



In the last six months of 2018, we filed 24 shareholder proposals and engaged many more companies in dialogues. These activities come as the Securities and Exchange Commission explores constraining shareholder rights to file shareholder proposals on environmental, social, and governance issues. With our allies at US SIF, ICCR, and Ceres, Trillium has taken a lead in providing evidence and testimony to the SEC on the value of shareholder proposals for investors, management, directors, and the public.

## CLIMATE CHANGE

As the National Climate Assessment released in November and the Intergovernmental Panel on Climate Change report released in October make clear, the imperative for companies to disclose clear steps to address climate change has never been greater. In an effort to persuade companies to do so, in November and December we filed and re-filed shareholder proposals at **Illinois Tool Works**, **J.B. Hunt**, and **EOG Resources** seeking greenhouse gas emissions reduction goals. In December, we were able to withdraw the EOG Resources proposal after the company committed to set both qualitative and quantitative targets to reduce methane emissions in the coming years. This agreement represents steady progress with EOG achieved over five years of dialogue and shareholder proposals.

We have also engaged banks including **JPMorgan Chase**, **Bank of America**, and **PNC Financial** in dialogues on strategies to decrease their financial support for fossil fuel projects. Following on previous engagements, **Minerals Technologies** informed us in September that it will be publishing greenhouse gas emission goals in the summer of 2019, and **MasterCard** told us in July that it became the first payments industry company to have its emissions reduction target approved by the Science Based Targets Initiative. Following a dialogue, **ONEOK** has agreed to publish the past three years of methane emissions on an absolute and intensity basis in the coming year.

As we increase our understanding of the importance of eliminating harmful refrigerant gases to lessen the effects of global warming, we have engaged refrigerant producers **Johnson Controls** and **Ingersoll Rand** in conversations about what they are doing and can do to address the

issue. Specifically, we are concerned with how companies are managing HFCs, a widely used class of refrigerants that have global warming potentials thousands of times greater than CO<sub>2</sub>. Refrigerant management was the number one solution identified by Project Drawdown for addressing climate change.

With respect to greenhouse gas emissions linked to food and agriculture, our ongoing dialogue with **Target** has led to the company setting a goal to cut its food waste in half by 2025. Similarly, **United Natural Foods** will be rolling out a food waste pilot program beginning in 2019. As we have discussed elsewhere<sup>1</sup>, food waste is one of the most significant contributors to global greenhouse gas emissions. Relatedly, an ICCR lead discussion with **Church and Dwight** about palm oil sustainability has been productive in encouraging the company to strengthen its policies and practices related to the human rights and environmental impacts of palm based materials the company uses.

On the public policy front, we accompanied our friends at Ceres this summer in discussions with California legislators about the merits of SB100 — California's proposed bill to commit to 100 percent clean electricity. In August and September, the bill passed the legislature and was signed into law by Governor Jerry Brown. And in Oregon, as the state legislature prepares to take up a climate change cap and trade bill this winter, Trillium organized a group of investors in October to urge **Intel** (one of Oregon's largest companies) to support this sound climate change legislation.

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<sup>1</sup> <http://www.trilliuminvest.com/trillium-nrdc-launch-paper-on-reducing-corporate-food-waste/>

## SUSTAINABILITY REPORTING

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Corporate disclosure of environmental, social, and governance (ESG) policies, practices, and performance is a vital piece of information for investors as we seek to ensure companies are adequately managing their ESG impacts. In the last six months we have filed shareholder proposals seeking sustainability reports at **Tesla**, **Acuity**, **Middleby**, and **Quanta Services**. We were able to withdraw the proposal at Acuity in November following the company's commitment to publish a sustainability report in 2019. Following earlier Trillium (and peer firm) engagements, **MasterCard**, **Wabtec**, and **A.O. Smith** published their very first sustainability reports this fall.

## TOXIC CHEMICALS

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Trillium has been a leader in the Chemical Footprint Project, which seeks "to transform global chemical use by measuring and disclosing data on business progress to safer chemicals. It provides a survey tool for benchmarking companies as they select safer alternatives and reduce their use of chemicals of high concern." Through our efforts with partner organizations and investors, **Target** announced publicly in November that it was signing onto the Chemical Footprint Project. Trillium has also been instrumental in encouraging **Home Depot**, **Newell**, **Apple**, and **Nike** to join as well.

In collaboration with Mercy Investment Services, we also met with **Lowe's\*** in July to discuss the company's May commitment to no longer sell paint strippers that contain the chemicals methylene chloride and NMP, which have been blamed in dozens of accidental deaths. This meeting presented an opportunity to encourage the company to adopt a broader chemical policy, which it stated publicly it will develop by the end of the year.

In September, Trillium lead a group of 17 investors in sending a letter to **Lamb Weston**, a leading potato and vegetable supplier to restaurants and grocery stores, asking for information about how it is addressing and reducing pesticide risks to farm workers, pollinators, water, and soil in its supply chain. Management responded by

offering some evidence of risk mitigation efforts, and a follow-up engagement is planned in 2019.

In July, Trillium met with **Marathon Petroleum** executives to discuss the impact that emissions from its refinery is having on an African-American neighborhood in Detroit, Michigan.

## PLASTICS

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An estimated 8 million tons of plastics are carried into oceans annually and by 2050 it is thought that there could be more plastic than fish in the seas. To begin addressing this issue, through dialogue and a shareholder proposal, this fall we engaged **McCormick** on its commitments to plastic packaging responsibility. During the course of that engagement, the company announced its commitment to 100% reusable, recyclable, or repurposable plastic packaging by 2025. While the company had been developing its commitments prior to our engagement, our input supported and reinforced the need for company action. How the company works to meet this global challenge will be of ongoing interest to Trillium.

At **Starbucks** we joined As You Sow's shareholder proposal asking the company to issue a report to shareholders on expanding its recycling initiatives globally and increasing the percentage of beverages served in reusable cups.

## PEBBLE MINE

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Continuing almost 10 years of advocating against the proposed Pebble Mine in the Bristol Bay region of Alaska, Trillium's latest op-ed on the issue appeared in the September 6th edition of the *Anchorage Daily News*. Bristol Bay is the home of the largest wild sockeye salmon run in the world — a nearly record-setting return of 62 million wild salmon in 2018. Northern Dynasty, the small Canadian company behind the project, has been promising the sun and moon. Yet four major mining companies have walked away from the Pebble project, including some of the world's largest mining companies. Mitsubishi withdrew in 2011. Anglo American pulled out in 2013 after spending more than \$540 million and citing a desire to

*\*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.*

focus on projects with the “highest value and lowest risks.” Rio Tinto walked away in 2014, donating all of its shares to two Alaskan charitable foundations. First Quantum left in May 2018 after sinking nearly \$40 million into the project.

## ECONOMIC INEQUALITY

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For decades, income and economic inequality has expanded as income growth for much of the population has slowed significantly. This has been pointed to as a source of social disruption and also shines a light on gender and racial inequities. In our ongoing efforts to seek opportunities to convey our concerns and press for change, we have been engaging in a number of efforts. In October, the Illinois State Treasurer released a report that showed that most companies are not putting savings from the Tax Cuts and Jobs Act (TCJA) towards employees. The supporters of the TCJA promised the cuts would lead to companies’ long-term investment in the American economy. The report was based on a survey of the S&P 100 that Trillium joined. Unfortunately, many companies failed to respond to the survey, so in an effort to improve the response rate, Trillium reached out to non-responders **Gilead, Cisco, and Microsoft**. We have also filed a shareholder proposal at Gilead specifically seeking a report describing how the company plans to allocate tax savings as a result of the TCJA.

Another aspect of the issue we have spent years trying to address is bank overdraft fees. According to a 2018 Center for Responsible Lending report, FDIC data shows the largest American banks collected \$11.45 billion in overdraft and not-sufficient fund fees in 2017. These flat fees bear little, if any, relationship to the actual costs or risks associated with the overdrafts and are often born by individuals who are financially vulnerable. To help address these issues, and following dialogues, Trillium has filed shareholder proposals at **Bank of America** and **JPMorgan Chase** seeking reports evaluating overdraft policies and practices and the impacts they have on customers.

For three years now Trillium has been implementing a proxy voting guideline on executive compensation packages that considers CEO pay relative to median household income. The guideline looks at a number of important factors in CEO pay, but if the CEO pay is more than 150 times median household income Trillium will vote against the pay package. In 2018, companies began to meet the Dodd-Frank Act requirement that they disclose

their CEO-to-worker pay ratio. Now that we have a full year of data, Trillium will begin integrating that information into our voting guidelines in 2019.

## DIVERSITY

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Building and retaining a diverse workplace at all levels of companies, from entry-level workers through middle and senior level executives, as well as in the boardroom, is vitally important. Not only do we know that more diverse companies are better financial performers, but open and supportive workplaces impact the wider health of society. For these reasons, Trillium continues to engage a wide variety of companies on workplace diversity and inclusion including pay equity, discrimination, harassment, abuse, and productivity.

For almost six years now, Trillium has engaged dozens of companies on their board gender and racial diversity. Most recently, we filed shareholder proposals at **IQVIA, Ligand Pharmaceuticals, Cambrex Corporation, and Wisdom Tree Investments**. Over the summer, following Trillium engagement with **Alphabet**, the company formally updated its corporate governance documents to commit itself to the “Rooney Rule” so when evaluating candidates for nomination as new directors, its candidate slate will include both underrepresented people of color and women.

At Alphabet we are also concerned about workforce diversity, so we have joined Zevin Asset Management’s shareholder proposal asking the company to include a diversity metric in its executive compensation plans. We have also filed workforce diversity shareholder proposals at **F5 Networks** and **Analog Devices** asking the companies to disclose their equal employment opportunity data. Following on our shareholder proposal from earlier in 2018 at **Starbucks**, the company agreed to publish a report providing gender and racial data on five job categories and will be expanding its diversity targets to achieve 50% female representation at the senior leadership level and to increase minority representation by 50% over the 2015 level.

At the executive team level, Trillium has begun a new series of engagements asking companies to assess the current state of their executive leadership team diversity and their plans to make their teams more diverse in terms of race, ethnicity, and gender. In November and December we filed these shareholder proposals at **Marathon**

## **Petroleum, Borg Warner, Carter's, and Bank of New York Mellon.**

After more than 20 years of engagements with portfolio companies, Trillium is proud to announce that as of July 24, 2018 all of the companies held in our Large Cap Core and All Cap Core strategies have workplace policies that protect LGBT employees from discrimination. Trillium began engaging portfolio companies regarding LGBT protections and workplace policies in 1995. By working with other investors through dialogue and shareholder proposals, Trillium's engagement has helped move dozens of Fortune 500 corporations to implement fully inclusive non-discrimination policies and practices. Today companies such as **Amgen, Factset, First Republic Bank, J.B. Hunt, Lowe's\*, United Natural Foods, Palo Alto Networks,** and many more have fully inclusive workplace policies due to our efforts.

## **POLITICAL SPENDING DISCLOSURE**

As IRS rules continue to allow organizations to hide indirect political spending, investors keep engaging companies to promote political spending disclosures. As the Supreme Court recognized in its 2010 Citizens United decision, "[D]isclosure permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages." In November, we filed shareholder proposals at **American Water Works** and **Chubb** seeking comprehensive disclosure so that investors can fully evaluate the use of corporate assets in elections.

## **TECHNOLOGY**

In late June, Trillium filed a shareholder proposal at **Facebook**, asking the Board to make the chairperson independent and focusing our concerns on the continuing litany of controversies and negative social impacts caused by the company. Not only do we know that an independent board chair is generally accepted best practice, but many highly successful tech companies including Alphabet, Microsoft, Apple, Autodesk, and Intel have this governance structure. The proposal concludes by highlighting that in apologies Mark Zuckerberg has stated, "We didn't take a broad enough view of our responsibility."

This broader view is exactly what an independent Board Chair can provide and we believe would benefit the company, its shareholders, its global community of users, and democracy.

We are delighted to also share that the proposal has been co-filed by the New York State Comptroller and the treasurers of Illinois, Rhode Island, and Pennsylvania. In announcing their co-filings in October, we were able to advance the public dialogue significantly with stories in the *Wall Street Journal*, *The New York Times*, *CNBC*, *LA Times*, *Chicago Sun-Times*, *Barron's*, *Fortune*, and *Reuters*. With these influential investors supporting the shareholder proposal, we expect our position will get more attention, not only with the largest institutional investors, but inside the Facebook boardroom as well.

At **Verizon**, we re-filed our shareholder proposal in November seeking a link between executive pay, cybersecurity and user data privacy. The proposal comes as its Oath unit confronts a history of scanning emails for information to sell users and violating children's privacy.

In late December we joined Azzad Asset Management and co-filed a proposal at Alphabet which is focused on reports that **Google** is developing a censored search engine — codenamed Dragonfly — for the Chinese market that would comply with China's repressive censorship laws and "blacklist websites and search terms about human rights, democracy, religion, and peaceful protest." The proposal asks the Company to publish a Human Rights Impact Assessment examining the actual and potential impacts of censored Google search in China.

## **INVESTOR COMMUNITY EFFORTS**

Many of our fellow investors and allied organizations do important work on a wide variety of issues that are important to Trillium and our clients. It is crucial that we support that work and seek to draw attention to it. A few examples of efforts that we signed onto during the past six months include:

- A petition to the Securities and Exchange Commission seeking a rule requiring ESG disclosures. The petition was written by Professor Cynthia A. Williams, Toronto's Osgoode Hall Law School, and Jill E. Fisch, University of Pennsylvania Law School.

- Boston Prison Divestment Coalition Project letter encouraging divestment from The GEO Group, CoreCivic, G4S, Securus Technologies (through Platinum Equity), Global Tel Link (“GTL”) (through American Securities), and Keefe Group and Trinity Services Group (through H.I.G. Capital).
- The Interfaith Center on Corporate Responsibility letter to The Geo Group and CoreCivic asking the companies to not become involved in any government plans to indefinitely detain immigrant families.
- The Farm Animal Investment Risk & Return letter to Yum, McDonald’s, Papa John’s, and Darden asking them to set targets for phasing out routine use of antibiotics in livestock production.
- The American Sustainable Business Council and Investor Environmental Health Network letter urging members of Congress to oppose the so-called Accurate Labels Act — a bill designed to roll back progress on toxic chemical regulations.

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