

# Affirmative Thinking



A Newsletter of First Affirmative Financial Network, LLC

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## Transformative Investing for a Sustainable Future

First Affirmative hosted the annual SRI in the Rockies Conference October 26–29, 2008. We were delighted to welcome 698 individual participants and 72 sponsoring organizations to our 19th annual event. SRI in the Rockies continues to be the premier conference for the sustainable and responsible investment industry in North America.

This conference featured the richest line-up of speakers and presentations we have ever offered. Recordings of all speakers/sessions are available for free on the [conference website](#). Go to the 2008 Agenda and click on the “Listen” links to hear the audio recordings. Power-Point files and other materials can be accessed via the “View” links.

At First Affirmative, we have been thinking about “socially and environmentally responsible investing” in a new way. We now describe our work with clients and in the world as “transformative investing.”

Socially conscious investors have always had multiple investment objectives. Many investors look to First Affirmative and other orga-

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## Shareholder Advocacy: Worth the Effort

Christine A. Renner | Executive Assistant to the CEO  
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In the fall of 2008, First Affirmative added its voice to investor initiatives on current economic, social, and environmental challenges.

**Executive Pay.** The need for disclosure and accountability has long been a concern of socially conscious investors. First Affirmative co-filed a shareholder resolution for Intel’s 2009 proxy asking the company to adopt a nonbinding Advisory Vote on executive compensation plans as detailed in company proxy statements.

**Ecosystems.** Canada’s boreal forests are at great risk from expanding oil sands development. Already reduced to less than 40% of their

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### Look for a Special Market Commentary

In this quarter’s [Market Commentary](#), First Affirmative’s Chief Investment Officer, Kevin O’Keefe, tackles the economy, the markets, the fraud perpetrated by the now infamous Bernie Madoff, and our investment outlook. This expanded edition may answer many questions on your mind and, as always, we urge you to contact your network advisor with concerns specific to your situation.

## Sustainability Reporting Doubles

Twice as many top U.S. companies publicly released sustainability data in 2008 compared to 2005, with ethics outweighing economics for the first time as the driver for the disclosures, according to a [KPMG analysis](#) of corporate reports.

Of the top 100 U.S. companies by revenue, 74% published corporate responsibility (CR) information in 2008 either in their annual report or separately, up from 37% in 2005. Globally, 80% of the Global Fortune 250 companies now release CR data, up from 64% in 2005.

### A Tribute: Joan Bavaria

An SRI trailblazer, champion of the environment, and forceful financial industry leader has lost her battle with cancer. The founder and CEO of Trillium Asset Management, Boston, Joan Bavaria dedicated over 40 years to promoting the concept, practice, and growth of investing with both value and values in mind.

“Joan was proof that being a giant has nothing to do with size,” said First Affirmative CEO, George Gay. “Joan had an unerring instinct for what was right and fair, and an unwavering determination to bring those things to as many people as possible.”

Joan co-founded the Social Investment Forum in 1981 and Ceres in 1989, which led to the development of the [Ceres principles](#). In 1999, she was honored by *Time* magazine as a “Hero of the Planet.”

## Corporate Muscle Gets Behind Climate Policy

Christine A. Renner | Executive Assistant to the CEO

**A**cknowledging that climate change will impact all sectors of the economy, businesses are joining forces to voice their concerns and ideas. Business for Innovative Climate and Energy Policy ([BICEP](#)) launched this November with the intent of pressing the U.S. Congress for meaningful solutions to climate change.

Partnering with [Ceres\\*](#), the five founding corporate members of BICEP are Levi Strauss & Co., Nike, Starbucks, Sun Microsystems, and Timberland. BICEP’s members seek to strengthen the voice of consumer brands in solving climate and energy challenges.

BICEP members seek legislation in alignment with these principles:

1. Reduce greenhouse gas emissions to 80% below 1990 levels by 2050.
2. Establish a cap-and-trade system with 100% auction of carbon allowances.
3. Establish aggressive energy efficiency policies including standards for vehicles, appliances, and buildings.
4. Encourage transportation for a clean energy economy including plug-in electric hybrids and transit-oriented development.
5. Increase investment in green energy technology while eliminating subsidies for fossil fuel industries.
6. Stimulate green job growth, particularly in low-income communities.
7. Require that 20% of U.S. electricity be generated from renewable sources by 2020 and 30% by 2030.

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## Bright Future for Sustainable Investing

**S**ustainable investing is hot. Two new books examine why. *Investing in a Sustainable World: Why Green is the New Color of Money on Wall Street*, by Matthew J. Kiernan, and *Sustainable Investing: The Art of Long-Term Performance* edited by Cary Krosinsky and Nick Robins, maintain that sustainable investing is the key to long-term profits.

“The weight of evidence argues heavily in favor of the sustainable investment thesis, not against it,” Mr. Kiernan writes. Investors need to consider more than financial statements when determining a company’s potential future performance, including environmental and human capital factors. “Never in living memory has traditional Wall Street thinking been so intellectually humbled.”

## Shareholder Advocacy: Worth the Effort

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original size, [Canada's boreal forests](#) serve as a critical carbon sink and a breeding ground for over 30% of North America's bird population. The longest undammed river in North America, the Athabasca, passes directly through the boreal ecoregion. Its waters are used in great quantities in the mining process. First Affirmative co-filed a resolution at ConocoPhillips requesting that an independent committee of the Board prepare a report on the environmental damage that would result from the company's expanding oil sands operations.

**Indigenous Peoples.** A number of First Nations in Canada live in communities greatly impacted by oil sands exploration and development. First Affirmative co-filed a resolution at Enbridge requesting disclosure of material risks related to free, prior, and informed consent of First Nations for the company's \$4.5 billion Northern Gateway Project. This proposed project would be an 1,170 kilometer pipeline to transport petroleum from near Edmonton, Alberta to a new marine terminal located in the heart of British Columbia wilderness near Kitimat.

**Political Leadership.** In December 2008, a group of attorneys and investors (including First Affirmative) wrote to president-elect Barack Obama, urging his administration to quickly reverse steps taken by the SEC to limit investors' ability to file shareholder resolutions.

**Climate Change Legislation.** First Affirmative has signed the [Investor Statement on a Global Agreement on Climate Change](#) requesting specific targets on greenhouse gas emissions and specific policy instruments to achieve those goals. Coordinated by the Investor Network on Climate Risk, and European and Australian investor groups, the statement will be sent to various heads of state and climate negotiators in preparation for the UN Framework Convention on Climate Change Conference of the Parties in Copenhagen, Denmark in 2009.

## Corporate Muscle Gets Behind Climate Policy

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8. Require new coal plants to capture and store CO<sub>2</sub>.

BICEP member organizations have already experienced quantifiable positive impacts from greening their operations. These principles support Congress in leveling the playing field for greener economy. You can listen to a [50-minute press release](#) with Q&A on BICEP.

\* Ceres is a national network of investors, environmental organizations, and other public interest groups addressing sustainability challenges. First Affirmative has been a member of Ceres since 1989.

## Capital for Community Recovery

Many U.S. communities have been greatly impacted by the credit crisis. Community investing is an important component of First Affirmative managed portfolios and we continuously look for ways to offer our support.

In November 2008, First Affirmative sent a letter to the U.S. Treasury Department urging that a portion of the \$700 billion made available by the Emergency Economic Recovery Act of 2008 go to lending in low-income communities. Our letter outlined the need to support Community Development Finance Institutions.

## CRA Not Complicit in Financial Crisis

Attempts to link the [Community Reinvestment Act](#) (CRA) to predatory mortgage lending are shown to be misleading and often false. "We have looked into assertions that the CRA was somehow responsible for the current crisis, and have found that they have no factual basis," said Mira Marshall, Chief Compliance Officer for Policy at the Federal Deposit Insurance Corp., a regulatory agency responsible for the CRA.

CRA statutes require prudent lending. Further, recent [studies](#) suggest that CRA banks are less likely to make subprime loans and, when they do, offer lower rates resulting in fewer defaults. The CRA encourages banks to supply credit in the communities in which they operate, emphasizing low- and moderate-income neighborhoods.



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Past performance is never a guarantee of future investment results.

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## More Online!

Access related links and resources as well as more articles when you read our newsletter online. **Bold blue** text indicates additional material online.



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# Transformative Investing

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nizations in the SRI industry to help them make money and make a positive difference with their money.

Ultimately, those of us who consider ourselves to be socially conscious investors are looking to direct investment capital in ways that catalyze a shift—both cultural and behavioral—toward economic and environmental sustainability.

Unfortunately, true sustainability is a long way off and will require massive systemic change. Financial systems must embrace long-term thinking, encourage transparency, demand accountability, and serve the common good. We work with money as a transformative force that can be channeled in positive, healthy, life-affirming ways.

At SRI in the Rockies, we introduced the broader SRI community to the idea that the investment analysis, social screening, shareholder advocacy, community investing, and philanthropy we have been doing for years can all be viewed as powerfully transformative.

Over the years, SRI in the Rockies has been a lot like a big old pine tree that drops hundreds of pine cones each year, and millions of seeds. The pine tree doesn't become too attached to any one cone or seed, it just keeps tossing out seeds—and soon there is a forest.

The forest that First Affirmative has planted through SRI in the Rockies is a fast-growing segment of the financial services industry that values relationships, interdependence, transparency, ethics, and long-term thought and action. We are proud of the seeds we have planted and the forest that has grown up around us.

## Sustain the Mission, Secure the Future

The United States Army has published the first **sustainability report** from any major federal government agency using the Global Reporting Initiative's (**GRI**) sustainability reporting framework.

The Report serves to both inform and engage the Army's stakeholders on their progress to embody the principles of sustainability in their operations, installations, systems, and community engagements.

Transformational systems thinking has inspired the Army's concept of sustainability which it calls "Triple Bottom Line—Plus." Their approach integrates the mission of promoting stability around the world while maintaining a healthy environment and a stable community, plus realizing the economic benefits that come from efficiencies and economies of scale.