US/SIF

US Sustainable Investment Forum

Statement by Bryan McGannon, Managing Director, US Sustainable Investment Forum:

“HR 2988 would reinstate the previous administration's ill-defined and unworkable "pecuniary/non-pecuniary" rules for plan investments and proxy voting. Our members find the pecuniary versus non-pecuniary standard to be confusing and not well suited to the realities of the investment industry. ESG data may be material to an investment's risk and/or return yet are often named non-pecuniary. A return to this categorization would be unhelpful for ERISA plan fiduciaries.

“ERISA has the long-standing principle of the duties of prudence and loyalty, which requires ERISA plan fiduciaries to focus on relevant risk-return factors and not subordinate the interests of participants and beneficiaries, such as by sacrificing investment returns or taking on additional investment risk. Under these duties, plan fiduciaries must consider all relevant data with respect to an investment, an investment course of action and when making their proxy voting decisions. ESG is a set of relevant data that may affect an investment's rate of return or level of risk. A fiduciary would not be able to fulfill their duty of prudence and loyalty if they do not have access to that data.

“Retirement fund and pension plan fiduciaries must consider all relevant data when making investment decisions and determining proxy voting decisions. While they are not forced to consider ESG criteria, the market reflects the reality that accounting for long-term risks and opportunities is in the best interest of plan beneficiaries.”

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