (RIN 1210-AC03).

The proposal, when finalized, will remove the historical regulatory barriers that have made ERISA fiduciaries reticent to consider ESG criteria and make sustainable options more widely available. The proposal will return investment decision-making to fiduciaries and remove additional reporting and analysis requirements for ESG investments. The proposal also sets out clear guidelines for fiduciaries to abide by when making investment choices, including consideration of ESG criteria. In addition, the proposed rule removes the prohibition on ESG considerations in qualified default investment alternatives, or QDIAs, which will better serve plan participants. The proxy voting provisions of the proposal will give fiduciaries clarity on exercising shareholder rights on climate and other ESG issues.

Data Collection on Climate-Related Risk

The DOL should not require fiduciaries to collect and report data on climate-related financial risks. While climate risk is a necessary and important criteria to consider, it is only one of many risks ERISA fiduciaries consider. Thus, it is unreasonable to elevate this one criteria for special reporting. Further, fiduciaries should not be expected to become sophisticated climate-risk reporting experts. The Securities and Exchange Commission (SEC) is considering a climate disclosure proposal currently and is expected to consider an ESG mutual fund disclosure proposal. It is our view that these SEC rulemakings are the more appropriate processes to disclose climate-risk information.

Thrift Savings Plan

The DOL should direct the Federal Thrift Retirement Investment Board (FTRIB) to conduct a rigorous audit of the Thrift Savings Plan (TSP) climate-related exposure as recommended by the Government Accountability Office's (GAO) 2021 report. A transparent understanding of the
current practices relating to climate risk considerations is necessary before the DOL can recommend further action. Specifically, the audit should seek to understand how TSP asset managers consider climate risks in the portfolio and how they communicate climate risk in TSP holdings to the plan participants.

Remove Disincentives from Using the Mutual Fund Window

In June 2022, the TSP will begin to offer plan participants the option to invest a portion of their retirement savings through a mutual funds window (MFW) outside of the TSP core offerings. It is a welcome innovation for TSP participants as it gives them the option to select funds that consider climate change and other environmental and social criteria. These types of funds are not found in the current TSP line-up.

However, the implementation of the MFW has created disincentives that make using the MFW unattractive. The plan requires participants to pay three different fees to use the MFW in addition to fund fees and manually transfer money from core funds into the MFW instead of automatic contributions into their fund selections. Plan participants cannot begin to use the MFW until they have accumulated $40,000 in their accounts. A strength of the TSP is its simplicity, but the utilization of the mutual fund window for participants will likely be too complex.

To that end, DOL might consider what regulatory tools it has to make participation in the MFW less onerous. Two recommendations are to simplify the fee structure or implement a fee holiday for a period of two years to remove the financial disincentive to using the MFW.

Education on Climate Change and Other ESG Issues Should be Encouraged.

The DOL plays an important role in educating retirement savers, especially those who do not have the opportunity or benefit of leaning on financial professionals for advice. In order to better educate plan participants on climate change and other ESG issues, the DOL should consider partnering with organizations with expertise in sustainable investment by providing materials and education to help the public/plan participants make better-informed decisions regarding sustainable investments suitable for their financial circumstance and moral/ethical beliefs.

We believe this is particularly important in light of the Executive Order on Climate-Related Financial Risk, which clearly states that climate risks should address the disparate impacts on communities of color, consistent with Executive Order 13985 of January 20, 2021, Advancing Racial Equity and Support for Underserved Communities Through the Federal Government. It is known that climate change and race are intimately linked and the failure to acknowledge those links will hinder further advances in racial equity.

Thank you for considering these comments. Please feel free to reach out to Dorrit Lowsen, President & COO of Change Finance, P.B.C, at dorrit@change-finance.com with any questions.

Best Wishes,

Dorrit Lowsen
President & COO
Change Finance, P.B.C