

# Zevin Asset Management, LLC

## Advocacy Update

Quarter 3, 2018

Pat Miguel Tomaino, Director of Socially Responsible Investing



Our socially responsible investing approach creates positive impact on behalf of our clients. For example, when we help convince companies to develop specific greenhouse gas targets, this improved focus helps address climate change. And when we press big tech firms to strengthen their diversity strategies, each success potentially impacts the lives of thousands of workers.

In September, we published our [first-ever report](#) detailing the full range of that impact — including shareholder advocacy, voting at shareholder meetings, the footprint of our portfolios, and the sound business practices that have made us an industry leader and a Certified B Corporation. Please [read our Impact Report 2018](#) and share your feedback.

### Economic Justice

Throughout the third quarter, we continued pressing companies on material environmental and social issues to drive this work forward. We resumed a challenging dialogue with **Amazon** on how it treats workers. In early October, [the retail giant was praised](#) for a new plan to begin paying \$15 per hour to more than 300,000 employees. We have long argued that robust wages support employee morale, reduce turnover, and improve human capital management in a way that creates long-term value for investors. That is borne out at **Costco**, a leading retailer that has reported gains from strong pay and benefits.

The full story at Amazon is more complicated than originally reported: external contractors won't get a pay bump, and the company will likely shed jobs as it tries to use more robotic technology. However, our advocacy (alongside unions, activists, the news media, and heavyweights like Senator Bernie Sanders) played a role in this interim win. In recent meetings and shareholders proposals, we urged Amazon (as well as other retailers like **CVS Health**) to address wages and to take a positive stance in the national "Fight for \$15" debate. Now that Amazon says it will do both, we will press the company on implementing the change and extending it to contractors. We have been urging Amazon to address challenges facing contractors for the past two years. For example, in a Q3 meeting prior to the wage announcement, we asked executives to publicly disclose data on breaches of Amazon's Supplier Code of Conduct — the sole set of policies governing its relationship with third-party workers.

### Climate Change

Adequate disclosure is also critical in the effort to reduce companies' climate change impacts. Basic statistics on energy use and emissions, when they are widely reported, can help investors quantify risk. Moreover, analysis of that data can help forward-thinking companies prepare for future climate change scenarios defined by scarcity and regulation.

This quarter, we wrote to 14 companies, including **The Home Depot**, **Citrix Systems**, and **Seven & I Holdings**, encouraging those firms to submit data to CDP, a leading agency that has already convinced more than 6,000 global companies to report data on their energy and water use. Many of the companies lag far behind standard practice, so any gains will go a long way toward making them more resilient for the future. Among other climate change priorities, we will follow up with this cohort of companies and track their progress.

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## Civil Rights

As we [predicted and advocated in a report last year](#), more and more investors are moving to address the impact of mass incarceration on portfolios. Over the summer, New York's public pension fund announced that it would [divest from companies that run private prisons](#), and the California Teachers' Retirement System announced it would explore a similar move (our portfolios already exclude such companies). This quarter, a private prison divestment campaign launched, targeting Boston's public retirement funds. We are offering our expertise to the Boston prison divestment organizers, and we welcome similar moves that respond to a wave of concern around prison profit and risky companies with business models that rely on both shady corrections lobbying and prison labor.

Prison labor is risky because such work programs, even when they are legal, are more susceptible to labor abuses, and resulting profits contribute to the further entrenchment of mass incarceration. Companies that have prison labor anywhere in their supply chains face increasing reputational risks. However, many firms — even those with a solid approach to monitoring global supply chains for worker abuses — simply don't know if their suppliers are using prison labor.

In late 2016, we convinced **Intel** to check its supply chains for prison labor and report back to us on conditions. The chip maker's willingness to analyze its contracts for prison work programs set a good precedent for transparency that we advocate to other portfolio companies. Now, we are able to report further success and positive impact on this front. This year, in response to our advocacy, Intel changed its supply chain policies to explicitly [prohibit "exploitative prison labor."](#) Implementation will be a challenge, but there are many reasons for optimism. The move makes Intel one of the first companies to address prison labor abuses in contexts where the work is legal (beyond bonded labor environments that were already banned). Also, Intel's significant supply chain management prowess puts muscle behind the policy. Finally, we were able to work with Intel to multiply this impact beyond one company: Intel officials convinced the [Responsible Business Alliance](#) to adopt the policy as well. That means that the policy on exploitative prison labor will affect that entire consortium of more than 120 electronics, retail, and toy companies, including **Walmart**, **Cisco**, and **Best Buy**. We will follow up with many of those companies in Q4.

*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](mailto:pat@zevin.com)) with your questions, thoughts, and suggestions.*

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