This document presents comments of World Resources Institute in response to the Department of Labor Employee Benefits Security Administration notice titled “Request for Information on Possible Agency Actions to Protect Life Savings and Pensions from Threats of Climate-Related Financial Risk,” and published in the Federal Register of February 14, 2022, identified by Z–RIN 1210–ZA30

Response to Request for Comments: General

“2. Executive Order 14030 uses the phrase “climate-related financial risk” to encompass a wide variety of risks under two broad categories: Physical risks and transition risks. What are the most significant climate-related financial risks to retirement savings and why?”

- Some physical hazards have already intensified and become more frequent; thus, physical risks pose significant risks to retirement savings. Even if global emission reductions were achieved immediately and maintained, global warming and most other/related climate hazards will continue to intensify for at least two decades because of inertia in the geophysical system (Zhou and Neagle, 2021). According to the International Monetary Fund (IMF), direct damage alone from physical impacts cost $1.3 trillion over the period 2010–2019. In ten percent of climate disasters over the past 50 years, stock markets have lost over 14 percent, indicating that physical risks are a threat to financial stability and retirement savings (IMF, 2020). Dietz et al., (2016) puts the total value of financial assets at risk from business-as-usual at $24 trillion.

Response to Request for Comments: Data Collection Regarding ERISA-Covered Plans.

“6. Should administrators of ERISA plans be required to publicly report on the steps they take to manage climate-related financial risk and the results and outcomes of any such steps taken, in a form that is more easily accessible to the public, and timelier, than the Form 5500? If so, what alternative to the Form 5500 could be used for such a report, how should this report be compiled, what should be the contents, and how should it be made available to the public?”

- DOL should require standardized disclosure from fiduciaries and investments funds on the steps they take to manage climate-related risks and opportunities into their investment practices.
  - Context: Currently, the lack of disclosure from fiduciaries and investments funds on how they integrate climate-related risks and other ESG factors can quickly result in greenwashing claims. Some investors do not have confidence that products labeled as sustainable or ESG are truly sustainable (Quinson 2021). Zhou et al., (in press) analysis indicates sustainable funds have big discrepancies in terms of their coverage on climate-related issues even though they often market themselves under the same sustainability-linked terms.
  - DOL should require fiduciaries and investments funds that use ESG- or climate-related fund names to disclose the investment criteria used in choosing such labels, detailed investment strategies, and relevant data and methodology via detailed reporting, uniform standards, and clear communication. Such disclosures can be made using Form 5500 and/or the fund prospectus, which is publicly available to all investors.
- DOL should require disclosures from fiduciaries and fund managers on the steps they take to manage climate-related risks and opportunities in their stewardship process, including corporate engagement and proxy voting, and the results and outcomes of any such steps taken. Fund managers often argue that beyond security selection, investment stewardship is a core component of maximizing long-term shareholder value, including for retirement savers, and often considers ESG
and climate-related risks and opportunities; it typically includes corporate engagement and proxy voting. Zhou et al., (in press) analyzed 21 asset managers, some of whom manage multiple funds, and found that only around 14 of these 21 asset managers have public stewardship information available. For those asset managers with the information available, detailed disclosures are rare within stewardship guidelines. Without that information, investors, including retirement savers, will not be able to assess the effectiveness and benefits of the stewardship.

**Response to Request for Comments: ERISA Fiduciary Issues.**

“7. Changes in the financial markets, particularly an increased number of metrics and tools allowing for additional analyses of investments, give ERISA plan fiduciaries more information on which to make decisions on climate-related financial risk factors in evaluating the merits of competing investment choices. Some private sector sources are developing structured ESG research data for evaluating corporate performance. What are the best sources of information for plan fiduciaries to utilize in evaluating such risks with respect to plan investments? Are there difficulties or challenges in obtaining such information or comparing information from different sources? If so, what is the source or sources of those difficulties or challenges, and what are the solutions?”

- **Department of Labor (DOL) should encourage fiduciaries to consider mitigation, climate resilience, a just transition, and do no harm as part of climate-related financial risks integration in ERISA plans.**
  - **Context:** Current structured ESG research data and investment framework from private sector sources fail to incorporate major components of the Paris Agreement and will result in inadequate risk evaluations with respect to plan investments. The Paris Agreement’s central aim is to strengthen the global response to the threat of climate change and the United States rejoined it in 2021 following President Biden’s day one executive order. To address climate-related risks and potential impacts, the Paris Agreement encompasses more than just emissions reductions. It establishes goals and a vision for building a decarbonized, climate-resilient, inclusive, and equitable global economy. Climate change is not only an environmental issue but also a social issue that affects racial equity, human rights, health, access to resources, and jobs, with negative impacts disproportionately hitting the most marginalized groups. An upcoming working paper by Zhou et al., (in press) from the World Resources Institute finds significant gaps in U.S. ESG funds. Few funds incorporate transition risks, physical risks, and a just transition in evaluating fund investments.
  - **A comprehensive investment framework that addresses climate-related risks and aligns with the Paris Agreement should include climate mitigation and resilience, a just transition, and do no harm considerations.** Zhou et al., (in press) provides guidance for specific investment criteria across the above themes. The criteria were developed by evaluating existing Paris Agreement–related investment frameworks, taxonomies, data sources, and principles and by conducting expert consultations with index providers, fund sponsors, and stakeholders.

- The upcoming Financial Institution Net Zero Tracker from the World Resources Institute will enable plan fiduciaries and investors to contextualize net zero commitments and to assess the ambitious level of net zero commitments made by financial institutions, including banks, asset managers, and asset owners. The tool will cover three dimensions for net zero, including net zero emissions, credibility of net zero, and beyond net zero.
References


