

# Affirmative Thinking

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## Shareowner Advocacy in Action

By Holly Testa

Investing often seems remote and impersonal. We review our quarterly statements and read about companies in news reports, but we often feel like passive bystanders when it comes to the activities of the companies in which we invest. Some investors want to take a more active approach.

**Shareowner advocacy** is designed to engage with companies for the purpose of changing behavior. First Affirmative has an active shareowner advocacy program, including public policy discussions, company dialogues, filing shareholder resolutions, and occasionally participating in an annual meeting.

We are equally attuned to keeping our clients engaged with their portfolios—and not just with regard to financial performance. We seek opportunities for clients who wish to deepen their engagement in shareholder advocacy.

**Letter writing and petition opportunities.** Selectively, we pass along information about letter writing campaigns addressing timely environmental, social and policy issues to our network advisors so that they can share these opportunities with interested clients.

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## High Performance Buildings: Saving Energy—and Money!

By Phillip Saieg

Building owners and managers have plenty to worry about: occupancy rates, depreciation, competition, maintenance etc. Climate change probably isn't a big blip on their radar screens. What if one strategy could help solve all these problems—and save money too?

Turning existing buildings into high-performing buildings can trim energy use and reduce carbon emissions while reducing spending on electricity, natural gas and water. High-performance buildings can also increase user satisfaction and productivity, and command higher market value.

How to get there? Start with **recommissioning**. In a **recent study** of more than 200 recommissioned buildings by Lawrence Berkeley National Laboratory, the median energy savings was 15%.

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## What's Up with Nuclear?

Japan's nuclear disaster is likely to have lasting implications for power generation around the globe. The earthquake and tsunami pushed the pause button on what was a few months ago considered to be a coming "nuclear renaissance."

The United States (104 reactors), Europe (143 reactors in 27 countries), and China (11 operating reactors) are planning extensive reviews of their nuclear plants and disaster preparedness. The repercussions of Fukushima are sure to put added financial pressure and regulatory scrutiny on the global nuclear sector.

As a result, low-carbon generating sources such as natural gas and renewable energy, as well as coal, in the short term, may get an investor interest and consumer friendliness boost.

Even if safety questions can be answered, nuclear power's greatest long-term challenge may yet be its ability to generate competitively priced electricity. Many reactors under construction are facing billions of dollars of cost overruns. More government subsidies, guarantees, and protection from lawsuits will be needed to attract investment capital to sustain global nuclear expansion. The public will need to be convinced that government and industry assessments about its cost and safety are credible and objective. The challenges are huge.

## Pension Fund Giants Embrace ESG

By Sara Laks

Two of the nation's largest pension funds, the California Public Employees' Retirement System (CalPERS) and the California State Teachers Retirement System (CalSTRS), have announced commitments to fully integrate the analysis of environment, social, and governance (ESG) issues into their investment processes.

With \$236 billion under management as of May 2011, CalPERS is the largest U.S. pension fund and a leading advocate of sustainable investing. In a keynote address at the 2011 Ceres Conference, CalPERS CEO, Anne Stausboll, announced that the pension fund plans to fully integrate ESG considerations across all asset classes in which the fund invests. This decision "reflects (CalPERS') belief that a deep understanding of sustainability issues is critical in achieving successful long-term investments results," said Stausboll.

Another major announcement came from the California State Teachers Retirement System, with \$153 billion assets under management, as of May 2011. The fund is now asking its investment managers to include an analysis of ESG risks in all performance related decisions. "What's different now is that we're saying, 'No matter what you're doing with us, there are ESG risks that we think will have a long-term impact on the portfolio, and we want to be sure that you're articulating for us how you're looking at them,'" CalSTRS CEO Jack Ehnes said. "We're no longer just making the assumption that this is in their analysis."

This commitment from the California pension fund giants is a powerful endorsement of investment strategies that incorporate both qualitative and quantitative criteria, including ESG risk analysis, into the investment process.

## New Report on Climate Change and Investors Around the World

By Sara Laks

In June 2011, the Institutional Investors Group on Climate Change (IIGCC), the North American Investor Network on Climate Risk (INCR), and Australia/New Zealand Investor Group on Climate Change (IGCC) released a report on the first survey of investment practices across the world focused on the consideration of climate change in investment analysis and engagement.

The report, conducted by Mercer, summarizes information collected from 44 asset owners and 46 asset managers with over \$12 trillion in assets and provides an overview of global climate change investment considerations. Overall, the survey found that significant progress has been made in addressing the risks of climate change in investment practices and that most responders viewed climate change as a material investment risk and/or opportunity.

# Shareowner Advocacy in Action

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**Holding company assets for advocacy.** When First Affirmative files a resolution, we must meet specific holding requirements mandated by the Securities and Exchange Commission (SEC). Clients have assisted us in an important way by setting aside shares in their accounts so that they will not be sold until the resolution has been withdrawn or presented at the annual meeting. This is an easy, private way to participate—the client name is kept confidential, as First Affirmative is filing on behalf of all clients who own shares.

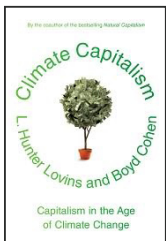
**Co-filing a resolution.** Clients may participate directly by co-filing resolutions filed by First Affirmative or by one of our advocacy partners—other institutional investors with whom we work to pursue common goals. The lead filer serves as the primary point of contact for engagement activities, and co-filers support the lead filer's actions. Co-filers are identified in the proxy materials that all investors receive, meaning your role will be public.

**Assigning proxies for annual meeting participation.** Few investors attend annual meetings, but those that don't attend may assign their proxy to someone else. For example, a client recently assigned his proxy to a First Affirmative network advisor, who attended the meeting and asked a question of the board of directors. Afterward, the client commented: "I know that First Affirmative has voted my proxies before, but actually being able to participate, albeit virtually, in a shareholder meeting was exciting and felt more rewarding."

Some clients may relish the opportunity to experience the shareholder advocacy process first hand. Everyone should appreciate the fact that shareholders with a small stake in a company do have a voice and can make a difference.

To learn more about First Affirmative's advocacy program and to find out how to become more directly involved, contact your Network Advisor or visit [Shareholder Advocacy > First Affirmative Financial Network](#).

## Business Case for Sustainable Business



"If you are a profit-maximizing capitalist who believes climate change is a hoax, you will do exactly what you would do if you were scared to death about climate change," says L. Hunter Lovins, founder and president of [Natural Capitalism Solutions](#). "We know how to solve the problem—and make money doing it!"

"You don't have to believe in the problem to believe in the solution." This is the premise of [Climate Capitalism](#), the sequel to the global bestseller, *Natural Capitalism*, both co-authored by Ms. Lovins.

Hunter spoke at the First Affirmative BaseCamp in New York in mid-June and

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## The Vatican Calls for Steps to Combat Climate Change

Nations and individuals both have a duty to reduce greenhouse gas emissions and enact policies that mitigate global warming, said a Vatican-sponsored working group.

*"We call on all people and nations to recognize the serious and potentially irreversible impacts of global warming caused by the anthropogenic emissions of greenhouse gases and other pollutants, and by changes in forests, wetlands, grasslands, and other land uses. We appeal to all nations to develop and implement, without delay, effective and fair policies to reduce the causes and impacts of climate change on communities and ecosystems ... aware that we all live in the same home. By acting now, in the spirit of common but differentiated responsibility, we accept our duty to one another and to the stewardship of a planet blessed with the gift of life. We are committed to ensuring that all inhabitants of this planet receive their daily bread, fresh air to breathe and clean water to drink, as we are aware that, if we want justice and peace, we must protect the habitat that sustains us. The believers among us ask God to grant us this wish."*

The [15-page report](#) on the impact human beings have on the environment was compiled and signed by 23 internationally renowned scientists, mountaineers, and lawyers.

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## High Performance Buildings

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Additional major gains can be achieved by doing a few simple things. Replacing a typical incandescent light bulb with a compact fluorescent bulb of equal light output can reduce the fixture's electricity consumption by 75%. Some buildings may be adaptable to cutting-edge daylighting technologies ([Sundoliers®](#), for example), which bring natural daylight into a building's core.

There are low tech options, too. Open-plan office spaces can improve comfort and reduce heating and cooling loads by allowing air to circulate more freely and helping to eliminate hot and cool spots. Plug loads can be sharply reduced by sharing services and equipment, such as copiers and printers.

The [Alliance Center](#) in downtown Denver is living proof of these energy efficiency concepts. This century-old converted warehouse provides office space for over 30 non-profit organizations and features such innovations as selective system automation, pressure-assisted toilets, waterless urinals, occupancy sensors for lights, renewable material applications, as well as a tenant-based "green team" to keep the efficiency ideas flowing.

As a result, the Center has realized major reductions in energy and water consumption, along with high levels of user productivity and satisfaction. With an [EPA Energy Star](#) rating of 85, the Center is the first historic building in the United States to achieve two Leadership in Energy and Environmental Design ([LEED](#)) certifications (Existing Buildings Gold and Commercial Interiors Silver) from the U.S. Green Building Council ([USGBC](#)).

To make a meaningful move toward sustainability, existing buildings around the world must do more with less and shrink their carbon footprints. The many options for achieving these goals are best seen as investments—which not only save money directly but can make buildings better places to work, thus paying off in multiple ways over time.

Phillip Saieg, LEED AP O+M, oversees the daily operations of the Alliance Center, a multi-tenant building owned and operated by the Denver-based [Alliance for Sustainable Colorado](#). Steve Schueth, Editor of *Affirmative Thinking*, serves as a Director of the organization.

## Business Case for Sustainable Business

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used some of the case studies and vignettes from the book to illustrate how smart businesses are integrating sustainability best practices into their operations, reducing emissions, saving energy, and enhancing profitability. In the process, they are realizing competitive advantage, attracting top talent, and enjoying higher market valuations.

"It is a competitive issue, an issue of the long-term share performance of companies," she said. The investment community is starting to realize that if you put money into companies of the future, they will do very well, and that "their money is at risk if they persist in putting it into companies that don't get it."