



# CITY OF PORTLAND

OFFICE OF MANAGEMENT AND FINANCE

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**City of Portland  
Socially Responsible Investments Committee  
Thursday, March 17, 2016**

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

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

### **Welcome and Introductions**

Kelly Ball went over the agenda and process. Attendees introduced themselves.

### **Communications**

Kelly Ball reported a process question conversation with Bob Horenstein of the Jewish Federation of Greater Portland. Ball also shared that Claudia Arana Colen resigned from the committee.

### **Select Companies**

Jennifer Cooperman explained that there were other eligible commercial paper banking institutions aside from the corporate bond issuers the committee would be discussing. The banking institutions whose commercial paper the City is currently invested in are:

- Mitsubishi UFJ Financial Group Inc./The Bank of Tokyo-Mitsubishi UFJ/MUFG Union BankBNP Paribas
- Credit Suisse
- ING Groep/ING Bank
- Societe Generale
- Sumitomo Corporation

The committee would like to review these institutions. Public comment on the five banks listed above will be held at the next meeting. The committee will take public comment on Berkshire Hathaway and Blackrock at the May meeting. The committee made the determination not to discuss educational institutions at this time. *(Note: Public comment will be taken on Berkshire Hathaway and BlackRock at the April meeting).*

Companies for the June and July meetings will be discussed and selected at the April meeting. The committee agreed that City staff will bring back a proposed schedule based on the conversation about grouping similar companies at the meeting.

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## **MSCI Reports**

MSCI banking industry and ESG reports were handed out for Bank of New York Mellon, HBSC, JP Morgan Chase, US Bancorp, and Colgate Palmolive.

The topic of the best use of the reports and other research was discussed. Hyung Nam was concerned that the ratings are misleading or skewed in that they appear to focus more attention on environmental concerns while omitting other concerns all together. He suggested that the committee read the ratings critically and pay close attention to the section of the reports dealing with lawsuits.

## **Committee Discussion**

### **Caterpillar**

Jennifer Cooperman provided the estimated financial impact of placing Caterpillar on the City's Corporate Securities Do-Not-Buy (DNB) List. Caterpillar's bonds are not eligible for purchase by the City but commercial paper is. If Caterpillar is put on the DNB List, the City could lose between \$750,000 and \$1 million in income over a fully invested three year period.

The committee noted that it is not charged to align with any particular movement and that Caterpillar would be assessed through the lens of the Council criteria.

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

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

- That the company's MSCI ratings are not among the "worst of the worst" and that the company has not violated enough of the Council-approved criteria to warrant addition to the DNB list.
- The company should not be held responsible for how its products are used.
- Controversial use of Caterpillar's products results from the resale of its products by the US Government – placing Caterpillar on the list would be hypocritical unless the City is prepared to divest from US government bonds and other US Government suppliers.
- Putting the company on the DNB List could strain the local economy as Caterpillar has a strong local presence – it would be more productive to engage the company in a dialogue at the City level instead.

Four of the committee members had serious concerns with enough of Caterpillar's practices to recommend that Caterpillar should be placed on the DNB List. Discussion included:

- Health concerns including weapons production.
  - The company's practice of selling custom weaponized military equipment and its involvement in human rights controversies.
- Concerns about corrupt corporate ethics and governance.
  - Caterpillar is under federal investigation for bribery and accounting fraud.
- Concerns about extreme tax avoidance.

- According to a Senate investigative committee report, Caterpillar engages in extreme tax avoidance by shifting profits to Swiss bank accounts.
- Environmental concerns.
  - Caterpillar is dependent on and a supporter of the fossil fuel industry.
- Concerns about abusive labor practices.
  - There are pending lawsuits over unfair labor practices and labor disputes.

The group voted, as consensus was not able to be reached. The committee determined 4-2 to recommend that Caterpillar be added to the Do-Not-Buy List. Robert Landauer and Sayer Jones voted in opposition.

**Focused Public Input: Bank of New York Mellon, HBSC, JP Morgan Chase, US Bancorp, and Colgate Palmolive.**

The Committee took focused public comment on Bank of New York Mellon, HBSC, JP Morgan Chase, US Bancorp, and Colgate Palmolive. Comments included support for adding Bank of New York Mellon to the Do-Not-Buy List for the company's investment in private prisons and lawsuits related to fraud and money laundering. Comments from: Cecelia Beckwith Stanley, Enlace.

Written or emailed comments are forwarded to committee members.

**General Public Comment**

The Committee took general public comment. Comments included support for the committee's work and the determination that Caterpillar should be added to the DNB List. Comments from: Ned Roche, Occupy-Free PDX, Maxine Fookson Occupy-Free PDX, Rod Such, Occupy-Free PDX, Peter Miller, Occupy-Free PDX, Mark Braverman, Kairos USA, Esther Nelson, Occupy-Free PDX.

**Next Steps**

Future meeting dates will be determined. Committee members will return MSCI reports to Janet Storm when they are no longer needed.

More information is available at <http://www.portlandoreogn.gov/omf/sric>