

INTERVIEW WITH LESLIE SAMUELRIK AND ERIN GRAY ***Green Century Capital Management***

Malaika: Welcome everybody and thanks so much for joining us. We're talking today with Leslie Samuelrich and Erin Gray of Green Century Capital Management, which happens to be the only SRI mutual fund in the country that was founded and owned by a group of environmental nonprofits. Besides this, Green Century also impressed us with your strong shareholder advocacy work with great leadership in the fossil fuel divestment movement and the strong representation of women throughout your firm.

Leslie is the president of Green Century Capital Management and also sits on their board. She focuses on the firm's current and emerging investment strategies, business development and impact investing program. And she also serves on the board of directors for US SIF, which is a forum for advancing sustainable and responsible investment. She's also is a member of the advisory board at the Intentional Endowments Network. Erin is based at Green Century's Seattle office and is focused on marketing and strategic analysis for the firm. She supports the financial advisors on the west coast. I get to talk to her quite a bit. And she coordinates sustainable investing event participation and leads special analytic projects at Green Century. We're so glad that you both guys are joining us today. Thank you so much. Nice to meet...

Leslie: Thanks for having us.

Malaika: Yeah. Leslie and Erin we first, Carrie and I first started really thinking about wanting to highlight the work that Green Century does when we heard about the goals and wonderful accomplishments of the forest protection campaign at the Socially Responsible Investment conference in Colorado. So I'd love to start there and just ask for an overview of that campaign and your shareholder advocacy work in general. Maybe you could start, Leslie, and then Erin you could add in anything extra.

Leslie: Great. Thanks for asking about it. Our shareholder advocacy, in addition to the investment strategy and our ownership is one of the things that we really proud about and is a way that we are making an impact in the real world. And historically we have worked on issues that protect our environment and public health. And we started on this particular campaign that you mentioned just about three years ago. Focused a way to attack the climate

change problem but also to protect forests, endangered species and some human rights. And so we are looking at a full agricultural commodity campaign to stop deforestation.

Deforestation makes up 50% of the global greenhouse gases. And so one way to help curb climate change is to protect the forests. And one of the biggest threats to burning and cutting down forest are the different agricultural commodities that are grown there, and the most well-known of which probably is palm oil. And that's where we started. Palm oil is mostly grown in southeast Asia and is the most widely used vegetable oil in the world. And it does not need to be grown on pristine lands. And so historically, palm oil growers have burned down rain forests and then grown plantations there. But it actually can thrive in really poor soil.

So what we want to do is all the way through the supply chain is to drive change down to the grower level so that the rain forest could be protected. And in the short time we worked on it we've had a lot of success. We gotten consumer facing groups like Kellogg's, that people are probably have heard of, to adapt to the Bureau of Deforestation policy. And then they in turn with the help and other investors have gotten the largest palm oil trader in the world to adopt a policy as well. And so the whole supply chain is moving which is really, really exciting.

Erin: I just think that's a great example of the breadth of shareholder advocacy work that we do. We work on a number of environmental issues with toxics, trying to get the neonicotinoids out of products and these really impact bees. We work on our food supply. We're working on exciting issues like food waste for the first time this year. We're also getting antibiotics out of our food supply. So one of the most exciting things for me is just the breadth of issues that we can address as well.

Malaika: So now we're going to back up a little bit. And we'd love to hear you all help us tell the story of how women are creating change in the world through social responsible investing. We'd love to hear from each of you about what drew you to this work.

Leslie: Sure. I was drawn to this field principally because of the impact that I could make. So my history is actually working for nonprofits, on campaigns and building grassroots organizations. And I've worked in a lot of different issues, from human rights to poverty to environmental protection. And in this next phase in my life I wanted to see how to do that in a different way. And so because of the ownership of Green Century, I knew that the mission of creating environmental change is baked into the firm. And that's what attracted me. So how can we, big corporation which have a large footprint in

the environment, how can we get them most directly to make the changes on a faster timeline than we've been able to see through federal or state legislation.

Erin: So I started out my professional career in public accounting of all places which was, essentially I was doing auditing of the financial statements of large corporations and nonprofit groups. And while the work was interesting, after a couple of years I was on my way to becoming an accountant which I didn't have a super great passion for. So I took the opportunity to take a little time off. And a friend and I spent about four months backpacking through Southeast Asia. And it was there that I first really encountered the large scale environmental impacts that we as a human species can have. Just in terms, I was in these cities in Asia with millions of people, and seeing the extremely poor air quality and water quality really hit home to me.

So from then on I really tried to bring both my interest in environmental issues and business and finance issues together in a career. So I was able to do that at an environmental consulting firm in Boston. And then after a couple of years there I wanted to deepen in my knowledge in both areas. So I went to a graduate school, I did a joint business MBA program and masters in environmental management. And coming out of that, I still had these strong interests and I found Green Century. And it was a great fit for me really to combine both of these interests professionally. And I've been here now almost 14 years.

Malaika: Oh my Gosh. Yeah.

Erin: Yeah. It's been a great fit for me.

Malaika: From your own perspective and also if you want to address Green Century as an entity in this question. But where do you see as your unique contribution or purpose or role in the field?

Leslie: That's a really good question. Because I think each of us wants to make an important impact. And the way I think about it, it is intertwined with Green Century's mission and it goes back to the founding of it. And there's so many ways individuals can make an impacts in their personal lives. There had been this, a little bit of a wall between what you can do in home and in your schools and what you do with your money. And so when Green Century was founded, it was really setup for individuals who wanted to align their investments with their ideas and values. And it's a really neat way to expand the environmental and social change movement to people who might not be active with a group like the owners or Sierra Club or someone like that but wants to do something, and this is a way to do it.

A lot of people save for retirement through IRAs or 401(k)s, and I think we particularly really focus on the impacts that we make. So for us the investment strategy through public equities is important to invest in sustainable companies. Our green bond portion is really important, it's funding privates like the largest solar facility in Latin America. That's very tangible and important in this time when the world is getting hotter every year. And the advocacy we do not only to figure out what is the financial risk and implication for a company that we invest in. But we are equally if not more driven to get supply chain changes or policy changes and really measure that in a concrete way. And I think that is something that others share, but we put a real emphasis on. So we are always driving to say, "Well how much a difference does it make going beyond transparency and accountability all the way to the company, the largest palm oil supplier - 1.6 gigatons of carbon out of the air and the policy work." And so to be able to quantify it and to have that as our bottom line, as well as the bottom line for investors is something that is really important to us and that we try to bring to the rest of SRI or ESG or impact investment field.

Erin: From my perspective I think it's just the ability to bring my deep interest in the business finance investment field, as well as my passion for environmental issues into my professional work. Part of my work is to go out and talk to the interested investors and financial advisors about what we do at Green Century. And after one of these conversations a colleague within the industry came up to me and said, "Have you ever thought about working for a nonprofit environmental advocacy organization? Because your keen interest really comes through pretty strongly." And I said, "Well actually I feel like I already do." Because Green Century is a for-profit mutual fund company, but we were started and are still entirely owned by nonprofit environmental advocacy organizations called the Public Interest Research Group. So we get to interact with these affiliated groups every day. And so it's a really nice way to combine all of our interests. You know, and I've thought about career wise, working just with environmental groups or maybe different job functions within the investment field and nothing feels as good as being able to combine the two every day. So I think that's just a really great bonus for me on a personal level.

Leslie: Yesterday I was talking to some socially responsible financial advisors up in Maine. And one of them asked me if we ever thought, "Why don't you just have a nonprofit do your shareholder advocacy work for you and how is it different?" And the job before this I had actually was with a nonprofit borrowed shares from its members and filed resolution. And it is so dramatically different to have those conversations with companies as the actual investor that it...the access, the influence, the same ask that you're talking to the companies

about, that they have a method to deal with investors and you have a different seat at the table as an investor. And so for me it's so cool to really have that kind of influence and leverage as a shareholder advocacy firm, a firm that really prioritizes shareholder advocacy that it's great marriage of my personal interest in creating social change with corporations. So I think our big players in our world and question is, are they playing on the side of protecting our public health and the environment? Or are they not?

Carrie: We really want to hear from each of you about why you feel social responsible investing matters. We definitely encounter people who believe for different reasons that it's a drop in a bucket, you're playing within this very imperfect system. It really doesn't matter in the big picture. So could you talk about that a little bit?

Leslie: Yeah. I've given it a lot of thought because before I started at Green Century and every day we are asked the same question. And for me it comes down to some of the things we talked about, the investment strategy. I think that when you're investing in the sustainable companies that because there are more people investing into them, they are better and grow more because of the green bonds that are in there that are very specific projects. That's real, direct thing, that is making a difference. But then the other two parts are again the shareholder advocacy which not very many firms and funds do it at all in this whole sector and universe.

And it's pretty remarkable how much change that a mutual fund company like us and others can get in a year or two from a company. So going from Kellogg to not listening to anyone, to agreeing to stop buying palm oil from any grower or supplier that burns rain forest, and within a year and a half and in 92% of their supply chain in compliance is the kind of change that I didn't see in nonprofits. I love working for nonprofits, but...and they play a really important role. But this is a different role that socially responsible investing plays. And so I think that the investment always is most effective when it's paired with the advocacy.

And then we have the added bonus of that all of our profits go on back to our founding group who are doing things like getting crops in southern California or passing the bag ban or working against fracking. And so we have to say it's a triple bottom line approach to our mutual fund. And it's a different strategy than the other climate social change. And it's one that's very unique that this part of impact investing. That's why it's important.

Carrie: Erin, I'm actually going to go off-script and ask you a different question.

Erin: Sure.

Carrie: It's kind of a follow up to what Leslie was talking about. So tell us a little bit about how shareholder advocacy works. Leslie mentioned some of the amazing results.

Erin: Sure.

Carrie: How does it work? What do you all really do?

Erin: So first of all with our two mutual fund portfolios we try to invest in the better companies out there. In addition to looking at the financial parameters and performance of companies we also look at the environmental, social and governance performance as well. So as a starting point we really try to get the portfolios to be filled with the "better" companies out there. But for us that's just a starting point and there's no 100% perfectly sustainable company out there. So that's where we can start to engage with these companies and try to make a positive difference. Even companies like Whole Foods have room for improvement. And we worked with them on earlier getting BPA out of some of their products and their stores.

Every company out there has room for improvement. And we'll usually start with the dialogue, we'll come to the company's management team and say, "These are the important issues that we care about." Sometimes the companies listen, they try to learn what our perspective is, where they can make a difference, they might do some research or studies to figure out how exactly they can change. Sometimes they aren't as receptive to our constructive comments and suggestions. And in that case as shareholders we can propose shareholder resolutions that go on a proxy ballot that all of the investors and the company then have the ability to weigh in on. And they make votes on their shareholder proxy ballots. And so this can be a strong message to management, they often don't want these issues raised to that level of conversation for all investors to see. So sometimes that brings them back to the table and we have a more constructive conversation at that point. If we're able to make change we can withdraw a shareholder resolution and it doesn't go to a vote. If we don't come to some sort of consensus then it can go to a vote.

There's been cases where the vote is not all that important and it's really raising awareness of the key issue. I had the opportunity last spring to present a shareholder resolution at Chevron asking the company to stop making any political contributions. And as we all know how our current political system works that's not really a path that any company is often willing to take these days. So the vote we understood would probably not be high but it's really a way to raise awareness and visibility, talk to the press and the media, and get

the word out of about issues that we really care about and feel passionately about and that our investors want to make change in the whole system.

So and then lastly, we can also try to have an impact on policy as well. We're currently doing a sign-on letter which is where we ask other investors who are interested in an issue to join us. So we're currently gathering signatories for a letter that we're going to send to the U.S. Department of Justice asking them to investigate Exxon in terms of potentially misleading communication about what they knew about climate change issues going back to the '70s and '80s. They had a very different response externally to what they were doing internally based on some great research and articles in the Los Angeles Times and by Columbia University. So that's the breadth of action we can take on shareholder advocacy. And then the last component is just being able to work with our affiliated nonprofits and partner with them on any of, and a variety of these issues that we work on.

Malaika: From your perspective why do think this approach is so important for women? And how have you seen this positively impact women as investors and investees?

Leslie: I think it's important for anyone including women if they want to demonstrate their values, vote for themselves and to be consistent, but also contribute to a bigger way to create change. I think women have not as much been comfortable dealing with their investing and their finances. And so we have found that a lot of women really respond to being able to look at their investments as a way to see financial return. But also it's a way to have a voice and demonstrate their concern about the issue that they care about, whatever those may be. And I don't think we can empower women ourselves, but I have seen that women become more confident and empowered on their own by taking control of their investments and directing them.

There's a lot of times there is, there are more men as financial professionals the way...who aren't in that sense. But there is a dynamic where we've seen the change where women at first, a few years ago women started asking, they're asking their advisors if they could stop investing in fossil fuel companies. And advisors who are not socially responsible didn't want to do that and would tell them no. And I know a few women who, over the last two years have gone back and said, "Well I'm not asking anymore. I'm telling you this is what I want to do." And either the advisor gets on board, figures out what to do, chooses a fund like Green Century or that woman decides, "I'm going to find an advisor that understands what I care about and is going to invest in the way I want." And that I see is great for women to be able to exert control in a very concrete way over their finances and investments. And sort of what kind of legacy they want to leave.

So it's really exciting time. I think there's a lot of research around women on boards and management and funds. And how that diversity can strengthen those companies. And I feel really lucky that Green Century, I walked in, we had a history of women being in leadership and we still do. And it's great to be part of that team that is working with other women like themselves and like the other female investors that we work with.

Erin: I would just say that more and more the majority of consumer decisions are being made by women. And I think that is as Leslie eluded to seeping into financial and investment decisions as well. Morgan Stanley did a study last year that said 76% of women care about responsible investing issues like environmental, social and governance factors and think they're an important aspect of making investment decision. So that right there says it all I think. And as Leslie mentioned, it's really great to be at Green Century where I feel like we are walking the talk. In addition to Leslie our chief compliance officer is a woman, our senior VP of finance operations, 80% of our board is women. So just on a day-to-day basis it feels like we're really putting this into practice.

Carrie: What would you like to see in the space, in the space of SRI that you have not seen yet or you would like to see so much more of? What are you excited about?

Leslie: Oh yeah, no, there's a lot. I'm trying to put it in order in my head. I would like to see it grow substantially both through financial advisors and firms like yours. But also through individuals who are doing it on their own. And it is growing and that is really exciting, I'd like it to keep growing. I'd like us on the advocacy side to really hone in on the real world, the impact that we're having. And bring that up to the fore front and make it the keys that we all can work towards and quantify, and really stand by as a contribution in the real world to real problems that we're having. I'd like to see some standards and reporting standards, both for mutual funds and other investment advisory firms and the companies in which we're investing.

There is a bit of a dangerous spend in that any firm can call something sustainable or green or even fossil fuel free. And there's no regulation about whether those things are sustainable or green or even fossil fuel free with products out there saying that they are and then they're just fracking. So I think as it grows there's also importance to go, this is great that there's more options but let's make sure that the real things are...no one is being the real authentic pieces. And the others might be beautiful for other people but they're different. So I think that's a piece of the work ahead of us.

The other priority is I'm really excited about this field. When I started it's just a few years ago it opened up a new whole set of opportunities and doors. And I can't think of a space I'd rather be working in right now. I think the opportunity to really make a difference through the markets, through the advocacy and have that impact people lives is really strong and a really effective strategy for us. So that's the kind of thing that gets me excited about it. And I'm just happy to be with a firm that prioritizes that and to work with people like yourselves who also prioritize that. It's really a great joy.

Erin: Yeah. I would just add that in terms of issues that we as humans, the planet, society, faces, the climate crisis just booms large to me. And the ability to do just put full, all hands on deck, full core crest, whatever analogy we want to use is just I think really important. We are seeing such strong trends and the kind of, I think, fully entrenched fossil fuel divestment movement is here to stay which is fantastic. So I think just more and more innovations in terms of fossil fuel free investing or things I haven't even thought of yet which might become the norm over the next six months or couple of years would be fantastic.

And then the one other area I think is just getting more millennials into the investment markets. I read a headline today I think millennials are now a larger population than baby boomers. So they have the potential to make an incredible impact. And I feel like just having gone through the financial crisis and recession. A lot of them have personally told me they're sitting on the sidelines. So I think the ability within our field to make an impact, funds like ours to very low minimum so they don't have to start with a lot. They can really just get into the investment field, start to feel like they know what they're doing, having a strong impact which is what we've heard they have an interest in. I think it would be great to see more of it as well.

Malaika: And then just a follow up to that. Leslie, I heard you mention previously, and you touched on this earlier that you all have this larger campaign around...I forgot exactly how you said it. Agriculture?

Leslie: Agricultural commodities.

Malaika: Thank you. Yes. So will you talk a little bit about where you're going with that?

Leslie: Our agricultural commodity campaign which we call our forest protection campaign is really exciting. So as I mentioned we started with palm oil because that was under the most pressure to change. But there are other commodities like soybean, corn, sugar and beef. And all of those are grown or raised in ways that traditionally and historically have involved burning or

cutting down rain forests and forests. And what that does is contribute obviously to the carbon pollution that's happening and driving endangered species off the lands they need to survive and threatens communities. And so we have started moving into the issues.

So first we did it with palm oil and Kellogg's then to the supply chain. And then we have a really important win with ADM which also involves soy and soybeans. And so what we decided to do is instead of going through one issue at a time that we're going to ask for cross commodity agreements which means agreements that cover more than one of those things. So soy and sugar, soy, sugar, and beef, depending. And so by asking for them all at once we are quickening the piece of the campaign and getting more of the supply chain across more of those commodities to become more environmentally sustainable. And we think given the interest worldwide and how it affects people really in every country and the impact we have on it is really significant and important. And we've heard from investors that they really love to be able to know that they are helping protect the rain forest and forest. And that's where we're going. We just put one of our shareholder advocates and someone that does this full-time for us on the forest protection campaign. So we can really devote even more resources to it.

Malaika: We appreciate both of you so much taking the time to talk with us. And help tell the story from the beginning and how it impacts of course everyone but particularly we're excited to tell the story of, you know, how it's impacting women in the world and how women can get engaged to really create change through social responsibility investing. It's great.

Leslie: Thank you so much for having us.

Erin: Thank you. This has been really fun.

Malaika: Take care. Bye.

Leslie: Okay. Take care. Bye now.

Erin: Bye.