

Zevin Asset Management, LLC

Advocacy Update

Quarter 2, 2018

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Zevin Asset Management continued pressing for change at companies in three key areas of risk and social impact. In the second quarter, we used demanding shareholder proposals and collaborative engagements in coalition with fellow investors to move companies in client portfolios in the right direction.

Climate Change

There was a major milestone this quarter in our engagement with the oil and gas pipeline company Kinder Morgan. **Kinder Morgan** was [forced to sell](#) its interest in the planned Trans Mountain Pipeline to the Canadian government when local opposition and related risks grew out of hand. Zevin Asset Management brought such concerns directly to the company's shareholder meeting in May with a proposal asking for a rigorous report on risks related to energy prices, climate change, and carbon regulations. Shareholder proposals rarely win a majority, but [our proposal won the votes of 59.7 percent](#) of Kinder Morgan investors. Now the company has agreed to publish two new reports, which could set the stage for future change in its business, and we are leading an investor group that will consult on those drafts.

We pursue advocacy with oil and gas companies like Kinder Morgan when our clients hold legacy shares. Such engagement, while a relatively small portion of our work, has huge potential impact. That's why we re-filed a shareholder proposal urging **Chevron** to appoint an independent chairperson as a meaningful step to address long-term climate risks. Our proposal did not win a majority, but it propels a challenging dialogue with Chevron, and our clients' shares helped a researcher from Union of Concerned Scientists confront executives on climate risk inside Chevron's headquarters.

Civil Rights

The Trump administration's so-called "zero-tolerance" policy on immigrant detention and family separation created a disturbing crisis this quarter. As experts in researching companies' human rights risks, we were not surprised that a diverse [web of large companies](#), from airlines to builders, are enabling those policies — and getting paid. We avoid investments in companies with substantial involvement in incarceration and detention, especially private prison operators. Seeking additional impact, we endorsed investor letters putting pressure on **General Dynamics**, a defense contractor profiting from administering immigration detention and casework, and **Abbott Labs**, which shares several board members with General Dynamics. We are also collaborating with fellow investors and members of the [Investor Alliance for Human Rights](#) to produce another statement addressing detention risks across several sectors and at other companies that may have a small but troubling stake in this crisis.

In the tech sector, we continued urging companies to strengthen executive leadership on diversity and inclusion. The investment rationale is clear: inclusive companies get better talent, with McKinsey & Company reporting that leaders in inclusion are more likely to have above-average financial returns. We filed shareholder proposals asking for ties between CEO compensation and key diversity and inclusion metrics at **Alphabet** (Google's parent company), **Amazon**, **Apple**, **eBay**, and **Citrix Systems**. Readers of [our Q4 2014 update](#) will recall that we stimulated progress at Citrix while other firms sought to evade our propos-

als. This spring saw more exciting developments. In May, Amazon, which we began engaging on diversity issues early last year, announced that it would [adopt the Rooney Rule](#) for board appointments. The company, which had received a proposal from the SEIU union, will now formally consider women candidates and people of color for all board openings.

We went all the way to a shareholder vote at **Alphabet**, where inclusion concerns increased even since we filed our proposal. Media reported on [workplace hostility](#) and conflicts between underrepresented employees and internal diversity opponents, as well as management's slow response to reports of abuse. In the lead-up to the June shareholder meeting, we connected directly with Google employees who were advocating for inclusion and one of those advocates [presented our proposal in person](#). Our strategy paid off in [international media attention](#) and the votes of more than a quarter of external investors. On a subsequent earnings call, Alphabet announced a good first step: senior executives will now play a more direct role in the racial and gender inclusion strategy. We plan to re-submit that measure for 2019 and keep pressing.

Economic Justice

In the second quarter, we met with executives at **Verizon** and discussed several issues related to economic justice. We commended the company's enhanced approach to measuring its positive impacts and investing in underserved communities. Verizon says it will double its program providing technology and broadband for low-income middle school students. The plan, which Verizon says will reach five million students over the next five years, is a good start. Nevertheless, we pressed the company to further limit unwarranted sharing of customer data, an increasingly risky business after Facebook's Cambridge Analytica scandal. Our meeting also flagged Verizon's high-dollar lobbying against net neutrality. Now that Obama-era net neutrality regulations have been repealed, U.S. consumers face the prospect of reduced choice and higher costs. As a first step, we believe that all such lobbying needs to be fully disclosed in order to keep it in line with shareholder and consumer interests.

Finally, we met with the **Access to Medicines Foundation (ATMF)**, a global watchdog that [ranks pharmaceutical companies](#) on how well they provide essential medicines to people in the global South. Zevin Asset Management is committed to pressing portfolio pharma companies such as **GlaxoSmithKline, Novartis, AbbVie** and **Astellas** to open access to patented drugs, discount their products, and research remedies for neglected diseases that affect people in the global South. This work, which can help firms diversify their drug portfolios and develop future customers in emerging markets, is in line with the ATMF's agenda, and this quarter we agreed to officially join a coalition of prominent investors supporting the group's work.

Thanks for reading and sharing. For more updates on this work and our broader advocacy, join us on [our website](#), [Medium](#), and [Twitter](#). And please don't hesitate to contact me (pat@zevin.com) with your questions, thoughts, and suggestions.

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