

Growing Trend of 401k Climate Resolutions at Corporations Has Implications for Asset Managers

A New Shareholder Trend Emerging

2022 is seeing an emerging trend in climate-focused shareholder resolutions that look at how companies are addressing climate risk in their employer-sponsored retirement plans. The trend started this spring with resolutions at Amazon.com receiving 9.1% support and Comcast receiving 6% support. Two such resolutions have also been filed at companies this fall. On Nov. 30 a [resolution at Campbell's Soup](#) received [8.8% support](#) and on Dec. 13 Microsoft shareholders will vote on [a similar resolution](#).

The resolutions, filed by [As You Sow](#), ask companies to prepare a report assessing how their retirement funds manage the growing systemic risk created by investing in companies contributing significantly to climate change. So far these resolutions are being filed at companies that have made strong climate commitments but have failed to assess how their investments are contributing to their climate impacts. Microsoft, for example, has committed to becoming carbon negative by 2030 and has created a \$1 billion climate innovation fund. But its retirement plan is investing more than \$2 billion of employee savings into oil and gas, coal-fired utilities, and agribusinesses involved in deforestation. This creates cognitive dissonance, reputational risk, and exposes employees to climate-related financial risk.

Significance of Vote Percentages on Shareholder Resolutions

- **5%** — a 5% vote may not sound significant, however, any resolution with 5% or higher passes the threshold needed to refile a resolution with the company the following year. This presents shareholders with a key opportunity to continue engagement with a company.
- **10%** — shows the company that a significant cohort of their investors care about the issues presented in a proposal. At Microsoft, a 10% vote at Microsoft would represent \$180 billion in shareholder value.
- **51+%** — any resolution with 51+% is considered a majority vote. While resolutions in the U.S. are not legally binding, it is in the company's best interest to address resolutions that reach a majority vote, or risks alienating shareholders.

Implications for Asset Managers

The companies facing these shareholder resolutions are major clients of BlackRock, Vanguard, and Fidelity and rely on these asset managers to invest their substantial retirement plans on behalf of their employees. Microsoft has more than \$11 billion in BlackRock target date funds, more than \$10 billion in Vanguard funds, and more than \$8 billion in Fidelity funds. More than [\\$800 million](#) of Campbell's 401(k) is invested in the default Vanguard target-date option. All of these funds follow the industry norm of having exposure to carbon-intensive industries and companies responsible for deforestation in the Amazon and Indonesian rainforests.

If large companies like Campbell's and Microsoft start factoring climate change and sustainability into how their 401k plans are invested, large asset managers like Vanguard and BlackRock will have to figure out how to provide sustainable options that meet these clients' substantial size. This could include having to innovate new investment products that meet a higher threshold of sustainability than the current industry standard.

Risks of Investing in Climate Destruction

High carbon investments not only have the potential to risk short-term returns, but create significant risk for young employees' future retirements following decades of climate impacts. A report from the [Carbon Disclosure Project](#) indicates that 215 of the largest global companies report almost \$1 trillion at risk from climate impacts, with many losses to hit within the next 5 years.

Employees Pushing for Change

*"Employees at Microsoft have been asking for better, climate-safe investment options from the company for years," said **Maren Costa, a design lead at Microsoft.** "It's about time the Microsoft board and management agrees that offering employees investments aligned with their values inside our 401(k) plan is in everyone's best interest."*

For more information or interviews please contact:

Stefanie Spear, sspear@asyousow.org, 216-387-1609