

Advocacy Impact Report – 3Q 2023

As the dog days of summer come to an end, Trillium Asset Management, LLC's ("Trillium") shareholder advocates were busy reviewing the results from the recently ended proxy voting season and developing workplans on issues and areas to work on this fall. Each summer, our team collects feedback from our colleagues on the investment team and in our private client group on the social and environmental issues that have risen to the top of their minds. This feedback, along with our own research, feeds into setting priorities for our work over the next year. Despite the persistent anti-ESG rhetoric from certain politicians, Trillium was still able to pursue concrete environmental, social, and governance commitments from our portfolio companies.

Forced Labor and Worker Protections

Working with our colleagues at Domini Impact Investments, we wrote to **Nike** multiple times over the past several months requesting a meeting to discuss human rights and labor protections in their supply chain. Among other issues, we are concerned that Nike recently received a lower score on worker voice in the "Know the Chain" scorecard. There are a growing number of instruments, from model contract clauses to binding commitments, we believe Nike can adopt to strengthen and provide visibility to the company's efforts in this area and demonstrate their commitment to ensuring workers are well treated. We believe committing to responsible purchasing practices in its contracts with suppliers, as per the American Bar Association's Responsible Contracting Project, would demonstrate a leading practice as would joining the Pakistan Accord on Health and Safety. The Pakistan Accord is modeled after the Bangladesh Accord and has already been signed by over 70 brands.

Toxic Chemicals

The presence of thousands of potentially harmful chemicals in consumer products has become of increasing concern to many investors and other stakeholders in recent years. Trillium has been encouraging companies to identify and disclose chemicals of concern (CoC) found in products as well as adopt best practice management approaches to reduce their use and replace them with more benign substances. As we have previously stated, in addition to the significant adverse impacts on the environment and human health, the cost of poor chemicals management and the long-



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term impacts of chemicals use raise significant concerns for investors. In July, Trillium confirmed in a meeting with the **Walt Disney Co.** that they are on track to publish their list of priority chemicals (chemicals that the EPA deems may present unreasonable risk of injury to health or the environment) and their strategy to manage and reduce their use by the end of the year.

In July, the Wall Street Journal reported that **Verizon** owns toxic lead-clad cables across the country which have potentially harmful implications for public health. We reached out to the company to discuss their management of the issue, and were able to arrange a conversation shortly after the company was sued by investors who claim the telecommunications giant violated U.S. securities laws by failing to disclose environmental and health risks associated with the lead-wrapped cables it owns.

Consistent with legal parameters, the company could only share that its plans to remove the lead-coated cables will be guided by its' own testing and discussions with relevant government agencies. Verizon contends that the lead cables represent a small portion of its network but would not quantify. We urged management to improve disclosure on its strategy to remedy impacts to the size of the challenge. its business and affected communities. The company has agreed to meet with us before the end of 2023.

During a recent open comment period conducted by the EPA, Trillium wrote to its Office of Chemical Safety and Pollution in support of efforts to expand the "Safer Choice" certification program. Right now, the EPA's Safer Choice program provides rigor in product claims and a robust approach to safer chemistry solely for cleaning products. We believe expanding the program to include personal care products that are used every day by consumers should be a priority. Our view is that without a recognized "best-in-class" certification in personal care products, companies may create their own definitions for what qualifies as clean or safe. Expanding the EPA program can bring greater certainty to the marketplace for business and investors. Further, as we stated in our letter "companies that certify product to Safer Choice can send an important signal to consumers, investors, and other stakeholders that they take seriously potential risks of hazardous chemicals to workers, customers and communities."

Diversity, Equity, and Inclusion

To understand if companies are building diverse and equitable workplaces, we believe investors need meaningful data. That is why decades ago, Trillium and investor partners began advocating for disclosure of a company's EEO-1 (equal employment opportunity) report. This report must be completed by companies with more than 100 employees and shows workforce composition data by gender, race, ethnicity, and job category. **BJ's Wholesale Club**, a company we have engaged with on a variety of issues from food waste to improving diversity disclosures, published their first ESG report in April, after we withdrew a 2021 shareholder proposal seeking greater diversity disclosures from the firm. The company also published its full EEO-1 report for the first time in March 2021. Trillium reached out to the company to commend them for the

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publication of this data and to discuss next steps in their DEI journey. Based on their disclosures, we are concerned because white men are significantly over-represented in management ranks — all 21 of its senior executives are white, with white women representing 30% of the total.

We also reached out to Swiss logistics firm **Kuhene and Nagel** in August to follow-up on our conversation from last year regarding their strategy for complying with the Swiss Board gender quota of 30% for their boards of directors and of 20% for their executive boards. Since our initial conversation, Kuhene and Nagel added their first woman member to their executive board. Our follow-up request asked the company to provide an update on their new talent recruitment and retention strategy that was launched at the beginning of 2022, the success metrics established, and the progress to date. In Europe, public policy on gender equality at the board level is quite advanced, with the EU having passed a “Women on Boards” directive last November, which requires publicly traded companies to have at least 40 percent of board member posts filled by women by July 2026. Switzerland is not subject to the EU law, so most Swiss companies have not disclosed their strategy for complying with the new (voluntary) quota.

Environmental Justice

In 2022, **BD** (Becton Dickinson) was ranked the third most toxic corporate air polluter in the country based on the potential chronic human health risks from toxic air releases per the EPA Toxics Release Inventory data. BD operates sterilization facilities that use and emit a known carcinogen, ethylene oxide (“EtO”), within disadvantaged communities, posing significant legal, financial, and reputational risk. In December 2021, the EPA expanded reporting on this chemical stating that “[f]or too long, many communities in this country, particularly those with environmental justice concerns, have been at risk of exposure to EtO without even knowing it.”

This year, Trillium co-filed a shareholder proposal with Parnassus Investments seeking disclosures from BD on the steps that they have taken to identify and reduce heightened health and environmental impacts from its operations on or adjacent to communities of color and low-income communities.

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BD uses a third-party, chemical footprint project survey to manage toxins intentionally added to its products, so we asked management to consider a third-party environmental justice audit to assess the company’s practices and the impacts in communities where it operates. The company agreed to take our recommendations into consideration.

Gender Equity

In September Trillium wrote to five companies to press them on whether they are taking the steps necessary to become menopause-friendly workplaces. The menopause transition is a natural phase in a woman's life, typically occurring between the ages of 45 and 55, with some studies suggesting that some women of color might begin experiencing symptoms at an earlier age with more intense symptoms experienced for longer. The transition brings about a range of approximately 34 different physical, emotional, and psychological changes that can significantly impact women's health and work performance. Nevertheless, it is a subject that has historically been overlooked or considered taboo to discuss in the workplace, leading to avoidable misunderstandings and a lack of support for the women going through this transition. For example, **Bank of America** published a study in 2023 which found

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that 58% of women felt uncomfortable talking about menopause in the workplace because it seemed too personal, and the respondents feared they may be judged by colleagues. This issue is a growing global economic matter. A 2021 Mayo Clinic survey estimated that approximately 10% of US women ages 45-60 had taken time off from work within the last year because of menopause symptoms, reportedly costing employers about \$1.8 billion. In the UK, it has been estimated that menopausal women are the fastest growing demographic in the workplace.

The companies we wrote to were large holdings for Trillium, large employers with a majority or close to majority of employees being women. We believe this is the correct place to start this work and will build out a longer-term set of engagements on this important topic.

Proxy Voting

With the annual general meeting season firmly in the rear-view mirror, investors are now disclosing and assessing their proxy voting record for the year. Trillium is proud of our proxy voting record and how we use our guidelines to express our perspective on environmental and social topics. This year, we voted in favor of 87% of ESG shareholder proposals covering issues like misinformation on the internet, human rights, indigenous people's rights, lobbying spending transparency, and mass incarceration. This contrasts with firms like BlackRock and Vanguard, which reportedly supported only 7% and 2% of shareholder proposals, respectively. Similarly, Morningstar identified "Key ESG Resolutions" this year and found that BlackRock supported 38% and Vanguard supported only 8% of them. In contrast, Trillium supported 100% of the Key ESG Resolutions at companies held in Trillium strategies.

Collaborative Engagements

Trillium joined a collaborative engagement and sign-on letter led by Sycamore Asset Management and AXA Investment Management on tech, mental health and wellbeing. Recognizing the risks that excessive technology use poses on mental health, this initiative calls on target companies in the media, internet, and gaming sectors to monitor these impacts and share best practices.

Trillium joined other members of the Interfaith Center for Corporate Responsibility (ICCR) in supporting their letter to members of the Business Roundtable (BRT) urging



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them to align political spending with their stated core values, to mitigate both reputational risks to the company and broader risks to democracy. They recommend that BRT members take two steps: 1) Adopt the Erb Principles for Corporate Political Responsibility, and 2) Adopt the CPA/Zicklin Model Code of Conduct for political spending.

Trillium joined **Nature Action 100+**, a global investor engagement initiative that aims to mobilize institutional investors to establish a common, high-level agenda for engagements and a clear set of expectations to drive greater corporate ambition and action on nature and biodiversity loss. The initiative engages companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss

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by 2030. It was conceived by a group of institutional investors known as the “Launching Investor Group.” The initiative’s Secretariat and Corporate Engagement Working Group is co-led by Ceres and the Institutional Investors Group on Climate Change (IIGCC), and the initiative’s Technical Advisory Group is co-led by the Finance for Biodiversity Foundation and Planet Tracker.

Trillium joined a group of investors working together with the Investor Alliance on Human Rights to develop investor guidance on Model Contract Clauses. The Model Contract Clauses (MCCs) are designed as a practical tool to help buyers and suppliers protect the human rights of workers in international supply chains. The MCCs consist of 33 model contract clauses designed to integrate human rights due diligence principles into every stage of the supply contract and operationalize the shared responsibility between buyers and suppliers for the human rights performance of their contract.

About Trillium Asset Management

Trillium Asset Management offers investment strategies and services that advance humankind towards a global sustainable economy, a just society, and a better world. For over 40 years, the firm has been at the forefront of ESG thought leadership and draws from decades of experience focused exclusively on responsible investing. Trillium uses a holistic, fully integrated fundamental investment process to uncover compelling long-term investment opportunities. Devoted to aligning stakeholders’ values and objectives, Trillium combines impactful investment solutions with active ownership. The firm delivers equity, fixed income, and alternative investments to institutions, intermediaries, high net worth individuals, and other charitable and non-profit organizations with the goal to provide positive impact, long-term value, and ‘social dividends™’.

Contact Information

ContactUs@trilliuminvest.com

US: +1 (800) 548-5684

UK and Europe: +44 131 376 7426

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