



Affirmative Thinking

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B-Corps Are Coming!

Sara Laks | Assistant to the President

The growing movement to harness the power of private enterprise to create public benefit took a significant step forward this spring.

So far this year, Maryland and Vermont have signed the first provisions creating legal entities known as “benefit corporations” into law. **B Corporations** are a new corporate structure with a legal responsibility to consider the company’s material impact on employees, community and the environment, instead of just the traditional bottom-line (profit). Similar legislation is being considered in New York, Pennsylvania, North Carolina, Colorado, Oregon, and Washington.

The long-established U.S. tax system has categorized the corporate world into non-profit and for-profit organizations, making it difficult for a for-profit corporation to develop and stay dedicated to a long-term societal or environmental mission if that mission should violate its short-term duty to maximize shareholder value. The legal structure of for-benefit corporations removes significant barriers to investors

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Shareowner Advocacy: Our Busiest Season Yet

Christie Renner | First Affirmative Shareowner Advocate

First Affirmative’s advocacy initiatives involve several tools and engagement strategies for voicing our concerns on environmental, social, and governance (ESG) issues. We collaborate with investment firms and related organizations to engage companies on issues ranging from executive compensation and fair labor practices, to environmental contamination and climate change.



During the 2009–2010 proxy season, First Affirmative co-filed a dozen shareholder proposals, many of which focused on transparency and disclosure. Resolutions filed at Google and Aqua America requested that those companies begin producing sustainability reports. Resolutions filed at Kroger and JM Smucker asked the companies to report on risks of climate change to their supply chains. First Affirma-

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Join us in San Antonio!

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Find expanded coverage online! Articles marked with this logo offer key points online only. Also, find an additional article on corporate support of climate change legislation in the online newsletter.



First Affirmative
Financial Network, LLC

Investing for a Sustainable Future

Oil Disaster Threatens Atlantic Bluefin Tuna

In an effort to protect the public from consuming contaminated seafood, one third of U.S. federal waters in the Gulf of Mexico have been [closed](#) to fishing as a result of the (so-called) BP oil “spill.” One species found in the Gulf—the Atlantic bluefin tuna—presents dangers not only to consumers, but is itself threatened with extinction.

The bluefin’s main [spawning habitat](#) in the Gulf has been heavily contaminated by oil from the spill and toxic dispersant chemicals from mitigation efforts. The bluefin has long been a prize catch for the fishing industry and a popular choice among sushi lovers. Overfishing seemed to be the tuna’s biggest threat, but now damage to spawning grounds intensifies the specie’s struggle for survival.

The [Seafood WATCH](#)® program of the Monterey Bay Aquarium recommends avoiding the purchase of bluefin tuna, regardless of its country of origin. Savvy consumers and government regulators may be able to give these beautiful creatures a chance to rebuild their populations, but it’s not going to be easy. First Affirmative continues to work with colleagues to encourage companies that sell seafood to adopt sustainable procurement policies.

Top CEOs Focus on Sustainability

Sara Laks | Assistant to the President

A recent report from the United Nations Global Compact and Accenture, “[A New Era of Sustainability](#),” found that a majority of today’s most influential chief executives recognize sustainability as crucial to corporate success. Over 750 CEOs were interviewed, making this the largest survey of top level executives on the topic of sustainability. The understanding that sustainability—a reconciliation of environmental, social, and economic demands—is no longer a separate concern from profitability has made its way into company boardrooms.



The adoption of sustainable practices by top level executives has taken a major jump in recent years; a similar survey conducted in 2007 reported that only 50% of CEOs considered sustainability issues in corporate strategy and core practices, as compared to 81% in 2010.

According to many CEOs in the 2010 Accenture and UN survey, the economic downturn in the past few years has reinforced the logic of “going green” by raising the importance of cost efficiency and the need to reach new markets. Corporate responsibility is required to regain the trust of stakeholders in the wake of the grave consequences of corporate irresponsibility. With more scrutiny than ever by investors, CEOs believe that now is the opportune time to take a lead on responsible management of the impacts their businesses have on society and on the planet.

Despite the momentum at the strategy level today, CEOs still face several barriers to full implementation of sustainability goals. One of the major obstacles cited in the 2010 survey was the complexity of implementation across business functions (49%). The level of interconnectedness of today’s business world necessitates applying standards of social responsibility and environmental sustainability to global supply chains and subsidiaries.



A lack of recognition in the financial market was identified as another hurdle. CEOs overwhelmingly testify that sustainable practices have tremendous value-add power in terms of cost reduction, risk reduction, and enhanced brand reputation. But, the translation of this into traditional economic metrics has been slow, with fewer than 50% of respondents reporting that sustainability issues came into play in consultations with financial analysts.

Here is some good news: 54% of respondents said that fully inte-

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Shareowner Advocacy: Our Busiest Season Yet

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tive joined CalSTERS to co-file a resolution at Conoco Phillips urging the company to report on the environmental impact of its oil sands operations in Canada's boreal forest.

Many of these resolutions reach beyond disclosure to address changes in company policy. For example, a "say on pay" resolution that First Affirmative co-filed at Johnson & Johnson received 47% support from voting shareowners. Separately, a resolution we co-filed at PepsiCo asked the company to implement a better container recycling policy. Soon after the resolution was filed, PepsiCo announced plans to create partnerships intended to increase U.S. beverage recycling rates to 50% by 2018, and the resolution was withdrawn.

We were able to withdraw three additional resolutions due to successful company engagement, including resolutions requesting that JPMorgan Chase improve its commitment to the [Carbon Principles](#), that Colgate Palmolive implement a shareholder advisory vote on executive compensation, and that Proctor & Gamble report on its efforts to mitigate the impact of its supply chain on deforestation.



The regulatory context in which companies operate continues to shift. In January 2010, the Securities and Exchange Commission (SEC) issued [guidance](#) for how companies should report on risks and opportunities related to climate change. The SEC will also be able to rule on proxy access for shareholder director nominations, as a component of the [Dodd-Frank Wall Street Reform and Consumer Protection Act](#) that will make it to the President's desk for a signature by the end of July. This financial reform legislation embraces several priorities shared by many socially conscious investors, including a mandate for companies to implement "say on pay" policies and the creation of a new consumer protection bureau.

The concerns and opportunities companies face related to ESG issues can have a significant impact on shareowner value. While shareholder proposals are non-binding, they provide a critical avenue for investors to bring issues of concern to a wider base of shareowners and to company management. It is our goal to support companies in making improvements and to help point them to examples of successful policies, practices, and reporting mechanisms. We look forward to continuing our advocacy work and deepening our collaborations in the coming years.

Well Made Campaign Fights Slavery

Verité, a non-profit that works to ensure safe, fair, and legal working conditions worldwide, has launched its [Well Made](#) campaign focused on helping companies, investors, governments, and advocacy groups take a leadership role in addressing trafficking and modern-day slavery among migrant worker populations.

The Well Made campaign provides companies with questions to put to suppliers about working conditions and encourages investors to pressure companies to ensure proper recruitment, hiring, and treatment of workers.

For years, Verité has been key in cleaning up supply chains of global brands such as Timberland, Gap, Levi Strauss, Apple, Disney, and HP, and continues to expose the prevalence of modern-day slavery.

In fact, a recent article, "[Modern-Day Slavery: Alive and Well](#)," states that an estimated 12 to 27 million people are victims of slavery, and other forms of forced labor around the world. In the United States alone, 10,000 or more people are being forced to work at any given time.

These workers have produced products we encounter on a daily basis such as blueberries, organic milk, personal computers, cell phones, and clothing.





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B-Corps Are Coming!

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who want both to make money and make a difference.

B-Corporations can “better insulate [themselves] from the pressures of short-termism that dominate the public equity markets,” says Jay Coen Gilbert, co-founder of [B Lab](#). In addition, companies that institutionalize a purpose that embraces the common good are more likely to survive changes in management and ownership, and are more likely to become truly sustainable, eventually.

The B-Corp certification may be a useful tool to allow consumers and investors to determine which corporations are truly committed to their stated cause. With the barrage of “greenwashing” in the marketplace today, it is important to set benchmarks to differentiate “good companies” from “good marketing.” There are now over 300 certified B-Corps.

Benefit corporation legislation encourages companies to establish and protect a sustainable mission, and recognizes the growing movement of entrepreneurs, investors, consumers, employees, and communities that are harnessing the power of business to solve environmental and social problems.

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grating sustainable practices across the business would be a reality in less than a decade, while 81% saw this happening in less than 15 years; and 91% of CEOs say their companies are working to employ new technologies to address sustainability issues, such as renewable energy technologies, or developing greater energy efficiency.

Education and climate change were the most commonly cited challenges to future success that top executives face. To most effectively tackle these global challenges, 78% of respondents said that companies should engage in partnerships with a variety of stakeholders to address sustainability issues, citing examples of collaboration with NGOs, governments, and suppliers.

The bottom line here is that responsible business is good business and that those who remain slow to recognize the value of sustainability will fall further behind their competitors. It's now coming straight from the top; the global economy is in transition to a new business model that will reward those companies that embrace sustainability as a competitive advantage.