Oppose H.J.Res.30 | Congressional Review Act (CRA) Resolution of Disapproval of the Labor Department's ESG Rule

It is Important to Consider ESG Factors When Investing Americans' Retirement Savings

Background on Environmental, Social, and Governance (ESG) Factors

Workers should be able to invest in a way that reflects their values—whether combating climate change or promoting health and labor standards—without sacrificing investment returns. Environmental, social, and governance (ESG) factors enable workers to be informed about potential risks and opportunities when evaluating an investment portfolio.

The financial services industry recognizes the importance of considering ESG factors. For instance, **State Street Global Advisors**—one of the largest retirement asset managers—noted that, as a fiduciary, they have *"a duty to act prudently and in the best interests of their clients, which, increasingly includes consideration of environmental, social, and governance factors relevant to the performance of the companies in which our clients invest."*

Background on the Department of Labor's ESG Rule

Last year, the Department of Labor (DOL) finalized a **rule** clarifying that ESG factors may be relevant in a risk-return analysis of a retirement savings investment and do not need to be treated differently than other relevant investment factors.

There was widespread support for the DOL rule. According to an **analysis** of the comment letters that were submitted on the proposed rule, 83 percent of the letters submitted by institutions—including corporations, financial firms, asset managers, academics, lawyers, investor organizations, non-governmental organizations, public officials, trade groups, and labor organizations—were supportive of the DOL rule. Individuals submitted over 22,000 comments, and 97.4 percent supported the proposed rule.

Fact Check #1: The DOL rule is **NOT** a mandate and **DOES NOT** put a thumb on the scale in favor of ESG investing. Instead, the rule simply clarifies that the professionals who make investment decisions for retirement plans do not violate their fiduciary duties by considering ESG factors.

Fact Check #2: The DOL rule does not change the fiduciary duty standard to which professionals making investment decisions for retirement plans are bound. They must still prioritize the interests of retirement plan participants and cannot sacrifice investment returns to pursue ESG goals.

What Happens if H.J. Res. 30 is Enacted?

If H.J.Res.30 becomes law and the DOL rule is nullified, the policy would revert to the Trump-era ESG rule. The Trump-era rule imposed needless barriers with respect to selecting ESG investments that do not exist for other types of investments in retirement plans. In fact, the Trump-era rule was **seen** as "putting a thumb on the scale *against* ESG investing."

Bottom Line: Let's not get rid of a popular and reasonable rule that simply permits retirement plan fiduciaries to consider important ESG factors. These retirement fiduciaries – not House Republicans – are best positioned and bound by law to make prudent investment decisions on behalf of America's retirement savers.