

IMPACT STATEMENT

Legislation title: Extend to December 31, 2017, the Council-approved Corporate Securities Do-Not-Buy List (Resolution)

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Presenter name: Katie Shriver; staff from City Treasurer's office will be available to answer questions

Purpose of proposed legislation and background information:

In October 2013, Council adopted a resolution directing the City Treasurer to not directly invest additional cash assets in Wal-Mart securities. Council extended that resolution through December 31, 2015.

In September 2015, Council adopted a resolution directing the City Treasurer to not directly invest additional cash assets in the securities of Walmart and the top 200 oil and gas and coal companies included on the Carbon Underground 2015 list. That resolution expires December 31, 2016, unless extended by Council. In 2016, the Carbon Tracker list of oil and gas companies limited the scope of its publicly available list from the Top 200 to the Top 20 companies.

This resolution extends to December 31, 2017, the direction to the City Treasurer to not directly invest additional cash assets in Wal-Mart securities, the top 20 oil and gas, and coal companies, Credit Suisse, and Nestle Holdings.

Financial and budgetary impacts:

This resolution extends the existing Do-Not-Buy List of Walmart and the Top 20 oil, gas, and coal companies for one additional year; therefore, for these companies, there are no additional financial and budgetary impacts.

The City Treasurer estimates that adding Credit Suisse to the Do-Not-Buy List may result in \$500,000 to \$666,667 less investment earnings annually if no equivalently yielding investments are found.

The City Treasurer estimates that adding Nestle Holdings to the Do-Not-Buy List may result in \$195,000 to \$255,000 less investment earnings annually if no equivalently yielding investments are found.

The financial impact calculations assumed a \$65 million to \$85 million investment per Eligible Issuer, based on the City's investment portfolio average balance of \$1.3 to \$1.7 billion and the City's Investment Policy limit of 5% of the portfolio per Eligible Issuer. Three-year yield spreads over U.S. Treasuries came from Bloomberg (a financial information system widely used by investors throughout the United States) as of the meeting date when that Eligible Issuer was discussed.

For additional information about the financial impact of accepting the Committee's recommended additions of Credit Suisse and Nestle Holdings to the Do-Not-Buy List, please see page 4 of the Committee's report.

Community impacts and community involvement:

Extending the City's Corporate Securities Do-Not-Buy List, which includes Wal-Mart, the Top 20 fossil fuel companies, Credit Suisse, and Nestle Holdings, reflects the Council's sense that these companies' practices do not, on balance, align with the principles established by Council. These principles are:

- Environmental concerns
- Health concerns including weapons production
- Concerns about abusive labor practices
- Concerns about corrupt corporate ethics and governance
- Concerns about extreme tax avoidance
- Concerns about exercise of such a level of market dominance so as to disrupt normal competitive market forces
- Concerns about human rights

In December 2014, Council adopted a resolution creating the Socially Responsible Investments Committee charged with recommending to Council the corporate issuers in which the City shall not directly invest its cash assets. In July 2015, Council appointed seven volunteer public members to the Committee, and since then the Committee has met monthly. Consistent with its charge, the Committee has received general public comment at each meeting and specific public comment related to its consideration of recommendation about individual companies. In September 2016, the Committee provided its Report recommending Council add nine corporate issuers to the City's Corporate Securities Do-Not-Buy List and keep Walmart on the List.

If approved by Council, this resolution will direct the City Treasurer to not directly invest additional cash assets in Walmart, the Top 20 fossil fuel companies, Credit Suisse, and Nestle Holdings through December 31, 2017, when the list will expire unless Council chooses to extend it.

Budgetary Impact Worksheet**Does this action change appropriations?**

- YES: Please complete the information below.
 NO: Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

Fritz Amendment

12/21/16

37262

NOW, THEREFORE, BE IT RESOLVED that Council directs the City Treasurer to suspend direct investments of cash assets in corporate debt securities until Council has approved the City's Investment Policy in 2017.

BE IT FURTHER RESOLVED that Council directs the City Treasurer to amend the City's Investment Policy by adding a restriction on the City's additional direct investments in Corporate Securities to those meeting a to-be-determined minimum rating at the time of purchase as determined by a third-party (ESG) environmental-, social- and governance-based investment research provider; and return to Council for approval of the City's Investment Policy by April 1, 2017.

Original wording.
37262

WHEREAS, on September 30, 2016, the Socially Responsible Investments Committee submitted its Report to City Council recommending that Council add nine additional corporate issuers to the City's Corporate Securities Do-Not-Buy List and retain Walmart on the List; and

WHEREAS, the Socially Responsible Investments Committee recommended adding Credit Suisse to the Do-Not-Buy List, citing concerns including a \$1.9 billion settlement over manipulation of the International Swaps and Derivatives Association benchmark interest rates; a \$29 million penalty for misrepresentation of mortgage securities sold to credit unions; and the company's decision to plead guilty to criminal charges and pay \$2.6 billion in fines for assisting American clients evade taxes; and

WHEREAS, the Socially Responsible Investments Committee recommended adding Nestle to the Do-Not-Buy List, citing concerns including violations of the World Health Organization International Code of Marketing of Breast-milk substitutes; 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; and the company's unresponsiveness to community concerns regarding water consumption in drought-affected areas, including Oregon; and

WHEREAS, the Socially Responsible Investments Committee recommended retaining Walmart on the Do-Not-Buy List, citing concerns about abusive labor practices, including the company policy of cutting back hours of 44 percent of its employees to reduce the need to offer health care insurance and a documented track record of safety, labor, and human rights abuses; concerns about corrupt corporate ethics and governance, including corruption in the form of policies that result in health, safety, and human rights abuses such as the refusal to sign the binding Accord on Fire and Building Safety in Bangladesh; and concerns about excessive market dominance causing disruptions to normal competitive market forces, including the creative destruction of local communities, the company's manipulation of volume discounts that cause many manufacturers and jobs to move overseas, and the lack of any observable plan on Walmart's part that would remedy these concerns; and

WHEREAS, the Socially Responsible Investments Committee did not review and, therefore, did not make recommendations about, the status of fossil fuel companies on the City's Do-Not-Buy List. The City Council resolution adding fossil fuel companies to the List in 2015 cites a list of concerns about the link between climate disruption and the coal, oil, and gas reserves held by the largest fossil fuel companies.

replaced by Fritz amendment

NOW, THEREFORE, BE IT RESOLVED that Council provides to the City Treasurer the Corporate Securities Do-Not-Buy List included as Exhibits A and B to this resolution and directs that the City shall not directly invest additional cash assets in the corporate debt securities issued by the companies on this list.

BE IT FURTHER RESOLVED that unless extended by Council through a subsequent resolution, this resolution shall expire on December 31, 2017.

37262

*Replaced by
Fritz amendment*

EXHIBIT B

City of Portland Corporate Securities Do-Not-Buy List

Wal-Mart

Credit Suisse

Nestle

Replaced by Fritz
 amendment 37262
Exhibit A

The Carbon Underground 200TM 2016

Rank	Coal Companies	Coal Gt CO ₂
1	Coal India	43.104
2	Adani Enterprises	27.809
3	China Shenhua Energy	23.143
4	Inner Mongolia Yitai Coal	11.756
5	China Coal Energy	9.492
6	Mechel	9.483
7	Exxaro Resources	9.433
8	Public Power	9.339
9	Glencore	8.692
10	Peabody Energy	8.059

Rank	Oil and Gas Companies	Oil & Gas Gt CO ₂
1	Gazprom	44.069
2	Rosneft	16.776
3	PetroChina	8.066
4	ExxonMobil	7.960
5	Lukoil	7.115
6	BP	6.388
7	Royal Dutch Shell	4.995
8	Petrobras	4.349
9	Chevron	4.045
10	Novatek	3.928

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PLEASE READ BEFORE USING – July 2016 List

This public list includes the Top 20 of 200 coal, oil, and gas companies provided by the Carbon Underground. The names of the remaining 180 companies are proprietary information.

The Carbon Underground 200TM is updated on a quarterly basis for subscribing customers. The list here is the publicly-available annual rankings.

This annual public list is provided at no charge to asset owners, non-profit organizations and the media, and can only be used for non-commercial purposes.

Use of the list of 200 by asset managers and consultants is only permissible with a paid subscription. Please contact us at info@fossilfreeindexes.com if you are interested in a subscription or require further information.

All companies in the Carbon Underground 200TM are investable as of July 11, 2016. The rankings are based on calculated carbon emissions data using reserves reported as of May 31, 2016. The ranking are adjusted for company mergers and acquisitions as of May 31, 2016.

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