



In the first half of 2019 Trillium's advocacy led to three women joining corporate boards, three companies committing to meaningful workplace diversity disclosure, and one oil and gas company committing to establish methane emission targets. We also saw three of our proposals receive majority votes and three receive votes of 40 percent or more — dramatic results which set the stage for future improvements in ESG performance and practices. And as you will read below, Trillium's leadership amongst financial firms on reproductive rights and on climate change in legislatures across the country continues with op-eds, a full-page New York Times advertisement, and testimony before legislatures. These highlights are a testament to our clients who truly make it all possible. Through our dialogues, shareholder proposals, public statements, and other engagements we strive to influence portfolio companies and achieve our mission to promote social and environmental change while seeking to provide both impact and performance to our investors.

DIVERSITY

In 2018, Trillium implemented a comprehensive approach to corporate diversity by engaging companies in the three critical areas: board diversity, executive leadership team diversity, and workforce diversity. We did so out of recognition that each area needs focused attention to ensure that companies are addressing the issue effectively and comprehensively.

At the board level, since 2012 Trillium has worked tirelessly to persuade corporate boards to increase the number of women and people of color in their ranks and so far this year we added two more companies to the list. At **WisdomTree Investments** we were able to withdraw our shareholder proposal in March when the company agreed to amend its Corporate Governance Guidelines and 2019 proxy statement to include consideration of gender, race, ethnicity, age, sexual orientation, and gender identity and expression when seeking Board candidates and commit to actively seek out highly qualified women and people of color. Importantly, the company quickly followed through and in April appointed Susan Cosgrove (who has a proven record of accomplishment in finance, compliance and accounting) as its first female director.

Similarly, in January **IQVIA Holdings** made the same commitment and in February appointed Carol J. Burt to its board of directors. Ms. Burt has a proven track record of corporate board participation and governance within the life sciences industry. Her successful career in the health insurance industry and active membership in Women

Corporate Directors expands the professional experience represented on the board.

Showing the ongoing influence of this work, in March, a year after **Sealed Air** enhanced its diverse director search process, Francoise Colpron was appointed to the board of directors. Ms. Colpron brings to the company a wealth of global business and operational experience from the automotive technology industry. Her election expands the number of directors to nine members, and number of women to two.

Turning to executive team diversity, Trillium filed what we believe are the first of their kind proposals that seek better performance on this issue where the gender wage gap is most pronounced. In January, we were able to withdraw our shareholder proposal when, following productive conversations, **BNY Mellon** agreed to expand its diversity and inclusion reporting with a focus on the executive team. The expanded report will discuss how BNY Mellon sets specific diversity goals for leaders, including the executive leadership team, to hold them accountable for improved workplace diversity, with particular emphasis on diversifying senior management. And at **Newell Brands**, which is in the middle of a CEO search, the proposal received a **remarkable 56.6% vote** in June. This vote came shortly after Trillium led an investor letter urging Newell to include diverse candidates in its CEO search.

We have also continued our decades long efforts on workforce diversity. In February, we were able to withdraw our workplace diversity proposal at **F5 Networks** after

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the Company committed to strengthen disclosures of its practices and programs directed at building a more inclusive workplace. In addition, the Company has committed to increased data transparency by publishing comprehensive workforce composition data and its annual EEO-1 report. Similarly, in May we withdrew our shareholder proposal at **Xilinx** when management committed to disclose diversity data on all EEO-1 identity categories for its entire workforce on four different job categories. These numerous efforts were punctuated by a 50.9% vote at **Travelers** in favor of full EEO-1 diversity disclosure. Demonstrating the growing importance of this issue to investors, this majority vote came after two years of votes in the mid-30s and weak attempts by the company to produce minimal amounts of diversity data.

At **Carter's** we were able to withdraw our diversity proposal when the company committed to strengthen its public disclosures related to workforce diversity and inclusion before the end of the year. And finally, at **Alphabet** a proposal we co-filed with Zevin Asset Management on senior executive management diversity received 9.7% of the total vote and 30% excluding the insider votes.

LGBT NON-DISCRIMINATION

In March Trillium joined The Human Rights Campaign and 160 other businesses in supporting Senator Tammy Baldwin's Equality Act bill in the U.S. Senate. If passed, the Equality Act would provide nationally, consistent and explicit non-discrimination protections for LGBTQ employees in the workplace regardless of what state they work in.

Additionally, in June we joined an amicus brief organized by Lambda Legal, the Human Rights Campaign, Freedom for All Americans, Out & Equal, and Out Leadership on three United States Supreme Court cases which seeks to prohibit employment discrimination based on sexual orientation or gender identity as forms of sex discrimination.

PLASTICS

As global awareness of the plastic packaging problem continues to grow, characterized by a prediction that by 2050 there will be more plastic in the oceans than fish by weight, Trillium is pursuing opportunities to engage portfolio companies on this issue. At **Starbucks**, Trillium co-filed an As You Sow shareholder proposal asking the company to increase the scale and pace of its sustainable packaging initiatives. That proposal received a 44% vote at the March

annual meeting, a very high vote, but even more noteworthy given Starbucks efforts to trumpet their existing programs.

At **Sonoco Products**, which produces various packaging materials, including plastic containers, we began dialogue with the Company in May urging it to ensure its plastic packaging products are 100% recyclable. We are also pushing the company to increase the percentage of post-consumer recycled content it uses as a raw material.

In January, we helped facilitate a letter from a small group of concerned investors to ten of the largest consumer goods companies in the country, asking them to disclose the number of plastic bags they distribute every year and to establish policies to eliminate or reduce plastic bag distribution in the future. This could be a crucial area of action as Americans throw away roughly 100 billion plastic bags a year, according to the EPA, taking an average of 1,000 years to break down.

SUSTAINABLE AGRICULTURE

In April, we filed a shareholder proposal at **Lamb Weston**, a global supplier of frozen potato, sweet potato and vegetable products, asking the company to disclose quantitative metrics on pesticide use in the company's supply chain and how its pesticide use impacts pollinators. We raised these concerns because conventionally-grown potatoes are among the most pesticide-intensive crops grown in the U.S. Potatoes consistently rank in the top 'dirty dozen' of fruits and vegetables with heavy pesticide loads, according to government data examined by the Environmental Working Group. Further, potato seeds are routinely pretreated with neonicotinoid pesticides. Their systemic properties and prolific use has resulted in growing scientific consensus that this class of pesticide is an important factor in pollinator population losses and contamination of major waterways.

In May, we co-filed a shareholder proposal at **General Mills**, encouraging the company to disclose quantitative metrics demonstrating measurable progress toward the reduction of synthetic chemical pesticide use in the company's supply chain. General Mills' Cheerios oats-based cereal was recently implicated in a report of food products containing residual amounts of glyphosate, the highly controversial ingredient in the herbicide Roundup. Glyphosate is classified as a probable human carcinogen by the World Health Organization and a known carcinogen by the state of California. Research links glyphosate-based herbicides to kidney damage and endocrine disruption even at low levels.

Environmental consequences from glyphosate range from reduced effectiveness of antibiotic treatments to increased mortality among critical pollinators. In the past year, juries in two trials have found that exposure to glyphosate-based Roundup caused individuals' cancer, resulting in multimillion dollar damage awards, a decline in Bayer share price, and a flood of new lawsuits against Monsanto and manufacturers of foods containing residues of the chemical, including General Mills.

ECONOMIC INEQUALITY

Economic inequality continues to plague the U.S. economy and millions of low and middle income Americans. As Federal Reserve data released in March shows, the top 1% has increased its net worth by 650% since 1989, while the bottom 50% only secured a 170% increase during the same period. Over the last few years, Trillium has sought to engage portfolio companies on this issue in a variety of ways: wages, taxes, executive compensation, and lending. In the fall, we filed shareholder proposals at **Bank of America** and **JPMorgan Chase** asking the companies to address the impacts of their overdraft policies. These companies charged a combined \$3.3 billion in overdraft fees in 2017 (2018 numbers have not yet been reported) and research has shown that overdraft fees are disproportionately borne by people who are low-income, single, non-white, and/or renters. Unfortunately, in February the Securities and Exchange Commission allowed the two companies to block the proposals because it considered them to be not important enough issues for investors to be concerned with. Despite the SEC's action, we are continuing to engage both companies on this important issue.

At **Proctor & Gamble** we filed a proposal asking the company to take into consideration the pay grades and/or salary ranges of all classifications of company employees when setting target amounts for CEO compensation. The proposal led to a productive conversation with the company, leading us to withdraw the proposal following a commitment to publicly disclose that its CEO-to-worker pay ratio is one of the factors considered in determining executive compensation.

REPRODUCTIVE RIGHTS

As reproductive rights have come under renewed threats, Trillium has spoken up and added the unique investor voice to the public conversation. In January, Trillium partnered with Planned Parenthood Mar Monte (PPMM), the largest

Planned Parenthood Affiliate in the country, to co-author an article in the Opinion page of the *San Jose Mercury News*, which explained why sustainable investors and supporters of accessible health care are concerned by the Trump Administration's latest efforts to attack the Title X Family Planning Program. In June, Trillium joined 180 other companies in a full page *New York Times* ad called Don't Ban Equality stating, "Restricting access to comprehensive reproductive care, including abortion, threatens the health, independence and economic stability of our employees and customers."

POLITICAL SPENDING DISCLOSURE

Following up on our 2018 shareholder proposal that generated some modest improvements in **American Water Works** political spending disclosures, our 2019 proposal received a 37% vote at the company's May annual meeting. At **Chubb**, we were able to withdraw our shareholder proposal after the company committed to making significant improvements in their transparency and accountability in its corporate spending on political activities. We expect those improvements to significantly increase the company's score on the Center for Political Accountability 2019 Index to be released this fall.

SUSTAINABILITY REPORTING

In April and May, **Quanta Services**, **Tesla**, and **Middleby** finally issued their first sustainability reports. Even though it took many years of engagement, we were pleased that all three companies decided to join the large community of companies who regularly provide investors and other stakeholders with important information about their environmental and social policies, performance, and practices. In addition, **Westinghouse Air Brake Technologies** published a long overdue updated report following continued engagement with Trillium and Walden Asset Management.

TECHNOLOGY

Increasingly, the public, regulators, legislators, and investors, are becoming concerned with the human rights impacts that internet technologies have on the lives of individuals and communities around the world. This year we refiled our proposal at **Verizon Communications**, seeking a link between executive pay and privacy. Verizon already links executive pay to climate change and diversity metrics, and we are recommending that it extend that practice to arguably one of its greatest social impacts,

personal privacy. Unfortunately, many of our fellow investors have yet to agree with this position and the proposal received only 12.5% of the vote at the May annual meeting — a modest increase from the 11.5% vote it received last year. While we regret that our proposal does not resonate with investors, we will continue to press Verizon on this issue.

At **Alphabet** (the parent company of Google), we joined Azzad Asset Management in co-filing a proposal asking the company to publish a Human Rights Impact Assessment examining the actual and potential impacts of censored Google search in China. The proposal was filed after reports emerged that Google was developing a bespoke search engine — called “Dragonfly” — for the Chinese market. The concern is that Dragonfly could further enable surveillance by allowing the Chinese government to monitor individuals’ Google searches by tying search results to phone numbers. The repressed Uighur minority in China reportedly already face draconian measures, which require them to install tracking apps on their smartphones that monitor everything they do online. Similar practices could put Google users in China at risk of interrogation or detention. As Patrick Poon, China expert for Amnesty International asked: “Would Google rollover and hand over personal data should the Chinese authorities request it?” The proposal received 2.1% of the total vote (almost 7% with insider votes removed) and while this is a low vote, the filing of the proposal led the company to publicly commit in its 2019 proxy statement to conducting proper human rights due diligence in consultation with stakeholders.

CLIMATE CHANGE

Over the past two years it has been quite noticeable that the broader investment community has come to the position carved out by SRI leaders since the 1990s — corporate America must step up and reduce our economy’s dependence on fossil fuels. Today, more than 320 investors (including Trillium) with more than \$33 trillion in assets under management are engaging companies through the Carbon Action 100+ on improving climate change governance, curbing emissions, and strengthening climate-related financial disclosures. With this groundswell of activity, Trillium continues its multi-pronged approach to engaging portfolio companies where we have opportunities to help move fossil fuel producers, fossil fuel users, and governments to address climate change.

In January, we announced that we withdrew a shareholder proposal at **EOG Resources** after the oil and gas producer committed to reduce its methane emissions this year while establishing a quantitative methane emissions reduction goal for next year. Trillium and other investors have been in conversation with EOG about its management of methane and other greenhouse gas emissions for many years. Withdrawal of this proposal, which was co-filed by Miller/Howard Investments, marked the latest milestone in our ongoing dialogue that has contributed to EOG taking meaningful action to reduce its methane emissions.

At industrial equipment manufacturer **Illinois Tool Works** (ITW), our shareholder proposal seeking quantitative, company-wide targets for reducing greenhouse gas emissions consistent with the goals of the Paris Climate Agreement received a 21% vote this May. Simultaneously, the company committed to set intensity-based emissions reduction targets later this year. We will continue to press ITW to not just set any target, but an ambitious target that places ITW alongside the fast growing list of companies that are striving to do their part to keep global temperature rise within 1.5 degrees centigrade.

We were also pleased to learn that **Target** announced an ambitious goal to source 100% of its energy needs from renewables by 2030. This announcement comes several years after Trillium engaged with Target on setting quantitative renewable energy goals. Target joins a growing number of companies diversifying their energy sources and reducing their GHG emissions.

On the policy front, in May Trillium testified before the Massachusetts State Legislature Joint Committee on Environment, Natural Resources and Agriculture in support of proposed Massachusetts bill, H.832. This legislation is aiming to create a 2050 roadmap to a clean and thriving commonwealth that addresses climate protection, a growing sustainable economy, and climate change. In Oregon, Trillium published an op-ed in the Portland Tribune in April articulating our support for Oregon’s proposed cap-and-invest law. House Bill 2020 would link Oregon to existing markets as part of the Western Climate Initiative’s North American Carbon Market and would put in place mechanisms for the state to lower emissions to 80% below 1990 levels by 2050.

PRIVATE PRISON DIVESTMENT

In February, Trillium joined a community of divestment, reinvestment, and socially responsible investment representatives to call on Boston city councilors to divest municipal pension funds and cash reserves from environmentally and socially destructive industries such as prisons, immigrant detention centers, and fossil fuels. This joint initiative involved sharing Trillium's approach to sustainable and responsible investing and citing ESG integration into the investment process may produce positive financial outcomes in the long term. That effort was followed in April, when the Boston Business Journal published an Opinion Editorial written by Trillium and Boston Common Asset Management, that discussed the need for Boston to divest from private prisons.

Trillium has also engaged with a number of banks on how they lend to private prison companies. For example, in October, we met with **Bank of America** to encourage them to re-examine and reconsider the financing they provide to Geo Group and CoreCivic, the two primary private prison companies. We were therefore pleased that at the end of June the company announced that they were terminating their funding of both companies.

FACEBOOK

In late June 2018, Trillium filed a shareholder proposal at **Facebook** challenging Mark Zuckerberg's leadership by asking the Board to make its chairperson independent. The proposal focused on the litany of controversies, mismanagement, and negative social impacts caused by the company. As is well known already, Facebook's violations of user privacy, approach to encouraging user "engagement",

and countless other problems has led to deep distrust of the company and Mark Zuckerberg's leadership.

Through the fall and into the spring we saw growing support and interest in our shareholder proposal as more and more investors grew concerned with the concentration of so much power by Mark Zuckerberg. In October, the proposal was co-filed by the New York State Comptroller and the treasurers of Illinois, Rhode Island, Connecticut, and Oregon. Combined with new revelations in November that Mark Zuckerberg had kept Facebook's independent directors in the dark about Russian use of Facebook during the 2016 election, the shareholder proposal garnered prolonged attention in *The Wall Street Journal*, *The New York Times*, *CNBC*, *Bloomberg*, *LA Times*, *Chicago Sun-Times*, *Barron's*, *Fortune*, and *Reuters*.

In the lead up to the May annual meeting, the treasurers of Pennsylvania, Vermont, and Massachusetts pre-announced they would be voting in favor of the proposal. This growing interest proved to be formidable and on May 30th a remarkable 68% of independent shareholders supported the proposal. At the same time, Facebook's lead independent director, Dr. Susan Desmond-Hellmann, only achieved 63% support from independent shareholders while other independent directors reached 99% levels of support. These two votes are evidence of deep seated investor concern in Facebook's governance and board leadership. Sixty-eight percent votes are only achieved when large institutional investors like BlackRock and Vanguard vote in favor of a proposal. This makes it clear that a broad swath of main street and Wall Street investors want real change at Facebook. We have re-filed the proposal and will keep engaging Facebook and investors to make this necessary change.

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