

December 6, 2021

VIA ELECTRONIC FILING

Ali Khawar
Acting Assistant Secretary
US Department of Labor
Room N-5655
200 Constitution Avenue NW
Washington, DC 20210

RE: RIN 1210-AC03 Proposed rule on Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights

Dear Mr. Khawar,

Boston Trust Walden Company is an independent, employee-owned investment management firm with \$13.5 billion in assets under management. As an investment manager and fiduciary, we seek to ensure our clients' assets are invested in securities positioned to manage risk and produce sustainable returns. Our firm has been integrating environmental, social, and governance (ESG) factors into investment decisions since 1975—one of the longest track records of any institutional investment manager. ESG considerations are integral to our investment philosophy. Simply stated, we seek to invest in enterprises with sustainable business models, strong financial underpinnings, prudent management practices, and a governance structure that supports these objectives.

We write to express our support for the US Department of Labor's (DOL) proposed rule, *Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights*, Regulatory Identifier Number (RIN) 1210-AC03), set forth in the Notice of Proposed Rulemaking (NPRM)¹.

We commend the DOL for proposing this new rule, which recognizes the relevance of ESG considerations in retirement investments. Boston Trust Walden is not alone in its belief that the integration of financially material ESG factors into investment decision-making can be an important element of limiting risk and protecting or enhancing long-term shareholder value. The Principles for Responsible Investment (PRI), of which we are a member, now exceeds 4,300 global investors with more than \$121 trillion in assets under management committed to incorporating ESG factors into their investment and ownership decisions.

The Proposed Rule reflects a fundamental understanding of ESG integration in investment decisions and rightly removes additional, burdensome reporting and analysis requirements for investors. The hallmark of Boston Trust Walden's investment approach is our emphasis on identifying higher quality companies with sustainable business models. As part of our assessment of a company's financial quality—and our fiduciary duty to all clients—we examine ESG performance to enhance our understanding of potential financial outcomes, ranging from risks (losing the license to operate) to opportunities (generating new sources of revenue). The impact of climate risk on the energy sector is a clear case in point. Changing regulations and tax policies designed to shift reliance away from the

¹ <https://www.federalregister.gov/documents/2021/10/14/2021-22263/prudence-and-loyalty-in-selecting-plan-investments-and-exercising-shareholder-rights>

highest carbon emitters, for example, compels a thoughtful consideration of the role and risk of fossil fuels in a portfolio with a long-term investment objective.

The Proposed Rule clears the way for investment managers to consider ESG factors precisely because of risk, return, and fiduciary considerations. The Proposed Rule's recognition that ESG factors "are no different than other 'traditional' material risk-return factors" aligns with Boston Trust Walden's investment philosophy. Within the Proposed Rule, we are particularly supportive of paragraph (b)(4) which, as the preamble states, "clarifies and confirms that a fiduciary may consider *any* factor material to the risk-return analysis, including climate change and other ESG factors." This confirms, as the Proposed Rule states, "under ERISA, if a fiduciary prudently concludes that climate change or another ESG factor is material to an investment or investment course of action under consideration, the fiduciary can and should consider it and act accordingly, as would be the case with respect to any material risk-return factor."

We recommend, however, the Proposed Rule exclude specific examples of ESG criteria in paragraph (b)(4) (i-iii) as the list may cause some fiduciaries to limit themselves to factoring in only those criteria. The Proposed Rule's listing of specific climate change, governance, and workforce practice criteria in paragraph (b)(4) (i-iii) is too limited, and we believe the first paragraph of (b)(4) sufficiently addresses the breadth of criteria that can be considered.

The Proposed Rule recognizes the proxy vote as an ownership responsibility and removes safe-harbor provisions that may have suggested to fiduciaries they need not vote proxies in certain circumstances. Boston Trust Walden agrees fully with this position. From voting proxies to engaging in company dialogues and filing shareholder resolutions, we are proud of our decades-long record of constructive engagement with portfolio companies on numerous important ESG topics such as climate risk, board diversity, executive compensation, and disclosure. Approximately half of our clients—foundations, academic institutions, state and city pension plans, faith-based investors, among others—select us in part because of this history.

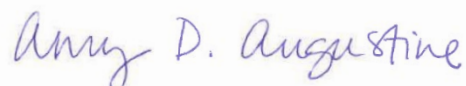
Like our clients, Boston Trust Walden recognizes proxy voting as a fiduciary obligation having economic value. Hence, our goal is to represent and vote proxies in their best long-term interests, exercising care, skill, prudence, and diligence. The Proposed Rule helps ensure ballot items presented by both management and shareholders in annual proxy statements receive appropriate attention.

We appreciate the Proposed Rule effectively addresses prior comments submitted by Boston Trust and other investment fiduciaries who believe ESG considerations are an essential component of good investment decision-making. Thank you for considering these comments. We look forward to publication of the Final Rule.

Sincerely,



Kenneth Scott, CFA
Co-Chief Executive Officer



Amy D. Augustine
Director, ESG Investing