



OPINION

YOUR 401K NEWS

# Unlocking the Power of Retirement Plans for Climate Action

In this op-ed, Impact Experience's Yejide Olutosin and Jenna Nicholas discuss a recently published opinion letter providing a legally defensible framework for evaluating ESG factors in employer-sponsored retirement plans



by Yejide Olutosin, Jenna Nicholas · September 25, 2023 · 2 minute read



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In the realm of retirement planning and climate action, an opportunity emerges that urges us to contemplate the lasting impacts of our investment decisions. The recently published [legal opinion letter](#), a collaborative effort between [Business Climate Finance](#) and the Wagner Law Group, prompts us to reimagine retirement planning as a conduit for driving climate action.

This guidance comes at a pivotal moment, notably amid a summer rife with climate-related weather disasters and heightened debates surrounding the integration of ESG factors in employer-sponsored retirement plans. Importantly, this guidance paves a clear pathway for the inclusion of climate-aligned investment choices within 401(k) plans and other defined contribution plans.

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The legal opinion letter's guidance endorses a discerning approach, supporting funds that conscientiously consider material ESG factors, including climate risks. It draws a distinct demarcation against exclusively prioritizing impact-focused funds that could potentially compromise financial returns. This balanced approach lays the groundwork for corporate financial, legal, and sustainability leaders to collaborate effectively, thus incorporating climate-conscious options as integral components of mainstream retirement plans.

This methodology closely aligns with the objectives of Impact Experience's Business Climate Finance (BCF).

Established by the social impact organization, Impact Experience, BCF is dedicated to the mission of fostering a shift of corporate cash and retirement assets towards climate-friendly financial institutions with a Justice, Equity, Diversity, and Inclusion (JEDI) lens. In collaboration with Mercer and the CFA Institute, BCF also released an extensive report in 2022, delving into the carbon emissions linked to U.S. employer-sponsored retirement plans.

Notably, guidance from the Employee Retirement Income Security Act (ERISA) further reinforces the significance of this legal opinion. ERISA's validation that prudent climate-aligned funds can coexist within 401(k) menus alongside conventional options empowers individual participants to harmonize their portfolios with their values. Plan sponsors can navigate ethical preferences without concerns about breaching fiduciary duties. This facilitation of climate-conscious retirement planning holds the promise of catalyzing the acceleration toward a net-zero world.

The legal opinion letter's practical value goes beyond theory. It includes a sample Investment Policy Statement Addendum, providing clarity through definitions and guidelines for evaluating sustainable funds.

Additionally, a Fiduciary Procedural Checklist outlines a step-by-step path for thorough due diligence on specific sustainability options. Equipped with these tools, corporations are poised to drive change by actively engaging financial and legal partners to establish tailored processes that facilitate appropriate sustainability options.

Retirement fiduciaries, likewise, gain a concrete legal basis for embracing these offerings. This authoritative resource effectively provides a framework for leading companies to leverage their retirement plan offerings in furthering their sustainability endeavors.

## ***SEE ALSO:***

- [Link to Legal Opinion Letter](#)
- [ESG Rule Survives Legal Challenge from Red State AGs](#)

# Author

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**Yejide Olutosin** is the Director of the Business Climate Finance (BCF) initiative at Impact Experience. The BCF initiative seeks to decarbonize corporate bank accounts and employee retirement plans using a Justice, Equity, Diversity, and Inclusion (JEDI) lens to advance racial equity alongside sustainability initiatives, starting with a group of leading U.S. companies. [linkedin.com/in/yolutosin](https://www.linkedin.com/in/yolutosin) **Jenna Nicholas** serves as the Co-Founder/CEO of Impact Experience, a social impact organization dedicated to strengthening connections and fostering collaborations among investors, philanthropists, entrepreneurs, innovators, and community leaders. Additionally, she is the Managing Director at One Planet VC, directing investments into transformative startups. [linkedin.com/in/jennanicholas](https://www.linkedin.com/in/jennanicholas)

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