



# ESG and Participant Communications:

Practical ideas for how to communicate the integration of sustainable investing within DC plans

March 2022

# Presented by the DCIIA ESG Subcommittee

Contributors:

Bonnie Treichel, Endeavor Retirement

Stephanie Moersfelder, Impax Asset Management

Megan Yost, SegalBenz

# PURPOSE OF THIS FRAMEWORK

- Many plan sponsors are at various stages of considering how to incorporate ESG into their retirement plan design and fund offerings.
- Plan sponsors that have incorporated ESG in their retirement plans are looking for best practices when communicating with participants about ESG.
- This piece is intended to provide such plan sponsors and their service providers with a framework for engaging participants on the topic of ESG and how it may be integrated into their retirement plan communications.

# WHERE IS YOUR ORGANIZATION ON THIS JOURNEY?

Integrating ESG into your DC plan and communicating about it is a final step in a journey that often includes the following steps:



# ACTION ITEMS

When working to evaluate and/or integrate ESG into DC plans, the following steps may be helpful:

- Integrate sustainability rankings alongside performance reports and consider how this should be explained in participant statements and included in broader participant education and outreach
- Leverage change as an opportunity to inform participants and weave ESG into broader investment education
- Enlist the support of others (external providers and internal partners)

# INTEGRATE SUSTAINABILITY RANKINGS ALONGSIDE PERFORMANCE DATA

When offering funds that consider ESG factors within DC plans, consider the following actions to increase transparency for participants:

- Consider including sustainability metrics for all investment options (regardless of whether ESG is relevant to a fund’s portfolio construction) in an annual message to participants or through participant statements
- Ask service providers (i.e., recordkeepers, advisors/consultants, and asset managers) for help adding material ESG metrics—including sustainability rankings and methods—to performance reports and fact sheets.
  - ESG metrics and ratings are not standardized, so the plan sponsors and service providers need to understand, evaluate and select appropriate reporting metrics/rankings, e.g., industry ratings/rankings (for example Morningstar), custom-made rankings, or create proprietary analytics



NAME ↓	TICKER	PEER GROUP	SCORE	AVG (1 YR)	OWLESG	OWLE	OWLS	OWLG	RTN RANK (3 YR)	RTN RANK (5 YR)	NET EXP RATIO RANK	MGR TENURE
Pax Global Opportunities Institutional	PXGOX	World Large-Stock Growth	0	-	5.0	5.0	5.0	4.0	50 (16.92%)	(%)	45 (0.98%)	3.30

# LEVERAGE CHANGE TO INFORM AND EDUCATE

Participants are most engaged with their retirement plans during times of change. If you're making plan design changes that involve funds that consider ESG factors, consider the following:

- Leverage required notifications (e.g., fund change notices) as potential opportunities to highlight the sustainability attributes of the fund(s) in the lineup. Here's an example of how to communicate a fund change involving ESG to participants:

*"We're adding a new fund to our investment lineup, which seeks to invest in companies that are reducing carbon intensity and increasing their overall sustainability. Additionally, to help you track the environmental, social and governance factors for all funds offered in our retirement plan, we're integrating ratings to our year-end performance reports. For help understanding these new ratings, join our upcoming webinar or learn more on our benefits website. For personalized advice about investing, please meet with your financial advisor."*

- Consider using notifications as an opportunity to restate the plan's investment beliefs.
- Consider messaging that aligns with your company mission, values, or identifiable participant values and preferences.

# ENLIST THE SUPPORT OF OTHERS

Bring the expertise and work of plan recordkeepers, consultants, and other financial advisors to your plan such as:

- Webinar and educational content – Consider whether standard content will be sufficient. Will it need tweaking to be more relevant to your plan? What are the best methods and communication channels for sharing this content with participants?
- Customized communications – Ask your service providers for sample communications. Will they help you customize communications? (Or will they help pay for custom communications?) Can you share those samples with your recordkeeper? Learn more about how your recordkeeper can support your efforts and the best way to leverage additional resources, if available.

Don't forget internal partners!

- Include colleagues from internal communications, legal, and members of your investment committee in discussions about your strategic communication plans. When developing communications, allow for internal stakeholders to review positioning, messaging, and materials.

# RESOURCES FROM DCIIA

See our [online Resource Library](#) for ESG-related DCIIA and member thought leadership, including these DCIIA white papers:

## Incorporating ESG in DC Plans: A Resource for Plan Sponsors

- This comprehensive white paper provides tips for plan fiduciaries considering how to incorporate sustainable investing into a DC plan.

## Sustainable Investing in Defined Contribution Plans: A Guide for Plan Sponsors

- This paper seeks to provide plan sponsors with a base level of knowledge about sustainable investing and integration into DC plans by focusing on areas that have historically been misperceived.