

# QUARTZ

## Your 401(k) fund could be helping to destroy the world's precious rainforests

Jake Flanagin | September 29, 2016



Most working Americans have no idea how their retirement plans work. Until very recently, neither did I.

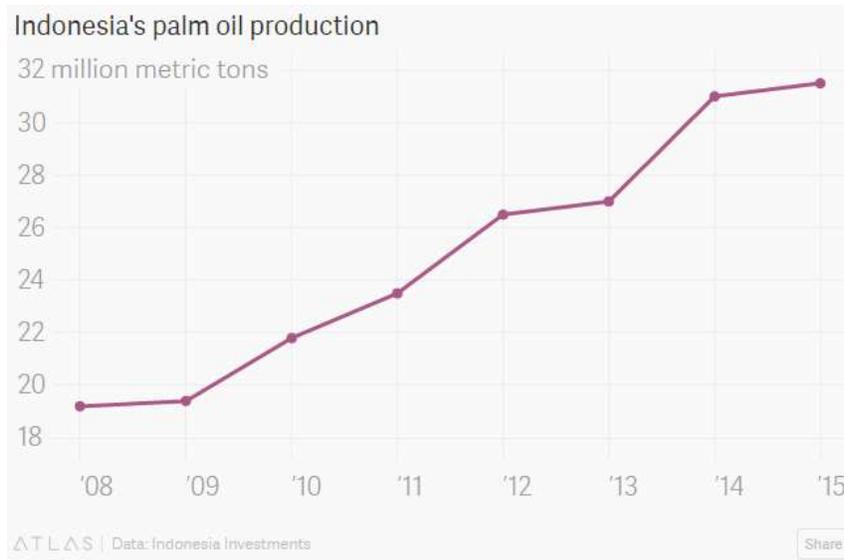
When we hear phrases like 401(k), Roth IRA, and pension plans, we might be able to conjure some vague ideas as to their basic premise—squirrel away enough of your paycheck in one of these mystical accounts, and maybe enough interest will accrue during your working years for you to retire comfortably.

As it turns out, retirement plans aren't all that complicated, conceptually. A 401(k), the most commonly employed retirement savings device in the United States, simply deducts a fixed percentage of your paycheck, before taxation, and invests that money in any number of options offered by your employer's plan.

But what companies are benefitting from our investments? Most workers don't bother to learn. Many probably don't care. But they might if they knew such investments are contributing to the destruction of one of Earth's most threatened and precious natural resources.

Rainforests harbor around 50% of the world's plant and animal species, but constitute only 7% of the planet's dry-land surface. Without you ever realizing it, it's possible that the mutual fund that administers your 401(k) is investing your earnings with companies that are actively shrinking this figure.

What exactly are many of these companies after? Another little-known yet ubiquitous item in American life: palm oil. Palm oil is a substance drawn from the fruit of palm trees—specifically, the oil palm, or *Elaeis guineensis*. Native to sub-Saharan Africa, the oil palm is now a cash crop cultivated across the equatorial region, with a major hub centering on Southeast Asia.



Palm oil has become a sought-after commodity in a number of Western countries, including the United States. This boom has been encouraged in part by campaigns to ban or limit the consumption of trans fats, chiefly found in the partially hydrogenated oils (PHOs) that once filled popular snacks and fast food items. In order to satisfy the world's munchies, many of the companies that make these items have replaced PHOs with palm oil, skyrocketing worldwide demand and driving major investment into mainly Malaysian, Singaporean, and Indonesian agribusinesses.

As these palm oil businesses have grown, they've required more and more acreage to cultivate their crops. To make room, rainforests across Malaysia and Indonesia are being mowed down. And it makes sense—in these densely populated Southeast Asian countries, it's far easier to displace a bunch of birds and beasts than a few city blocks, a town, or even a small village.

According to the World Wildlife Federation (WWF), more than a third of large-scale commercial palm oil expansion between 1990 and 2010 precipitated direct forest loss in Indonesia, Malaysia, and Papua New Guinea. In exact terms, that's more than 3.5 million hectares of forestland destroyed.

In the process, already critically endangered species like the Sumatran orangutan (about 6,600 left), Malayan tapir (1,500 to 2,000 left), Sumatran tiger (about 325 left), and Sumatran rhinoceros (less than 100 left) had their habitats decimated—and those are just the big, exciting animals that garner the layperson's attention. Palm oil's toll on various bird, monkey, rodent, fish, lizard, frog, insect, and plant species, all of which play vital roles in regional ecosystems, has been devastating.

Not interested in aiding, however minimally, to this trail of destruction? Anti-deforestation advocates have compiled a free, online database that allows individuals to investigate how their retirement contributions are being invested. The website also offers advice on how to broach the topic of divestment with employers.

Users can search Deforestation Free Funds by their mutual fund's name—Vanguard, TIAA-CREF, Dimensional Fund Advisors, and others—or else by the ticker symbol that appears on their 401(k) statement. The database then lays out how much money, if any, these funds have invested in various aspects of the palm oil industry. Funds can be invested in various ways, whether via the brands that use palm oil in their products, the banks who finance growers and refineries, or the foreign agribusinesses themselves.

“We come from the shareholder-advocacy perspective. We saw a need for transparency,” says Andrew Behar, CEO of As You Sow, a nonprofit organization promoting corporate responsibility. As You Sow partnered with global environmentalist network Friends of the Earth to launch the database, which was inspired by a similar tool, focused on fossil fuels, designed by As You Sow in 2015.

“Palm oil is not at the same level of investor awareness as fossil fuels and climate change are,” Behar says. “But deforestation is something you should be thinking about.”

He's right. Beyond promoting biodiversity and conserving the habitats of a multitude of cool creatures, deforestation directly contributes to climate change and atmospheric degradation around the world. The Environmental Defense Fund, a leading green group, estimates that as much as 15% of global carbon dioxide emissions come from deforestation, with 32 million acres of forest cleared between 2000 and 2009. And, of course, reducing the number of trees on Earth means more and more carbon dioxide goes un-recycled into oxygen; thickening heat-trapping CO<sub>2</sub> in our atmosphere. Data from the US Environmental Protection Agency (EPA) also suggests the process of burning and cutting trees adds as much pollution to the atmosphere as all the cars and trucks in the world combined.

Rising temperatures, rising sea levels, and a dirtied atmosphere are problems for everyone everywhere, regardless of whether or not you have a retirement fund. But it's important that Americans who discover that these contributions are exacerbating this problem know there's something they can do something about it.

“Change needs to happen at the shareholder level. This is not an elective, it should be considered due diligence,” says Behar.

Jeff Conant, senior international forests program manager for Friends of the Earth, says there are two ways of going about this. The first path, he says, is convincing your fund manager “to move your money out of particular funds that are dirty, and into clean funds.” Deforestation Free Funds can help with this—the database doesn't just report on funds linked to palm oil, it also highlights funds unattached to the industry. “There are also a handful of socially responsible funds that we mark with an ‘engagement alert,’” he adds. “These are firms that proactively hold problematic companies and work with them to change their behavior.”

The second path is more aggressive. “We need to bring about pressure on the large asset managers and institutional investors to get them to take on board deforestation-free strategies,” Conant says, because the problem isn't going away on its own.

With more than \$5 billion total investment in palm oil operations worldwide, this lucrative industry is only growing. Most palm oil-producing companies don't have name recognition in the West; Sime Darby and KLK of Malaysia, and Asian Agri of Indonesia, to name a few. They're growing incredibly fast, and forests are shrinking even faster.

“We’re trying to head off this trend,” Conant says. The urgency is understandable. According to the World Wildlife Federation, some 46,000 to 58,000 square miles of forest are lost each year. This is the equivalent of 48 American football fields destroyed every minute.

The scale of the catastrophe may seem far too daunting for one little conversation with your HR rep to resolve. But more than 91 million Americans invest in their 401(k)s every month. Now imagine the impact of 91 million conversations.