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CITY OF PORTLAND

OFFICE OF MANAGEMENT AND FINANCE

Socially Responsible Investing Committee Meeting Thursday, May 8, 2014

Members Present: Barry Bennett, Ashley Henry, and Jenny Liu

Members Absent: Felisa Hagins

City Personnel Present: Kelly Ball, Jennifer Cooperman, Katie Shriver, and Janet Storm

Guests Present: Barbara Ellis & Sandy Polishuk

Welcome and Agenda Review: Kelly Ball

Welcome and overview of the agenda.

There will be a fifth meeting on May 29 to finalize the report, hear feedback on the draft report from the City Investment Advisory Committee, and determine next steps.

Portland Business Alliance Government Relations Manager, whom Bernie Bottomly recommended to serve as a business resource for the committee, was unable to attend the meeting but volunteered to look at the draft proposal and share her thoughts.

Jennifer Cooperman will get feedback on the draft report from the Investment Advisory Committee and will report back at meeting five.

Public Input

There were no public comments at the beginning of the meeting.

Review Report Discussion Draft

The committee discussed the first draft of the report and identified several areas needing clarification. Highlights of the discussion are as follows:

It was also important to clearly define terms going forward:

- **Council:** Portland City Council.
- **Principles:** The concepts of concern adopted by Council in the resolution that also established the temporary Socially Responsible Advisory Committee; Council could change these concepts in the future.
- **Data research vendor:** A company that provides environmental, social, and corporate governance analytical reports; examples include MSCI and Sustainalytics. Reports may be off-the-shelf or customized

- **Criteria:** The environmental, social, and governance standards or measures by which a data research vendor analyzes a company. Criteria are used to evaluate eligible issuers relative to the principles.
- **Socially responsible investment consulting firm:** A company knowledgeable about and that can analyze and advise on environmental, social and corporate governance-related business practices.
- **Eligible issuer:** A corporate issuer of debt securities in which the City of Portland is allowed to invest according to current City policy and State statute.
- **Scoring threshold:** The minimum grade and/or benchmark on criteria, as shown in reports from a data research vendor, that an eligible issuer must meet in order to avoid a recommendation to Council for inclusion on the “do-not-buy” list.
- **Do-not-buy list:** The list of companies ineligible for City investment, as recommended by the standing permanent committee of public members and approved by City Council.

The conclusion was that a standing public advisory committee is needed, but also, that the standing committee should have outside expertise available should they require it. At the very least, it is essential that the standing committee have access to off-the-shelf data reports from an ESG research vendor such as MSCI or Sustainalytics. It will also be necessary for Treasury to provide investment reports and the list of current eligible issuers.

Cost will be an important determining factor for Council to consider before implementing any of the committee’s recommendations. It is imperative that Council sets a budget for the procurement of data, as well as for any potential required outside expertise, such as an ESG investment consulting firm.

The standing committee will set scoring thresholds against which each eligible issuers will be measured. Those that do not meet the standing committee’s scoring thresholds will be added to a Do-Not-Buy list.

It was agreed that the standing committee should consist of between six and ten members. The membership of the standing committee should ideally be representative of the Principles set by Council. If Council identifies a new Principle, then Council should strive to appoint a member with expertise in that area of interest. However, members should come and go naturally as members’ terms expire. Therefore, it would be preferable to maintain a few open seats at all times. Should the Council decide to drop one of the Principles, the corresponding committee member will be allowed to finish out his/her term.

The initial roster of standing committee members should include individual with expertise in the following areas:

- Environment and conservation
- Labor practices
- Corporate ethics and governance
- Corporate taxation
- Economics
- Public health and safety

Ideally, the standing committee should meet quarterly and report to Council quarterly. The Do-Not-Buy list should be furnished to Council quarterly, but no less than once annually.

The committee agreed that the Do-Not-Buy list would not be a call for divestment, rather should be applied prospectively to investments of additional cash assets.

Public comment should be an important part of the meeting process and can be included in the report to Council with the Do-Not-Buy list as the standing committee feels appropriate.

Next steps and additional information for Meeting 5

Staff will update the draft report based on the discussion and decision made in the meeting.

Shriver will ask Raihana Ansary for feedback on the next draft.

Public Input

Sandy Polishuk said that, while she was pleased that the City is undertaking the process, she is disappointed that the process did not result in a divestment of fossil fuels. Divestment is more than just moral and ethical; there is political value for the City to divest as well. Prospective divestment is not enough; that the City must divest completely in fossil fuels to affect the behavior of the companies. She feels that the original mission and motivation for forming the standing committee was to consider full divestment from fossil fuels, and is frustrated that the mission seems to have changed.

Barbara Ellis said that she is concerned about the potential bias of possible data research vendors and investment consulting firms, and cited Portfolio 21 as an example saying that she heard that their company still recommends fossil fuel companies to its clients. She is also concerned about the bias of potential committee members and said that it will be very difficult to undertake such a process without bias coming in to play.