Zevin Asset Management, LLC

Impact Update

Quarter 1, 2019

Pat Miguel Tomaino, Director of Socially Responsible Investing

At Zevin Asset Management, we build responsible investment portfolios for our clients. We then address risks and create positive social impact by engaging with portfolio companies. In the first quarter of 2019, we continued channeling our investor voice on several important issues.

In Focus: The Banking Sector

When considering investments in banks, we always research environmental and social issues associated with the bank's own activities, and also the impact of its lending. Direct negative impacts include activities that exclude marginalized people, poor treatment of employees, and harmful customer policies and fees. Indirectly, a bank's decisions to lend to polluting companies or to finance large infrastructure projects could harm the environment and local communities.

Several banks we have included in client portfolios have had relatively strong policies to address both direct and indirect impacts. For instance, **PNC Financial Services** has largely avoided controversy, and it uses specialized due diligence to analyze environmental and social risks in its loan book.

Many banks, however, lend to companies in harmful industries, such the defense sector, tobacco, and private prisons. In line with our own policy against companies that profit substantially from the prison industrial complex, we have sought to press banks to curtail their risky support for private prison firms. Joining with faith-based investor members of the Interfaith Center on Corporate Responsibility, we wrote to **JPMorgan Chase** in 2017 and subsequently met with executives to raise concerns about the bank's financing for Core-Civic and The GEO Group, the largest companies running prisons and jails and selling essential services to the U.S. Department of Homeland Security to facilitate immigrant detention.

In an encouraging win for our coalition of grassroots activists and shareholder advocates, JPMorgan Chase announced in March that it would end its banking relationships with CoreCivic and GEO Group. Along the way, the bank acknowledged that the private prison sector did not pass a basic analysis of social impacts. This is an important admission, because it may encourage more large banks to make the same decision, and the same logic applies to indirect impacts in other harmful sectors.

We have also engaged with executives at the Indian banking giant **HDFC** about how its basic banking and microfinance services impact vulnerable people. Major legal changes in India have provided millions of citizens with standardized ID's for the first time. While this presents privacy concerns, it also means banks like HDFC have an important opportunity to newly extend banking services to low-income people and include them in a growing formal economy. HDFC'S "Sustainable Livelihood Initiative" intends to reach some of the poorest folks — it now includes 8 million people, up from 6 million a year ago. The SLI program provides simple savings, checking, and ATM cards, as well as financial literacy training and micro-lending focused almost entirely on women borrowers.

These are positive developments, but account minimums and other restrictions can still prevent people from accessing the financial system in India. We wrote to HDFC last quarter asking for a better account of those obstacles and probing other efforts to provide responsible banking services to the underserved. We will meet with HDFC to keep pressing for change in Q2.

What Else Is New?

In Q1, we continued several engagements with companies in our clients' portfolios as well as broader initiatives to address sector- and economy-wide risks:

- Our shareholder proposal urging **Walt Disney Company** to improve disclosure of its lobbying activity garnered a record level of support. Nearly 40 percent of the entertainment giant's investors voted for our resolution, which would shine a light on Disney's state-level lobbying against minimum wage hikes as well as its activities as a member of the U.S. Chamber of Commerce. Onward!
- In February, we **provided public testimony at Boston's City Council**, encouraging the city to adopt socially responsible investment policies and divest from harmful industries including private prisons and weapons firms. In response to our advocacy, Boston took a step forward, announcing that it would join the sustainability coalition Ceres and pursue some impact investing practices. We will continue to press for divestment.
- We continued pressing financial companies to recognize the risks of funding **drilling in the Arctic National Wildlife Refuge**. Along with other responsible investors, we renewed a call for firms to suspend activities in spite of the Trump administration's attempts to encourage drilling in those irreplaceable lands.

Progress Report: The TJX Companies

We continued an engagement on inclusion and pay equity with **TJX**, a pioneering retailer and the parent company of T.J. Maxx and Marshall's. TJX's discount retail model sells a variety of branded goods, opportunistically buying inventory from a network of over 20,000 vendors. Deep discounts are supported by spartan brick-and-mortar stores, smart merchandising, and a shopping experience that is designed to resemble a treasure hunt.

All of that rests upon a global workforce of nearly 250,000 workers charged with building and maintaining the in-store experience. TJX has a remarkable number of women up and down its workforce: 77 percent of global employees, along with a majority of both managers and vice presidents, are female.

In 2017, we began pressing TJX to promote human capital management and improve morale by analyzing the state of pay equity in its large workforce. Over the course of several meetings with management, we laid out the case for a public report on potential pay gaps between workers of different genders, races, and ethnicities. Across all companies and sectors, wages for black women are only 66 percent of those for comparable white men and 88 percent of those received by white women. After more than 26 percent of TJX investors voted for a shareholder proposal we led on this issue last year, the company received a strong message that it should improve its approach.

Last quarter, TJX announced that it had finally conducted a gender pay gap analysis and that it found no pay disparities. We commended TJX for taking a step, but we remain skeptical of this bare-bones disclosure. We still lack key information on the methodology that the company employed, and, critically, the analysis did not address potential race-based pay gaps. We are leading a group of fellow investors that will continue to press for change and we will report future progress.