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DALBAR Responds to Flawed DoL ESG Proposed Regulation

Argues New Rule Relegates ESG to Being Second Class Citizen of the Investment World

(Marlborough, MA, 12/14/21) In its [comment letter](#) regarding the *Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights* (“Proposed Regulation”), DALBAR details flaw in the discriminatory treatment of ESG Investments. The DOL’s proposed rule includes the impractical requirement for each fiduciary to separately evaluate the “economic effects of climate change and other ESG factors” on each plan. This critical flaw in this approach is that the Proposed Regulation downgrades ESG to being a second-class citizen of the investment world.

“There is a less harmful way for participants to realize the benefits of ESG. By using one of the greatest strengths of ESG is to identify businesses that are less likely to survive, fiduciaries can reduce the survival risk,” said DALBAR’s CEO, Louis Harvey. He added that, “This approach should also incorporate other indicators of survival.” The explicit addition of a survivability consideration will secure a place for ESG in ERISA plans and provide workers access to ESG investments. Additionally, adopting a survivability standard as suggested here, will protect all plan participants for the decades of their working and retirement lives with no material increase in expenses or any forfeiting of investment returns.

Last year, DALBAR launched an initiative to enhance the effectiveness of retirement plans by establishing standards that reflect both ERISA best practices and the goals of Environment, Social and Governance practices (“ESG”). DALBAR certifies plans that meet these standards and thus encourage responsible plan fiduciaries to enhance their plans by managing costs, providing greater benefits to participants, and adopting high standards of governance. This DALBAR initiative differs from the ESG Investments that are the subject of the Proposed Regulation.

Find out more about the DALBAR’s [ESG Certification Program](#) which is based on the overall success of the plan in achieving retirement security for the maximum number of workers.

[DALBAR, Inc.](#) has a 45-year history and is recognized by industry and government as an independent third-party expert in the business of providing audits, evaluations, ratings, and due diligence. DALBAR certifications are recognized as a mark of excellence in the community of financial services in general and specifically for retirement plans.