



# CITY OF PORTLAND

OFFICE OF MANAGEMENT AND FINANCE

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**City of Portland  
Socially Responsible Investments Committee  
Monday, June 20, 2016**

**Committee Members Present:** Dave Cutler, Sayer Jones, Katrina Scotto di Carlo, Kristen Sheeran.

**Committee Members Absent:** Robert Landauer, Hyung Nam.

**City Personnel Present:** Kelly Ball, OMF Business Operations; Jennifer Cooperman, BRFS Treasury; Katie Shriver, Commissioner Novick's Office; Janet Storm, OMF Business Operations.

## **Welcome**

Kelly Ball went over the agenda, meeting schedule, and process. There will be discussion on the five remaining companies at the July meeting and the committee will work on developing its report to Council at the August and September meetings. They will also begin choosing companies for the next round of discussions at the September meeting.

## **Communications**

There were no communications.

## **MSCI Reports**

Reports on Credit Suisse, ING Groep/ING Bank, Mitsubishi UFJ Bank of Tokyo, Mitsubishi UFJ Financial Group, Inc., Mitsubishi UFJ Union Bank, Societe Generale, and Sumitomo Corporation were distributed.

The committee agreed that black and white copies of the MSCI reports are acceptable.

## **Committee Discussion**

Due to unforeseen circumstances, Robert Landauer was unable to attend the meeting. His thoughts, which he shared with staff prior to the meeting, were that none of the companies were the "worst of the worst" and that he would not have voted to put any of the companies on the do-not-buy list.

## **Amazon.com**

Jennifer Cooperman provided the estimated financial impact of placing Amazon.com on the City's Corporate Securities DNB List. If Amazon.com is put on the DNB List, the City could lose between \$741,000 and \$969,000 in income over a fully invested three year period.

Committee members discussed their assessment of Amazon.com and whether or not to recommend that it be placed on the DNB List.

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One committee member felt that the company's behavior was not egregious enough to place it on the DNB List. Discussion included:

- Though some of the company's practices are unsavory, they are not illegal.
- The success of Amazon.com has much to do with changes in the economy and hearkens back to other advances that have occurred in technology and business over the years.
- Until the company's practices are regulated and considered illegal, they cannot be held accountable for conducting business as usual.

Three of the committee members had serious concerns with enough of Amazon.com's practices to recommend that they should be placed on the DNB List. Concerns included:

- Environmental concerns
  - Reported issues with supply chain trash and the company's unwillingness to disclose information about its carbon footprint.
- Concerns about abusive labor practices.
  - Documented and alleged poor working conditions in warehouses, employee lawsuits, OSHA penalties, and two worker deaths at fulfillment centers.
  - Strange policies such as workers not being allowed to call 911 and Amazon employing an in-house medical teams.
  - Investigations into alleged violations of labor laws.
- Concerns about corrupt corporate ethics and governance.
  - Investigations into tax evasion in the UK and France.
  - Sales tax avoidance in the US in the form of lobbying to make consumers responsible for reporting tax.
- Concerns about exercise of such a level of market dominance so as to disrupt normal competitive market forces.
  - Class action lawsuits against the company over e-book pricing and the company's practice of sanctioning books from publishers that propose changes to business terms.
  - Underpricing of books and retaliation against publishers and authors that challenge the company's policies and practices.
  - Violations of the Robinson Patman Act in the form of price discrimination and the use of computer cookies to charge differential pricing for the same product.

The group voted, as consensus was not able to be reached. The committee determined 3-1 to recommend that Amazon.com be placed on the DNB List. Kristen Sheeran voted in opposition.

## **Coca Cola**

Cooperman provided the estimated financial impact of placing Coca Cola on the City's Corporate Securities DNB List. If Coca Cola is put on the DNB List, the City could lose between \$507,000 and \$663,000 in income over a fully invested three year period.

There was consensus that the Coca Cola would not be recommended for the DNB List.

Discussion included:

- The MSCI reports did not show enough severe issues related to Council principles to merit a recommendation for inclusion on the DNB List.
- That though Coca Cola has some issues, especially with groundwater depletion, there appear to be relatively few controversies or lawsuits.
- The company has been more responsive than its peers when controversy does arise.

## **Johnson & Johnson**

Cooperman provided the estimated financial impact of placing Johnson & Johnson on the City's Corporate Securities DNB List. If Johnson & Johnson is put on the DNB List, the City could lose between \$290,000 and \$380,000 in income over a fully invested three year period.

There was consensus that the discussion on Johnson & Johnson would be tabled and taken up at a later date.

Discussion included:

- The lack of comparison information for other pharmaceutical companies.
- Though the company is involved in some serious controversies related to health concerns, the committee does not have enough information to make an informed decision on whether the company can be considered among the worst of the worst.
- Apart from health concerns, there are not any substantial pressing issues.
- The committee would like to discuss the company again in the context of other comparable companies.

## **Nestle**

Cooperman provided the estimated financial impact of placing Johnson & Johnson on the City's Corporate Securities DNB List. If Johnson & Johnson is put on the DNB List, the City could lose between \$585,000 and \$765,000 in income over a fully invested three year period.

The committee reached consensus that there were enough concerns to recommend Nestle for the DNB List.

Concerns included:

- Health concerns including weapons production.
  - A long-running scandal involving the improper marketing of infant formula which contributed to widespread infant deaths
  - Violations of the World Health Organization International Code of Marketing of breastmilk Substitutes.
- Concerns about abusive labor practices.
  - Examples of serious child labor abuses including forced child labor in the cocoa supply chain.
  - Examples of forced labor practices and extreme labor rights abuses in the supply chain in Thailand including extreme physical abuse, neglect, murder, and false imprisonment of workers.
  - A feeling that, despite the company's assertions to the contrary, the company knows exactly what has been happening within its supply chain over the past 15 years and simply does not care.
  - A feeling that the company has done little to address these concerns over the years and that they are only willing to make the smallest possible changes unless they are pushed.
- Concerns about corrupt corporate ethics and governance.
  - Allegations of anti-competitive price fixing all over the world.
  - The company's unresponsiveness to community concerns regarding water consumption in drought-affected areas, including Oregon.

**Focused Public Input: Credit Suisse, ING Groep/ING Bank, Mitsubishi UFJ Bank of Tokyo, Mitsubishi UFJ Financial Group, Inc., Mitsubishi UFJ Union Bank, Societe Generale, and Sumitomo Corporation**

There was no focused public input.

## **General Public Comment**

There were no general public comments.

## **Next Steps**

The July meeting will include:

- Committee discussion of Credit Suisse, ING Groep/ING Bank, Mitsubishi UFJ Bank of Tokyo, Mitsubishi UFJ Financial Group, Inc., Mitsubishi UFJ Union Bank, Societe Generale, and Sumitomo Corporation.

More information and a full meeting schedule is available at <http://www.portlandoreogn.gov/omf/sric>.