

# Active Investor Social Update

## Third Quarter, 2018

### Failing the Grade: Amazon Today

By Steven Heim

Just one day after we celebrated Labor Day, Amazon briefly became the [second US company to reach \\$1 trillion](#) in market value, following Apple's historic feat a month earlier. While there's a lot to like about Amazon as an investor and shopper, the company falls short with respect to working conditions, labor relations, and environmental stewardship. Our letter to the editor on Amazon's labor practices was recently [featured in the Financial Times](#).

We believe in healthy workers, vibrant communities, and environmental stewardship. That's why we rely on a comprehensive set of environmental, social, and governance (ESG) guidelines to make decisions about where we invest and conduct in-depth research accordingly. Our conclusion: Amazon gets failing grades on working conditions, labor practices, carbon emissions management, and fair competition. In exchange for easy purchase and efficient delivery of low-cost products, it contributes to a bifurcated economy and takes little responsibility for its negative impacts on workers, society, and the environment. Here's a rundown:

#### Unsafe work conditions

Amazon's massive warehouses and fulfillment centers, often run by sub-contractors, tend to resemble high-tech, air-conditioned sweatshops. Federal safety regulators at the US Department of Labor's Occupational Safety and Health Administration (OSHA) have levied judgments and fines on Amazon [dozens of times](#) within the past five years. Amazon's worldwide employee base has grown substantially in recent years, comprising 550,000 full-, part-time, and temporary workers. According to [press reports](#), Amazon often deflects responsibility for workplace injuries.

#### Labor relations

Numerous codes and conventions ensure worker health and safety, conditions, and wages—including freedom of association and right to collective bargaining, nondiscrimination, child and forced labor, and pay parity. Our ESG research reveals that Amazon fails to make the grade.

*Continued on pg 4*

#### SDGS: BUILDING A FAIR & JUST ECONOMY



By Kristin Jenko

The ambitious and sweeping scope of "[Transforming Our World: The 2030 Agenda for Sustainable Development](#)" (2015) is part of a widespread, multi-tiered movement toward making capitalism and business enterprise more just and accountable to public and planetary well-being. While not every Sustainable Development Goal affects corporations and investors, those that do offer rich opportunities for managing risk while promoting sustainable, inclusive growth.

More broadly, the 2030 Agenda and its adherents exist at a time when ethno-nationalism and the politics of fear are sweeping the world, thus threatening the foundations of collaborative globalism nurtured in the post-war era. The 2030 Agenda, along with the [World Benchmarking Alliance](#), the [Impact Management Project](#), and the [International Finance Corporation's](#) consultation document on "[Investing for Impact: Operating Principles for Impact Management](#)" provide powerful tools that can help ameliorate many of the symptoms that underlie nationalist grievances.

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## Active Ownership Updates

### SDGS: BUILDING A FAIR & JUST ECONOMY

Boston Common recently became an [ally of the World Benchmarking Alliance](#), which is supporting the development of new metrics and public benchmarks to demonstrate corporate performance with the SDG goals.

Perhaps the time has come to rally greater public awareness, support, and engagement about these initiatives and other reforms aimed at making markets more accountable to the public interest and long-term vitality.

As active, engaged investors, we have a duty to help work toward these Goals within the capital markets. The SDGs represent a prominent entrant into a worldwide, multi-tiered infrastructure, largely unknown to the general public, aimed at generating wealth and building a more inclusive economy—one that recognizes the limits to natural resources and need for managing abundance in ways that minimize risk and negative impacts while seizing competitive opportunities for growth.

“Without focusing on the risk dimension—such as good governance, responsible tax management, and respect for human rights—which underpins the achievement of the SDGs, company progress could be muted or even negated,” Boston Common’s Lauren Compere observed recently at the sixth annual [Global Capital Sustainable and Responsible Capital Markets Forum](#), held in Amsterdam in early September, where she appeared on a Euromoney panel.

“We need to see companies develop a coherent, coordinated strategy that supports both dimensions,” Compere remarked. “Addressing systemic risk, such as human rights, alongside opportunities, can have a multiplier effect, which not only supports achievement of the SDGs, but also creates economic growth.”



Photo Credit/Euromoney

Lauren Compere (center) reflects on the role of the private sector and investor alignment with the SDGs at the 6th annual Euromoney Sustainable and Responsible Capital Markets Forum in Amsterdam on September 4th.

Video here: <https://www.youtube.com/watch?v=eHxcTD7UIYo>

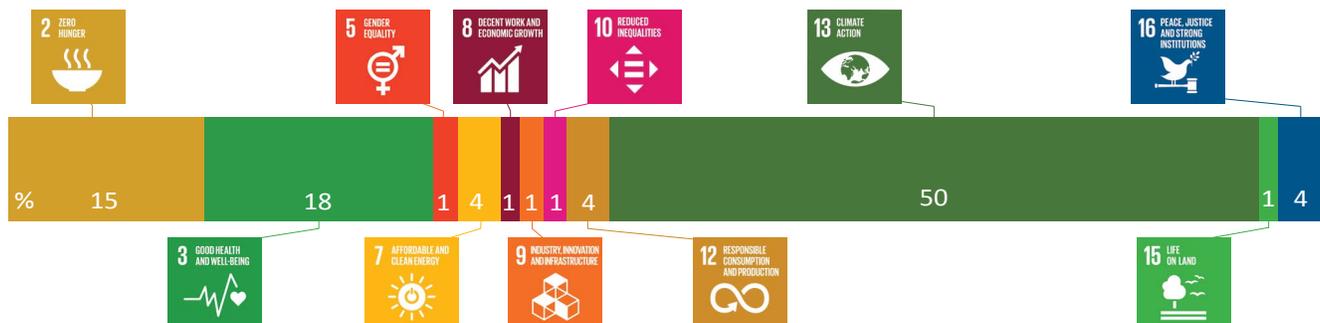
**“We think the SDGs should apply to a company’s entire value chain—from its products and services to its processes and practices,”** said Compere.

Some of the key themes that emerged from the gathering included how best to discern the moral obligation of financial services, how to gauge the impact of investments on society, and the need to bring more order to the explosion of metrics, indicators, and information now available. Rather than being mere abstractions, questions of justice, fairness, and ethical reflection were linked to “externalities” or “impact.”

As shown in the graph below, in 2017, 97% of Boston Common’s engagement impacts aligned in some way with the overarching objectives of the SDGs. The bulk of these impacts align with Goal 13: Climate Action in urgent recognition of the Paris Climate Accord 2°C goal:

Read more about [our Perspective on the SDGs](#).

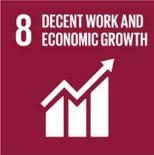
## Engagement Impact Across SDGs %



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## Taking Stock: Reflecting on the Quarter

| Sustainable Development Goals  | Milestones   |
|--|--|
| <p><b>Goal 16: Peace, Justice &amp; Strong Institutions</b></p>  <p><b>Goal 13: Climate Action</b></p>   | <p><b>Lobbying Disclosure:</b> We commended <b>Verizon Communications</b> for leaving the <b>American Legislative Exchange Council (ALEC)</b>, a powerful corporate lobbying group and will now urge the company to take the next crucial step in advancing transparency and accountability by adopting <b>comprehensive lobbying disclosure</b>. In our engagement with Verizon, we called on the company to report its direct spending of shareholder resources on lobbying, including its indirect funding of lobbying through trade associations and support for ALEC. Our <b>lobbying disclosure resolution</b> at Verizon’s May 2018 annual meeting received <b>strong support from shareholders (36.3% in favor)</b>.</p> <p><b>Banks &amp; Climate Change:</b> <b>Standard Chartered</b> published a revised <b>Position Statement on Power Generation</b>, as part of a wider announcement on climate change and acknowledge Boston Common’s input and review, which helped inform the company’s position.</p>  |
| Sustainable Development Goals  | Work in Progress   |
| <p><b>Goal 8: Decent Work &amp; Economic Growth</b></p>  <p><b>Goal 2: Zero Hunger &amp; Goal 3: Good Health &amp; Well Being</b></p>   | <p><b>Tax Transparency:</b> A recent Oxfam America report, “Prescription for Poverty,” concluded that some US pharma companies could be using tax havens to avoid paying up to \$100 million in taxes every year to numerous Emerging Market countries. Our collaborative engagement focused on <b>responsible tax management and transparency</b> seeks to shine light on this topic. In our role as lead investor, we sent letters to <b>Dr. Reddy’s</b> and <b>Johnson &amp; Johnson</b> and will also engage <b>Biogen</b>, <b>GlaxoSmithKline</b>, <b>Microsoft</b>, and <b>Novartis</b> on this issue.</p> <p><b>Advancing Engagement in Emerging Markets:</b> We urged <b>HDFC</b>, a bank in India, to recommit to responding to the <b>CDP questionnaire</b> in 2018, which aligns with the <b>Taskforce on Climate-related Financial Disclosures (TCFD)</b>. We are leading an engagement with <b>Grupo Bimbo</b> on performance gaps identified in its Access to Nutrition policies and practices as part of the <b>2018 ATNI Global Index</b>. We also met with the managements of South Korean companies to discuss material sustainability issues at the core of their businesses: With <b>Coway</b>, we discussed product safety protocol after nickel was found in its water purification products and with <b>SK Telecom</b> we engaged on the rights of users and data security.</p> |
| Sustainable Development Goals  | New Initiatives  |
| <p><b>Goal 8: Decent Work &amp; Economic Growth</b></p> <p><b>Goal 10: Reduced Inequalities</b></p>    | <p><b>Banks &amp; Human Rights Due Diligence:</b> This summer, we initiated another layer of dialogue with global banks, intentionally integrating human rights due diligence into our meetings with <b>Barclays</b>, <b>ING</b>, <b>Morgan Stanley</b>, <b>PNC Financial</b>, <b>Standard Chartered</b> and <b>TD Bank</b>. We are urging banks to: <b>address gun violence</b> and <b>Indigenous peoples’ rights</b> with fossil fuel projects in the US, apply the <b>Equator Principles</b> beyond developing countries, and <b>respect human rights by adhering to the UN Guiding Principles (UNGPs)</b>. We also continue our process of engaging standard setting bodies (e.g. OECD, Equator Principles) on revising their standards for banks in an effort to improve performance across the sector. <b>We aim to ensure the integration of human rights into corporate lending and project finance oversight</b>. <b>ING</b>, for example, has one of the most advanced human rights policies supported by formal oversight with a Steering Committee across business lines. Its public, transparent human rights policy is aligned with the UNGP.</p>  |

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## Metrics & Scorecards

### NEW REPORT:

#### *Achieving Impact in Global Equities, 2018*

We are excited to present our second annual Engagement results report, *Achieving Impact in Public Equities*, highlighting our Impact in the 2017 calendar year. In this year's Impact Report, we detail the outcomes of our global engagement efforts in 2017—highlighting 60 measurable impacts and improvements in corporate policies, processes, or products.

This year, we also shine a spotlight on our alignment with the [UN Sustainable Development Goals](#), which serve as a blueprint for a more sustainable and inclusive future. We also publicly announced our support for the [Taskforce on Climate-Related Financial Disclosures \(TCFD\)](#) recommendations.

We are delighted to share with you these outcomes of our 2017 Active Ownership work—the results of our multi-year approach, demonstrating meaningful Impact in the public equities space.

#### ► Download the Report

<http://news.bostoncommonasset.com/achieving-impact/>



### FAILING THE GRADE: AMAZON TODAY

Lacking access to collective bargaining, most Amazon workers have little recourse other than lawsuits and strikes. Meanwhile, since its founding in 1994, Amazon has had tremendous success in circumventing unions at its facilities in most countries, with perhaps only 1% of its employees unionized. With high worker turnover and absenteeism due to illnesses caused by overwork and stress, significant business risks are mounting.

Amazon's success has come at a high cost. Inhumane scheduling, notoriously long hours, and punishing quotas have made its warehouses resemble sweatshops. In exchange for easy purchase and super-fast delivery of low-cost products, Amazon could be on the verge of creating a "race to the bottom" in working conditions and labour practices as other retailers try to compete with it. Or perhaps all of Amazon's employees will be emboldened by their fellow Amazon workers in Italy who in May won the first-ever direct-labor agreement with Amazon to improve working conditions and scheduling.

### Room for improvement

Responsible investors continue to advocate for positive change at Amazon, and shareholders have filed 35 proxy proposals in recent years on topics ranging from sustainability reporting, gender board diversity, and pay parity, to human rights risk assessment, privacy and data security, and supplier labor standards. Most have been opposed by management.

Amazon remains a formidable force but relies on a business model that externalizes enormous costs onto its workers, communities, the wider economy, and the environment. This kind of damaging tradeoff was illustrated in October, as Amazon announced it would raise its minimum wage for warehouse workers to \$15 an hour—and would eliminate monthly bonuses and stock awards for those workers and other hourly employees in order to offset wage increases.

We believe that the cost of failing the grade on working conditions, labor practices, and fair competition will ultimately be felt in the company's long term-value.

Read more about [our Perspective on Amazon](#).

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