

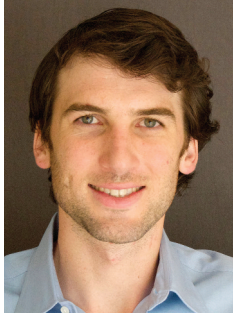


SMOKE & MIRRORS

Healthcare Company Retirement Plans
Are Addicted to Tobacco



AS YOU SOW[®]



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About *As You Sow*

As You Sow is a nonprofit organization dedicated to increasing environmental and social corporate responsibility. Founded in 1992, *As You Sow* envisions a safe, just, and sustainable world in which environmental health and human rights are central to corporate decision making. Its Energy, Environmental Health, Waste, and Human Rights programs create positive, industry-wide change through corporate dialogue, shareholder advocacy, coalition building, and innovative legal strategies. For more information, visit www.asyousow.org.

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EXECUTIVE SUMMARY

According to the World Health Organization (WHO), “The tobacco epidemic is one of the biggest public health threats the world has ever faced, killing more than 8 million people a year around the world. More than 7 million of those deaths are the result of direct tobacco use while around 1.2 million are the result of non-smokers being exposed to second-hand smoke.”¹ Globally, 181 nations and other parties have ratified the WHO Framework Convention on Tobacco Control, which commits them to reduce tobacco’s toll worldwide and specifically recognizes the tobacco industry as a threat to global health.² Yet, U.S. retirement plans are still heavily invested in this deadly industry. This report analyzes the high exposure of tobacco investments in popular mutual funds that are offered as part of 401(k) retirement plans at many major U.S. corporations—specifically, tobacco exposure in the biggest U.S. healthcare and health-centric companies’ retirement plans.

The results of this study show that retirement plans are still addicted to investing in tobacco. 55% of the 100 most common mutual funds in retirement plans invest in tobacco producers and 72% invest in media companies promoting tobacco use. As of August 31, 2020, these funds invested more than \$109 billion in tobacco producers like Altria Group, Inc., and Philip Morris International Inc., as well as tobacco-promoting media companies, such as Comcast Corporation and AT&T Inc.—providing capital to an industry that causes 480,000 deaths every year in the U.S. and eight million deaths worldwide.

Tobacco still thrives in America’s retirement funds. Tobacco investments are even common at companies whose mission is to improve health and healthcare. For example, 10 of the 18 funds offered in CVS Health’s retirement plan have direct investments in tobacco producers, and 11 of these funds also invest in tobacco-promoting media companies. All the top 10 largest healthcare employers, including CVS Health, Pfizer, Abbott Laboratories, UnitedHealth Group, and others, have investments in both tobacco producers and tobacco promoters. These pro-tobacco holdings put their health-protection missions and investment practices in conflict. It is time to align investing with stated values and to be transparent about retirement plan offerings. We ask companies—and specifically the healthcare industry—to become more transparent about their tobacco investments and provide clear options for their retirement plan participants to choose tobacco free investment options.

KEY FINDINGS:

100% of the Largest Healthcare Employers Rated Have Investments in Both Tobacco Producers and Promoters in Their Retirement Funds: Abbott Laboratories, Becton Dickinson, CVS Health, DaVita, HCA Healthcare, Johnson & Johnson, Pfizer, Tenet Healthcare, and UnitedHealth Group all have holdings in tobacco producers and tobacco-promoting media companies in the retirement plans offered to their employees.

Tobacco Free Funds Have Outperformed Funds Invested in Tobacco: In the 100 most common retirement funds as of August 31, 2020, tobacco free funds had one year trailing returns of 26.7%, while funds invested in tobacco producers had lower one year trailing returns of 17.0%. For 10 year trailing returns, tobacco free funds had a return of 15.5%, while funds invested in tobacco producers had a lower return of 12.1%.

Vanguard, American Funds, and Fidelity Have the Largest Amount of Assets Invested in Tobacco Producers and Promoters: The fund families with the largest amount of total tobacco investments of the 960 mutual funds analyzed were Vanguard (\$77.8 billion), American Funds (\$43.3 billion), and Fidelity (\$22.4 billion).

Tobacco Exposure in Retirement Plans Remains High: 55% of the 100 most common mutual funds offered in retirement plans contained tobacco producers, and 72% were invested in tobacco-promoting media companies. Among the five most common mutual funds used in retirement plans, four of them (Vanguard Institutional Index I, Fidelity® 500 Index, American Funds EuroPacific Growth A, Vanguard 500 Index Investor) had investments in both tobacco producers and tobacco promoters and only one (Fidelity® Contrafund®) did not invest in tobacco manufactures, but still had investments in tobacco promoting entertainment companies.

Mutual Funds Used in Retirement Plans Have Billions of Dollars Invested in Tobacco: As of August 31, 2020, the 100 most popular retirement funds rated had \$109 billion invested in tobacco producers and tobacco-promoting entertainment companies. This includes \$30.8 billion in the tobacco-promoting media company Comcast Corporation, \$17.9 billion in the tobacco-promoting media company The Walt Disney Co., and \$17.0 billion in the tobacco producer Phillip Morris International Inc.

American Funds, Schwab Funds, and Dodge & Cox Have the Highest Proportion of Tobacco Investments: In analyzing 960 mutual funds, the managers with the highest percentage of assets invested in tobacco producers and tobacco-promoting media companies are American Funds (2.87%), Schwab Funds (2.58%), and Doge & Cox (2.35%), which have much higher tobacco investments than the benchmark Vanguard Total World Stock Index Fund (1.91%).

There Is a Lack of Transparency of Tobacco Exposure in Retirement Plans: Most retirement plans do not disclose exposure to tobacco producers, promoters, or other industries with negative social and environmental impacts to their participants. Additionally, many retirements plans invest in target date funds, common collective trusts, and other entities with low transparency of their underlying holdings. For example, none of the funds used in Community Health Systems' retirement plan could be analyzed for tobacco exposure.

Healthcare Company Values Do Not Align with Investment Practices: Even though companies like CVS Health have made strides to eliminate tobacco from their in-store products, they still force their employees to invest in tobacco. For example, 10 of the 18 funds in the CVS Health retirement plans have investments in tobacco producers, and 11 have investments in tobacco-promoting media companies. Additionally, four of the healthcare companies analyzed are in the business of selling public treatments for aggressive cancers, diabetes, heart disease, and chronic lung disease caused by smoking. Yet, they force their employees to hold shares in companies that make and promote tobacco products.

INTRODUCTION

The Health Crisis of Tobacco

Tobacco use is known to be the underlying cause of an ongoing global health epidemic. Tobacco is the number one cause of preventable death in the U.S. and accounts for more than 480,000 deaths every year, or about one in five deaths.³ Tobacco use is increasing globally, and, according to the World Health Organization (WHO), tobacco remains the most devastating, but preventable, epidemic of our time, causing more than eight million deaths a year.⁴ WHO estimates that one billion people will be killed by tobacco this century.⁵

Employees of healthcare companies who are invested in a 401(k) or other workplace-based retirement plan may not be aware that they are choosing to invest in mutual funds and Exchange Traded Funds (ETFs) that profit from the manufacture, marketing, and promotion of tobacco products and addictive nicotine. Employee investors should be made aware of these holdings so that they may choose to act responsibly by moving their savings to funds that are free from tobacco producers and tobacco-promoting companies.

“ In the 20th century, the tobacco epidemic killed 100 million people worldwide. ”
-World Health Organization⁶

Tobacco has an outsized negative impact on young people. Most smokers start before age 18. Even more adolescents are starting their nicotine addiction with e-cigarettes. The number of middle and high school students using e-cigarettes rose from 3.6 million in 2018 to 5.4 million in 2019—a jump of more than 40%.⁷ Kids who start with e-cigarettes are more likely to go on and add cigarettes, increasing tobacco company profits, and, in the long run, disease and death.

Smoking and e-cigarettes also increase the risk of contracting infectious diseases and worsening symptoms in infected people. A recent study concluded that young Americans who smoke and vape are five to seven times more likely to be infected with COVID-19.⁸ Another analysis of 19 peer reviewed papers concluded that smokers hospitalized for COVID-19 infections are twice as likely to progress to severe symptoms.⁹ These findings show that tobacco is not only addictive and deadly, but makes coronavirus even more dire.

The Implicated Companies

The first category of companies that are causing the tobacco epidemic are tobacco producers. Publicly traded tobacco manufacturers include Philip Morris International Inc., Altria Group, Inc., British American Tobacco PLC, Imperial Brands PLC, and other companies identified in Figure 1. In total, 81 publicly traded tobacco companies, which are listed in Appendix A, have been identified using the Morningstar tobacco industry classification. Divesting for tobacco requires screening out each of these tobacco manufacturing companies.

Figure 1: Examples of Large Publicly Traded Tobacco Companies



The entertainment industry is also deeply implicated in the tobacco epidemic. The history of collaboration between the film, TV, and tobacco industries is well documented in records unsealed by tobacco liability lawsuits.¹⁰ From the late 1920s to the early 1950s, U.S. tobacco companies spent millions to encourage smoking by stars while on screen through cross-promotion deals with their Hollywood studios. From the 1950s to 1970s, tobacco companies ranked among the highest-spending sponsors of TV shows produced by Hollywood studios. From the 1970s to at least the mid-1990s, tobacco companies paid millions to place their products in mainstream Hollywood movies—40% of them youth-rated. The entertainment companies promote tobacco to this day, accounting for 37% of all new young U.S. tobacco users.¹¹

In 2012, the U.S. Surgeon General reviewed extensive scientific literature and concluded that viewing smoking in movies causes kids to take up smoking and become addicted smokers.¹² In 2016, the U.S. Centers for Disease Control and Prevention (CDC) projected that exposure to on-screen tobacco would recruit more than six million young smokers in the United States alone and that two million of these recruits would ultimately die prematurely from tobacco induced cancer, heart disease, lung disease, and stroke.¹³ The harm caused by the promotion of tobacco use through mass entertainment is conclusively established by more than a decade of rigorous studies, in more than a dozen countries, involving more than 50,000 young people. The harm caused by tobacco-promoting entertainment companies is well documented, and these companies have failed to take effective action.

The major movie studios and their trade organization, the Motion Picture Association (MPA), were first informed of the research results and evidence-based policy solutions in a top-level briefing in 2003. From 2006-2007, the MPA rejected recommendations from its own public health consultants that the industry should eliminate smoking from its youth-rated movies.¹⁴ Despite the Surgeon General's 2014 report that voluntarily R-rating future films with smoking would reduce the teen smoking rate enough to avert one million future tobacco deaths in the U.S.,¹⁵ the MPA has refused to update its rating guidelines.¹⁶

Some media companies have published tobacco depiction policies, but loopholes allow smoking in almost any youth-rated film and every TV show they produce. In 2019, 51% of top-grossing U.S. films still featured smoking, including 22% of PG-rated films and 43% of PG-13 films.¹⁷ From 2015 to 2019, tobacco incidents in youth-rated films increased by nearly two-thirds, and, across all MPA ratings, tobacco content has more than doubled.¹⁸

The entertainment industry has a history of failure to adequately regulate tobacco imagery. In August 2017, 17 leading health organizations representing more than 630,000 health professionals demanded an R-rating for tobacco; the movie industry failed to respond.²⁰ In April 2019, three U.S. Senators polled film and TV companies on policy solutions backed by the health authorities and asked for data on their titles with smoking and youth viewership.²¹ No company complied. In August 2019, 43 state and territorial Attorneys General—mandated to monitor the promotion of tobacco to young people by the multibillion-dollar 1998 Master Settlement Agreement between the states and U.S. tobacco companies—wrote large companies with video-on-demand (streaming) services to recommend policies including that streaming services keep future youth-rated films and video programming tobacco free; improve parental controls so that tobacco content can be specifically blocked; and run strong anti-smoking and anti-vaping public service announcements before all content with tobacco imagery.²² The streaming services have not taken these actions.

“ Giving an R rating to future movies with smoking would be expected to reduce the number of teen smokers by nearly 1 in 5 (18%) preventing up to 1 million deaths from smoking among children alive today.”¹⁹

—U.S. CDC

In July 2020, more than 30 institutional investment offices with more than \$67 billion under management sent digital media companies promoting tobacco a detailed set of policy solutions with this message:

“We know that [each company] takes this issue seriously and is aware of the fact that on-screen smoking harms children watching it. The company must also be aware that there is national policy consensus adamantly opposed to promoting tobacco to children and teens, enshrined in state and federal law. However, the tobacco industry still benefits from tobacco presence in entertainment, even though it has suffered penalties in the billions of dollars for promoting its products to young people... As shareholders, we believe the serious risks associated with tobacco promotion to young viewers can in no way be justified in the course of the company’s main business.”²³

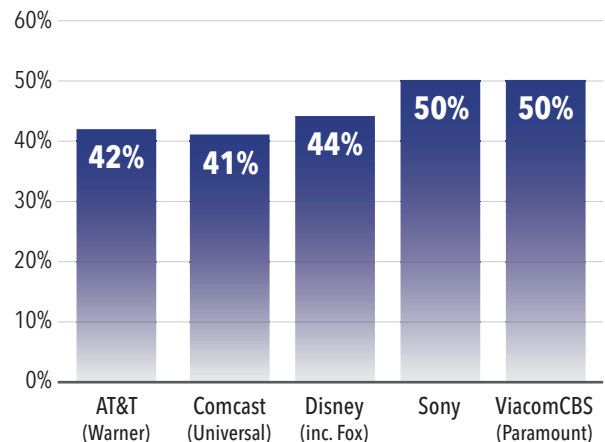
Media companies that are implicated in promoting tobacco imagery include AT&T Inc., Comcast Corporation, The Walt Disney Co., Sony Corporation, ViacomCBS Inc., and Lionsgate Entertainment Corporation. These companies, shown in Figure 2, are vertically integrated and own the major U.S. movie studios as subsidiaries, but they have yet to take comprehensive, effective action to permanently and substantially reduce children’s and adolescents’ exposure to smoking and vaping imagery across their multimedia operations. A tobacco free entertainment company would keep tobacco imagery out of youth-rated films, require each producer to file affidavits stating that nobody associated with the film production entered into any agreement regarding the representation of tobacco, and adhere to other specific actions listed in Appendix B. Divesting from tobacco-promoting media companies, until they do achieve and sustain acceptably low levels of tobacco exposure for their young audiences, is a critical action for investors to take to reduce tobacco’s public health harm.

Figure 2: Tobacco-Promoting Media Companies



Except for Lionsgate Entertainment Corporation, all these companies with major motion picture divisions are MPA members. Each has published a tobacco depiction policy purported to reduce smoking in its films. The terms of the policies vary. However, none matches the evidence-based policy solutions endorsed by health experts worldwide. All have loopholes that allow tobacco to be included in youth-rated films for subjective “creative” reasons.²⁴ Through 2019, 44% of all PG-13 rated films released by the major studios since the release of their tobacco policies have featured tobacco imagery.²⁵ Figure 3 shows the percentage of youth rated films featuring tobacco imagery from the major film studios since the inceptions of their policies (between 2005 and 2013) through 2019. These results demonstrate that individual company policies have failed to keep tobacco imagery out of the movies that adolescents see most.

Figure 3: PG-13 Movies Depicting Smoking While Company’s Tobacco Policy Was in Force



Source: UCSF Smoke Free Movies²⁶

Companies producing and distributing digital streaming video content are also promoting the tobacco epidemic. According to Truth Initiative, 79% of the most popular digital streaming shows with young people aged 15 to 24 depict smoking.²⁷ This preliminary research has established that tobacco content is high in original TV series produced by Netflix and Amazon; however, smaller samples of this programming have been surveyed so far than for motion pictures. As concern rises about how all streaming platforms deal with tobacco content, advance warning of tobacco content, and other issues, we will continue to monitor Netflix, Amazon, Apple, Google (YouTube), and other media disrupters. In this report, however, we focus on the multimedia companies that are known to have delivered tens of billions of tobacco exposures to domestic moviegoers and have long been aware of the evidence that this exposure promotes millions of young viewers to become addicted tobacco users. The streaming services with the greatest tobacco exposure are Netflix, Amazon (Amazon Prime Video), Apple (Apple TV+), and Google (YouTube TV). These streaming companies, shown in Figure 4, will be addressed in future reports unless they have taken action to solve the tobacco promotion problem in their programming.

Figure 4: Tobacco-Promoting Video Streaming Companies



Tobacco Free Investing

Many investors and retirement plan participants continue to invest in tobacco manufacturers and tobacco-promoting entertainment companies. Almost half of all Americans, and 55 million households, own stock in companies through personal investing accounts and retirement plans.²⁸ Additionally, 45 of the 60 (75%) of the most popular stock funds in American retirement accounts own shares in tobacco producers or tobacco-promoting entertainment studios. Making the decision to divest retirement plans of tobacco would make a critical difference on this issue.

To support tobacco free investing, *As You Sow's* tool *Tobacco Free Funds* enables investors to identify which mutual funds are investing in tobacco and which are tobacco free. The grading system (shown in Figure 5) used in this tool is that funds that invest in tobacco producer holdings receive an “F” grade, funds that just own tobacco-promoting media companies receive a “B” grade, and companies with neither tobacco companies nor tobacco-promoting media companies receive an “A”. Additionally, the tool displays the number of tobacco holdings and the percentage of assets that are invested in this harmful industry.

Figure 5: Tobacco Free Funds Grading System

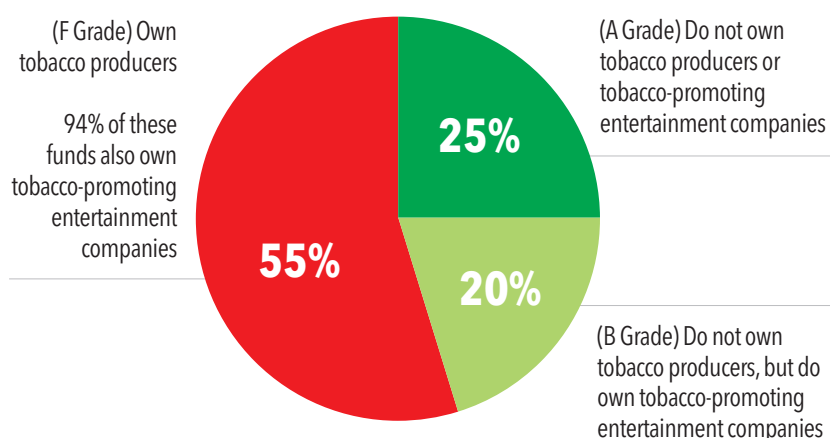
-  Fund is not invested in tobacco companies, and not invested in tobacco-promoting entertainment companies
-  Fund is not invested in tobacco companies, but is invested in tobacco-promoting entertainment companies
-  Fund is invested in tobacco companies, and may also be invested in tobacco-promoting entertainment companies

THE SMOKIEST RETIREMENT FUNDS

Tobacco Exposure of Top 100 Retirement Funds

The 100 most popular American retirement funds ranked by Kiplinger using BrightScope data have been considered for tobacco exposure.²⁹ The analysis only considers funds that have at least 40% of assets in direct stock holdings and does not include funds that focus on other asset classes. 60 of these top 100 funds met the 40% standard and were rated for tobacco exposure. Out of the 60 funds rated, 33 (55%) directly own shares in one or more tobacco producers, receiving an F grade. Out of the funds that received an F, 94% also owned tobacco-promoting media companies. Twelve of the funds (20%) do not own shares in tobacco manufacturers, but hold shares in tobacco-promoting media companies, thereby receiving a B grade. Fifteen funds (25%) had no exposure to tobacco producers or tobacco-promoting media companies and received an A grade. These results, which use fund holding data from June 30, 2020, show that that 45 of the most popular retirement funds (75%) invest in tobacco-producing companies and/or tobacco-promoting media companies (see Figure 6).

Figure 6: Tobacco Exposure of the Top 100 U.S. Retirement Funds



The tobacco exposure of the 10 largest funds common to retirement plans, which are managed by Vanguard, Dodge & Cox, American Funds, and Fidelity, is shown in Figure 7. Six of these funds receive an F grade and contain investments in tobacco producers. Additionally, all ten of the funds contain investments in tobacco-promoting media companies. Appendix C provides a full list of the tobacco exposure in the most popular retirement funds rated.

Figure 7: Tobacco Exposure of the Top 10 U.S. Retirement Equity Funds

FUND NAME	TICKER	TOBACCO SCORE	TOBACCO PRODUCERS	TOBACCO-PROMOTERS
Vanguard Institutional Index I	VINIX	F	2	4
Fidelity® 500 Index	FXAIX	F	2	4
American Funds EuroPacific Growth A	AEPGX	F	2	1
Fidelity® Contrafund®	FCNTX	B	0	1
Vanguard 500 Index Investor	VFINX	F	2	4
Vanguard Wellington™ Investor	VWELX	B	0	1
Dodge & Cox Stock	DODGX	B	0	1
Vanguard Mid-Cap Index Investor	VMSX	B	0	2
Vanguard PRIMECAP Investor	VPMCX	F	2	3
Vanguard Extended Market Index Investor	VEXMX	F	3	3

Funds commonly used in retirement plans have substantial investments in tobacco companies and tobacco-promoting media companies. As of August 31, 2020, the 60 popular retirement funds rated in this analysis had \$109 billion invested in tobacco producers and tobacco-promoting entertainment companies. Philip Morris International Inc. was the tobacco producer that received the heaviest investments from these retirement funds—\$17 billion—which was over one-eighth of this multinational’s total capitalization as of August 31, 2020.³⁰

Figure 8: Largest Tobacco Investments by the Top 100 U.S. Retirement Funds

COMPANY	SCREEN	\$ MILL INVESTED BY KIPPLINGER TOP 100 FUNDS
Comcast Corporation	Tobacco-Promoting Media Company	\$ 30,839
The Walt Disney Co.	Tobacco-Promoting Media Company	\$ 17,864
Philip Morris International Inc	Tobacco-Producer	\$ 17,041
AT&T Inc	Tobacco-Promoting Media Company	\$ 16,858
Altria Group Inc	Tobacco-Producer	\$ 9,181
British American Tobacco PLC	Tobacco-Producer	\$ 6,942
Sony Corporation	Tobacco-Promoting Media Company	\$ 6,039
ViacomCBS Inc.	Tobacco-Promoting Media Company	\$ 1,620
Imperial Brands PLC	Tobacco-Producer	\$ 1,097
Japan Tobacco Inc.	Tobacco-Producer	\$ 600

These large investments demonstrate that mutual funds commonly used in retirement plans constitute a significant portion of stock ownership in tobacco producers. Among the tobacco-promoting media companies, Comcast Corporation, followed by The Walt Disney Co., received the largest investments from these retirement funds. Figure 8 provides a list of the 10 largest tobacco-related investments by the top retirement funds, and Appendix D contains a full list of the tobacco-related investments.

The Smokiest Fund Managers

Tobacco investment exposure has also been considered for a wide range of funds offered by popular managers, covering a total of 960 funds that were rated using financial data as of August 31, 2020. This analysis is not limited to the top 100 most popular retirement funds and is extended to all the equity-focused funds that can be rated and screened. Figure 9 presents a summary of these results, which displays the number of funds analyzed as well as the percentage of holdings that contain tobacco manufacturers, tobacco-promoting entertainment companies, and a combination of all tobacco-related assets. All of the most popular retirement fund managers, except for MainStay, have investments in tobacco manufacturers and investments in tobacco-promoting media companies.

The smokiest fund manager in terms of tobacco producers is American Funds, with 1.82% of their holdings invested in these companies. For comparison, the Russell 3000 Index has 0.60% of its assets invested in tobacco manufacturing; American Funds invests more than three times as much in tobacco manufacturing as its underlying benchmark. Next comes Goldman Sachs (0.80%) and Schwab Funds (0.66%). When considering investments in tobacco-promoting media companies, the smokiest fund managers are Neuberger Berman (2.23% of total holdings) and Dodge & Cox (1.99%). Fund managers with the least total investment in tobacco producers and promoters are MainStay (0.00%) and Harbor (0.19%), which are much lower than benchmark funds, such as the S&P 500 (3.02%) and the Russell 3000 (2.54%).

Figure 9: Tobacco Exposure by Most Popular Retirement Fund Managers

ASSET MANAGER	NUMBER OF ANALYZED FUNDS	PERCENT OF HOLDINGS IN TOBACCO MANUFACTURING	PERCENT OF HOLDINGS IN TOBACCO PROMOTERS	TOTAL
American Funds	20	1.82%	1.05%	2.87%
Artisan	15	0.05%	0.46%	0.51%
Dodge & Cox	4	0.36%	1.99%	2.35%
Fidelity Investments	295	0.45%	1.01%	1.46%
Goldman Sachs	58	0.80%	0.64%	1.44%
Harbor	21	0.06%	0.13%	0.19%
Invesco	202	0.44%	1.11%	1.55%
JPMorgan	60	0.64%	0.71%	1.34%
MainStay	3	0.00%	0.00%	0.00%
MFS	33	0.42%	1.00%	1.42%
Neuberger Berman	5	0.00%	2.23%	2.23%
Oakmark	7	0.38%	0.84%	1.22%
PGIM Funds (Prudential)	41	0.08%	0.26%	0.35%
PIMCO	8	0.61%	0.56%	1.17%
Schwab Funds	21	0.66%	1.92%	2.58%
T. Rowe Price	67	0.27%	0.44%	0.71%
Vanguard	100	0.51%	1.46%	1.97%
VARIOUS BENCHMARK FUNDS				
iShares S&P 500 Index Fund		0.72%	2.30%	3.02%
iShares Russell 3000 ETF		0.60%	1.94%	2.54%
Vanguard Total World Stock Index Fund		0.61%	1.30%	1.91%

Another view of tobacco exposure is the total amount of money invested in tobacco companies. The five managers investing the most in tobacco-related companies are Vanguard, American Funds, Fidelity Investments, Invesco, and T. Rowe Price. These managers have the largest amount of assets that are exposed to tobacco producers and tobacco promoters.

Figure 10: Top Five Managers with Highest Amount of Tobacco Investments

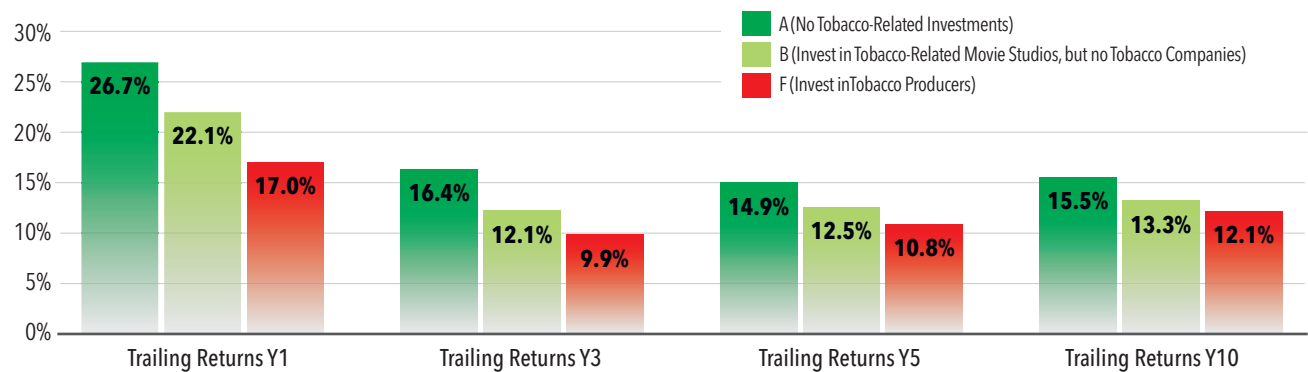
ASSET MANAGER	NUMBER OF ANALYZED FUNDS	\$ BILLION INVESTED IN ALL TOBACCO HOLDINGS	\$ BILLION INVESTED IN TOBACCO PRODUCERS	\$ BILLION INVESTED IN TOBACCO-PROMOTING MEDIA HOLDINGS
Vanguard	100	\$77.8	\$20.1	\$57.7
American Funds	20	\$43.3	\$27.5	\$15.8
Fidelity Investments	295	\$22.4	\$6.9	\$15.5
Invesco	202	\$6.5	\$1.8	\$4.6
T. Rowe Price	67	\$3.8	\$1.4	\$2.4

Tobacco Exposure and Financial Return

Funds with low tobacco exposure, on average, have higher financial returns. When considering the 100 most popular retirement funds, those receiving an A grade, with no tobacco investments, outperformed funds with a B or F grade. This result remained true across one year, three year, five year, and 10 year trailing returns. For example, over the last 10 years, the tobacco free funds considered had an average return of 15.5%, while those invested in tobacco had 12.1%: \$1,000 invested in funds with an A grade would have grown to \$4,225 in 10 years, while those invested in an F grade funds would have only grown to \$3,134. These results show that social responsibility is consistent with financial gain. It is possible to prioritize social and environmental benefits while simultaneously gaining competitive returns.

Figure 11: Trailing Financial Returns of Tobacco Screened Funds

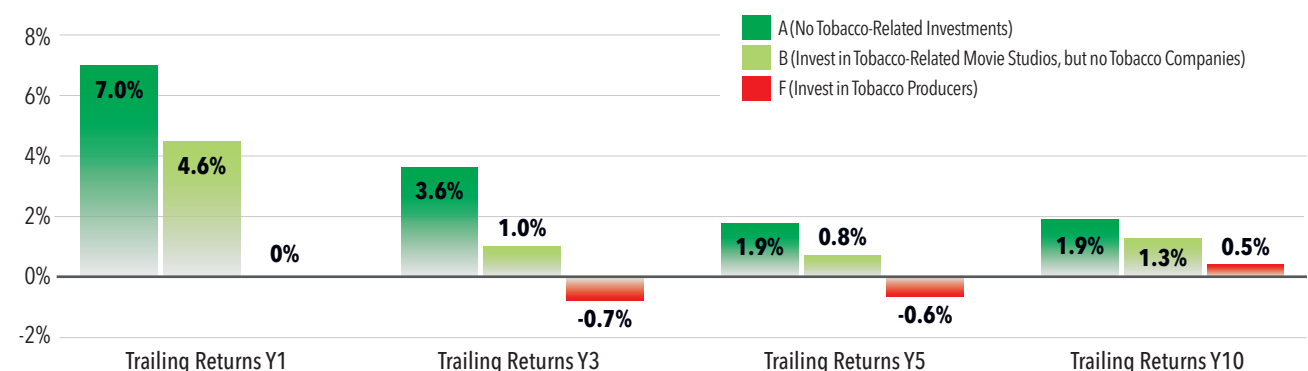
Financial Returns of Tobacco Screened Funds (As of August 31, 2020)



Another measure of financial performance is to compare funds' returns to benchmark funds. The benchmark funds considered were the iShares Core S&P 500 ETF, iShares MSCI ACWI, or the iShares Core Moderate Allocation ETF, depending on the fund's asset class. The percentage of performance compared to these benchmarks were then averaged for A, B, and F funds. The results, summarized in Figure 12, show that funds with an A grade outperformed their benchmarks, funds with a B grade did less well, and funds with an F grade were slightly below their benchmarks in all cases except 10 year trailing returns.

Figure 12: Tobacco Screened Funds Returns Compared to Benchmark

Return Compared To Benchmark (+/- %) (As of August 31, 2020)



HEALTHCARE SECTOR INVESTMENT IN TOBACCO

Exposure from Top 10 Healthcare Sector Employers

Investments in the tobacco industry are common in healthcare company retirement plans and all of the companies analyzed contained holdings in both tobacco producers and tobacco promoters. For this analysis, we have focused on the 10 U.S. healthcare companies with the largest number of employees, as ranked by Forbes.³¹ We then rated the tobacco exposure of the mutual funds, separately managed accounts, and other asset types in their retirement plans. The retirement plan assets of these companies were reviewed from annual reports to the U.S. Department of Labor dated December 31, 2018, which were the most recent disclosures at the time of this report's analysis. For some retirement plan assets, such as target date funds or common collective funds, no data were available to identify underlying stock holdings. The percentage of assets that disclose their holdings and were able to be rated are denoted. Figure 13 shows that all the healthcare retirement plans whose assets could be surveyed and rated held stock in both tobacco companies and tobacco promoters. Therefore, all the healthcare companies rated earned an F grade for tobacco exposure.

Figure 13: Tobacco Exposure in 10 Largest Healthcare Company Employers

COMPANY	TOTAL ASSETS (\$ MIL)	PERCENT OF ASSETS RATED	TOBACCO PRODUCERS INVESTMENTS (AT LEAST)	TOBACCO-PROMOTERS INVESTMENTS (AT LEAST)	TOBACCO SCREENING GRADE
Abbott Laboratories	\$9,797	69.7%	12	20	F
Becton Dickinson	\$3,096	18.4%	3	8	F
Community Health Systems*	\$3,645	0.0%	NA	NA	NA
CVS Health	\$10,049	87.5%	36	21	F
DaVita	\$1,652	26.4%	21	10	F
HCA Healthcare	\$14,775	50.5%	10	14	F
Johnson & Johnson	\$12,476	98.1%	2	4	F
Pfizer	\$13,688	49.8%	4	5	F
Tenet Healthcare	\$5,412	33.6%	5	17	F
UnitedHealth Group	\$10,811	33.4%	9	20	F
Total	\$85,400		102	119	

* None of the funds in Community Health Systems disclose their holdings, so the percent of assets rated is 0% and the tobacco exposure of their retirement plan is not available (NA).

While all these healthcare companies' retirement plans hold some tobacco-producing companies, they do so in different amounts. Figure 14 provides a breakdown of the percentage of the rated funds that either that fall into the A, B, or F tobacco screening score. Performing the worst, all the funds in HCA Healthcare's plan, and 85% of the funds in UnitedHealth Group plan invest in tobacco producers. In contrast—but still short of an A grade—80% of funds in Johnson & Johnson's plan were tobacco free, holding neither tobacco producers nor tobacco-promoting companies.

Figure 14: Tobacco Exposure in Largest Healthcare Company Employers

COMPANY	PERCENT OF RATED FUNDS* RECEIVING THE GRADE			PORTION OF F RATED FUNDS THAT CONTAIN TOBACCO PROMOTERS
	A	B	F	
Abbott Laboratories	0.0%	60.4%	29.2%	73.3%
Becton Dickinson	0.0%	3.3%	18.0%	100.0%
Community Health Systems**	NA	NA	NA	NA
CVS Health	28.8%	12.2%	59.0%	77.5%
DaVita	18.4%	3.3%	78.3%	100.0%
HCA Healthcare	0.0%	0.0%	100.0%	60.1%
Johnson & Johnson	79.7%	9.3%	11.0%	30.0%
Pfizer	47.3%	1.1%	26.4%	48.9%
Tenet Healthcare	19.4%	29.8%	50.8%	88.3%
UnitedHealth Group	0.5%	14.1%	85.4%	97.7%

* Funds can include mutual funds, ETFs, separately managed accounts, target date funds, collective trusts, or other investment vehicle types.

** None of the funds in Community Health Systems disclose their holdings, so the tobacco exposure of their retirement plan is not available (NA).

An important aspect of this analysis is that it can be difficult to identify the holdings in company retirement plans. For example, none of the underlying holdings in Community Health Systems’ retirement plan could be identified. This is because many retirement plans do not use mutual funds, which are required to disclose their holdings publicly, but instead use common collective trusts and separately managed accounts, which do not

have this requirement. Also, retirement plans often use target date funds composed of separately managed accounts or other vehicles that do not disclose underlying holdings. This lack of transparency makes it difficult for retirement plan account holders themselves to identify the companies making up their portfolios and exert preferences for investments that match their social and environmental values. A summary of common investment vehicles used in retirement plans and the difficulty to identify the underlying holdings is noted in Figure 15.

Figure 15: Disclosure of Holdings in Common Retirement Investment Vehicles

INVESTMENT VEHICLE TYPE	DISCLOSURE OF HOLDINGS
Mutual Funds	Holdings are always disclosed
Exchange Traded Funds (ETFs)	Holdings are always disclosed
Target Date Funds	Holdings are sometimes disclosed
Separately Managed Accounts	Holdings are sometimes disclosed
Common Collective Trusts	Holdings are rarely disclosed

CVS Health Retirement Plan Focus

Special attention was given to CVS Health because it has made strides in removing tobacco from its stores and has shifted toward a more health-centric mission and business plan. Despite this shift, CVS Health still forces its employees to bet on tobacco in their retirement plans.³² Out of the 18 mutual funds and separately managed accounts identified in the CVS 401(k) retirement plan, 10 (55%) received an F grade for investing in tobacco producers, and three of these funds (17%) received a B grade for investing in tobacco-promoting media companies. These tobacco investments not only occur in CVS Health's choices of mutual funds, but also are in CVS Health's use of separately managed accounts. CVS Health holds tobacco producer shares in Altria Group, Inc. and Philip Morris International Inc. and holds shares in the tobacco promoter Comcast Corporation through its separately managed accounts managed by Columbia Threadneedle, Mellon Capital, and Barrow Hanley. These results show that CVS Health's mission to remove tobacco is not aligned with its retirement plan practices. CVS Health should walk the talk by divesting tobacco from all its retirement funds and providing transparent options for its retirement plan participants.

Figure 16: CVS Retirement Plan Mutual Funds and Separately Managed Accounts

SECURITY NAME	% OF TOTAL ASSETS	TOBACCO GRADE	TOBACCO PRODUCERS	TOBACCO-PROMOTING MEDIA COMPANIES
Vanguard Institutional 500 Index Trust Fund	16.2%	F	2	4
Stable Value Fund	12.6%	A	0	0
Vanguard Developed Markets Index Fund Institutional Shares	9.6%	F	7	1
Columbus Circle, T.Rowe Price, and Mellon Capital*	8.5%	F	1	0
Columbia Threadneedle, Mellon Capital, and Barrow Hanley*	7.6%	F	3	1
CVS Health Common Stock*	7.0%	A	0	0
Vanguard Mid Cap Index Fund	6.9%	B	0	2
American Funds-New Perspective Fund	3.1%	F	3	0
Vanguard Explorer Fund	2.8%	A	0	0
Dimensional Fund Advisors, Sapience Investments, and Vanguard *	2.3%	A	0	0
Vanguard Small Cap Index Fund	2.3%	F	2	3
American Funds EuroPacific Growth Fund	1.9%	F	2	1
Templeton Foreign Equity Series Primary Shares Fund	1.9%	B	0	1
Vanguard International Growth Fund Admiral	1.9%	B	0	1
DFA US Targeted Value Portfolio	1.1%	F	1	3
Vanguard Total International Stock Index Fund	0.7%	F	14	1
Blackrock Global Allocation Collective Fund	0.6%	F	1	3
Vanguard Explorer Value Fund	0.6%	A	0	0

* Denotes separately managed accounts

CONCLUSION



Tobacco-producing and tobacco-promoting companies still thrive in 75% of the most popular funds used in retirement plans. Additionally, tobacco exposure is present in all the top 10 health company retirement plans, even though they have a mission to improve health outcomes and reduce tobacco use. We challenge retirement plan managers—and specifically health-centric companies—to align their investments with their stated values and to divest from tobacco producers and promoters. Additionally, retirement holdings need to be made more transparent, so account holders can make informed choices congruent with their value standards.



Tobacco promotion by the entertainment industry presents a social justice issue that threatens millions of lives and disproportionately harms youth, low-income communities, and emerging nations. Tobacco-promoting companies need to be pressed to break their ties with smoking products and be held accountable to implement evidence-based solutions, such as requiring R ratings for films containing tobacco imagery. Taking proactive steps in investments and retirement plans presents an opportunity to pressure these companies to make the change that they need to take.

Another important finding is the general lack of sustainable and socially responsible funds within the 100 most popular 401(k) funds, despite the meteoric rise of sustainable investing.³³ We anticipate this will change in the near future as employees begin to demand more sustainable investment options. Retirement plans need to stay relevant and support the values of their participants.

To take action to invest in mutual funds that are tobacco free, use the *As You Sow* tool www.TobaccoFreeFunds.org. The basic process to use *Tobacco Free Funds* is summarized in Figure 17, which includes searching for mutual funds and using these results to inform more socially responsible choices. We urge employees to switch to funds that do not invest, or have lower levels of investments, in tobacco companies and tobacco-promoting entertainment companies. If your retirement plan does not offer tobacco free options, consider talking to your retirement plan administrator using *As You Sow's* action toolkit.³⁴

Figure 17: How to Use *Tobacco Free Funds*

-  **1** Search for mutual funds and ETFs by name, ticker, or asset manager. We have thousands of the most commonly held U.S. mutual funds in our database.
-  **2** See your results. How much money do your funds invest in tobacco or entertainment companies that promote tobacco to young people?

Look in our database for fund options with lower levels of investment in tobacco or entertainment companies that promote tobacco to young people. You can also [take action by signing our letter to tobacco-promoting entertainment companies](#).
-  **3**
-  **4** Show the results to your financial advisor or retirement plan manager. Talk about how you can align your investment with your values.



Retirement plans should fund a socially responsible future and not support the deadly tobacco industry. *As You Sow's* comprehensive tool suite of *Invest Your Values* provides socially responsible screening ratings across a variety of issues to find investments that align with your values. The time is now to align our finances with our values and to create the future we want to live in.

APPENDIX A

Publicly Traded Tobacco Producer Companies

Al-Eqbal Investment Company PLC	Nicoccino Holding AB
Alajans Uan Makedonija AD	Nikotiana BT Holding AD
Altria Group, Inc.	NTC Industries Limited
American Heritage International Inc.	Old Holdco Inc
Aroma Enterprises (India) Ltd	Pakistan Tobacco Company Limited
Bellatora Inc.	Pazardjik-Bulgartabac AD
British American Tobacco Kenya PLC	Perusahaan Rokok Tjap Gudang Garam Tbk
British American Tobacco Bangladesh Co Ltd	Philip Morris (Pakistan) Ltd
British American Tobacco Malaysia Bhd	Philip Morris ČR, a.s.
British American Tobacco PLC	Philip Morris International Inc.
British American Tobacco Zimbabwe Holdings Ltd	Philip Morris Operations a.d.
Bulgartabac Holding Group AD	PT Bentoel Internasional Investama Tbk
Carreras Ltd	PT Indonesian Tobacco Tbk
Cat Loi JSC	PT Wismilak Inti Makmur Tbk
Ceylon Tobacco Company PLC	Scandinavian Tobacco Group A/S
Charlie's Holdings, Inc.	Sinnar Bidi Udyog Ltd
China Tobacco International (HK) Co Ltd	SITAB Cote d'Ivoire
Coka Duvanska Industrija a.d	SLANG Worldwide, Inc.
Dupnitsa-Bt	Slantse Stara Zagora Tabac AD
Duvan a.d	Smokefree Innotec Inc.
Dzhei Ti Interneshnl Ukraina PJSC	Smooore International Holdings Ltd
Eastern Co SAE	Standard Vape Corp.
Gemini Group Global Corp	Swedish Match AB
Gilla Inc.	TAAT Lifestyle & Wellness Ltd
Godfrey Phillips India Ltd	Tabak a.d
Golden Tobacco Limited	Turning Point Brands, Inc.
Gotse Delchev Tabac AD	Tutunski Kombinat AD
Green and Hill Industries, Inc.	Tvornica Duhana Zagreb d.d.
Hanjaya Mandala Sampoerna Tbk	Union Investment Corp
Harry's Manufacturing Inc.	Union Tobacco & Cigarette Industries Company PTC
High Tide Inc.	Universal Corporation
Imperial Brands PLC	Vape Holdings, Inc.
ITC Ltd	Vapor Group, Inc.
Japan Tobacco Inc.	Vapor Hub International, Inc.
Jerusalem Cigarette Co. Ltd	VaporBrands International, Inc.
Kaival Brands Innovations Group Inc	Vector Group Ltd.
Karelia Tobacco Co Inc SA	VPR Brands LP
Khyber Tobacco Co Ltd	VST Industries Ltd.
Korea Tobacco & Ginseng Corporation	Wee-Cig International Corp.
Ngan Son JSC	West Indian Tobacco Co Ltd
Nhale Inc	

APPENDIX B

Tobacco Free Entertainment Company Guidelines

The definition of a “Tobacco Free” entertainment company

- a. Stipulates in its distribution and licensing agreements that exhibition of any video content with tobacco imagery will be preceded by a strong anti-tobacco spot announcement, in all media and in all distribution territories;
- b. Requires each credited producer of a video content with tobacco imagery to file affidavits stating that nobody associated with the video content production entered into any agreement in regard to the representation of tobacco in the video content;
- c. Stipulates in all production agreements that the finished video content shall not include any tobacco product brand or facsimile;
- d. Stipulates in all production agreements that there should be no tobacco imagery in any video content conceived to be youth-rated, with the possible exception of a film that depicts tobacco use only by an actual historical person (as in a documentary or a biographical drama) or accurately portrays the serious health consequences of tobacco use.
- e. Further, that the company (if it is an MPA member), in its role on the governing board of the Motion Picture Association, explicitly supports updating the rating and advertising standards and guidelines to assign an R-rating to any video content with tobacco imagery, with the possible exceptions stated at (d).

APPENDIX C

Tobacco Exposure of Top 100 Retirement Funds

(Note: Only 60 of the top 100 funds where rated)

KIPLINGER RANK	FUND NAME	TICKER	TOBACCO SCORE	TOBACCO PRODUCERS	TOBACCO-PROMOTING ENTERTAINMENT COMPANIES
1	Vanguard Institutional Index I	VINIX	F	2	4
2	Fidelity® 500 Index	FXAIX	F	2	4
3	American Funds EuroPacific Growth A	AEPGX	F	2	1
4	Fidelity® Contrafund®	FCNTX	B	0	1
6	Vanguard 500 Index Investor	VFINX	F	2	4
7	Vanguard Wellington™ Inv	VWELX	B	0	1
8	Dodge & Cox Stock	DODGX	B	0	1
10	Vanguard Mid-Cap Index Investor	VIMSX	B	0	2
11	Vanguard PRIMECAP Investor	VPMCX	F	2	3
12	Vanguard Extended Market Index Investor	VEXMX	F	3	3
14	Vanguard Total International Stock Index Investor	VGTSX	F	14	1
15	Vanguard Small-Cap Index Inv	NAESX	F	2	3
17	American Funds The Growth Fund of America A	AGTHX	F	3	2
18	Fidelity® Growth Company	FDGRX	F	1	3
23	Vanguard Total Stock Market Index Investor	VTSMX	F	5	7
25	Vanguard Windsor™ II Investor	VWNFX	B	0	4
27	Dodge & Cox International Stock	DODFX	F	1	0
30	Fidelity® Low-Priced Stock	FLPSX	F	2	1
31	T. Rowe Price Blue Chip Growth	TRBCX	A	0	0
34	Harbor Capital Appreciation Investor	HCAIX	A	0	0
35	American Funds American Balanced A	ABALX	F	4	1
36	MFS Value A	MEIAX	F	1	1
37	Fidelity® Extended Market Index	FSMAX	F	3	3
38	Fidelity® Diversified International	FDIVX	B	0	1
39	T. Rowe Price Mid-Cap Growth	RPMGX	A	0	0
42	Fidelity® Balanced	FBALX	F	1	4
44	Vanguard International Growth Investor	VWIGX	B	0	1
46	T. Rowe Price Growth Stock	PRGFX	A	0	0
48	Vanguard Balanced Index Investor	VBINX	F	5	7

(Continued on next page)

KIPLINGER RANK	FUND NAME	TICKER	TOBACCO SCORE	TOBACCO PRODUCERS	TOBACCO-PROMOTING ENTERTAINMENT COMPANIES
49	Vanguard Growth Index Investor	VIGRX	B	0	1
50	Fidelity® Puritan®	FPURX	A	0	0
53	American Funds Washington Mutual A	AWSHX	B	0	1
55	American Funds New Perspective A	ANWPX	F	3	0
56	MainStay Winslow Large Cap Growth A	MLAAX	A	0	0
57	T. Rowe Price Institutional Large-Cap Growth	TRLGX	A	0	0
58	Harbor International Investor	HIINX	F	3	1
59	Vanguard Institutional Total Stock Market Index I	VITNX	F	5	7
63	JPMorgan Mid Cap Value A	JAMCX	A	0	0
64	Vanguard Equity-Income Investor	VEIPX	F	2	2
65	Vanguard Value Index Investor	VIVAX	F	2	5
67	Vanguard Developed Markets Index Investor	VDVIX	F	7	1
68	American Funds Fundamental Investors® A	ANCFX	F	5	2
70	Fidelity® OTC	FOCPX	B	0	1
71	Fidelity® International Index	FSPSX	F	4	1
72	Fidelity® Blue Chip Growth	FBGRX	F	1	1
75	Dodge & Cox Balanced	DODBX	B	0	1
76	Invesco Diversified Dividend A	LCEAX	B	0	2
77	Oakmark Equity And Income Investor	OAKBX	F	1	1
81	Vanguard Real Estate Index Investor	VGSIX	A	0	0
82	T. Rowe Price New Horizons	PRNHX	A	0	0
83	Invesco Oppenheimer Developing Markets A	ODMAX	A	0	0
84	Vanguard Explorer Investor	VEXPX	A	0	0
86	JPMorgan Large Cap Growth A	OLGAX	A	0	0
87	T. Rowe Price Equity Income	PRFDX	F	2	3
88	American Funds AMCAP A	AMCPX	F	2	1
89	Vanguard Windsor™ Investor	VWNDX	F	1	2
90	Schwab® S&P 500 Index	SWPPX	F	2	4
91	American Funds Capital World Growth & Income A	CWGIX	F	5	2
95	Artisan Mid Cap Investor	ARTMX	A	0	0
98	Goldman Sachs Small Cap Value Inv	GSQTX	A	0	0

APPENDIX D

Tobacco Investments by Top 100 Kiplinger Retirement Funds

COMPANY	SCREEN	\$ MILLION INVESTED BY KIPPLINGER TOP 100 FUNDS
Comcast Corporation	Tobacco-Promoting Media Company	\$ 30,839.1
The Walt Disney Co.	Tobacco-Promoting Media Company	\$ 17,863.8
Philip Morris International Inc.	Tobacco-Producer	\$ 17,041.2
AT&T Inc.	Tobacco-Promoting Media Company	\$ 16,857.9
Altria Group, Inc.	Tobacco-Producer	\$ 9,181.4
British American Tobacco PLC	Tobacco-Producer	\$ 6,942.4
Sony Corporation	Tobacco-Promoting Media Company	\$ 6,038.6
ViacomCBS Inc.	Tobacco-Promoting Media Company	\$ 1,619.9
Imperial Brands PLC	Tobacco-Producer	\$ 1,096.5
Japan Tobacco Inc.	Tobacco-Producer	\$ 599.5
Swedish Match AB	Tobacco-Producer	\$ 354.5
ITC Limited	Tobacco-Producer	\$ 194.4
Korea Tobacco & Ginseng Corporation	Tobacco-Producer	\$ 176.0
Lionsgate Entertainment Corp	Tobacco-Promoting Media Company	\$ 92.5
Vector Group Ltd	Tobacco-Producer	\$ 83.0
Universal Corporation	Tobacco-Producer	\$ 72.5
Scandinavian Tobacco Group A/S	Tobacco-Producer	\$ 40.5
Perusahaan Rokok Tjap Gudang Garam Tbk	Tobacco-Producer	\$ 26.7
Hanjaya Mandala Sampoerna Tbk	Tobacco-Producer	\$ 19.1
Turning Point Brands, Inc.	Tobacco-Producer	\$ 19.0
AMC Entertainment Holdings Inc	Tobacco-Promoting Media Company	\$ 15.8
Eastern Company SAE	Tobacco-Producer	\$ 11.9
China Tobacco International (HK) Co Ltd	Tobacco-Producer	\$ 7.4
British American Tobacco Malaysia Bhd	Tobacco-Producer	\$ 6.9
Philip Morris ČR a.s.	Tobacco-Producer	\$ 5.2
Karelia Tobacco Co Inc SA	Tobacco-Producer	\$ 0.5

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