

# AFFIRMATIVE IMPACT

January 2018

## The UN Sustainable Development Goals: New Targets for Positive Impact

By James Griffiths

On September 25th, 2015, all 193 member states of the United Nations adopted a [set of 17 goals](#) aiming to “end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda,” to be met by 2030. Building on the successes and aspirations of the [Millennium Development Goals \(MDGs\)](#) laid down in 2000, the UN Sustainable Development Goals (SDGs) aim to surpass them through a more comprehensive set of goals and a concerted effort to include all stakeholders in the solutions: The MDGs were aimed primarily at governments, whereas the SDGs are a call to action for international institutions, governments, individuals, and public and private organizations at every level.



Source: UN.org

Many companies have already begun to [integrate the SDGs into their business practices](#), with over 60% of global public companies producing sustainability reports specifically denoting their efforts to advance them. SRI investors can, therefore, review companies via the lens of the SDGs. This will enhance the ability of portfolio managers constructing strategies of public equities and bonds to invest for intended impact given the explicit goals established by the SDGs. Indeed, a few funds which incorporate the SDGs into the investment process, have already been established, and more are likely to follow.

Because of their importance, the SDGs were a major fixture in The SRI Conference program in 2017. A panel of experts laid out the “[Roadmap to a Truly Sustainable Future](#)” using SDGs as a global framework around which both public and private interests can collaborate toward their achievement. As the UN estimates achieving the SDGs will require capital investment in excess of \$4 Trillion annually, leveraging the \$70 Trillion of AUM invested globally will be crucial.

As countries around the world [implement policy](#) around the SDGs and individual consumers become increasingly aware of bad actors, businesses working to advance the SDGs should be well positioned to succeed. Per Walden Asset Management, “Astute companies will recognize the SDGs as guidance on the likely, future regulatory environment. If

*Continues on page 2...*



**First Affirmative**  
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a company offers a product that advances the goals, or if it manages its operations and supply chain in a way that is in-line with the SDGs, then—all else equal—it will likely be a more sustainable business long term relative to companies with operations and products that are antithetical to the goals.” Because all 193 members of the UN, nearly the entire planet, have committed to the SDGs, companies unprepared to integrate them into their business model risk isolation and may find themselves playing catch up. Indeed, the SDGs highlight the need to address issues long recognized by the SRI community as detrimental to long-term shareholder value such as impact on climate change, exacerbation of wealth inequality, and lack of diversity. ■

## Interview with Kate Kroll, Shareholder Advocate Green Century Capital Management, Inc.

*Kate Kroll coordinates Green Century’s [Forest Protection Campaign](#) by pressing and convincing companies, using the funds’ and the firm’s leverage as a shareholder, to adopt more sustainable and environmentally responsible policies and practices. She represents Green Century on the United Nation’s supported [Principles for Responsible Investment \(PRI\)](#) working group on palm oil, as well as the [Ceres-PRI Investor Initiative for Sustainable Forests \(IISF\)](#).*



Source: Green Century

### What are the goals of Green Century’s Forest Protection Campaign?

This campaign seeks to address the carbon emissions, loss of biodiversity, and human rights grievances that deforestation causes through working with companies to eliminate deforestation from their supply chains. As one of the largest drivers of climate change, deforestation has a similar impact on the environment to the global transportation sector. We believe that companies who pay attention to and minimize their environmental risk may perform better in the long run and that sustainably sourcing products may help companies avoid certain financial risks, like operational disruptions, and better position them to enjoy certain opportunities, like building a competitive advantage.

### What strategies have been effective for achieving the goals?

In 2012, just 5% of all palm oil refineries were covered by No Deforestation policies. Today, that number is 74%. This success can be attributed to many factors, one of which is investor pressure. We have worked with consumer facing companies through the shareholder resolution process, with suppliers and private companies through investor letters, and have even helped shape regulatory policies and verification efforts through specific stakeholder engagements. We have found that pushing for strong, time-bound policies and calling for active reporting on KPIs (key performance indicators) best avoids risk and improves environmental performance. Green Century has also learned from issue experts, such as the research consortium Chain Reaction Research, to help understand the complexities of this issue.

### Remarkable progress has been made in getting companies to both recognize the risks of deforestation and make strong commitments to improve their practices. What are the challenges in moving from commitment to implementation?

Much work is needed to ensure the transition from strong policies on paper to meaningful implementation on the ground. Investors can help support this by continuing to engage with companies even after a policy is secured as shareholder accountability signals a demand for sustainable practices. Investors can also push for the political environment and corresponding verification systems needed to help these commitments thrive. For example, Green Century has engaged with the Indonesian government to advocate for a countrywide moratorium on deforestation and has coordinated investor comments calling for stronger responses to the Roundtable for Sustainable Palm Oil (RSPO), the industry’s certification system.



## **The Forest Protection Campaign has led to visiting deforestation hotspots in Indonesia. How have these on-the-ground experiences informed your work?**

Green Century has been able to follow up on the implementation of the commitments we helped secure through field visits to Indonesia and Malaysia, where over 85% of all palm oil is sourced. We have met with some of the largest palm oil suppliers in the world, as well as the Indonesian government, key investors, and the NGOs that closely follow company behavior. These visits have helped us understand the scope of implementing a No Deforestation policy and leave with a better idea of the challenges companies face. It has also helped us understand how investors might better engage with companies and what those companies need from shareholders to successfully end deforestation in their supply chains.

## **If you had to pick one, which would be the greatest achievement of Green Century in its shareholder advocacy in 2017?**

Visiting Wilmar International, Asia's largest agribusiness and one of the world's largest palm oil suppliers, in West Sumatra was a highlight of the 2017 advocacy season. Because Wilmar has huge influence on the palm oil industry at large, demonstrating investor support for the implementation of its commitment is an important factor in securing industry transformation. While pushing laggards is valuable, witnessing the best practices from first movers such as Wilmar provides important learning lessons for investors and the companies they seek to improve through engagement.



## **What challenges will Green Century be focusing on in 2018?**

We will continue to ensure the implementation of the commitments we have already secured and will also expand our focus to other forest commodities, such as beef and soy, in at-risk regions such as Latin America and parts of Africa. Through investor coordination in our role as an Advisory Committee member for the United Nation's supported

Principles for Responsible Investment (PRI) working group on palm oil, as well as the Ceres-PRI Sustainable Forests Initiatives, we look forward to collaborating with investors on this increasingly important issue to raise its visibility among investors and the companies both contributing to and impacted by deforestation. ■

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## **Interview with Pat Miguel Tomaino, Director Socially Responsible Investing Zevin Asset Management, LLC**

*Pat Miguel Tomaino leads Zevin Asset Management's SRI research and pushes the companies in their clients' portfolios towards positive social and environmental impact. Prior to that Pat did similar work for F&C Asset Management (now BMO Global Asset Management) and worked for progressive political campaigns including Elizabeth Warren's 2012 team, and in the labor movement.*

## **Congratulations on being nominated to the Bloomberg 50, as one of the people to keep an eye on in 2018. What does this recognition mean for the work you do?**

Socially responsible investors have been using shareholder proposals and our investor rights to move companies on social justice issues since the anti-Apartheid movement. We have proven our power to do good: if you own shares, you can help change company behavior — to manage long-term risk, help protect the environment, and show up for the social movements you care about. The Bloomberg 50 recognition means that the wider economy is noticing the impact that Zevin Asset Management and other socially responsible investors create. I hope that being honored alongside amazing innovators amplifies our work and gets more folks thinking about how to do good with their privilege and their investments.

## **If you had to pick one, which would be the greatest achievement of Zevin Asset Management in terms of shareholder advocacy in 2017?**

The work we did this year with Starbucks was very important, both in terms of long-term social risk management and in making meaningful progress for low-wage workers. My colleague, Emily DeMasi, and I researched dozens of companies on the strength of their paid family leave policies and found that there was a huge gap between Starbucks employee benefits for corporate managers versus front-line baristas. Adoptive parents and dads on the wrong side of that divide were left out entirely. After we filed a shareholder proposal flagging the human capital risks from this unequal

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approach to paid family leave, Starbucks extended benefits to baristas with adopted children. It's a good first step, and a lifeline for LGBTQ families which are more likely to adopt kids.

**Your work at Zevin has focused on diversity and racial justice. Over the coming years, what are the biggest challenges that the U.S. will face in these two areas?**

Zevin uses shareholder proposals and corporate dialogue to address the intersection between capital, business, and racial injustice. In 2018, I think we'll continue to see companies face policy and public relations challenges around this issue. Disappointingly, we're still pushing companies like UPS and AT&T to leave ALEC, the reactionary group that sponsored restrictive voter legislation around the country. It was a good sign in 2017 when companies like Johnson & Johnson responded to the white supremacist violence in Charlottesville by leaving President Trump's last business advisory boards, leading to them being disbanded. The next step will be to get companies to move beyond rhetoric — for instance, by assessing their supply chains for the presence of prison labor, which can create risk and reinforce racial problems in our criminal system.

**One of your recommendations to investors to confront racial injustice is divesting from companies that have a negative impact on or exploit communities of color. Yet, some of these same companies may also create wealth for franchise owners in the same communities or may have hiring policies more favorable to the formerly incarcerated. How do you address this tension?**

Zevin avoids investments in companies which profit substantially from incarceration or companies with a history of exploitation of minority and economically disadvantaged communities. With all other portfolio companies, we use our investment stake to push for positive change. This advocacy is how we try to resolve the tension. For example, we're concerned that many of our tech sector portfolio companies are treading water on diversity and inclusion and losing opportunities to develop and retain talented Black and Latino professionals. As previously mentioned, we're concerned about companies that give money to ALEC and those that allow discrimination to fester in their workforces. We recently

worked with fellow investors to convince Costco to commit to reviewing gender- and race-based pay gaps and our [shareholder proposal filed at Amazon](#) is asking the company to reckon with the way it uses criminal background checks, which can discriminate against workers of color.

**First Affirmative has joined some of the efforts to promote diversity in the tech sector by co-filing a resolution with Zevin at Citrix. Can you speak about the goals of this campaign?**

The tech sector has historically excluded people of color and women: people of color hold just 9% of technical roles in the sector and women hold 36% of entry-level tech jobs and just 19% of tech C-Suite positions. The status quo reinforces stereotypes about who can and cannot succeed in the industries of the future, which threatens to shut another generation of Black and Latino people out of wealth in America. Zevin and partners like First Affirmative are telling companies to, "Put your money where your mouth is." We know companies that measure and incentivize their managers around sustainability risks manage those issues better in the long-term. We want them to bring the same seriousness to racial justice and gender justice, and improve the health of their human capital in the process.

**As 2017 comes to an end, how optimistic are you about where the industry is and where it is going on racial justice and diversity? How can we be better?**

Racial inequality and stolen labor were the founding realities of economic life in America. I live in Boston, where white households have an average net wealth of \$247,000, and the average net wealth for Black families is \$8. While it will take time to narrow this gap, it gives me hope that investors are starting to understand that capital, business, and inherited wealth all have a role in either deepening or alleviating racial injustice. The next step is to start re-deploying capital in a way that builds opportunity, reduces discrimination, and builds wealth for historically marginalized people — in a way that benefits all of us. We can do this as impact investors when we insist that companies manage risk around inclusion and pay equity, make companies answer for their role in mass incarceration, and use our privilege as investors in support of movement leaders. ■

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