US SIF
The Forum for Sustainable and Responsible Investment

December 5, 2016

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

Via Email: e-ORI@dol.gov

Re: Proposed Revision of Annual Information Return/Reports and Proposed Rules Regarding Annual Reporting and Disclosure (Form 5500) – Docket # EBSA-2016-0010; RIN 1210-AB63

Dear Mr. Canary,

US SIF: The Forum for Sustainable and Responsible Investment welcomes the opportunity to provide comments to the Department of Labor (DOL) on the proposed amendments (Proposal) to the Form 5500 Annual Return/Report of Employee Benefit Plan and Form 5500-SF Short Form Annual Return/Report of Small Employee Benefit Plan (collectively, Form 5500). Form 5500 is required to be filed by each pension and other employee benefit plan concerning, among other things, the financial condition and operations of the plan. We support the proposed rule and believe that it will improve transparency of employee benefit plans; we are particularly interested in the specific questions on collecting information related to ETI and ESG investment activities as noted in Federal Register/Vol 81, No. 140/Proposed Rules, pages 47563-47564 and fully supportive of efforts to gather data on ETI and ESG investment activities.

US SIF: The Forum for Sustainable and Responsible Investment is the leading voice advancing sustainable, responsible and impact investing across all asset classes. Our mission is to rapidly shift investment practices towards sustainability, focusing on long-term investment and the generation of positive social and environmental impacts. US SIF seeks to ensure that environmental, social and governance impacts are meaningfully assessed in all investment decisions to result in a more sustainable and equitable society, including well-functioning financial markets, which depend on accurate information. US SIF's 300+ members collectively represent more than $3 trillion in assets under management or advisement and include money managers/mutual funds; foundations and other asset owners; research, data and index providers; financial planners, advisors and investment consultants; community development institutions and non-profit organizations. For more information, see www.ussif.org.

Sustainable, responsible and impact investing (SRI) is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact. SRI can be applied across all asset classes. The demand for

SRI is growing – investors now consider ESG factors across $8.72 trillion of professionally managed assets, a 33 percent increase since 2014. These assets now account for more than one out of every five dollars under professional management in the United States. From 1995, when the US SIF Foundation first measured the size of the US sustainable and responsible investing market, to 2016, the SRI universe has increased nearly 14-fold, a compound annual growth rate of 13.25 percent. Additional information can be found in the US SIF Foundation's Report on US Sustainable, Responsible and Impact Investing Trends 2016.

US SIF strongly supports a more accessible and efficient way to obtain data, including data on ETI and ESG investment activities. The following is a summary of US SIF's position:

- US SIF's investor members embrace SRI strategies to manage risks and fulfill fiduciary duties. We strongly supported the DOL's Interpretive Bulletin 2015-01, 299 CFR 2509.2015-1 (IB-2015-1). IB-2015-1 brings ERISA guidance in step with today's realities by noting that "fiduciaries need not treat commercially reasonable investments as inherently suspect or in need of special scrutiny merely because they take into consideration environmental, social, or other such factors." In addition, the guidance assures fiduciaries that they may incorporate "ESG-related tools, metrics and analyses to evaluate an investment's risk or return or choose among otherwise equivalent investments." The guidance also states that "environmental, social, and governance issues may have a direct relationship to the economic value of the plan's investment," and thus these issues "are not merely collateral considerations or tie-breakers, but rather are proper components of the fiduciary's primary analysis of the economic merits of competing investment choices." Sustainable investors review their portfolios for environmental and social risks and opportunities. IB-2015-1 clearly signals that ERISA-governed plans, and by extension, those plans influenced by ERISA, may integrate critical environmental, social and governance issues into their investment decisions.

  Changes to the Form 5500 that would illuminate whether the incorporation of ESG considerations is growing in response to IB 2015-1 would be welcomed by a wide variety of stakeholders. We believe that plan fiduciaries would also support more complete knowledge about what other plans are doing to address environmental, social and governance risks. We believe this may allow ERISA fiduciaries to more easily consider the role ESG factors could or should play in their investment decisions.

- We agree with the Proposal that changes in the financial markets, particularly improved metrics and tools allowing for better investment analysis, are enabling plan fiduciaries to make better and more evidence-based decisions on economically targeted investments (ETIs) and consideration of ESG factors.

- The collection of information related to ETI and ESG investment activities of ERISA covered plans on the Form 5500 would add value to this growing data source. We support the proposed revisions to modernize the financial statements and investment information filed about employee benefit plans and to enhance the enhance accessibility and usability of data filed on the forms. The expanded data collection and public access to this information would enable investors and other stakeholders to perform data-based research or help plan sponsors, fiduciaries, and participants and beneficiaries better understand their plans and plan investments.

- We recommend that Form 5500 is used to collect standardized, comparable and reliable information with respect to ESG investment activities. Over the past decade, US SIF and its members, along with other US and global standard setting organizations, have asked the SEC to provide better ESG disclosure since ESG issues can pose material financial risks and opportunities to companies. As early as 2009, US SIF submitted a detailed proposal to the SEC requesting the Commission to a) require issuers to report annually on a comprehensive, uniform set of sustainability indicators comprised of both universally applicable and industry-specific components and b) issue interpretive guidance to clarify that companies are required to disclose short- and long-term sustainability risks in the Management Discussion and Analysis section of the 10-K (MD&A).[1] More recently, in 2016, US SIF responded to the SEC's Concept Release on Regulation S-K and asked the Commission to require mandatory ESG disclosure. The response of US SIF, as well as many other investors concerned with greater sustainability reporting and disclosure, may offer the Department of Labor some frameworks for ESG data gathering in the Form 5500.

US SIF and its members have a wealth of experience on integrating ESG factors into investment analyses. We would welcome further dialogue on the issues raised in this proposed rule.

Thank you for taking our views into consideration and for the opportunity to comment. If you have any questions regarding the contents of this letter, please contact US SIF Policy Director, Alya Kayal, at akayal@ussif.org or 202-872-5359.

Sincerely,

Lisa N. Woll

Lisa N. Woll
CEO
US SIF and US SIF Foundation

[1] US SIF Letter to the Securities and Exchange Commission, July 21, 2009, available at http://www.ussif.org/files/Public_Policy/Comment_Letters/SIF_SEC_ESG_Disclosure_Policy_Letter_and_Submission%2008142009.pdf.