

Affirmative Thinking

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Investors and Corporations Critical Allies in Fight Against Human Trafficking

By Sara Laks

According to the U.S. State Department, there are an estimated **12.3 million** adult and child slaves worldwide. Human trafficking, whether for forced labor or sexual exploitation, is the fastest growing criminal industry in the world. And this global catastrophe is not limited to one part of the world or one group of people, somewhere far away—it's happening everywhere. In the United States alone, well over one hundred thousand people are living enslaved at this moment, as reported in David Batstone's book *Not for Sale*.

A hard reality of today's globalized world is that this estimated **\$32 billion dollar industry** is deeply integrated with the global marketplace. In order to combat this massive human rights challenge, many businesses, governments, and NGOs are trying to connect the dots.

Slavery and Supply Chains

Improving transparency in global supply chains and making global corporations more accountable are important steps that the private sector can take

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Shareowners Make Waves

By Christie Renner

Another productive shareowner advocacy season is underway and responsible investors are making waves and being heard. First Affirmative has been busy engaging companies on a number of high profile environmental and governance issues, including political spending and disclosure of environmental data.

Political Spending

Following the *Citizens United* Supreme Court decision in 2010 to allow unlimited corporate funding of independent broadcasts in elections, investors stepped up to request greater transparency and accountability. First Affirmative joined Trillium Asset Management to co-file shareholder resolutions related to political spending disclosures at Best Buy, State Street, and Pentair. We also co-filed a resolution with Walden Asset Management at Target, which we withdrew following the company's commitment to increased disclosure.

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- See the new *SRI in the United States* industry overview



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SRI in the Rockies Conference
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Carbon Action

The [Carbon Disclosure Project](#) has a long track record of asking companies to calculate and report their carbon emissions and maintains the largest database of such information. More than 530 investment firms, including First Affirmative, are signatories to the CDP's annual disclosure request that is sent to thousands of companies around the world.

[Carbon Action](#), takes the process a step further by asking companies to set year-on-year emissions reduction targets and implement strategies to reach them. When companies become more efficient and reduce costs, investors benefit.

First Affirmative is a founding signatory to the Carbon Action initiative, joining investors representing \$7.6 trillion in assets. The first action request letter will be sent to the Global 500 companies, the world's largest companies in the FTSE Global Equity Index Series. Responses will be collected through the end of May with analysis released in the fall of 2011. A major goal of the project is to encourage companies to share best practices in reducing carbon.



Consumer Giants Awaken to Green

By Joel Makower

Large consumer packaged goods companies (CPGs), have long been reluctant entrants into the green world. The makers of the leading brands of detergents, personal care products, processed foods, and items found up and down supermarket aisles have stayed on the sidelines, viewing green marketing as a risky or losing proposition. Suddenly, the world's biggest brands are leading the way.

P&G, the world's largest CPG, established a "sustainability vision" that set a [series of long-term goals](#): Use renewable energy for 100% of its factories, use 100% renewable or recycled materials for all products and packages, and send zero consumer or manufacturing waste to landfills.

That was just the beginning. During 2010, P&G also introduced to the U.S. its [Future Friendly campaign](#), an effort begun in Europe to raise awareness about greener products and practices; created a high-profile [advisory panel of sustainability experts](#); launched a supplier scorecard; reformulated a bestselling shampoo to reduce toxins, announced concentrated versions of powder laundry detergents that significantly reduce packaging and energy use; and introduced sugarcane packaging to three of its brands.

Unilever, one of P&G's biggest competitors, followed suit, launching a [Sustainable Living Plan](#) focusing on the company's supply chain—from the farms that supply raw materials for its products to the emissions and waste generated by customer use of those products. The company committed to sourcing 100% of agricultural raw materials sustainably by 2015, including palm oil; changing the hygiene habits of one billion people in developing countries to help reduce diarrhea, the world's second biggest cause of infant mortality; making drinking water safer in developing countries by extending sales of its Pureit home water purifier; and improving standards of living by working with nonprofit groups to link 500,000 small-scale farmers and distributors to Unilever's supply chain.

What's going on here? Such initiatives are opportunities to be seen as a leadership company by consumers, investors, job seekers, and employees. Credit also must be given to Walmart, which has been pressing CPGs large and small to take such measures—part of the [retail giant's own commitments](#) related to waste reduction, renewable energy use, and making affordable green products. Most of the leading CPGs also belong to the [Sustainability Consortium](#), a research group set up by Walmart but now run independently. The consortium's 70-odd members represent more than \$200 billion in annual sales.

Few of these companies are doing much green marketing. Most remain on the sidelines, devoting their marketing budgets to more traditional consumer value propositions. But behind the scenes, they are making dramatic shifts—things unlikely to end up on product labels, advertisements, in-store promotions, or any of the other tools of the marketing trade.

Joel Makower is chairman and executive editor of [GreenBiz Group Inc.](#), producer of GreenBiz.com, and lead author of the annual [State of Green Business](#) report. He will be a keynote speaker at the 22nd annual SRI in the Rockies Conference in New Orleans, October 2-5, 2011.

The Fight Against Human Trafficking

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to begin to address human trafficking. Organizations of investors such as the [Interfaith Center on Corporate Responsibility](#) (ICCR) and [Christian Brothers Investment Services](#) (CBIS) have been working for years to improve global corporate policies to eradicate forced labor in supply chains.

Bitter Chocolate

The chocolate industry is one that continues to be plagued by forced, trafficked, and child labor. Although some chocolate brands have shifted to fair trade certified cocoa bean sources, many of the leading chocolate producers continue to source from cocoa farms in West Africa where children work under hazardous and abusive conditions, some of whom were trafficked to the farms from neighboring countries to harvest cocoa. Hershey, which accounts for 42.5% of the U.S. market, [continues to source](#) much of its cocoa supply from West Africa without a system in place to ensure that these products are not tainted by human rights abuses.



Agriculture, transportation, apparel, hospitality/travel/tourism, food processing, mining/logging, and domestic service are other high risk industries for human trafficking.

The hospitality and tourism industry is a major target for campaigns working to end child sexual exploitation. Carlson, a global hospitality and travel company that encompasses more than 1,080 hotels including Radisson and Country Inns among many others, has been [recognized as a leader](#) in the effort to address sexual exploitation in the hotel industry. Carlson was the first North American company in the travel and tourism industry to sign a code of conduct, which commits companies to establish an ethical policy regarding protection of children from sexual exploitation in travel and tourism.

Key Questions for Investors

Investors can raise questions with companies in their portfolio to promote awareness and leverage action surrounding human trafficking. Determining whether a company has human rights policies in place to address forced labor and sexual exploitation, as well as assessing the effectiveness of these policies, is a part of the due diligence process of many socially responsible investment funds as well as a central focus of many shareowner advocacy campaigns.

Consumers can also play an important role in urging companies towards responsible supply chains by voting with their purchases. Resources like [Free-2Work](#) provide consumers with easy to access information to make informed purchasing decisions.

“New Consumers” Will Drive Sustainability

The 70 million shoppers identified as “New Consumers” will help sustainable brands to enter the mainstream while forcing large brands to accelerate their adoption of environmental initiatives, according to a new report by brand consulting firm, BBMG: [Unleashed: How New Consumers Will Revolutionize Brands and Scale Sustainability](#).

“For brands to take sustainability to scale, they can no longer rely on the dark green consumer. Instead, they need to engage New Consumers, who are just as concerned about the environment but also realistic about factors like price, performance, convenience, health and safety,” said Raphael Bemporad, BBMG’s Chief Strategy Officer.

These shoppers are “values aspirational,” being as interested in sustainability as “dark green” consumers. But they are also “practical purchasers” because they are forced to make pragmatic trade-offs every day.

New Consumers are defined by shared values, BBMG said. They try new things, share opinions online, and reward or punish corporate practices. Even during the recession, 25% are willing to pay more for sustainable alternatives, BBMG said.

BBMG found that New Consumers are skeptical, with less than 4% turning to company advertising to verify product claims. But once they find a product that they trust, they become fiercely loyal.

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Shareowners Make Waves

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A subset of corporate political spending of concern for investors is the funding that companies allocate to trade association dues and special projects. We have focused efforts on engaging U.S. Chamber of Commerce Board Members to address the disconnect between their progressive corporate environmental policies and recent activities of the Chamber.

The Chamber has promoted strictly partisan positioning during recent elections, voiced strong opposition to climate change legislation, and sued the EPA to limit its ability to regulate carbon emissions. The Chamber has also [petitioned](#) the Department of Labor to challenge investors who, in exercising their fiduciary duty, consider environmental, social, and governance factors in company engagements and proxy voting.

The Chamber has 129 board members, representing many of the largest U.S. companies. We have been in dialogue with several of these companies and have co-filed a special type of resolution to be raised from the floor at the 2011 annual meetings of 3M, CVS Caremark, JPM, and Eastman Kodak. We co-filed a traditional proxy resolution on the Chamber issue at Accenture.

These resolutions ask each company to review its role on the Chamber board and to examine the consistency between the Chamber's policies and company priorities on environmental, social, and governance (ESG) issues. They ask each company to publically identify where the Chamber's policies do not align with the company's priorities and to report dues and additional payments made to the Chamber.

Climate and Environment

We have co-filed several shareholder proposals related to disclosure of environmental metrics, including a resolution asking Amazon to respond to the [Carbon Disclosure Project](#). Following successful dialogue, resolutions were withdrawn asking TJX to adopt public policy principles on climate change and asking Yum! Brands to disclose climate risks to its supply chain.

Investor awareness is expanding beyond climate risks and focusing on the safety risks associated with natural gas production that utilizes [hydraulic fracturing](#) techniques. Increasingly, new natural gas wells in the U.S. require cracking the bedrock thousands of feet below the surface and injecting a slurry of water, particles, and chemicals into the resulting fissures to release the gas.

We joined Domini Social Investments to co-file a resolution at Southwestern Energy requesting a report of known and potential environmental impacts of fracturing operations and policy options to reduce or eliminate hazards to air, water, and soil. Productive engagement allowed the resolution to be withdrawn, as investor dialogue with the company continues.

We have been impressed this advocacy season with the increasing awareness at many companies of the importance of environmental, social, and governance issues, and their receptiveness to investor input.