Investing for a Better World

A Publication of Trillium Asset Management

Spring 2006
Vol. 21, No. 1

2006 Shareholder Resolution Roundup

INSIDE

By Steve Lippman

"I believe that worrying about the problems plaguing our planet without taking steps to address them is absolutely irrelevant. The only thing that changes this world is taking action….Words are easy. I believe truth is told in the actions we take." – Jody Williams, Founder of the International Campaign to Ban Landmines and winner of the 1997 Nobel Peace Prize

As a general rule, we hate to disagree with most Nobel Peace Prize winners, especially those as articulate, inspiring, and effective as Jody Williams. Yet, when sparring with a belligerent corporate general counsel in a negotiating session, words don't seem easy.

Still, we take Ms. Williams' advice to heart. We do worry about the problems plaguing our planet, and we talk about them a lot: with senior corporate managers, advocacy groups, and allies within the social investment field, and with Trillium's great staff, clients, and board members. Those discussions can have significant results, such as persuading companies to voluntarily adopt new policies and improve

Continues on page 4

Ford Grapples with Climate Change

By Shelley Alpern

The related issues of climate change and energy security have become a market force that is changing the operating environment in the automobile industry and putting business value at stake. — Ford Motor Company

It's carbon and monoxide, the ole Detroit perfume…. — Paul Simon

With the December 2005 publication of the long-sought "Ford Report on the Business Impact of Climate Change," at last the elephant in the room has been acknowledged by at least one of America's ailing auto giants. Highlights of the **Ford** report include:

- The acknowledgement that policy uncertainty around climate change is not in

Continues on page 6

Dear Reader

Joan Bavaria

My father and grandfather were in the food business in a small town in Western Massachusetts. When I was growing up, my father's salary of "over $10,000" was incredibly high for our town. Now I earn multiples of my father's salary, but I've learned that no matter what I am paid I manage to accumulate real and imagined "needs" that insure I don't have money to throw around, no matter how carefully I budget. So I understand the good feeling a raise gives you, no matter how far you come in your life.

However, reason seems to have abandoned some of the corporate boardrooms within which CEO compensation is determined. At the same time that real wages are not increasing for most workers, upper management and financial services titans are taking home mind-boggling sums of money. After a short hiatus, ratios of CEO pay to average worker pay are again on the ascent. A report by the Institute for Policy Studies and United for a Fair Economy, a group seeking to narrow the gap between rich and poor, found that in 2004 the ratio of CEO pay to worker pay at large companies had ballooned to 431 to 1. If the minimum wage had advanced at the same rate as chief executive compensation since 1990, America's bottom-of-the-barrel working poor would be enjoying salad days, with legal wages at $23.03 an hour instead of $5.15.

continues on page 12

Go Figure: The Olympics of Investing

By Lisa Leff, CFA

As I write this, I've been immersed in watching the Olympics, especially figure skating. As a former skater myself, I've been intrigued with the intricacies and implications of the new scoring system. Skiers and bobsledders race the clock, but for figure skaters keeping score is multi-dimensional and now has new twists and turns as the scoring system has been significantly revised. Please indulge me as I look at how we measure investment performance through the eyes of a former skater and recent Olympics addict.

There are two parts to a skater's overall score under the new system. The first part, the *Technical Score,* is a straightforward rating of the difficulty and execution of specific required moves. In the investment world, the standard equivalent of the Technical Score is measuring performance against market indices or benchmarks. The standard benchmarks we use in measuring the performance of Trillium portfolios are:

S&P 500 – a representative sample of 500 U.S. companies in leading industries of the U.S. economy, focused on the large-cap segment of the market but also often used as a proxy for the total U.S. stock market. We use the S&P 500 as a benchmark for our Large Cap and some All Cap portfolios.

S&P 1000 – a representative sample of 1000 mid cap (70%) and small cap (30%) stocks, capturing the non-large cap portion of the U.S. stock market. We use the S&P 1000 as a benchmark for our Small-Mid Cap portfolios.

S&P 1500 – a broad market composite index that includes the S&P 500 (large cap), S&P 400 (mid cap) and S&P 600 (small cap) and represents 90% of U.S. equities by market capitalization. We use the S&P 1500 (along with the S&P 500) as a benchmark for some of our All Cap portfolios.

Lehman Brothers Government Credit Intermediate Bond Index – we use this index of government and corporate bonds with maturities between one and ten years as a benchmark for our tax-exempt bond portfolios.

Lehman Brothers State General Obligation Municipal Bond Index – we use this index of municipal bonds as a benchmark for our tax-sensitive bond portfolios.

In skating, judges score the quality of each element performed along with the difficulty of each element undertaken. Skaters are measured against each other. In investing, we score the return of a portfolio and the risk undertaken in achieving that return. Investment performance is measured against market indices, and often the performance of other similarly managed portfolios. The Technical Score, and its investment equivalent, is one critical measure of success.

But in skating technical scores don't tell the whole story, and I would argue the same is true for investing. In skating, the second part of a skater's score, the *Program Component*, is designed to rate less tangible elements that essentially equate to artistry – choreography, flow, creativity, musicality, purpose and vision, emotional and physical involvement. In skating, artistry makes the difference between good and great, between the skater that simply lands the jumps and the one who brings an audience to its feet.

The investment equivalent would be such equally hard-to-quantify elements as corporate sustainability, workplace equality, and economic justice – areas not typically measured by investors but that add another dimension of great value to investment performance. Some say artistry doesn't have a place in sport. Some say social responsibility doesn't have a place in investing. I say the skating world may be one step ahead of the investment world here – while investors have yet to create universal benchmarks for the social responsibility of portfolios, skating has found a way to explicitly value qualities that might be challenging to gauge but provide something many find vital: a sense of meaning and humanity behind the raw numbers.

Trillium
ASSET MANAGEMENT

Investing for a Better World
711 Atlantic Avenue
Boston, MA 02111
617/423-6655
ebecker@trilliuminvest.com

Editor
Eric Becker, CFA

Production Manager
Holly Davenport

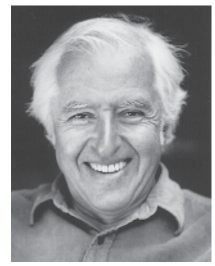
Contributors
Shelley Alpern
Joan L. Bavaria
Farnum Brown
Samuel B. Jones, Jr., CFA
Lisa Leff, CFA
Stephanie Leighton, CFA
Steve Lippman
Laura McGonagle, CFA
Randy Rice
Adam Seitchik, CFA
Cheryl Smith, CFA
Blaine Townsend,CIMA

Investing for a Better World is published by Trillium Asset Management Corporation.

Enough of the Bad News. How About Some Good News About Business?

It Seems to Me

Milt Moskowitz



Pharmaceuticals have, by their nature, a social mission. The companies in this field make products which fight diseases, save lives, prolong life. Employees who help to develop and sell these products take great pride in this mission. Tension arises, of course, from the need to build a profit-making business from this science. When this need overwhelms the health aspects, the company is asking for trouble.

A physician, Daniel Vasella, has done one of the best jobs I know of in marrying these two purposes. Vasella presides over **Novartis**, the sixth largest drug company in the world. In the fall of 2003 I traveled to the Basel headquarters of this Swiss company to interview employees and Dr. Vasella.

Novartis was founded in 1996 when two old-line Swiss companies dating back to the 18th century – Ciba-Geigy and Sandoz – merged. Vasella, who had been working for Sandoz, was named CEO. He was then 42 years old. He's the only CEO Novartis has ever had.

Vasella has transformed a hidebound Swiss culture into an adventurous, socially conscious enterprise. Fueling the growth are some blockbuster drugs – two effective cancer-fighting drugs, Gleevec and Zometa, and the anti-hypertensive agent Diovan. Novartis has also become the second largest producer of generic drugs.

On the social front, where the previous companies had a checkered past, Vasella moved quickly to establish Novartis as a leader. He signed up Novartis as a member of the United Nations Global Compact, joined with six other companies to launch another UN program, the Business Leaders' Initiative on Human Rights, and he sat down with NGOs such as Amnesty International to get their views. The company's position on human rights is quite clear: "Under no circumstances does our company accept practices in which profit is knowingly gained from the human rights abuses of others."

Vasella has also made Norvartis a model of transparency. Results are reported in the format of the Global Reporting Initiative, and if you want to see the depth of detail, check out the current Novartis annual report, packed with such tidbits as the following:

- In 2005 Novartis made available drugs worth $696 million to 6.5 million patients. The company partners with the World Health Organization to provide free treatments to any leprosy patient.
- Novartis promises to pay a living wage to every employee in the world. This is defined as "the minimum pay sufficient to enable employees and their families to meet their basic material needs." As a result, 93 employees are receiving pay hikes this year.
- A new program turned up 442 reports of misconduct; 142 were substantiated; result: 78 employees were separated.

Even more astounding was Dr. Vasella's performance at this year's World Economic Forum in Davos, Switzerland. In a video-conference dialogue with Secretary of State Condoleezza Rice, the Novartis CEO put some tough questions to her, asking, for example, whether the United States was "playing into the hands of enemies" through its tactics in fighting terror. In a follow-up interview in the *New York Times*, William J. Holstein, editor-in-chief of *Chief Executive* magazine, got Dr. Vasella to expand on his views, declaring that CEOs should speak up about poverty and other social issues. "If we want an open society and want to have the freedom to express ourselves, we have the responsibility to do so. Many think that politics have supremacy over business, but does this also imply that business is just a tool of government? On this, history teaches us some interesting lessons."

Indeed, a week after this interview appeared, a 2,400-page report detailed how Germany's Dresdner Bank had helped to finance the construction of the Auschwitz death camp in Poland during World War II.

Milt Moskowitz is a journalist and author who has been writing about corporate social responsibility since 1968. He is co-author of the annual *Fortune Magazine* survey, The 100 Best Companies to Work for in America.

2006 Shareholder Resolution Roundup

continued from page 1

their behavior and helping to convince pension funds and other major institutional investors to use their clout to address important social and environmental issues. But as the quote above suggests, words are often not enough to address our concerns. There comes a time to act. In the life of a shareholder advocate, that time often falls between October and December, when the vast majority of U.S. public companies have deadlines for filing shareholder resolutions.

This fall was no exception. Trillium Asset Management filed a total of 21 resolutions on a broad range of social and environmental topics where we felt we needed to press companies to do more. As usual, these resolutions represent the tip of the iceberg of our advocacy efforts. We also use lots of other strategies to influence corporate behavior, including behind-the-scenes negotiations with companies, writing research reports, developing new codes of responsible conduct for businesses to follow, and calling for stronger laws and regulations. Still, as a snapshot of some of our current actions to make the world a better place, here's an overview of the shareholder resolutions we've filed for consideration at company annual meetings this spring.

Trillium Asset Management filed a total of 21 resolutions on a broad range of social and environmental topics where we felt we needed to press companies to do more. As usual, these resolutions represent the tip of the iceberg of our advocacy efforts.

Global Climate Change

The sheer scale of problems posed by global climate change makes it not only the most pressing environmental issue the world faces, but likely one of the greatest social and economic challenges as well. As the Bush Administration continues to delay meaningful action, shareholders have pressed large utilities like **Cinergy** and automakers like **Ford Motor Company** to make some surprising admissions about the risks of global climate change and the need for new measures to stem greenhouse gas emissions. Working in coalition with other shareholders, we continue to press companies in a range of industry sectors to conduct and share their own assessments of how climate change will affect their businesses and what action is needed to reduce the environmental, social, and business risks of climate change. As part of that effort, this year, we've filed climate-related resolutions at oil and gas company **Anadarko Petroleum** and utility **Dominion Resources** (where we're the lead filer), **General Motors**, **ExxonMobil**, and **Wells Fargo**.

Workplace Equality

Federal law requires U.S. companies that have more than 100 employees to report their workforce diversity data on an EEO-1 (Equal Employment Opportunity) form. EEO data can help investors and other stakeholders better understand a company's progress in hiring, promoting, and retaining diverse employees, all of which can generate important business benefits. Yet companies are not required to publicly disclose their EEO-1 data, and can block the Equal Employment Opportunity Commission from sharing the information with those that request it. Of 100 large U.S. companies surveyed by the Social Investment Research Analysts Network (SIRAN), only 6 currently provide full public disclosure of their EEO-1 reports.

Investors have long called for companies to fight workplace discrimination and share EEO data on workforce diversity. This year, we have joined investors in re-filing resolutions calling on **Wal-Mart** and **Home Depot** to disclose their EEO-1 data. Last year, those resolutions received an impressive 19% support at Wal-Mart (which faces a major class action lawsuit on sex discrimination) and 29% support at Home Depot (which stopped disclosing EEO data after a previous commitment to do so.)

We also continue our longstanding efforts to convince companies to cover sexual orientation in their nondiscrimination policies. We and other advocates have had such success at this over the last decade, it's getting increasing hard to find companies that still formally allow discrimination on the basis of sexual orientation. This year,

2006 Shareholder Resolution Roundup

continued from page 4

we've filed first-time resolutions at **Halliburton** and **Expeditors International**. We've also re-filed a resolution at longtime holdout **ExxonMobil**, which actually rescinded **Mobil's** sexual orientation non-discrimination policy and domestic partner benefits when the two companies merged.

Accountability for Political Contributions

The current wave of scandals plaguing Washington, D.C. highlights the corrupting influence corporate political contributions and lobbying can have on our democracy. The non-partisan Center for Political Accountability has documented examples of corporate political contributions being diverted for illegal purposes or funneled through extreme groups that may take positions counter to a company's own policies on issues like non-discrimination in the workplace. Highlighting the risks to shareholders and companies from inappropriate political contributions, the CPA has coordinated a shareholder campaign to require better oversight and disclosure of corporate political contributions. We've participated in this campaign since it started two years ago and this year we are re-filing our resolution at the utility **Southern Company**, which has the dubious distinction of being one of the countries' largest polluters and is also one of the top PAC contributors to federal candidates and parties. We joined religious investors from the Interfaith Center for Corporate Responsibility in filing a resolution at **Eli Lilly** that we've already withdrawn after the company agreed to strong new board oversight and disclosure of its political contributions.

Sustainability Reporting

There's nothing exciting about asking companies to issue comprehensive reports on their social and environmental performance, and truthfully, there's often very little exciting about reading those reports. However, they are a key tool in helping socially responsible investors make decisions. We also consistently hear from friendly contacts within companies that doing a sustainability report drives companies to adopt new environmental and social policies and to improve their overall performance. With that in mind we have filed resolutions at **AIG**, **Chubb**, and **Illinois Tool Works** calling on those companies to issue their first-ever sustainability reports, using the standards providing by the Global Reporting Initiative as a guide.

Environmental Health

For the third year, we're taking the lead in filing a resolution at **Chevron** (formerly ChevronTexaco) addressing the mess Texaco left in Ecuador after years of drilling for oil in the rainforest. Amnesty International, New York State Common Retirement Fund and Boston Common Asset Management have joined us as co-filers. We're also trying a new tack in our effort to get **Dow** to avoid liabilities and reduce risks to people and the environment by designing safer products, with a new resolution focusing on the risks of asthma associated with one of Dow's main pesticide products. We've already been able to withdraw a resolution we co-filed with **Johnson & Johnson** asking how the company is meeting strict new European requirements for safer product ingredients after the company committed to share more information about how it's working to meet the new standards.

And More!

Rounding out our filings, we're once again joining an ICCR-led resolution calling on **Pfizer** to limit its price increases to the cost of inflation (a policy the company implemented for several years but rescinded, as you might have noticed if you are paying for their products). For the second year, we've also filed a resolution at **Avon Products** calling for greater disclosure on the company high-profile breast cancer fundraising and grant making to ensure the money is spent efficiently and effectively.

Highlighting the risks to shareholders and companies from inappropriate political contributions, the CPA has coordinated a shareholder campaign to require better oversight and disclosure of corporate political contributions.

Ford Grapples with Climate Change

Continued from page 1

the best interests of society or business,

- A commitment to participate fully in the "larger public dialogue" on actions needed to address climate change, and,
- A declaration that climate change "warrants precautionary, prudent and early actions" to enhance Ford's competitiveness and protect profitability.

Disappointingly, Ford did not set reduction targets for its vehicle greenhouse gas emissions.

The result of years of shareholder resolutions led by the Tri-State Coalition for Corporate Responsibility and the State of Connecticut Treasurer's Office (and co-filed by Trillium Asset Management, among many others), the Ford report broke new ground – for Ford or rival **GM**, that is. The end of low gasoline prices may have finally convinced Detroit that it's time to end its obsessive love affair with SUVs.

Divestment is a potent tool to focus a distracted world's attention on Darfur.

Was too much time lost during this environmentally disastrous relationship? A 2003 study by the World Resources Institute and the Zurich investment group Sustainable Asset Management (pdf.wri.org/changing_drivers_12p_summary.pdf) examined the impact, through 2015, of worldwide carbon constraints (geek-speak for policy measures mandating the reduction of greenhouse gas emissions) on prospects for ten auto producers in the U.S., Europe and Japan. Ford and GM ranked near the bottom of the companies compared, needing to invest in the neighborhood of $400 in additional costs per vehicle to keep up with climate mandates. (By comparison, **Honda's** additional costs were estimated at $24.) The squeeze on pre-tax earnings was estimated at about 7% for GM and 10% for Ford. Adding insult to self-inflicted injury, some foreign competitors were expected to benefit from their early investments in fuel-efficient technologies.

When Merrill Lynch sought last summer to identify likely winners in what it calls the "Clean Car Revolution" – growing consumer demand for more economical and cleaner cars in a world of finite resources – Ford and GM didn't make the cut.

That isn't to say that Ford and GM have been doing nothing in this area – Ford aims to build 250,000 hybrids by 2010, while GM is banking on the future viability of fuel cell vehicles that would emit only steam – but there's no disputing that both have been outclassed by rivals such as **Toyota** and Honda.

A Big Step for Ford, a Small Step for Humankind?

What is the significance of the Ford report? What's next for Ford? Why hasn't GM also acceded to shareholders' request to produce a report on the business implications of climate change? We asked these questions and more of the leader of the GM and Ford shareholder teams that have been filing the proposals for almost a decade, Sr. Patricia Daly of the Sisters of St. Dominic of Caldwell, N.J.

What are the positives in this report?

This represents a high level of disclosure – more than we've ever seen in the auto industry. That, and the commitment from Ford to take the initiative in the policy arena.

Could that be a double-edged sword?

Absolutely. But they, and we as investors, have to understand the span of technology initiatives, policy options, where the marketplace could go, what will happen if fuel prices rise more, and they need to be prepared for a more flexible production cycle. By studying how climate change and other conditions are changing the marketplace, they will be ready to adapt to a range of possibilities.

What was said – or left unsaid – that disappointed you?

Continues on page 7

Ford Grapples with Climate Change

Continued from page 6

We still have not seen how Ford will respond if the Pavley Bill is enacted [California's precedent-setting legislation to reduce global warming pollution from motor vehicles] or if other policy initiatives come into play. But I believe that Ford's commitment to take the lead in the policy arena is the most critical piece of this report. This will be a tremendous contribution for the industry, and other related industries, as government and business finally anticipate the implications of global warming. There will be enormous benefits as the company goes through the *process* of looking at further disclosure, market conditions, and the impact on the auto industry – asking hundreds of their people to engage in this is critical not just for the auto industry but for all of business. It will catalyze a similar questioning process in the oil and gas industry, for example.

What do you make of the fact that Ford released its climate change report two weeks before releasing its new strategic plan? How do the two fit together?

The fact that the climate report was released separately signals to me that Ford sees these challenges as an overriding reality that needs to be understood and addressed to insure the future viability of the company. The reorganization positions them to get beyond the current critical state of the company and the U.S. industry. The climate change report speaks to the longer term.

Where will shareholders take this from here?

We'll press for greater disclosure and continue to engage with company management on policy issues and new initiatives.

Although a climate report resolution at General Motors was withdrawn this year on a technical challenge, the company will still face pressure by the shareholders concerned about climate change. Catholic Healthcare West has filed a proposal that calls for the separation of the CEO and Chair positions.

That's right. In contrast to Ford, we've received no signal that the GM board is as deeply involved in the climate change issue. CEOs need to acknowledge that shareholders bring resources to the table that are often missing from within a company. At many companies, there's a positive dynamic and CEOs will express gratitude for our perspective and our work with management and boards. But at GM's annual stockholder meeting last year, when a fellow shareholder called us eco-terrorists, CEO Rick Wagoner let that go unchallenged. That really diminishes our legitimate concerns and the credibility of our work and the work of many people within the company. Establishing a separate chair of the board is good governance, and a step that we believe would enable shareholder concerns to be more readily addressed.

Why has GM not produced this report?

GM believes that shareholders can get what they need in existing disclosures and did include additional information in their Sustainability Report. We believe that the process that Ford has used dealing with climate concerns, as well as supply chain, human rights and HIV/AIDs response, which engaged dozens of people on each issue is more productive than the current process at GM. The discipline of this report would necessarily engage a variety of people from various divisions of the company. We are concerned that they continue to believe that promoting the high emissions vehicles will get them out of financial trouble. I think we're looking at a different world and the auto industry needs to be more flexible, and begin to think of itself as a transportation industry.

There will be enormous benefits as the company goes through the process *of looking at further disclosure, market conditions, and the impact on the auto industry – asking hundreds of their people to engage in this is critical not just for the auto industry but for all of business.*

Green Century Balanced Fund Steps Up Advocacy Efforts

In late November 2005 Trillium Asset Management began acting as investment subadvisor to the Green Century Balanced Fund (GCBLX), a no-load environmental mutual fund with over $50 million in assets. Here is a brief interview with Green Century Capital Management (GCCM), the administrator of the Green Century Funds.

You should carefully consider the Funds' investment objectives, risks, charges and expenses before investing. To obtain a prospectus that contains this and other information about the Funds, please visit www.greencentury.com, email info@greencentury.com or call 1-800-93-GREEN for more information. Please read the prospectus carefully before investing.

IFBW: How does Green Century use shareholder advocacy as part of its overall strategy?

GCCM: We have a longstanding commitment to using shareholder advocacy as a way to improve corporate environmental behavior – even in our marketing materials we tell prospective investors that one of the primary benefits of our mutual funds is that they support that kind of work. We've traditionally conducted shareholder campaigns somewhat differently than other firms – because our funds are environmentally screened, they never hold the companies that we feel represent the most dire threats to the environment. As a result, Green Century Capital Management holds many of these companies - such as **ExxonMobil**[1], **Wal-Mart**[1], **Dow**[1], **Dupont**[1], and others - in a separate private account. So while Balanced Fund shareholders don't hold "dirty" companies, they are supporting an organization that is taking on those companies.

With Trillium managing the Balanced Fund, we now hold a diverse range of larger American corporations – these firms are leaders in their industries as far as environmental responsibility, but many also have room for further improvement. We look forward to expanding our advocacy activities to include these "best-in-class" companies as well, to try and help these companies push themselves to new levels of sustainable behavior.

IFBW: What are some of the achievements of your advocacy program?

GCCM: We've worked with US PIRG and other organizations for a number of years filing resolutions with the major U.S. oil companies, as well as **BP**[1], as part of the larger campaign to protect the Arctic National Wildlife Refuge. While we have had some sense of "victory" by convincing all firms except for ExxonMobil to withdraw their support from one of the leading lobbying organizations fighting to open the Refuge, that fight continues to this day. In recent years, we've also worked with the Silicon Valley Toxics Coalition to convince companies like **Dell** to adopt what is now an industry-leading program for recycling discarded computers for their customers free of charge. And this year, we've had an incredibly positive response from **Coke**[1] and **Pepsi**[1] (and several other companies who are not ready to go public), on a resolution asking for much improved disclosure of corporate soft money political contributions – a topic of critical importance to the environment, given the significant influence that corporate donors can have over environmental legislation.

But I think that the most significant achievement for us is the simple fact of how far we've come in recent years. Over the past few years our program has expanded tremendously in terms of both scope and leadership – we are in negotiations with over 30 companies at present, and have filed 16 resolutions this year, most of those as the lead filer.

IFBW: GCCM is owned by a coalition of Public Interest Research Groups (PIRGs). How does that partnership work?

GCCM: Well first off, 100% of the profits earned by GCCM belong to its non-profit advocacy group owners, and are available for use in efforts to support clean air, clean water and open spaces.

These organizations have used time-tested strategies of research, lobbying, organizing and outreach, to win significant environmental and consumer victories over the past three decades. We are able to leverage the PIRGs' expertise in building our shareholder advocacy efforts. It is also important for our investors to know that their fees are not lining the pockets of a financial services behemoth, but rather are contributing to our environmental mission.

[1]As of December 31, 2005. the Green Century Balanced Fund was not invested in BP, ExxonMobil, Wal-Mart, Dow, Dupont, Dell, Coke, or Pepsi. Portfolio composition will change due to ongoing management of the Funds. References to specific securities should not be construed as recommendations by the Funds, their administrator or distributor.

Hope Community Credit Union/ Enterprise Corporation of the Delta

Overview

Based in Jackson, Mississippi, Hope Community Credit Union (HOPE) is a community development credit union that helps low-income people build a solid financial foundation.

Enterprise Corporation of the Delta (ECD) is a non-profit community development financial institution that is the primary sponsor of HOPE. A large percentage of HOPE members are also members of ECD. Further, the two companies also share common management.

Mission

HOPE/ECD's mission is to strengthen communities, build assets and change lives in economically distressed areas of Arkansas, Louisiana and Mississippi.

Impact/Programs

Since 1994 HOPE and ECD have generated over $150 million in financing and brought economic opportunities to more than 10,000 people in economically distressed areas.

National and local trends have resulted in many economically distressed communities without access to mainstream financial institutions. Local residents have been forced to "bank" with non-standard financial institutions such as pawnshops, cash for title, payday lenders and check cashers.

HOPE/ECD works to counter those trends by providing affordable financial services, such as checking and savings accounts, loans, and financial literacy workshops to low-wealth individuals, families, and communities.

Through commercial lending programs, HOPE/ECD provides business loans and technical assistance to entrepreneurs and small to medium-sized businesses. HOPE/ECD primarily extends loans to and makes investments in business applicants that, due to insufficient collateral or failure to meet other standard lending and investment criteria, are unable to obtain financing from conventional financial institutions.

HOPE/ECD has identified community infrastructure, childcare and health care as focus areas for their commercial lending. They are also focused on meeting the needs of minority- and women-owned businesses.

Investing with HOPE/ECD

HOPE offers market rate and below-market, high impact CDs. HOPE's below-market CD offerings include:

HOPE Hurricane Relief CDs. By purchasing an insured CD at a rate of 0-2%, you enable HOPE to provide flexible financing terms that help low-income individuals and families rebuild their homes, businesses and lives in the wake of Hurricane Katrina.

HOPE Home Builder CDs help low-wealth families purchase their first home. HOPE uses homebuyer education workshops, down payment assistance and other tools to help its borrowers acquire assets and build a solid financial foundation.

HOPE Job Builder CDs support entrepreneurs and small businesses in economically distressed communities. HOPE offers business owners technical assistance in areas such as entrepreneurial training, financial management and marketing.

*HOPE Community Builder CD*s enable HOPE to strengthen community infrastructure such as health care, childcare and affordable housing. HOPE offers programs that help these businesses in areas such as strategic planning, workforce training, and leveraging public programs designed to help low-income communities grow and thrive.

TAMC will purchase HOPE Certificates of Deposit on behalf of our clients for at least $5,000 for a term of not less than two years. All HOPE CDs are insured up to $100,000 by the National Credit Union Administration. There is a $10.00 fee to join HOPE.

Community Investment Profile™ *

Randy Rice

Geographic Impact:

Arkansas, Louisiana, Mississippi

Lending Focus:

Housing, community development, small business

Financial Indicators

Enterprise Corporation of the Delta as of 12/31/04

Total Assets	$51,305,463
Total Liabilities	$15,712,183
Total Net Assets	$35,593,280

***Based upon the Community Investment Profiles information service of Calvert Social Investment Foundation (not meant as investment advice).**

Mutual Funds Give Climate Resolutions the Cold Shoulder

Shareholder Activism

Steve Lippman

A new study by the Investor Responsibility Research Center found that none of the 100 largest mutual funds in the U.S. supported any of the 33 resolutions on climate change that came to a vote at U.S. companies last year.

The number of institutional investors weighing in on the risks of climate change has increased dramatically over the past few years, but the feeling isn't mutual. Mutual funds, that is. The three largest public pension funds in the U.S. and the largest private pension fund, TIAA-CREF, now have policies to routinely support resolutions calling on companies to address the risks of climate change. Financial giant **Goldman Sachs** adopted a major new environmental policy a few months ago, which included the statement, "Goldman Sachs is very concerned by the threat to our natural environment, to humans and to the economy presented by climate change and believes that it requires the urgent attention of and action by governments, business, consumers and civil society to curb greenhouse gas emissions." Shareholder resolutions on climate change have reached record vote levels at **ExxonMobil** and other companies over the past two years. Yet they've achieved this support without the votes from most mutual funds, which now hold nearly a quarter of all shares in U.S. companies.

Indeed, a new study produced for the investor coalition Ceres by the Investor Responsibility Research Center found that none of the 100 largest mutual funds in the U.S. supported any of the 33 resolutions on climate change that came to a vote at U.S. companies last year. The study found that of the 31 investment companies that manage the largest 100 mutual funds in the U.S., 28 of them have adopted policies that require them to either vote against all environment-related shareholder resolutions or to abstain from voting. This includes American Funds, Fidelity, and Vanguard, which together account for 70 percent of the assets held in the top 100 mutual funds. Only three of the investment companies had policies allowing them to vote for climate change resolutions on a case-by-case basis, although none of them chose to support any of the climate resolutions pending in 2005.

Mutual funds' voting records on climate change are not only out of step with an increasing number of pension funds and other major investors, they are also out of step with the wishes of their own clients whose shares they are using to cast their votes. The Ceres study was accompanied by an opinion poll of mutual fund investors sponsored by the Open Society Institute. That poll found that 71 percent of mutual fund investors said they wanted mutual funds to "support shareholder resolutions asking company management to pay closer attention to global warming concerns and problems." It also found 79 percent of investors said that "companies should analyze the long-term financial impacts that global climate change will have on their business and on the potential value of their stock," something that most of the 33 pending shareholder resolutions on climate called on companies to do.

Mindy Lubber, Executive Director of Ceres and of the Investor Network on Climate Risk said of the findings, "Mutual funds are a critical missing link in the push for better corporate disclosure about climate risks." And Civil Society Institute President Pam Solo said, "The fact that mutual funds are missing in action on climate change is an unacceptable situation that investors should insist on changing." One way individuals can weigh in to try to correct this situation is to visit www.coopamerica.org/takeaction/mutualfunds/ by March 31 to join the thousands of people sending letters to American Funds, Fidelity, and Vanguard asking them to change their proxy voting guidelines. And Trillium Asset Management's clients can rest assured that under our own proxy voting guidelines, we consistently vote our clients' shares in favor of resolutions asking for companies to address the risks of climate change.

Bedfellows and our Independence

Shareholder Activism

Shelley Alpern

I once enjoyed a brief exchange with Hank Greenberg, then-Chairman of **American International Group** at the company's annual shareholder meeting, which I was attending to present a resolution co-filed by Trillium and Catholic Healthcare West. As sometimes happens, the proponents of another shareholder resolution at AIG asked if I could present their proposal because of a scheduling conflict. At the appropriate time, I approached the microphone and said, "Mr. Chairman, it's Shelley Alpern from Trillium Asset Management again but this time I'm representing the Presbyterian Church, not Catholic Healthcare West." Greenberg asked, "And what religion are you?" which drew a big laugh. "I'm Jewish, actually," I replied a little sheepishly, resulting in more laughter. (A reporter from the *Financial Times* was so amused he wrote up a blurb for the next day's paper.)

Hey, this is America. Some of the other cards in my electronic rolodex make much stranger bedfellows. Contact information for Global Exchange, which ran a campaign against the **Gap**, is virtually nestled beside the names and emails of the Gap's corporate responsibility employees. These data bits probably don't interact that much if they can help it, but I have no compunction about using both in the course of our research and advocacy. Talking to a wide range of people is necessary to get the complete story about a company, particularly where there are allegations of social wrongdoing. It is in the nature of our work as well to partner with groups to file shareholder resolutions even though our perspectives can differ. For example, we have co-filed animal welfare resolutions with People for the Ethical Treatment of Animals, even though we're not a vegan organization, as PETA is, nor have we ever thrown fake blood on real fur, as PETA has.

Since we feel it's pretty obvious that our point of view is distinct from our allies and coalition partners, it can be annoying to have our motives conflated with theirs. I'm still getting over some psychic indigestion from a recent experience of this nature. To understand why, allow me to present a bit of background.

This year, for the third year in a row, we filed a shareholder proposal at **Chevron** that addresses the controversy surrounding Texaco's legacy of pollution in Ecuador (Chevron acquired Texaco in 2001, and with it, a class-action lawsuit that alleges that Texaco did not properly clean up hundreds of contaminated sites). Our resolution asks for the company to report on its expenditures related to lawyers' fees, expert fees, lobbying, PR and media expenses and remediation related to the health and environmental consequences of hydrocarbon exposures at Texaco's former Ecuadoran sites.

The plot thickened when Chevron wrote to the Securities and Exchange Commission in an attempt to gain permission to omit our proposal from the 2006 ballot. One of Chevron's arguments to the SEC was that the information we were asking for was of no value to shareholders and could only be of value to the plaintiffs' lawyers; hence, it was implied, we must be filing the proposal at the lawyers' behest. This claim relied on an interpretation of a mysteriously obtained private email sent by the advocacy group Amazon Watch to ourselves and others who had participated in a briefing session with plaintiffs' lawyers. The email notes a discussion in which Trillium declared an interest in filing a shareholder resolution about Ecuador. Pointing to this email, Chevron conflated our interests with the lawyers' and advocates', rather than acknowledging that shareholders might have their own valid reasons for pushing it to better account for its handling of the litigation. Thankfully, the SEC wasn't buying the guilt-by-association argument, and the resolution will appear on the 2006 ballot.

It is in the nature of our work to partner with groups to file shareholder resolutions even though our perspectives can differ.

Strategic View: Wall Street Goes Green

By Adam Seitchik, CFA

Much of the historical criticism of socially responsible investing (SRI) rests on the supposed conflict between social justice and environmental sustainability on the one hand, and profit seeking for shareholders on the other. If corporate boards and CEOs must, as a matter of law and regulation, pursue policies that maximize shareholder value, then isn't corporate social responsibility simply, in the words of *The Economist* magazine, "philanthropy at other people's expense?"

Well, no. Over 100 million Americans, representing more than four out of five workers, are employed in the private sector. They represent a large portion of the citizens of this country. Thus private-sector workers, from the CEO on down, have both a self-interest and a moral responsibility to pursue business activities consistent with the common good. As discussed by Marjorie Kelly in her book by the same name, there is no "divine right of capital" to blindly pursue short-term profits for the exclusive benefit of shareholders. To the extent our laws and customs dictate a self-destructive and narrow focus on the short-term bottom line, the status quo can and should be changed.

This, to say the least, is not a mainstream view among our investment brethren on Wall Street, where "green" continues to refer to the color of money. Why then, have some of the biggest brokerage houses set up dedicated investment research teams focused on environmental and social issues?

The answer is that a growing number of large-scale investors are defining environmental, social and governance (ESG) concerns as *risks and opportunities* that can and should impact investment decisions. Once recast this way, ESG factors can then be categorized, estimated and priced. Mainstream finance has a consistent framework for security pricing: project the cash returns from the investment into the future, and then assign a risk level reflecting the uncertainty of the payment schedule. A government bond is considered low risk, because it always pays on time. In contrast, a promising Internet startup company should be seen as higher risk despite the potential upside, as there is some chance it will fail altogether.

The standard asset pricing model is thus a framework for both estimating opportunity (greater future cash payments) and for assessing risk (the uncertainty of future payments). Wall Street is now using this framework to help price risk and opportunity in a variety of new areas. For example, Goldman Sachs has identified the following ways in which global climate change influences returns for market sectors and individual companies: 1) regulation, litigation and impact on business operations (risk impacts) and 2) corporate reputation, competitive position and new product development (risks *and* opportunities).

Martin Luther King said that almost always the group making the world better is the creative dedicated minority. When the impact of global warming on investment decisions becomes the topic of serious study by Goldman Sachs, the Union Bank of Switzerland and Citigroup, what was once the dream of a dedicated few at Trillium Asset Management and elsewhere is becoming mainstream.

Dear Reader *(continued)*

The good news is that the SEC has affirmed its intention to require disclosure of total compensation packages including perks previously invisible to shareholders. SEC Chairman Christopher Cox made it clear that he feels the responsibility to moderate pay packages belongs with shareholders, not the SEC. It is thus incumbent upon shareholders to use these reports and continue to rally support for reasonable pay in the companies we own. For our part, we post the comparative ratios of my total compensation on our web site.

The bad news is that cynics claim this transparency will only cause more competition among CEOs resulting in more and accelerating pay and perks. One reaction to the release of the UFE study was to say that since rock stars and athletes receive similar compensation it must be O.K. Friday, January 13, 2006, the *New York Times* published an article in the "Escape" section titled "The New Megayachts: Too Much of a Good Thing?" It seems that in the race to own the biggest yacht, superrich sailors have outstripped the docking capacity (for boats over 150 – 200 feet) in the Caribbean and the Mediterranean. There is so little space that they're forced to drop anchor and row in to town. That, the article said, is "a very awkward position to be in" because the owners like to "step on and off the boat."

How much, we must ask, is enough?

Sincerely,

Joan L. Bavaria

Joan L. Bavaria, President
Trillium Asset Management Corporation