

Quarterly Advocacy Update *Winter 2008*

ECOLOGY

Climate Change. The good news first: It appears likely that we'll withdraw a shareholder proposal at **Dominion Resources** calling for a greenhouse gas (GHG) reduction target, pending an agreement for a multi-stage, substantive dialogue on what it would take for the company to set such a target. Trillium Asset Management Corporation ("Trillium") is a co-filer of a similar resolution at **IdaCorp**. Otherwise, it's *déjà vu* all over again at **ConocoPhillips** and **ExxonMobil**. As Conoco has proven resolutely uninterested in discussing the environmental and social impacts of its tar sands projects, we have re-filed last year's high scoring resolution. And we continue to co-file at ExxonMobil, calling for quantitative greenhouse gas reduction targets for the company's operation and products.

Global Water Scarcity. For several years, Trillium has worked to address the critical issue of growing water scarcity. We commissioned the Pacific Institute, a leading environmental think tank, to report on the business risks of water scarcity. Our advocacy helped convince **Intel** to set new water conservation goals and measure their progress meeting them. Our discussions with **Analog Devices** have led them to join the Electronics Industry Code of Conduct which should lead to improved environmental and social performance. Analog Devices has also responded to our request for sustainability reporting which we hope will provide the basis for performance goals and accountability. We are currently in dialogue with **General Mills** about addressing its very large water footprint. We have met regularly with **PepsiCo** and **Coca-Cola** to press these companies to protect local communities' water resources and are in contact with them to ensure regular progress, and we led a broad coalition of shareholders meeting regularly with the two beverage giants.

Environmental Health. Once again this year, we'll be pressing **Dow Chemical** on pesticides. Pesticide use is also the topic of a dialogue we've started with **Chipotle Mexican Grill**. The company promotes a healthy menu but is weak on disclosure. In 2007, our shareholder proposal calling on **Apple Computer** to set a deadline for the elimination of polyvinyl chlorides and brominated flame retardants in its products prompted Apple to do just that. We are currently reaching out to companies for dialogue concerning their usage of nanotechnology in a variety of everyday consumer goods. We have received assurances from **Kellogg**, **PepsiCo** and **General Mills** that they are not using nanomaterials and will continue to dialogue with them about additional steps they can take.

Indigenous Rights/Environmental Justice. We've re-filed our resolution at **Chevron**, addressing the company's

procedures for evaluating host countries' environmental policies. The resolution drew attention to its subsidiary Texaco's legacy of environmental contamination in Ecuador, ongoing strife in Nigeria, pollution in Angola, and its subsidiary Unocal's deforestation of Burma. We have co-filed a proposal **Enbridge** with Ethical Funds of Canada, drawing attention to risks associated with its Northern Gateway Project, which will be built in areas where comprehensive aboriginal territory claims have yet to be settled.

Environmental and Social Reporting Standards.

Over 15 years ago, we originated and incubated the Coalition for Environmentally Responsible Economies (Ceres). Ceres developed a set of principles that commit companies to improve their environmental practices and publicly report their progress. Over the years, we've persuaded many major companies to adopt the Ceres Principles and are currently encouraging companies to meet the next standard of public accountability, the Global Reporting Initiative (GRI). A spin-off of Ceres, the GRI has developed a set of guidelines for companies to report their social and environmental performance. After several years of effort to highlight the importance of the GRI standards, we've helped convince major companies including **AIG**, **American Express**, **GE**, **Pfizer**, **Analog Devices** and **Time Warner** to release GRI reports. We are working with **Google** to join the mainstream of large companies that report on environmental and social performance.

EQUITY/SOCIAL JUSTICE

Animal Welfare. This year, we are in dialogue with **Darden Restaurants**, pressing them to address factory farming cruelties by giving preference to suppliers that aggressively support more humane treatment methods.

Access to Healthcare. In May 2007, the *Journal of Corporate Governance*, a leading peer-reviewed publication, published "Why Lower Drug Prices Benefit Institutional Investors: An Application of Universal Ownership Theory," coauthored by Trillium's Chief Investment Officer, Adam Seitchik. This paper presents our economic analysis of how high drug prices may hurt institutional investors' overall portfolios. Over the past several years, we have joined religious investors in asking **Eli Lilly**, **Johnson & Johnson**, **Merck** and **Pfizer** to increase access to drugs for HIV/AIDS, tuberculosis, and malaria in developing countries.

Human Trafficking/Slavery. Trillium initiated a dialogue with **Nucor** in 2007 after reports uncovered the presence of slave labor and abuses in the steel company's supply chain. We co-filed a shareholder proposal with Domini Social Investments and subsequently withdrew it after the company agreed to implement a code of conduct expressing its oppo-

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sition to forced labor, and ongoing dialogue with proponents. Nucor has fallen short of our written agreement since the withdrawal, so in 2008 we re-filed the resolution.

Sweatshops. Over the past several years, we have met regularly with senior managers at **Target** and **Talbots** to discuss their policies and programs to ensure that their overseas suppliers are treating workers fairly. Earlier this year, Trillium initiated a dialogue with **Liz Claiborne** urging them to disclose and further examine the role purchasing practices have on factory working conditions. With a broad coalition of shareholders we dialogued with **Nike**, **Gap**, and **Jones Apparel** on these same issues. We have also pressed a number of high tech companies, including **Altera**, **Analog Devices**, **Semtech**, **Xilinx**, and others to meet a new Electronics Industry Code of Conduct to prevent sweatshops in tech factories.

Sexual Orientation Nondiscrimination. Since 1995, we have been working to ensure that companies protect gay, lesbian, bisexual, and transgendered employees in the workplace. In 2008, following a majority-supported resolution at **Expeditors International**, the company implemented a sexual orientation nondiscrimination policy. It's Year 10 for our filing at **ExxonMobil**. In 2008, forty percent of fellow shareholders agreed that the company should add both 'sexual orientation' and 'gender identity' to its nondiscrimination policy. A majority vote can't be far away.

Equal Employment Opportunity. We are leading a large coalition of shareholders in filing a proposal at **Home Depot**, which still withholds detailed EEO data from shareholders despite years of class action lawsuits concerning race and sex discrimination and well-supported shareholder resolutions. The 2008 received a 25% vote.

Human Rights. Trillium joined a diverse group of human rights groups, investors and three Internet companies, **Google**, **Yahoo!** and **Microsoft** in launching the Global Network Initiative (GNI). All around the world companies in the information and communications industries face increasing government pressure to comply with domestic laws and policies that require censorship and disclosure of personal information in ways that conflict with internationally recognized human rights laws and standards. The GNI requires significant new commitments from participating companies, including: establishing greater transparency with users; assessing human rights risk; requesting the legal rationale for government actions and policies; training employees; challenging human rights violations; and providing whistleblowing mechanisms through which violations of the Principles can be reported.

ECONOMIC JUSTICE

Media Responsibility. In 2007, we launched a nonprofit dedicated to advancing media and broadband company

responsibility, Open MIC (Open Media and Information Companies). In December 2007, Open MIC executive director Michael Connor and Trillium portfolio manager Farnum Brown published an op-ed in the Seattle Times on the importance of responsible and democratic media. In March of this year, Open MIC and the Paley Center for Media hosted a forum in New York on the future of wireless communications. A distinguished panel of speakers, including opening remarks by New York City Comptroller William C. Thompson Jr., examined the emerging wireless business environment, the rules of the road that might evolve for the mobile Internet and the challenges to ensuring open access for all. In the fall, Trillium filed shareholder proposals with **AT&T**, **CenturyTel**, **Verizon** and **Comcast** to focus company and investor attention on the critical role these Internet service providers play as gatekeepers to free speech and privacy. As financial and civil liberties issues we are advocating for the companies to not censor or surveil Internet users.

Political Contributions. For the third consecutive year, we are sponsoring resolutions at **General Motors** and **Ford Motor** calling for greater transparency regarding political contributions. In the fall, we also successfully engaged with **Baxter International**, which has committed to greater disclosure regarding its trade association payments used for political purposes. Since 2004, Trillium has successfully lobbied **Morgan Stanley**, **Eli Lilly**, **Southern Company**, **General Electric**, **DuPont**, **Hewlett-Packard**, and **American Electric Power** to disclose more information about their political donations. Trillium Social Research & Advocacy Director Shelley Alpern is on the board of the Center for Political Accountability, a Washington advocacy group that has coordinated this successful, multi-year shareholder campaign that has prompted increased transparency and oversight of corporate political contributions at more than 60 companies.

Executive Compensation. We've joined a broad coalition of investors pressing to institute "say on pay," reforms, which would allow investors to cast advisory votes on CEO pay packages. In 2008, we co-filed a say-on-pay resolution at **Citigroup** that received 42% of the vote. In 2009, we are co-filing proposals at Citigroup, as well as **Intel**, **Plum Creek Timber Company** and **United Healthcare**.

Right to Organize. Trillium is the lead sponsor of a resolution at **Walmart** challenging the company's opposition to the Employee Free Choice Act. The proposed legislation would streamline the process through which employees form, join, or assist labor unions, as well as providing for mandatory injunctions for unfair labor practices during organizing efforts.