

# Affirmative Thinking



A Newsletter of First Affirmative Financial Network, LLC

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## Kicking the Short-Termism Habit

President Obama went to Wall Street on September 14, 2009 and called the events that came to a head in the market meltdown a year ago “a failure of responsibility.”

In his speech at Federal Hall in New York, the President promised that “we will not go back to the days of reckless behavior and unchecked excess that was at the heart of this crisis, where too many were motivated only by the appetite for quick kills and bloated bonuses.”

He pointed a verbal finger at his audience of Wall Streeters and told them that they “don’t have to wait for a law to overhaul your pay system so that folks are rewarded for long-term performance instead of short-term gains.”

Just five days before, the Aspen Institute issued a blueprint for shifting from the current system of “quick kills” and “short-term gains” to more responsible financial stewardship focused on long-term value.

The [statement](#) is remarkable in a number of aspects, including the apparent consensus among an impressive group of strange bedfellows spanning the political spectrum—from organized labor’s Richard Trumka, Secretary-Treasurer of AFL-CIO, to more conservative voices such as financial wizards John Bogle of Vanguard and Warren Buffett

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## Investors Ask Government to Face Up to Climate Change

Sara Laks | Assistant to the President

First Affirmative joined 180 like-minded investment institutions representing more than \$13 trillion in releasing a [statement](#) on September 16, 2009 calling for an international treaty to address global warming. This initiative is the largest showing of this kind from the investment community in world history.

The policy statement from the Investor Network on Climate Risk

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### More on the Web

For most of our articles, you can find expanded coverage online, with more detail and additional resources.

Articles with key points available only online are marked with this logo.



Also, find additional coverage of the following topics on our [website](#):

U.S. Utilities at Odds with Chambers’ Denial of Climate Change

The Evolution of Consumer Attitudes Toward “Green”

Extended Coverage of the Walmart Sustainable Product Index

## Walmart Moves Ripple Around the World

Walmart has unveiled an ambitious plan to create a [Sustainable Product Index](#) for all products it carries.

Traditionally, Walmart's business model has revolved around lowest cost of goods. Now, the global retail giant is looking at total system costs and not just individual product costs; and it hopes to recalibrate the scale for the entire industry.

Walmart has the kind of industry clout that sets industry standards. When there is new thinking at Walmart, it can dramatically influence the company's suppliers and competitors.

## Make That a Double

Corporate America may be approaching a tipping point where our most prominent business leaders embrace sustainability and make it an integral part of corporate strategy.

The [2009 Greening of Corporate America Report](#) finds that 61% of corporate executives believe sustainability will serve their company's financial performance, up from 31% in 2006. Three-fourths of executives surveyed (76%) expect sustainability efforts to retain and attract customers and to drop business costs.

The survey of 75% of the \$36 trillion in the U.S. equities market found green practices tied to core business strategies are expected to reduce energy costs (75%), retain and attract customers (70%), and provide market differentiation through financial performance (61%).

## Congress Working on Climate Change Legislation

Christine A. Renner | Executive Assistant to the CEO

The Waxman-Markey Climate Bill, officially titled "[The American Clean Energy and Security Act](#)," passed the U.S. House of Representatives on June 26, 2009. It is now being reviewed by six committees of the U.S. Senate.



Investors are paying attention because climate change legislation may level the playing field for emissions reductions in a variety of sectors, and provide incentives for renewable energy development.

According to the [Inter-Governmental Panel on Climate Change](#), international emissions reductions of 25–40% below 1990 levels by 2020 are required to avoid the most significant impacts of climate change.

The Waxman-Markey Bill falls short of mandating an appropriate share of these reductions in the U.S., but this legislation, if passed, does mark an important first step. It addresses many pieces of the climate puzzle, including energy efficiency, the cap and trade of carbon emissions, the creation of offsets, and the transition to a clean energy economy through the development of renewable energy.

No legislation is perfect. In addition to citing emissions targets that are too low, some critics of the bill claim that it contains problematic loopholes for existing coal plants to continue polluting. Even if the bill passes, analysts suggest that we will still be getting half of our energy from coal in 2025.



Despite its flaws, passing Waxman-Markey can help the U.S. build the institutional infrastructure needed for greater future commitments. Following the path of previous environmental legislation in the U.S., this legislation would almost certainly go through many changes and amendments over the years following its passage. The most important thing may be to capitalize on the political will that exists in Congress to address climate change at the national level.

National legislation in the U.S. is expected to provide credibility for negotiating an international agreement with the global community at the [UN Climate Change Conference](#) in Copenhagen, December 7–18, 2009. Regulation at the national and international levels should help push innovation, creating exciting opportunities for businesses and investors.

## Investors to Government: Face Climate Change

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(INCR) recognizes the dangers that climate change holds for investors, as well as the valuable investment opportunities presented by mitigating technologies.

“Unmitigated climate change poses a threat to the global economy,” said [Lord Nicholas Stern](#), chair of the Grantham Research Institute on Climate Change at the London School of Economics. “But building a low carbon economy creates opportunities for investments in new technologies that promise to transform our society in the same way as the introduction of electricity or railways did in the past.”

Private capital has a significant role to play in the transformation needed to develop a truly sustainable economy. But uncertain political backing is preventing much of this needed investment until governments commit resources and adopt legislation to create the necessary market conditions.

Investors endorsing this statement are working to pressure leaders in Washington, DC not to delay in passing cap and trade legislation, which would allow the market to set a price on carbon and give business confidence to invest in green energy services and technologies.

The course of the debate on this legislation will set the stage for the December 2009 negotiations in Copenhagen to ratify a new international climate change treaty pending the expiration of the Kyoto Protocol in 2012.



## Green Buildings Offer Breakthrough Strategy

Sara Laks | Assistant to the President

**B**uildings are responsible for about 40% of total energy consumption and greenhouse gas emissions in the U.S. They consume 72% of electricity produced and 55% of natural gas.

The good news is that the built environment has been identified as the most cost effective sector to cut global warming pollution. Nearly 75% of U.S. commercial buildings are over 20 years old. Retrofitting these old buildings is a large piece of the green building solution. According to the Natural Resources Defence Council, green building strategies could be paying back as much as \$40/ton of CO<sub>2</sub> emissions saved, or \$68 billion dollars—savings that then can be reinvested.



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## 2009 Proxy Season Yields Impressive Results

Addressing excessive risk-taking by financial institutions, investors filed many resolutions on executive compensation in 2008–2009. The momentum carried into the U.S. House of Representatives, which passed a bill that would provide shareowners with an advisory vote on executive compensation. The bill is currently awaiting a vote in the U.S. Senate.



A record 68 resolutions were filed on climate change, according to [Ceres](#), of which 31 were withdrawn after the companies agreed to positive climate-related commitments.

A shareowner resolution filed at [IdaCorp](#), requesting that the company establish greenhouse gas (GHG) emissions reduction goals and to report on its plans to meet them, won 52% of shareowners' votes. This was the first time that a resolution addressing climate change has ever won a majority vote in the U.S.

A resolution filed with [Massey Energy](#) called for the company to report to shareowners on its response to pressure to reduce carbon emissions. Massey Energy is a coal company whose CEO, Don Blankenship, has said, “I don’t believe climate change is real.” The resolution received 45.6% of the shareowner vote.



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## Kicking the Short-Termism Habit

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of Berkshire Hathaway.

“Overcoming Short-termism: A Call for a More Responsible Approach to Investment and Business Management” identifies three leverage points for encouraging a renewed focus on long-term value creation and for addressing shareholder short-termism.

1. Encourage more patient capital through tax policy.
2. Better align the interests of financial intermediaries and their ultimate investors.
3. Strengthen investor disclosure and transparency.

The language used is instructive. Even though “sustainability” is by definition about the long-term, the group chose not to frame its work around this term, thus avoiding affiliating even indirectly with progressives.

But who cares. Overcoming short-termism and advocating for a more responsible approach to business is the kind of transformative leadership that socially conscious investors have been exhibiting for more than two decades. We welcome all late-comers to the party!

## Green Buildings Offer Breakthrough Strategy

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An exciting example of the benefit of “greening” a building is New York’s [Empire State Building](#). Johnson Controls, in collaboration with the Clinton Climate Initiative, Jones Lang LaSalle, and the Rocky Mountain Institute, is currently working on a project to bring this 89-year-old landmark to state-of-the-art levels of energy efficiency.

Paul Rode, Business Development Director at Johnson Controls, spoke at First Affirmative’s September [BaseCampSRI](#) in New York City and shared the economic and environmental prospects of this project. He explained that the retrofits will cut energy consumption by 38% and create a competitive advantage for owners through reduced emissions, lower costs, and better working environments for tenants.

Regardless of which bottom line you value most, green building is a good investment. A study from the [Berkeley Program on Housing and Urban Policy](#) evaluated 7,488 buildings in the U.S. that met designated green building standards found that, in addition to energy saving benefits, “green buildings” generated higher occupancy (by 7.5%), higher rents (6–9%), and higher selling prices (16–17%), as compared to buildings that did not meet the green criteria.

