Sustainable Food Policy ALLIANCE

July 30, 2020

U.S. Department of Labor
Employee Benefits Security Administration
Office of Regulations and Interpretations
200 Constitution Avenue NW, Room N-5655
Washington, DC 20210

Re: RIN 1210-AB95, Financial Factors in Selecting Plan Investments Proposed Regulation

Dear Acting Assistant Secretary Klinefelter Wilson:

The Sustainable Food Policy Alliance (SFPA), including Danone North America, Mars, Incorporated, Nestlé USA and Unilever United States, opposes the U.S. Department of Labor's (DOL) proposal to restrict the use of environmental, social and governance- (ESG) focused investments in employer-sponsored retirement plans. As businesses working to solve climate change through our own practices and by driving science-based U.S. policy action, we believe DOL's proposal is short-sighted and out of step with the investment landscape and the priorities of investors and businesses. If enacted, this rule would limit the choices of Americans who depend on 401(k)s and private pensions to save for their futures.

While DOL's proposal argues that "private employer-sponsored retirement plans are not vehicles for furthering social goals or policy objectives that are not in the financial interest of the plan," there is a considerable and growing body of evidence that ESG investments perform as well as or better than conventional investments over the long term. Recent International Monetary Fund research found that ESG funds perform comparably to conventional equity funds.[1,2] Analysis by data provider Morningstar found that U.S. ESG funds outperformed conventional funds in 2019,[3] and in another analysis, Morningstar found that nearly six out of 10 ESG funds have delivered higher returns than equivalent conventional funds over the past decade, based on an analysis of 745 Europe-based ESG funds.[4] More recently, S&P Global Market Intelligence found that some major ESG investment funds have outperformed the broader market during the COVID-19 crisis.[5]

Furthermore, long-term financial performance is intrinsically linked to ESG factors, and ESG factors have a bearing on financial risk. Climate change and extreme weather will continue to dramatically impact how companies and investments perform. A McKinsey report earlier this year projects that trillions of dollars in economic activity and physical capital are at risk due to climate change.[6] In recognition of how climate change is impacting their operations, value chains, shareholders and employees, a growing number of companies have set science-based targets to address their climate impact and better position their businesses and industries for the future.

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[1] https://www.imf.org/en/Publications/GFSR/Issues/2019/10/01/global-financial-stability-report-october-2019
[2] https://www.cnbc.com/2019/10/10/imf-research-finds-esg-sustainable-investment-funds-dont-underperform.html
[3] https://www.morningstar.com/articles/973590/us-esg-funds-outperformed-conventional-funds-in-2019
[4] https://www.morningstar.com/content/dam/marketing/emea/shared/guides/ESG_Fund_Performance_2020.pdf
[5] https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/major-esg-investment-funds-outperforming-s-p-500-during-covid-19-57965103
[6] https://www.mckinsey.com/business-functions/sustainability/our-insights/climate-risk-and-response-physical-hazards-and-socioeconomic-impacts

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Disregarding or deprioritizing ESG factors, therefore, makes investing riskier and, in particular, threatens the long-term stability of retirement plans. American workers are making investments today in their financial security decades down the road. It is their right to make those investments based on the most comprehensive understanding of risk, and it is the government's role to preserve and protect that individual's right.

This rule touches on many important issues that warrant comprehensive review, which is difficult within the boundaries of the short comment period established by DOL. While we believe this rule is unnecessary and lacks a complete view of business risk and performance, at a minimum, we respectfully request that DOL extend the public comment period by an additional 30 days to provide an appropriate amount of time for stakeholders to thoughtfully review and provide feedback on this proposal.

In the face of the growing financial impacts of climate change and other natural resource concerns, continued leadership and advocacy from U.S. businesses, investors and government are more important than ever before. SFPA urges DOL and the U.S. government to take steps to enhance, rather than hinder, ESG transparency for investors and American workers. Doing so would complement efforts by U.S. companies to preserve and secure our businesses moving forward, including reducing our overall environmental footprints in line with what science says is necessary and addressing the supply chain volatility created by climate change and other natural resource challenges.

We appreciate your swift and thoughtful attention to this matter and would be pleased to serve as a resource moving forward.

Sincerely,

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