



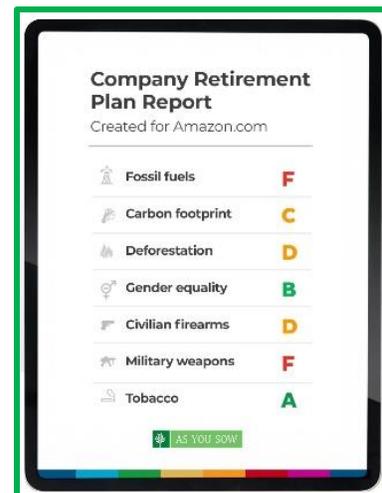
Activating the Nation’s 401(k)s : CORPORATE 401(k) REPORT CARD

If you found out that through your company 401(k), you owned corporations that are destroying the global climate, burning down the Amazon rainforests, and profiting from the sale of cluster munitions, would you want to change your investments?

In the U.S today, 91 million employees hold \$8.4 trillion invested in retirement assets, which are likely out of alignment with their personal values. Most retirement 401(k) and 403(b) plans do not offer ESG (environmental, social, and governance)-aligned investment options, which prevents employees from aligning investments with values. Per the [NYTimes](#), “67% of millennials would be more likely to contribute, or increase their plan contributions, if they knew their investments were contributing to social good.”

With support from Invoking the Pause, *As You Sow* is developing a Corporate 401(k) Report Card that grades corporations’ and foundation’s retirement plans. Employees across the country will be able to go to our website, type in a company name, and with one click see that Corporate 401(k) Report Card. We are using our existing [Invest Your Values](#) database of ESG-screened companies to compare corporations’ sustainability and social goals to their 401(k) investment options, grading performance on eight key ESG issues — the seven you see in the sample Report Card shown here, plus the private prisons data from our most recent Invest Your Values screen, [PrisonFreeFunds.org](#).

As part of the process, *As You Sow* is piloting initial report cards with a few high-profile corporations. Our goal is to learn what will motivate employees of corporation, foundations, and universities to become an internal advocate for aligning investing and values. We will use this information to develop educational materials to help employees better understand their 401(k)s and effectively advocate for better options.



Together with Fossil Free California, we’ve also been following a small clean tech start-up as it has worked to align its 401(k) plan options with values. The company (“Acme”) is still in the process, with many valuable learnings so far.

CASE STUDY. “Nate” is an Acme employee. Already connected to *As You Sow* and Fossil Free California, Nate used [fossilfreefunds.org](#) to examine what fossil fuel companies were hidden in his 401(k). He discovered that the funds he owned were “routinely terrible” across all ESG criteria. Acme is a company with a strong values culture, so Nate was surprised. Like many tech companies, Acme has a policy of allowing employees to spend up to 10% of their time building or maintaining the company’s organizational culture, so Nate approached the HR department about starting a 401(k) “People’s Initiative.” After waiting a few months (and reassuring the HR team that he was working with *As You Sow*, and could do it within the 10% time allotment), Nate got permission to create a 401(k) Committee.

His first task was to discover who held Acme's "401(k) trustee" position. This turned out to be the company's CFO, and as luck would have it, the CFO was already looking for a new 401(k) vendor. The CFO was generally aligned with the idea of having better ESG options, so he set up a meeting with a potential vendor and invited Nate to attend. The sales rep was fairly dismissive of Nate's questions about ESG options, arguing there were "not enough of them," and "they don't have the best returns." Thanks to *As You Sow's* Invest Your Values mutual fund tools, Nate was prepared. He had done his homework and was able to provide a range of examples of high performing ESG funds. After the meeting, Acme's Controller approached Nate to discuss how they might find a better 401(k) ESG options.

Nate assembled a diverse steering committee, leveraging existing relationships and connecting with Acme's "Employee Resource Groups." In his 'pitch' to fellow employees, he focused on ESG screening criteria tailored to resonate with the company's values (e.g. weapons & state violence, prisons, male- and white-dominated investment culture, fossil fuels, etc.). He started with a basic question: "Do you care about how your 401(k) money is invested?" He described a "unique opportunity" to influence the company's decision in choosing a new plan and received only positive feedback from his colleagues.

The steering committee now has decided to:

- Develop an investment policy which will include ESG options, potentially as the default
- Hire an investment advisor familiar with ESG investment options
- Choose a new platform, ideally one that presents ESG info

Nate and his company are still in the process of making this transition, but they have learned a lot so far:

Pros

- Employees and management care about how their money is invested, and there are plenty of ESG options available that garner good returns
- Even with only one person spearheading the transition, change is possible

Challenges

- The 401(k) process is opaque and there aren't enough platforms that include ESG ratings
- Even at progressive, values-driven companies, change takes time

Lessons

- Be patient but persistent
- Find allies, ideally within the C-suite and/or the finance team
- Build a diverse coalition and include all ESG factors in your outreach to fellow employees. Chances are, one of them will resonate with almost everyone
- Despite ESG funds outperforming the market, there are still very few plug-and-play options for ESG-screening 401(k)s; there is huge potential for improvement in this area

NEXT STEPS. *As You Sow* is excited to take what we have learned from Acme's process and methodically incorporate it into how we roll out our 401(k) Corporate Report Card to companies across the country. Most people do not want to be invested in destruction. *As You Sow's* Corporate 401(k) Report Card will give people the tools to understand exactly what their money is supporting, and will help encourage them to direct capital into an emerging economy based on justice and sustainability.