

The Sustainable Finance Podcast with Paul Ellis & Guest Andy Behar
As heard on The Sustainable Finance Podcast at BrightTALK.com.

Paul Ellis:

Hello, everyone. And welcome to the Sustainable Finance Podcast, where you can learn everything you need to know about sustainable and ESG investing from leaders in the field. My name is Paul Ellis, and I'm your host for these programs about developments in this fast industry. In today's program, we're going to talk about something that 100 million Americans have in common. They are invested in and contribute to retirement plans through the companies that they work for. And these retirement savings plans have assets of over 10 trillion dollars. That's the good news. The not so good news is that the retirement plans of many major US employers invest in fossil fuel producing companies and agribusiness contributing to the destruction of the Amazon and Indonesian rainforests.

These employees savings are invested in mutual funds, which directly contradict the employer's stated sustainability goals on climate change, deforestation, prisons, and other environmental and social issues. My guest today is Andrew Behar, the CEO of As You Sow, a nonprofit corporate accountability organization, which recently increased the coverage of its corporate retirement plan sustainability scorecard to include seven additional major US publicly traded companies. Hello, Andrew, and welcome to the Sustainable Finance Podcast.

Andrew Behar:

Hi, thank you for having me. Happy to be here.

Paul Ellis:

Good. Glad you could join us today. Andrew, which additional US based are now having their retirement plan investments rated on seven environmental and social sustainability issues through the As You Sow sustainability scorecard? And what's the dollar amount of employees savings through those plans that's invested in fossil fuels and deforestation?

Andrew Behar:

So we've had Amazon and Comcast up on the system for about a month or two, I guess it was early September, and we just added apple Disney, Facebook, Microsoft, and Visa. So we have seven total. This is part of an initiative. We plan to do this for the entire S&P 500. And then we'll start looking at the 403(b) plans, which is all of the universities and all the foundations. Basically what we've discovered is that there's a hundred million people with 10 trillion dollars invested that simply do not have any idea where their money's going.

These are the hard earned dollars of everyone in the United States who put their money into a 401k plan and it's going into mutual funds and no one really knows exactly what that means. And a mutual fund is a basket of stocks. And many of the companies that are being held are fossil fuel companies. And those total 3.6 billion just from these seven companies. And 277 million in companies that are involved in deforestation of the Amazon and Indonesian rainforest. So we're trying to get employees to realize that they are invested in the current extractive economy that is really on the way out and that they probably, for good reasons around risk, just risk mitigation, would want to shift their money into more sustainable funds.

Paul Ellis:

So thank you for that explanation, Andrew. And it's also true, as I mentioned in my opening remarks, that these corporations have stated policies about how they interface with their supply chains and the resources that they use that seem to contradict the way that their retirement plans for their employees are set up. Why is that so?

Andrew Behar:

Well, these companies, but almost every company, is out of compliance with itself. Amazon, for example, is doing a great job operationally on climate. They're buying a hundred thousand electric vehicles. Their data centers are run by renewables. They're really a leading force on getting companies to agree to a Net-Zero 2040 plan, which is exceeding a 2050 Net-Zero plan that a lot of other companies. So they're doing a lot of great stuff operationally. They are, however, they're not looking at where the money is. And so the money in the Amazon plan is in fossil fuels. It's in deforestation. It's also in things like prison industrial complex. So, in private prisons and military weapons. And so I think a lot of people are kind of surprised. I know we interviewed a lot of Amazon employees as we were working on this and we showed them.

We said... Because we've done a complete breakdown. If you go to As You Sow, A-S-Y-O-U-S-O-W.O-R-G, scroll down a little bit and you'll see a box that says, invest your values. If you click there, click on a company name, you can see every single mutual fund in the plan. Exactly how many dollars are invested in each of these funds. Most of them go to the default option, which is a Vanguard target date fund, which means it's a fund that it adapts over time. It gets more conservative as you grow or older. So 52% of the plan isn't invested in this default option. And that's typical of most funds. Most people just... They start work on the first day and they're like, "Oh, what do I do? I'll just put it in the default option."

And some plans even have you, it's called the default option because if you don't choose anything that's where it goes. And you have to opt out of it. So most people are in these funds and they are simply... They're funds of funds that are indexes. So they want to own the whole economy, which means they're owning part of the economy that may be completely counter to your value system. So we rate every fund. We rate, we have this whole system that rates 3000 funds and we update it once a month on fossil fuels, but you got to go deeper. It's not just companies that are doing extraction like the Exxons and Chevrons of the world. It's also all the coal companies. It's also the oil field services companies. It's the pipeline companies and it's the fossil fire utilities. So the Dukes, the Southern, the First Energys that are burning coal are actually putting more carbon into the atmosphere.

We then look at deforestation, but again, you got to go deeper. So we're looking at palm oil, paper, pulp, rubber, timber, cattle, and soy, all the companies that are doing those activities, and the banks who fund that activity and the consumer brands. So if you own Pepsi, for instance, well, they buy a lot of palm oil to cook their Lays potato chips. So they are creating demand. And you want to know if that's in your portfolio. On private prisons, you want to know if you own companies that actually are running private prisons or companies who are supplying food or supplying communication services. Military weapons, you want to know if you own big military weapons, if you own cluster munitions, landmines, nukes, assault weapons. So we just break it all down. We're just, every month we update it and we show you exactly what is inside your every single mutual fund that you have in your plan.

Paul Ellis:

So, Andrew, it's also true, isn't it that any target date funds, for example, they profess to invest across the entire economy, but they're not necessarily incorporating fossil fuel free funds or other types of funds that might use some type of exclusionary process, or even inclusionary ESG integration

investment strategies. How can employees find out whether it's employees of these major corporations or other companies that you track, how can they find out what's in their plan?

Andrew Behar:

So if you go to invest your value... Well, these scorecards on these seven companies, we show you exactly every company within every fund that you could possibly pick. And it's not just the default option. So if you go at Amazon, if you just scroll down a little bit, you can open it up and you can just, you click on a button and it'll show you all of the plan options. It'll show you every fund and exactly how it gets scored. I'm doing it right now on my screen. So I'm looking at the target date fund and I see where it gets D's and it gets F's on certain areas. But then as I go down, I'm looking at, there's dozens of other funds that are also getting really poor grades. I mean, the selection that Amazon is making, they don't... They have one fund that, only one fund has the checkbox on Morningstar for sustainability.

And it gets a C on deforestation, and it gets a C on private prisons, which is better, but it's only one fund. And I can tell you less than 2% of the money in the entire plan is invested in it. So they're not training their employees, because when we did a survey of their employees, about 70% said, "We'd like to be in a sustainable fund." Yet you look at the money and it's 1.99%. I can tell you, in that fund. So there's no awareness among the employees that they can even do something other than the default. And they don't understand. And by the way, if you put that sustainability fund against the default option, it outperforms it over one, three and five and 10 years. Now there's other companies who make sustainable target date funds.

This is not just all targeted funds. This happens to be Vanguard. BlackRock is very similar. BlackRock has also has a target date fund that scores very similarly. If you line up the Vanguard one, let's say you line up the 2050, because again, these target date funds have a date. You generally... Let's say you're 30 years old and you're starting at a job and you're going to want to retire when you're 60 or 65, you would... Let's see. Anyway, you just got to do the math. Pick the year. But if you just look at the 2050 Vanguard, BlackRock and there's a fund called Natixis. The Natixis is sustainable. It's a [inaudible 00:10:52] member and it outperforms. So just you can do that exercise yourself. That's why we built invest your values. Very easy just to pick those three funds, click compare, and you'll see them sitting there side by side. You'll see their fees. You'll see basically everything about them.

Paul Ellis:

Now, Andrew, how often do you interact with financial advisors who are working with employees at major corporations? Like the ones with we're discussing who come to you and As You Sow with questions about, well, how can my employee clients either engage with someone at the corporation or switch their investment strategies? Does that happen very often?

Andrew Behar:

Well, just so you understand, As You Sow is a 501(c)(3), we're a nonprofit. We're not financial advisors. We're doing this purely to educate employees. This is an educational tool. So we don't do any advising of investments. We also, when, before we posted these on our site, we sent letters to Amazon, Apple, Comcast, all the different, the executives at these different companies. The head of HR, the CEO, investor relations, usually four or five people at each company just explaining this is what we're doing. This is why. We see you're out of compliance with yourself, with your own sustainability goals and love to have a conversation about it. And what you plan to do. We've now met with Amazon, we've met with Comcast and we're not seeing them exactly rushing to change this or to even... We suggested that they do a survey of their employees and ask their employees what their impressions are of the plan, what

their employees would like to see, because we've done that ourselves and what we know, particularly at Amazon, is people who really care about climate and gender equality.

That's what we saw really emerge. The Amazon internal staff didn't seem to be aware of that. And nor were they particularly interested in doing such a survey, which is the place that we always say to start. Ask the people who earn the money what they want to do with their money. Now, the capper on this is that if you're an Amazon employee who cares about climate change, not only are your hard earned dollars being invested in companies that are making climate change worse, but then Vanguard is voting its proxy against all of the climate change resolutions. Now, most of what As You Sow does is that we engage companies, and if we need to we escalate by filing a shareholder resolution. Last year, we had 188 engagements, that's with companies, on issues like climate change, on ocean plastics, on toxins in the food system, on racial justice.

So we file these resolutions and they go to a vote at the annual meeting. Vanguard votes against almost all of our resolutions. And the thing we're asking Exxon and Chevron and Duke and Southern is to put plans in place and execute on them that will reduce their emissions, that will be better to help prevent the disasters of the climate crisis that is upon us. So, not only are you owning the companies, but you are also being represented by a company that's voting against what I believe would be your values. You would want to vote for these resolutions to get these big companies to change. So you're kind of getting a double whammy there that the shareholder advocates are trying to change the system, but were being held back by the Vanguards and the BlackRocks of the world that are voting against us. And it's because there are people who they're representing that probably don't understand the system and don't understand their power. So we're trying to empower people.

Paul Ellis:

Got it. And you've been doing this for a long time. As You Sow is a highly considered source for all of the things that we're talking about. And I would expect, as a former financial advisor, that the fact that you are an independent nonprofit organization would lend more credibility to the analytics that you produce and the engagement that you do. So what can, and our target market is the advisor community and investors, so what can we do in partnership with firms like yours to promote a better education link between the employees who are the investors within these large retirement plans and the financial advisors that they work with to help them meet their long term financial goals?

Andrew Behar:

Thank you for asking that. There are many things you can do and here's the list. So first off, As You Sow was found in 1992. So we'll be celebrating our 30th anniversary in 2022, next year. And so, yeah, we've been doing this a long time and we're really based on data. We do these deep dive data acquisition reports. We just published last week one on ocean plastics. We looked at 50 companies on 44 KPIs, key performance indicators on plastics. Next week our pesticide report comes out. It's an update of one from 2019. It's looking at all of the big ag, all the big food producers and their uses of pesticides and particularly glyphosate, many companies spray glyphosate on all their wheat, oats, and beans. Through our engagement we got Kellogg to agree to stop using... It's Roundup. Glyphosate's the same thing as Roundup or it's the active ingredient Roundup.

We got Kellogg to stop spraying all of their crops in their entire supply chain, which is now General Mills has now adopted a regenerative agriculture policy. Pepsi set aside 7 million acres. Campbells, we're in conversation with them. So shareholder advocacy works because we're helping the companies reduce their risk. Like this is good business for the companies. It's great business for Kellogg to say our food is safe to eat. That's something that their customers definitely value. So, the way that

financial advisors can work on this. So one, we have a network called our activate network. We work with about 70 financial advisors right now, and they have clients who authorize us to file on their behalf. So if you're a financial advisor, you can reach out to us. You can just do info at As You Sow, and just ask about the activate network, connect you to our people. And because all of our lead filers and co-filers are people who own these underlying securities.

So, and that way as a financial advisor, you can start to become an active advisor. You can start to do shareholder advocacy, but we'll do, essentially we're doing the actual filings and all the SEC work and all of that. That's one way. Another way is how you vote your shares if you own securities. We have a system called As You Vote. It sits on the Broadridge proxy edge platform. We vote every security, every issue at every company. It's a rules based engine. We have taken our guidelines that we have been publishing for over a decade and we have turned them into a rules based engine that works with the Broadridge system. And so we basically, you become a Broadridge client. You subscribe to as you vote and then we'll do all your voting for you.

So that's another way. The third way is with, now getting into the company level, the problem with the 401k plans is there's so many intermediaries. So there's a record keeper, there's advisors, there's, kind of advisors to advisors. There's all these layers of advisors. And then there's, you got the person who's actually saying, "Take 4% of my paycheck," and oftentimes get a match. So the company is paying money into this system. Oftentimes they're just doubling whatever somebody is putting away. So what the companies aren't realizing is that they're missing this incredible opportunity. We've done this now at a couple of companies that we went in and we helped them. We did education. They talked to their employees. They found out that climate and gender were the two big issues. And what they did is they added, they didn't change the default, but they added a fossil free and they added a gender, very gender positive, several funds.

And then they did all this education. They taught people about it. And what they've found after a year, and this is kind of remarkable, is the number of people participating in the program doubled from 40 to 80%. The amount of money that people were holding to contribute, so withhold from my paycheck and contribute, doubled from three to 6%. They had a four X amount of money to going into the plan. People were really saving for retirement. And it became part of their culture, it became part of something people talked about. And I know they were going to be shifting their default option after this. We did this at two companies, smaller companies. One was about a hundred employees. And what we found is that it was so important to the culture that it became really a way of attracting the best and the brightest and retaining the best and the brightest, because they felt like management's listening to us.

They felt that they were investing aligned with their values. And it became a very powerful tool for the company. Now we talked to the company, we said, "Your match also went up. Like it cost you more money." And they said, "Every nickel was worth it because our biggest..." And this goes for every company, your biggest cost of your cost of goods in your COGs is your staff, is maintaining your staff. When somebody quits and you have to replace them and train them, that's your number one expense. So if you can attract the best and the brightest, if you can retain them by offering them the ability to retire that's aligned with their values, it's just all goodness. Now, if Amazon did that, they're missing this incredible opportunity. You probably saw over the weekend, there was this news that they've shortchanged a lot of their warehouse employees.

Like they just simply underpaid them. It was just a mistake, they say, in their some sort of calculation. But it's huge. So they have a reputation of not treating their employees the best. This could be something that would be so positive for them. It wouldn't cost them anything other than potentially a higher match if more people start to take part in the plan and they could just declare victory. They could say, "Now our investment in our plan matches our sustainability goals. We have this holistic

situation going on as opposed to cognitive dissonance." Because that's what they've got. Every one of these companies, people are hearing, "Yeah, my company's doing great on climate, but they're forcing me to invest in what? In Duke and Southern and what? And burning down the Amazon." This makes no sense.

Paul Ellis:

Listen, I need to interrupt you here, Andrew. We're running out of time for today. But this, no, this has been a great dialogue. And I think you're delivering a very, very important message to our target market, and that's the financial advisor community, because you sound like your company is obviously the kind of resource that advisors can lean on, go to for information, and engage with on an ongoing basis even if they're feeling that they don't have the background or the knowledge to get started in a program like this. So let's come back to this conversation at some point in the future, I'd like to update our program, but please tell us, give us information right now on where, whether it's investors in these plans or their financial advisors, they can reach out to you and to As You Sow to get more information on the programs that you're involved in,

Andrew Behar:

The best thing would be to email info@AsYouSow.org. So it's the biblical phrase, "As you sow, so shall you reap." And just reach out to info and you'll be connected with people that can either... If your clients want to become co-filers on resolutions, you can learn about voting and you can also use all of our tools, just go to [As You Sow.org](http://AsYouSow.org) and scroll down. All of our reports are also available for free all. We update our ratings on these mutual funds once a month. So the data is always fresh. We just put out a racial justice score card on the S&P 500. It will be expanded to the Russell 1000 before Thanksgiving. Also on diversity, equity, and inclusion on plastics, so we have all these reports. They're all up there.

There's data visualization tools that you can use. So it's a very rich website of just with all kinds of tools. All of our resolutions are listed. You can look at them all under resolutions on our website. So yeah, please use our website, please reach out. We're happy to be a resource. We also do a lot of training for advisors. So if you have clients who really care about ocean plastics, and you don't know about it, we will train you up so that you can have that conversation or about racial justice, gender equality, diversity, equity, inclusion. Egregious CEO pay, we publish a report once a year, every February, we'll be doing our eighth one this coming February. So it's just a wealth of materials that we hope will get people to actually help the emerging regenerative economy based on justice and sustainability to become the economy and the extractive economy will simply wind down. That's what we see happening.

Paul Ellis:

Great. Andrew, thanks so much again for your time today. We've been speaking with Andrew Behar, who's the CEO of As You Sow. And to our listeners, please join us again next week for another episode. I'm Paul Ellis, your host for the Sustainable Finance Podcast.