First Affirmative Advocacy Update

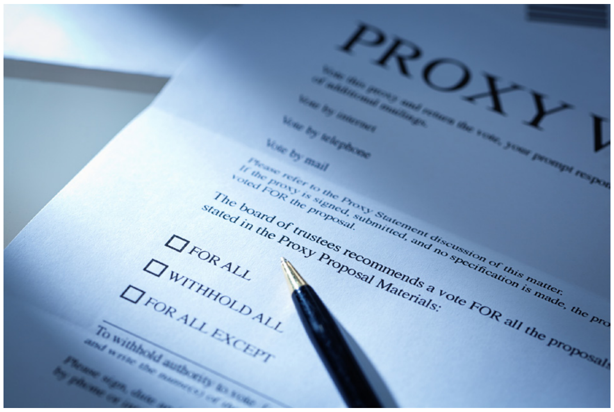
Government Shutdown Impacts 2019 Proxy Season

By Holly Testa

The start of this year's shareholder proposal season was shrouded in uncertainty, as the government shutdown late last year included the Securities and Exchange Commission (SEC) that is responsible for oversight of the process. Companies have the option of filing no action requests with the SEC that, if granted, allow them to omit certain proposals that the SEC deems deficient in accordance with current rules. Shareholders have the option to defend their proposals. The SEC is back in action, but the back log of no action requests is substantial, according to a recent preview, with about three –quarters of over 50 no action requests filed still yet to be decided as of April 1.

Last year's proxy season was impacted by SEC Shareholder Legal Bulletin 14I, which reinterpreted long standing SEC rules. Ensuing 2018 decisions by the SEC to omit some proposals, including climate resolutions that have received strong support in prior years, already had shareholders facing an uncertain proxy season. SEC decisions are sending some mixed message thus far. A proposal asking Ross Stores to set goals for greenhouse gas reduction goals will be allowed to go to a vote, and yet a similar resolution at Exxon will be omitted from the proxy.

As for all of those undecided no action requests, should an SEC ruling not be available by the proxy publication deadline, companies will have to decide to include or exclude challenged resolutions without guidance-and the wrong decision could lead to expensive complications. In the meantime, investors and companies continue to meet and work towards beneficial agreements that avoid a proxy vote.



Corporate Engagement

Of the eleven shareholder resolutions we filed for the 2019 proxy season, we are pleased to report that seven have already been withdrawn after dialogue led to substantive agreements. Here are a few highlights from the first quarter:

Board Diversity: We believe that diversity, inclusive of gender and race, is a critical attribute of a well-functioning board and a measure of sound corporate governance. We are pleased to report that we have withdrawn our resolution at Masimo Corporation, as the company recently added industry leader Julie Shimer to their board and agreed to revise their nominating committee guidelines to reflect a commitment to board diversity. This company still has much work to do, and we plan to continue dialogue. We also teamed up with Trillium Asset Management on another resolution at Cambrex, which was also withdrawn.

Plastics Campaign: First Affirmative is an active member of the Plastic Solutions Investor Alliance, a campaign launched by As You Sow last year to escalate the pressure on major consumer products companies who rely on the single use packaging that is a pervasive scar on landscapes and a dire threat to the ocean and its inhabitants. Plastic in measurable amounts has even been found in us.

We co-filed a resolution with PepsiCo that was withdrawn after the company posted an extensive report on their ongoing efforts to reduce plastic use and increase recycling efforts. We also participated in dialogue with Procter & Gamble and Unilever.

Unilever is a leader in the drive to solve this intractable problem, with commitments to make 100% of their plastic packaging reusable, recyclable or compostable by 2025 and to increase recycled content in packaging to 25% by 2025. To achieve these goals, they are making substantial technology investments that enable the conversion of difficult to recycle PET plastic back into high value, food grade material. They are also investing in alternative distribution options such as LOOP, a zero waste consumer products platform.

Climate and Sustainability: We reported on SBA Communications' commitment to enhancing sustainability disclosures in February, and we continue our campaign launched late last year with select portfolio companies lacking comprehensive sustainability reports. We are also engaging with several of the energy intensive companies we hold to discuss transitioning from fossil fuels to renewable energy, and encouraging them to establish aggressive renewable energy goals.

The Spotlight Is On Amazon: Amazon was faced with a whopping 12 shareholder proposals in 2019, including a climate proposal submitted by their own employees. The volume of proposals was due to a campaign launched by the Interfaith Center for Corporate Responsibility to address widespread investor frustration that the company was not being receptive to investor concerns regarding material sustainability issues.

Green Century Asset Management, a firm that we engage to manage client assets, reported a major success at Amazon, withdrawing their resolution asking the company to adopt goals for curbing greenhouse gas emissions after the Company announced Shipment Zero. This initiative commits to carbon neutrality for half of all package deliveries by 2030. Amazon also announced that it would publicly disclose its company-wide carbon footprint by the end of 2019 — key material sustainability information that has been long anticipated by many investors.

We co-filed one of the 12 resolutions, a request for comprehensive disclosure of food waste and initiatives in place to reduce food waste, an issue of increasing concern given the acquisition of Whole Foods and Amazon's plans for significant expansion in online grocery retail. The company challenged this resolution, but we are pleased that the SEC did not agree with the company and the proposal will be on the ballot in late May.

Political Spending and Lobbying: Three of the four resolutions we co-filed to address lobbying at Verizon, AT&T and J.P. Morgan have been withdrawn. All agreed to enhance disclosure policies with regard to lobbying spending. A resolution at the pharmaceutical company AbbVie is still pending.

First Affirmative also filed a resolution asking Nucor, a steel and steel products producer, to report on political spending policies and practices. This resolution will go to a vote in May. Nucor scores a very poor 7.1 on a scale of 100 in the CPA-Zicklin index annual benchmark on political spending.

For timely updates on our advocacy activities, visit our website's advocacy page and leadership blog. You can also follow us on Twitter and Facebook.

First Affirmative Launches New Website

By Amy Thacker

At First Affirmative, we believe we are one of the country's leading investment advisory firms with three decades of experience and expertise specializing in sustainable, responsible, and impact (SRI) investing. In October, we launched a redesigned public-facing website as the first phase of a new suite of technology offerings that will further empower and enable practitioners and investors who care to make an impact with their investment dollars. The new site focuses on advisors and investors interested in leveraging SRI principles and First Affirmative's proprietary investment strategies. The launch of the website will be followed by additional enhancements to the advisor and client log in pages, and by powerful new products (Digital Wealth Services Platform) that will leverage high tech to create high- touch advisor offerings designed to reach the growing number of investors who believe the time is now to make a difference.

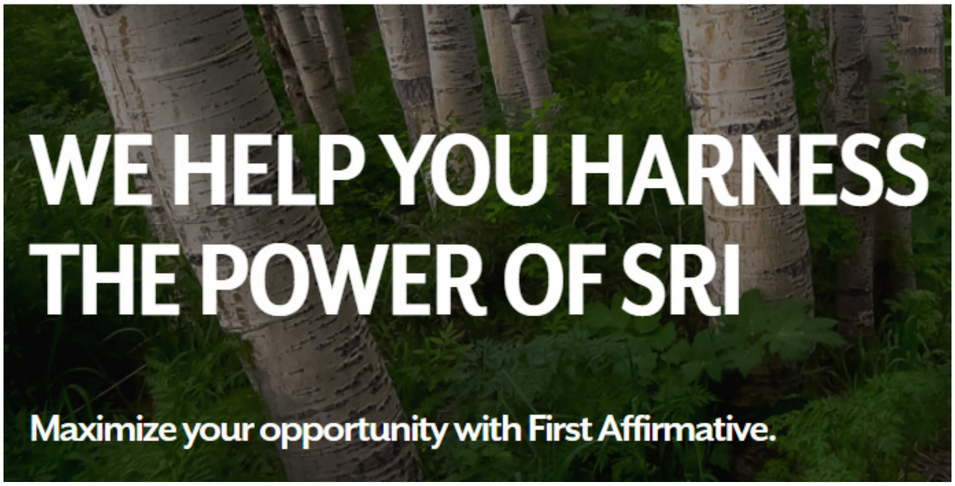
“We’ve been helping investors and advisors invest sustainably, responsibly, and with impact for 30 years and our expertise in SRI is unmatched,” said George Gay, Chief Executive Officer of First Affirmative. “We’re leveraging that expertise and the technology of our parent company, Folio Financial, to bring forward cutting edge offerings that streamline the SRI investing process, offer more SRI investment opportunities, and make SRI investing available to all.”

Our new website reflects our larger initiative of bringing high-tech offerings to market that can transform the sustainable, responsible, and impact investment community and help address our most pressing social, environmental, and cultural challenges, while generating financial return for our clients.

Theresa Gusman, Chief Investment Officer, said: “Our new website and the new high-tech tools that will follow will cement First Affirmative’s place as a leader in accelerating the flow of capital to investments that offer both purpose and profit.”

Visitors to the site will find information about working with the firm, and they’ll also be able to access a wide range of information on sustainable, responsible, and impact investing, including the history of this fast-growing investment movement. Investors can also locate a First Affirmative network advisor using the site’s interactive map.

If you have questions, or would like more information about using First Affirmative’s investment strategies and services, please contact our business development team at businessdevelopment@firstaffirmative.com or at 703-245-5837.



Can Air Travel Be Sustainable?

By James Griffitts

Amidst increasingly devastating floods, fires, and hurricanes around the world, the US government published the Fourth National Climate Report prepared by the nation’s top scientists and painted a dire picture of the economic cost of a changing climate. The report is the latest of many pieces of evidence showing that major steps to curb greenhouse gas emissions and limit warming are needed. The search for lower carbon emissions has manifested in the rise of renewable energy sources and electric vehicles, but one area of the transportation sector remains deeply problematic: air travel.

For the average American, one round trip flight from New York to California generates greenhouse gasses equal to about 20% of their car’s emissions for an entire year. The aviation industry as a whole accounts for 11% of transportation related emissions in the US and is projected to grow as the volume of air travel continues to increase much faster than gains in fuel efficiency. More alarmingly, a study published last year found that tourism as a whole accounts for about 8% of global emissions, with air travel being the leading culprit. At his session, “The Race of Our Lives” during the 2018 SRI Conference, famed investor Jeremy Grantham argued that air travel is the single biggest contributor to climate change that most consumers engage in.

So how can this be addressed? The most obvious answer is to fly less, thereby reducing demand for air travel and reducing the number of flights. Unfortunately, the reality is that most people cannot easily put aside travel plans for work, vacation, or family emergencies. Consumers can take other steps to try and reduce the carbon footprint from air travel. For shorter trips, driving instead of flying can reduce emissions, and nonstop flights can also make a major difference, as roughly 25% of aircraft emissions are generated during takeoff and landing. Flying coach can also make a major difference. A World Bank study found that the carbon footprint of business class seats is about three times as great as that of seats in coach, and first class seats an astounding nine times greater.

As with the broader issue of climate change, however, individual consumers cannot hope to make up the difference without institutional and technological changes as well. Airlines already face major financial incentives to increase the fuel efficiency of their aircraft as this lowers their operating costs. In recent years, advances in aircraft aerodynamics, jet engine design, and biofuel technology have all helped to increase efficiency and curb emissions growth. In late 2016, following the adoption of the Paris Climate Agreement, governments from over 190 countries adopted unprecedented measures to reduce the footprint of air travel. Despite these hopeful signs though, aircraft emissions remain a major and growing problem.

Still, new technology may be able to reduce or even eliminate aircraft emissions in the near future. Alternative transit systems like high-speed rail or even the hyperloop

can reduce demand for air travel while being powered by renewable sources. The proliferation of electric vehicles can make driving a more environmentally friendly alternative to flying, and scientists and engineers continue to pursue electric aircraft engines as well. While there are significant technical hurdles yet to be cleared before a viable electric airliner engine can be produced, electric engine and battery technology has advanced rapidly in recent years and continues to be well-funded.

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