



With the recent evolution in favor of allowing same-sex marriage in the U.S., it may be difficult to believe that in more than two dozen states people can still be legally denied a job, or fired, simply because of their sexual orientation. In the United States, 28 of the 50 states lack state-level employment non-discrimination laws covering sexual orientation and gender identity.

Trillium Asset Management (Trillium) believes that companies and workers benefit from consistent, corporate-wide efforts to prevent discrimination, ensuring a respectful and supportive atmosphere for all employees.

Many private and non-profit employers have taken the lead in creating inclusive workplace policies. According to the Human Rights Campaign 2016 Corporate Equality Index, over 90 percent of Fortune 500 companies provide explicit protections on the basis of sexual orientation and 75 percent on the basis of gender identity.

Engaged shareholders have made a major contribution in this advancement, and Trillium is proud that we, and our clients, have played a leading role in this effort.

Before we invest in a company, Trillium evaluates its environmental, social, and governance (ESG) performance and includes this analysis in identifying the companies best positioned to deliver strong long term financial performance.

Trillium's ESG research is primarily focused on selecting companies that are meeting positive thresholds of performance for ESG issues, such as strong workplace practices, a demonstrated record of producing safe products for consumers, protecting the environment, fair compensation for employees and executives, and respecting and upholding human rights.

Trillium avoids investing in companies with egregious, pervasive or longstanding patterns of discriminatory behavior. If issues emerge at a company in which we are already invested, we engage with management in dialogue to urge it to take meaningful action against prejudice and discrimination.

As part of our due diligence, we also evaluate a company's nondiscrimination policies and whether or not the company offers domestic partnership benefits to employees.

## SHAREHOLDER ENGAGEMENT

In 1995, Trillium was the first investment firm to sponsor a shareholder proposal asking a company to add 'sexual orientation' to its nondiscrimination policy. We have provided consistent leadership in organizing other shareholders to press for change, and educated many LGBT investors over the years on how shareholder activism can advance workplace nondiscrimination policies.

Working with other investors, through dialogue and shareholder proposals, Trillium's engagement has helped move dozens of Fortune 500 corporations, including **Amgen, Chrysler, Expeditors International, Gardner Denver, \*Halliburton, Johnson & Johnson, J.B. Hunt, Lowe's, \*McDonalds, Pentair, and \*Wal-Mart** to implement

*CONTINUES ON REVERSE*

## Trillium's Corporate Engagement with J.B. Hunt

For several years, trucking and transportation company, J.B. Hunt Transport Services, Inc., lacked explicit language in its employment policies protecting its lesbian, gay, bisexual, and transgender (LGBT) employees. In October 2015, Trillium filed a shareholder proposal asking the company to amend its equal employment opportunity (EEO) policy and explicitly prohibit discrimination based on sexual orientation, gender identity, or expression. Despite J.B. Hunt's management advising shareholders to vote against these changes, the proposal received a remarkable 54.7% vote at the meeting in May.

In response to the vote the board appointed an internal task force to study, compile, and identify the practical effects of amending its EEO policy. In July, the J.B. Hunt directors approved the policy amendment, ultimately providing protections for its 19,000 employees across the country. We believe that corporations that prohibit discrimination on the basis of gender identity or expression have competitive advantage in recruiting and training employees from the widest talent pool.

# Leadership on LGBT Issues

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sexual orientation and/or gender identity and expression nondiscrimination policies.

In early 2012, Trillium, along with other institutional investors, wrote to 18 companies with a strong presence in Washington State, to encourage them to support legislation allowing lesbian and gay couples to marry. The letter stated, "We believe it is not only the right thing to do, but that it is smart business practice that enhances competitiveness in attracting and retaining employees from the widest possible talent pool."

Following Trillium's corporate engagement in 2012, **Sealed Air, Reinsurance Group of American and W.W. Grainger** updated their employment and non-discrimination policies to explicitly prohibit discrimination on the basis of sexual orientation and/or gender identity and expression. In 2013 and 2014, Trillium successfully engaged **Amgen, Factset, Wabtec and Middleby**, persuading them to include gender identity in their written employment nondiscrimination policies. Trillium's 2014 shareholder proposal with **National Fuel Gas** received more than 33% of shareholder votes. In May 2016, shareholders sent a strong message to **J.B. Hunt\*\*** management as 54.7% voted in favor of Trillium's LGBT non-discrimination shareholder proposal. This rare majority vote for an ESG proposal was a powerful indicator of investors' growing interest in supporting LGBT rights in the workplace. Between 2014 and 2016, we filed seven shareholder proposals related to LGBT non-discrimination policies.

## PUBLIC POLICY

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Trillium is proud to be among 70 employers listed on an amicus brief in support of Gill v. Office of Personnel Management, a challenge to the federal Defense of Marriage Act (DOMA) which was filed by Gay & Lesbian Advocates & Defenders (GLAD). The brief addresses the burdens on business caused by DOMA, which forces employers to treat employees with same-sex spouses

disadvantageously compared to other married employees and imposes extra costs.

The Employment Non-Discrimination Act (ENDA) would extend fair employment practices under federal law to the gay, lesbian, bisexual and transgender community. A disproportionate percentage of transgender people still experience employment discrimination. Trillium strongly supports a transgender-inclusive federal ENDA and we testified before the U.S. Congress in 1996 in support of ENDA's passage.

In September 2016, Trillium organized a letter signed by investors representing \$2.1 trillion in collective assets under management, which called for a full repeal of North Carolina's anti-LGBT law, House Bill 2(HB2). Co-organized with Croatan Institute, a Durham-based research institute, and the New York City Comptroller, the letter expressed signatories concerns for the bill's invalidation of human rights and the financial implications for the investment climate in North Carolina. Trillium believes that corporate and public policies that celebrate and strengthen diversity and inclusivity are good for society and good for business.

## CHARITABLE GIVING AND CORPORATE CULTURE

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Trillium's employee/owners routinely direct the firm's charitable giving to organizations that are working for LGBT equality. Organizations that have received gifts include The Boston Alliance of Gay, Lesbian, Bisexual and Transgender Youth (BAGLY), Boston Pride, GLAAD (Gay and Lesbian Alliance Against Defamation), GLAD (Gay and Lesbian Advocates and Defenders), The International Gay and Lesbian Human Rights Commission, Marriage Equality Rhode Island Fund, PFLAG and Youth Pride Rhode Island.

From the earliest days of the firm, the LGBT community has been represented on Trillium's investment team. In 2001, Trillium was one of only five companies to achieve a perfect score on the Gay and Lesbian Values Index, on which the Human Rights Campaign's Corporate Equality Index was originally based. In 2009, Trillium hired Matthew Patsky, CFA as CEO. Mr. Patsky and his husband have been active fundraisers in the LGBT community for over 30 years.

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\*In addition to engaging with our core portfolio companies, Trillium also conducts advocacy on selected companies (identified with an "\*\*") that are not in our core portfolios but are held as legacy positions in client portfolios. These are companies that may not meet our minimum social and environmental criteria, but that we still seek to improve. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable.

\*\* See full story on page 1.



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