



Over the second half of 2017, the Trillium shareholder advocacy team engaged about 300 companies through both individual initiatives and collaborative efforts with other investors. This included filing 39 shareholder proposals. Trillium and our clients are working to influence change in corporate behavior that we believe benefits investors, society, and the environment.

ENVIRONMENTAL

Sustainability Reporting

Until sustainability reporting becomes universal, investors will need to continue pressing companies, one at a time, to make these important disclosures. We are pleased that following our engagement, Men's Wearhouse and JoS. A. Bank parent company, **Tailored Brands**, issued its first sustainability report in December. Similarly, **Mastercard** committed in December to publish its first sustainability report in 2018. Mastercard's report will be consistent with the Global Reporting Initiative (GRI) and will reflect its scope 1 and scope 2 greenhouse gas reduction targets. For 2018, we filed shareholder proposals over the summer and fall months at **Tesla**, **Cambrex Corporation**, **A. O. Smith Corp.**, **Acuity Brands**, **Alkermes plc**, and **The Middleby Corporation**.

Sustainable Agriculture

Continuing our long-term effort to reduce the use of harmful pesticides and specific chemicals like neonicotinoids, we have most recently engaged **The J.M. Smucker Company** and **Tractor Supply Company**. At Smucker, we withdrew our proposal in June following its commitment to meet with an academic expert to inform its pollinator protection strategies, to improve integrated pest management disclosures, and to make public its purchases of ingredients classified as being in transition to organic. Smucker also committed to publish in the company's corporate responsibility report its conclusion that not only does climate change present risks to agricultural production, but that such production also contributes to climate change. With this recognition, the company will

disclose the work it is doing to address the risks and impacts it faces around climate change. In November, we filed a shareholder proposal at Tractor Supply asking the company to conduct a risk assessment to determine if selling products containing the pesticide neonicotinoids (which evidence shows is harmful to pollinators) is aligned with its environmental policies and practices.

Climate Change

Despite the Trump Administration's plan to withdraw the United States from the Paris Accord, it remains vitally important that companies move forward to develop and implement climate change strategies. In November, we

jointly filed a shareholder proposal at **Verizon Communications** with Amalgamated Bank asking the company to establish a net-zero greenhouse gas (GHG) emissions target. Separately, we filed shareholder proposals in October and November at

Despite the Trump Administration's plan to withdraw the United States from the Paris Accord, it remains vitally important that companies move forward to develop and implement climate change strategies.

Illinois Tool Works Inc., **J. B. Hunt Transport Services, Inc.**, and **Minerals Technologies Inc.** asking all three companies to set science based GHG targets which are intended to keep global temperature change below two degrees Celsius.

Since 2013, we have successfully engaged energy company **EOG Resources, Inc.** (EOG) through shareholder proposals and dialogue to provide investors with significant and meaningful data on its methane emissions — an enormously damaging climate pollutant. However, we have been unable to reach an agreement regarding the need to set GHG goals. Because we feel strongly that setting GHG reduction targets is an important component

of a strong climate strategy, we filed a shareholder proposals at EOG asking the company to set quantitative emissions reduction targets.

Toxic Chemicals

In October, **The Home Depot, Inc.**, announced a new Chemical Strategy to remove harmful chemicals in building products such as paints, carpet, and flooring. The policy addresses dangerous chemicals like flame retardants, phthalates, and nonylphenol ethoxylates. This follows a Trillium-organized engagement in April when we raised toxic chemical concerns with the company, specifically the use of hazardous chemicals in paint removal products that had made the company a target of a non-governmental organization (NGO) campaign. In October, following our long-standing dialogue with **Costco Wholesale**, the company announced a pioneering partnership with the University of California Berkeley Center for Green Chemistry to study and evaluate chemical restrictions for their non-food products. The long-term partnership is intended to help Costco develop a strategic plan for restricting and assessing chemicals of concern within its global supply chain while encouraging other retailers to do so as well.

SOCIAL

Workforce Diversity

Recognizing the importance of workforce diversity, pay equity, discrimination, harassment, abuse, productivity, and other issues, Trillium continues to engage financial and technology companies on these issues. At network and enterprise security company **Palo Alto Networks**, our racial and gender diversity proposal earned a majority vote (50.9%) in December. The shareholder proposal asked Palo Alto Networks to disclose EEO-1 data, a standard report on diversity metrics, and policies/programs focused on increasing diversity in the workplace. This is the first majority vote in the 2017-2018 proxy season and is the highest vote ever received for this type of proposal. The company has acknowledged the strong vote of support and the attention the board is giving to the issue. However, we will continue to urge Palo Alto Networks to take additional steps to strengthen its commitment to diversity and inclusion in the workplace and to disclose its EEO-1 data. We also filed diversity disclosure shareholder proposals at **CVS Health**, **The Travelers Companies**,

Stifel Financial, **Cigna Corporation**, **First Republic Bank**, **PNC Financial Services Group**, **KeyCorp**, and **Starbucks Corporation**.

Workforce diversity is also understood as a specific issue within the larger area of investor concern called human capital management. Demonstrating growing interest in the issue the \$2.8 trillion **Human Capital Management Coalition**, of which Trillium is a member, filed a petition in July with the Securities and Exchange Commission requesting mandatory disclosures on human capital management information including demographics, turnover, pay equity, skills and capabilities, culture and empowerment, health and safety, productivity, human rights, and compensation and incentives. Representatives of the Coalition met with SEC leadership in October and the petition is being reviewed by SEC staff now.

Finally, in December Trillium and the Rhode Island State Treasurer sent a letter to the 50 largest publicly traded employers on behalf of 34 institutional investors urging the companies to continue offering comprehensive sexual and reproductive health care benefits despite the Trump Administration's rules expanding exemptions from the Affordable Care Act (ACA) mandate that employers provide contraception coverage to employees. The letter argues that not only is it important to do so for women's rights and equality, but also that there is compelling evidence that widespread access to comprehensive, affordable sexual and reproductive health care and family planning services promotes economic growth.

LGBT Equality

Research from the Williams Institute has shown that LGBT-supportive policies lead to positive business outcomes, lower staff turnover, and increased job satisfaction. Unfortunately, federal law and 27 states do not provide employment discrimination protection based on sexual orientation or gender identity. That is why Trillium has for decades encouraged companies to adopt non-discrimination policies that protect LGBT employees. In October and December, we were able to withdraw our proposals at LED lighting company **Acuity Brands** and cell phone tower company **SBA Communications** when the companies agreed to add both sexual orientation and gender identity to their codes of conduct and business ethics. In December, we filed a shareholder proposal at energy services provider **National Oilwell Varco** which does not have fully inclusive policies.

Technology

As companies and countries continue to struggle to make sense of the technological frontiers of data privacy, cyber security, and free expression, Trillium remains an active leader on this issue among investors. In July, we worked closely with Open MIC, an organization dedicated to equity in the digital world, to argue before the FCC that its proposed rulemaking — which would gut net neutrality protections — was fundamentally flawed.

In August we wrote to **Apple** regarding its removal of Virtual Private Network (VPN) apps from its China App Store. Our concern is that removing VPN apps makes it much more difficult for people to get around China's censorship barriers — the so-called Great Firewall of China. Our letter was in support of a series of questions posed to the company by United Nations Special Rapporteur on Freedom of Opinion and Expression, David Kaye, and sought to understand how Apple was taking into consideration the human rights impact of its move.

At **Facebook** we are concerned that its founding philosophy of “Move Fast and Break Things” has created far too many risks and unintended consequences for the company and society. Whether it be fake news, privacy concerns, negative mental health impacts, censorship, terrorism incitement, or platform monopoly issues, we believe it is time for Facebook to take a step back and examine the “big picture” by establishing a board committee on risk. To promote this approach and foster a conversation with investors and the board we filed a shareholder proposal making this request in October.

Lastly, we filed a shareholder proposal in October at **Verizon Communications** asking the company to look at ways to link executive pay to data privacy and cyber security. Given that Verizon and its subsidiaries struggle with malicious intrusions and their central role in handling very personal information, we believe top executives should be meaningfully incentivized to do more to improve privacy and security protections and that the company should have ways of keeping management accountable for failures.

Indigenous Peoples

This fall we were again honored to work with the Oneida Tribe of Indians of Wisconsin, the New York State Common Retirement Fund, and the Unitarian Universalist

Association on a shareholder proposal at **Marathon Petroleum Corporation** asking the company to re-examine its human rights policies and practices. Given the company's financial stake in the controversial Dakota Access Pipeline, which is opposed by the Standing Rock Sioux Tribe, the company's approach to Indigenous People's Rights requires greater scrutiny. The fight over the Dakota Access Pipeline also highlighted some important failures in the Equator Principles, which were adopted by financial institutions to determine, assess, and manage environmental and social risk in projects they finance. We were, therefore, pleased to join an August investor letter to the Equator Principles Association urging it to strengthen its commitment to climate change and Indigenous Rights.

Income Inequality

For the last two years Trillium has led the investment community in voicing concerns about income inequality. Through our proxy voting guidelines, Trillium will not support a pay package in which an executive's pay is more than 150 times median household income. Earlier this year, Trillium was able to withdraw a minimum wage policy reform shareholder proposal at **Chipotle Mexican Grill** following the company's commitment to adopt a policy articulating its perspective on this issue of national concern. In December, the company committed to saying that it “believe[s] that a sustainable economy must ensure a minimum standard of living necessary for the health and general well-being of workers and their families.” In October, Trillium's Director of Shareholder Advocacy, Jonas Kron, spoke at the Democratic Party of Oregon's biannual summit about the importance of economic inequality and the role of shareholder engagement as a tool to bring the issue into corporate boardrooms.

Private Prisons

In October, a group of 100 **JPMorgan Chase** shareholders, including Trillium, and led by the Interfaith Center on Corporate Responsibility and the Sisters of St. Joseph of Brentwood, engaged the bank about its financing of private prison companies. Concerns have been growing about human rights conditions in these prisons as reports of inmate deaths, poor medical care, allegations of physical and sexual abuse of detainees, and violence have become more common. The group has asked the bank to provide details about its relationships with the private

prison and immigrant detention companies while seeking an in person meeting with CEO Jamie Dimon.

GOVERNANCE

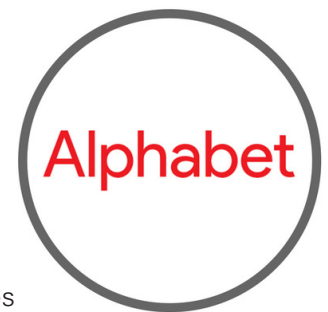
Political Spending

Eight years after the *Citizen's United* decision, the flow of money through tax-exempt organizations such as trade associations and other "dark money" conduits

continues to be of deep concern. In an effort to make the money less "dark," we work closely with the Center for Political Accountability (CPA) to shed light on political spending by encouraging greater transparency. At **PNC Financial Services** we have made progress through a combination of shareholder proposals and conversations moving the company from virtually no disclosure to reporting roughly in line with its peers. In September, the Center for Political Accountability (CPA) issued its

IN DEPTH SPOTLIGHT: BOARD EXECUTIVE COMMITTEE DIVERSITY AT ALPHABET

In August, an engineer at Google published an anti-diversity letter that sparked a public controversy about the depth of the company's commitment to fostering a diverse and inclusive workplace. It precipitated a public outcry about an industry where only 16% of companies have a woman in a top corporate or executive role. The letter also came at a difficult time for Alphabet, Google's parent company, as it continues to grapple with criticism of its poor diversity metrics and a wage discrimination investigation from the U.S. Department of Labor.



As the first major Silicon Valley technology company to release diversity statistics in 2014, the company has gone to great lengths to demonstrate its desire to address its diversity challenges. These efforts include unconscious bias training aimed at improving hiring programs, inclusion policies and practices, education outreach, and community relations. In June 2017, it hired its first VP of Diversity, Danielle Brown. Google CEO Sundar Pichai has emphasized that "A diverse mix of voices leads to better discussions, decisions, and outcomes for everyone." Google's Code of Conduct expects "each Googler to do their utmost to create a workplace culture that is free of harassment, intimidation, bias and unlawful discrimination."

However, these efforts do not appear to be enough, as the company has been unable to make satisfactory improvements. As Google reports, the participation of Hispanic employees in its workforce rose 1% from the previous year to 4%. While black employees comprise 5% of non-tech positions, a 1% year over year increase, black employees still represent just 2% of its total U.S. workforce, unchanged from 2015 and 2014. Women represent 31% of Google's global workforce, unchanged from a year ago and up just 1% since 2014.

For these reasons, we believe that the Alphabet Board should take further steps to demonstrate a clear and powerful resolve to address this challenge. Alphabet is unusual in that it has an executive committee of the board and what is noteworthy is that its three members are all white men — Board Chair Eric Schmidt, CEO Larry Page, and President Sergey Brin.

So in September, we filed a shareholder proposal, on behalf of the Global Fund for Women and Maine Women's Fund, calling on Alphabet to make the executive committee more diverse in terms of race, ethnicity, and gender. We have not received a response as of yet from the company, but have begun sharing our views and recommendations with our fellow shareholders as the company's annual meeting in June 2018 draws closer.

latest transparency and accountability index which showed this meaningful improvement by the company. As we head into 2018, however, we continue to push the company to improve further and will continue to meet with them regularly.

Having earned a 40% vote for our political spending disclosure proposal at industrial firm **Emerson Electric,*** we refiled the proposal again over the summer and look forward to a strong vote this winter. In August, we began engaging with a new company holding at Trillium, **American Water Works**, a Pennsylvania-based water utility company. We filed a shareholder proposal at the company asking them to disclose any corporate funds used for political spending and to report on the company's policies and procedures for using funds to make direct or indirect contributions to political campaigns. Finally, we joined the Universalist Unitarian Association in filing a lobbying spending disclosure proposal at **Cisco Systems, Inc.**, which received a 34% vote in December.

Board Diversity

Gender, racial, and ethnic diversity in the boardroom continues to garner growing attention from investors. Continuing our work that began in 2012, Trillium filed a shareholder proposal in September at software company **LogMeIn**, which has no gender diversity on its board. Following a number of conversations with senior leadership, the Board committed to adding a highly qualified woman to the board in 2018 and amending its corporate governance guidelines to include diverse candidates in every board search going forward. We also filed board diversity proposals at **Sealed Air Corporation** and **Ansys, Inc.** in December, asking the companies to expand the racial and gender diversity on their boards.

In March, we were able to withdraw our board diversity shareholder proposal at **Xilinx, Inc.** following commitments from the company to institutionalize board diversity inclusive of gender, race, and ethnicity in its corporate governance documents. We were pleased that, in November, the company appointed Mary Krakauer, the recently retired CIO of Dell, to the board.

Finally, we joined our colleagues at the 30% Coalition (a national organization committed to increasing the number of women on U.S. corporate boards) in writing a letter to 130 Russell 3000 and S&P 500 companies asking them to include women and minorities in every board candidate pool.

POLICY

Over the course of 2017, corporate trade associations have been lobbying the Securities and Exchange Commission (SEC) heavily in an effort to persuade the SEC to make dramatic changes to the shareholder proposal rule through a formal rulemaking process. Over the summer and fall Trillium, alongside US SIF and other partners, met with top leadership from the SEC to stop this from happening and to educate the SEC about how important and constructive shareholder proposals are to the investor community. While we have been successful so far in avoiding a formal rulemaking, the SEC did issue informal guidance in November which is of concern. As we move into 2018 we will be working with our colleagues in the shareholder community to limit the impact and reach of this informal guidance and protect our right to file shareholder proposals.

In August, following President Donald Trump's reaction to the violence perpetrated by neo-Nazis, the KKK, and white supremacists in Charlottesville, Virginia, Trillium issued a [statement](#) highlighting both our moral and economic concerns about the President's divisive words. Specifically, we pointed out that the President failed to express convincingly that racists were entirely to blame for the violence in Charlottesville and that he drew an inconceivable moral equivalence between the neo-Nazis who marched that weekend and the counter protesters who opposed them. We concluded by issuing a call urging the economic and political leaders of the United States to take the opportunity to re-commit themselves to the principles of equality and our shared work to further these basic human rights. We also joined an Interfaith Center for Corporate Responsibility letter to **Merck & Co., Inc.** CEO Kenneth Fraizer applauding him for his decency and

In addition to engaging with approved companies on our buy list, Trillium also conducts advocacy on selected companies (identified with an "") that 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.*

leadership in resigning from the President's American Manufacturing Council.

Also in August, Trillium joined businesses for a day of legislative education meetings in Sacramento, California, to urge the state's leadership to set a target of 100% renewable energy by 2045. While we were disappointed to see the bill fail to get the necessary votes, we will continue to work with our friends at Ceres in the effort to pass the law in 2018.

In October, Trillium was proud to join Lambda Legal and 75 other businesses and organizations urging the U.S. Supreme Court to prohibit sexual orientation discrimination under Title VII of the Civil Rights Act. The amicus brief addresses the inconsistency with which two federal courts have interpreted "sex" and whether discrimination based on sexual orientation is a form of sex discrimination.

IMPORTANT DISCLOSURE: The views expressed are those of the authors and Trillium Asset Management, LLC as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be a forecast of future events or a guarantee of future results. These views may not be relied upon as investment advice. 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. To the extent specific securities are mentioned, they have been selected by the authors on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is for informational purposes only.



Delivering Sustainable Investments Since 1982SM