

# Shareowner Advocacy and Impact

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## Climate Change Takes Center Stage

By Holly Testa AIF®

According to a January, 2014 [Pew Research Survey](#), fewer Americans cite global climate change as a major threat than most other citizens of the world.

Since then, a steady flow of information has demonstrated the increasing certainty and alarming extent of potential of climate change damage and destruction.

The West Antarctic ice sheet is in [irreversible retreat](#). California is suffering from [the worst drought](#) in its history. The bipartisan [Risky Business Project](#) issued a [report](#) focusing on the economic impacts of climate change to the overall U.S. economy. Not a pretty picture.

Major companies are [reporting](#) significant current and projected negative impacts of climate change. In late June, the American Sustainable Business Council ([ASBC](#)), which represents a membership network of more than 200,000 businesses, released the [results of a poll](#) showing that huge numbers of small business owners are quite worried about climate change.

**Environmental issues previously considered “nonfinancial” in nature are increasingly being seen as crucial “financial” issues.**

### A Record-Setting Year

The 2014 proxy season is another record-breaking year, with the number of shareholder resolutions filed on social and environmental issues up considerably. The Sustainable Investments Institute ([Si2](#)) is tracking a total of 447 filings, as compared with last year’s 365.

## First Affirmative’s Proxy Season

First Affirmative filed eleven proxy resolutions during the 2014 proxy season on issues ranging from climate change to separation of CEO/Chairman of the Board positions. Full details can be found [here](#).

We were lead-filer on four resolutions. We asked Chubb to produce a [GRI](#) compliant sustainability report for a second time, and were very pleased to have received support from 32% of Chubb shareowners. We re-filed at IBM asking for increased lobbying disclosure, and were joined by 20 co-filers. An impressive 24% of shareholders voted in support of our resolution. We were able to withdraw our political spending resolution at Fifth Third Bancorp after productive discussions led to appropriate [disclosures](#) by the company.

The fourth of our lead-file resolutions asked Kinder Morgan, Inc. to evaluate and disclose climate change risks, particularly as it relates to their continued significant investment in coal infrastructure. There is compelling evidence that coal is rapidly being sidelined as an energy source, leading to legitimate concerns about the wisdom of spending shareowner dollars to service an industry in [rapid decline](#). A substantial 27% of shareowners agreed with us—a high support level, given the company’s 35% insider ownership.

## Other Advocacy Highlights

Our engagement efforts range across a spectrum of issues we know our clients care about. Here’s a [full list](#) of letters and initiatives that we have worked on in 2014. A few highlights:

- 10% of the companies in our top 200 holdings do not participate in the [CDP](#) (Carbon Disclosure Project) and do not report carbon emissions and reduction efforts. We expressed our concern and asked for an explanation.

- We joined the Interfaith Center for Corporate Responsibility [campaign](#) urging companies in client accounts to join the Bangladesh Accord on Fire and Building Safety.
- We [supported](#) the implementation of strong carbon pollution standards for new and existing power plants.
- We signed a letter to Statoil in support of the company withdrawing their investment in the Alberta tar sands.
- We commented to the SEC, urging them to implement a rule mandating that companies report on CEO-to-worker pay ratios.

- We supported Green America's [Bad Apple](#) urging Apple to protect workers in their supply chain from exposure to toxic chemicals.

At [First Affirmative](#), we understand that the ways we save, spend, and invest can dramatically influence both the fabric and consciousness of society. We believe that in addition to the benefits of ownership, investors bear responsibility for the [impact](#) our money has in the world.

Shareowner advocacy is the most effective way to positively impact public companies. Voting proxies, filing proxy resolutions, and collaborating with other like-minded investors can collectively result in positive behavior changes—helping public companies to be more responsible corporate citizens.

*If you would like more information on First Affirmative's advocacy work, or if you are interested in becoming more directly involved, contact your network advisor.*

## Fossil Fuels: Divest or Engage?

First Affirmative's answer is yes! We believe that both divestment and engagement are valid and important. Investors are increasingly seeking ways to reduce their exposure to fossil fuels.

About \$50 million in 150 client accounts are already excluding fossil fuel extraction companies in some manner, and interest in fossil fuel free investing is on the rise.

Given that fossil fuels still power our economy, how do we define "fossil fuel free?" The most publicized approach is to avoid the "[top 200](#)" oil, gas, and coal companies based on proven carbon reserves.

Stanford University recently [announced](#) their commitment to divest from coal companies. At last count, 11 colleges and universities, 22 cities and towns, 2 counties, 27 religious institutions, and 19 foundations are now implementing divestment plans.

Reducing exposure to fossil fuel extraction companies may also be a smart investment move, according to Shelly Alpern at [Clean Yield Asset Management](#) "Like divestment, reducing exposure would prudently reduce portfolio risk while sending a clear message that it's past time to shift capital to where it belongs: clean and renewable energy sources."

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