



ENVIRONMENTAL

Methane Emissions

In January, we reached an agreement with **EOG Resources** whereby the company committed to publicly disclose its methane-specific fugitive emissions associated with EOG's operated wells for 2015 relative to EOG's total company production of oil and gas for 2015. This is a positive step towards our ultimate goal of persuading EOG to provide full transparency of its emissions, including its methane management measures and setting ambitious emissions goals.

Renewable Energy

We were pleased to successfully withdraw our renewable energy shareholder proposal at **Amgen** following a March commitment from the company to include greater disclosure of current and future renewable energy projects in its Environmental Sustainability Report. The company published this information in May and will include an assessment of existing renewable energy projects as well as next steps relative to renewables technologies.

Also in March, we were able to successfully withdraw our renewable energy shareholder proposal at **Akamai Technologies** following a company commitment to source renewable energy for 50% of its network operations by 2020.

Food Waste

In addition to our dialogues with **Starbucks**, **Costco** and **General Mills** this spring, our food waste shareholder proposal at **Whole Foods** went to a vote in March. Demonstrating the resonance of this issue — where environmental, social and financial concerns overlap — the proposal received a very strong first year vote of 28%. The strong vote in favor of the proposal sends a clear signal to companies that shareholders are interested the tremendous financial, environmental, and social impacts associated with food waste. Whole Foods has announced that it selected a national waste service and tracking company to help with its plans to implement a management, tracking, and reporting solution in 2016. But until the company provides greater transparency around this process and its goals, it is impossible to assess the quality of its food waste program. Trillium will continue to engage with Whole Foods on this issue in the year to come.

Sustainable Palm Oil

Trillium filed and subsequently withdrew resolutions at **WhiteWave Foods** and **Church & Dwight** in February following strong commitments from each company to source palm oil pursuant to standards that go beyond the certification system developed by the Roundtable on Sustainable Palm Oil.

Lead Paint

After a number of years of engagement by Trillium and our colleagues at the Interfaith Center on Corporate Responsibility, **PPG*** (the manufacturer of Pittsburg and Glidden paints) publicly announced in April that it was committed to phasing out lead in its products. The U.S. had banned lead in consumer paints in 1978, but lead is still permitted in industrial paints. Pursuant to this commitment, PPG will reformulate those products to be lead free by 2020.

Sustainability Reporting

Since 2013 Trillium has been engaging **Men's Wearhouse** (now **Tailored Brands**) to join well over half of the S&P 500 and begin issuing regular sustainability reports. That effort reached a successful milestone in April when the company agreed to begin issuing sustainability reports of material social and environmental issues in 2017.

SOCIAL

Workplace Diversity and Equality

In April, Trillium was pleased to announce that it successfully withdrew its workforce diversity shareholder proposal at **Citrix Systems** after the company committed to several initiatives which included reporting annual EEO-1 workforce diversity data; publishing details, including oversight, of its diversity and inclusion programs, and setting time-bound diversity and inclusion goals by December 2016.

This followed our February announcement that we successfully withdrew our workforce diversity shareholder proposal at **Adobe Systems Incorporated** after Adobe published an expanded section of its website that included its annual EEO-1 workforce diversity data, provided meaningful disclosures around its strategies aimed at building the pipeline of diverse

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**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. 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. The securities mentioned 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. A complete list of companies that are on Trillium's 'Buy List' is available on request. 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 and should not be construed as a research report.*

employee candidates starting in grades K-12, and disclosed initiatives focused on attracting and retaining women and underrepresented minorities in its workforce. Trillium's workplace diversity proposal at both Citrix and Adobe Systems will reach a combined total of approximately 23,000 employees.

Slave Labor and Working Conditions in the Supply Chain

After a series of dialogues with Trillium in 2015 and early 2016 concerning allegations of slavery in its seafood supply chain and efforts specifically to eradicate slavery in the Thai shrimp supply chain, **Costco** added disclosures on its website in January describing specific actions it took to address these issues. The disclosures describe its decision to help organize and join a multi-stakeholder initiative, the Shrimp Sustainable Supply Chain Task Force. The Task Force is a corporate commitment to improve labor practices in the Thai shrimp industry and to drive change through accountability and transparency.

In February, (in response to reports of forced and slave labor on fishing vessels off the coast of Thailand and the risks this issue presented to food companies) we filed a shareholder proposal with the **J. M. Smucker Company** asking it to report on its process for identifying human rights risk in its supply chain.

With its acquisition of Big Heart Pet Brands in 2015, Smucker is now among the top five pet food companies globally and has a significant portion of its product line dedicated to seafood-based pet food. After several meetings, the proposal was successfully withdrawn based on commitments from the company concerning its Global Supplier Code of Conduct and Social Compliance Program.

Trillium successfully withdrew its shareholder proposal at **Nordstrom, Inc.** in February, based on the company's commitment to report, by the end of the second quarter, on the actions it has taken to identify and curtail human rights risks in its supply chain. Trillium filed this proposal when Nordstrom reported that it sourced nearly half of its private-label product volume from factories that were at risk of human rights violations.

Income Inequality and the Minimum Wage

In the fall, Trillium and fellow investors filed the first shareholder proposals at **Panera Bread**, **Chipotle Mexican Grill**, and **TJX** asking the companies to support increases to the minimum wage. Unfortunately, in February the Securities and Exchange Commission ("SEC") blocked the shareholder proposals at TJX and Chipotle because it concluded, inexplicably, that the

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IN-DEPTH: EPA Methane Emission Rule

For several years, Trillium has engaged with individual companies on the issue of methane emissions. For example, we recently encouraged EOG Resources to agree to publicly disclose methane emissions from the company's 2015 operations and its leak detection and repair programs. Methane is 86 times more potent as a greenhouse gas than carbon dioxide, over a 20-year period. The potent climate impact of leaking methane lessens the potential role natural gas could play in a cleaner energy mix and presents significant risks to oil and gas companies and the climate.

Over the last four years, Trillium has also had successful and impactful methane emissions engagements with Hess, Apache, Southwestern Energy, Oneok and Spectra Energy.

Similarly, we believe it is important to influence the broader public policy environment which impacts all energy companies. In April, Trillium, CalSTRS, ICCR, Ceres and NEI Investments led an investor letter signed by leading global investors in support of the recent U.S. and Canadian announcement to reduce oil and gas methane pollution. These investors represent approximately \$3.6 trillion in assets under management. The organization encourages industry leaders to embrace opportunities to adopt and implement cost effective technologies that cut methane waste and to demonstrate full transparency about management of methane emissions.

We were therefore pleased when the U.S. Environmental Protection Agency published its final rules for reducing emissions of methane from new and modified sources in the oil and natural gas industry on May 12, 2016. In announcing the rules, the EPA made it clear that vocal support from many constituencies, including investors, helped support and strengthen the rules. The new rules are expected to reduce 510,000 short tons of methane in 2025, which is the equivalent of reducing 11 million metric tons of carbon dioxide. These regulations are important because methane leaked equates to lost revenue for companies and investors. Looking forward, Trillium is actively supporting the EPA's consideration of a proposed rule on existing methane sources and views it as a critical step towards ensuring long-term success and addressing key issues in the oil and gas industry.

2015 Trillium Shareholder Resolutions Filed

| | COMPANY | TOPIC | RESULT | LEAD FILER |
|-------------|--------------------------|----------------------------|---|---|
| ENVIRONMENT | Whole Foods | Food waste | 28.0% | Trillium |
| | Hologic | GHG Emissions | Successfully withdrawn — commitment to set quantitative greenhouse gas reduction targets | Trillium (co-lead with Green Century) |
| | MasterCard | GHG Emissions | Successfully withdrawn — commitment to improve reporting | Trillium (co-lead with The Sustainability Group) |
| | EOG Resources | Methane emissions | Successfully withdrawn — commitment to disclose emissions and reduction measures | Trillium |
| | Church & Dwight | Palm oil | Successfully withdrawn — commitment to source sustainable palm oil | Sisters of Sorrowful Mother |
| | WhiteWave Foods | Palm oil | Successfully withdrawn — commitment to source sustainable palm oil | Trillium |
| | PepsiCo* | Pollinator protection | 8.9% | Trillium (co-lead with The Sustainability Group) |
| | The J.M. Smucker | Renewable energy | 21.2% | Trillium |
| | Oracle | Renewable energy | 4.5% | Trillium |
| | Verizon | Renewable energy | 8.3% | Trillium |
| | Amgen | Renewable energy | Successfully withdrawn | Trillium |
| | Akamai | Renewable energy | Successfully withdrawn — commitment to source renewable energy for 50% of its network operations by 2020 | Trillium |
| | AT&T* | Renewable energy | Successfully withdrawn — commitment to set renewable energy targets | Trillium |
| SOCIAL | American Express | Gender wage gap | Withdrawn — technical | Trillium |
| | Citigroup* | Gender wage gap | 6.0% | Trillium |
| | Nordstrom | Human rights practices | Successfully withdrawn — commitment to report on the actions to identify and curtail human rights risks | Trillium |
| | First Republic Bank | LGBT Non-discrimination | Successfully withdrawn — adopted fully inclusive LGBT non-discrimination policies | Trillium |
| | Southwestern | LGBT Non-discrimination | Successfully withdrawn — adopted fully inclusive LGBT non-discrimination policies | Trillium |
| | F5 Networks | LGBT Non-discrimination | Successfully withdrawn — adopted fully inclusive LGBT non-discrimination policies | Trillium |
| | J.B. Hunt | LGBT Non-discrimination | 54.7% | Trillium |
| | Chipotle Mexican Grill | Minimum wage reform | Omitted | Trillium |
| | The TJX Companies | Minimum wage reform | Omitted | Trillium |
| | Panera Bread | Minimum wage reform | Successfully withdrawn — commitment to conduct a review of employee benefits, compensation and wages | Trillium |
| | FedEx* | NFL team controversy | Omitted | Oneida Tribe of Indians of Wisconsin |
| | Adobe Systems | Workplace diversity | Successfully withdrawn — published data on workplace diversity and programs | Trillium |
| | Citrix Systems | Workplace diversity | Successfully withdrawn — committed to publishing EEO-1 data and setting targets | Trillium |
| GOVERNANCE | Discovery Communications | Board diversity | 17.0% | Trillium (co-lead with Calvert Investments and Mercy Investment Services) |
| | Palo Alto Networks | Board diversity | Successfully withdrawn — agreement to institutionalize a commitment to board diversity inclusive of gender, race and national origin | Trillium |
| | Union Pacific Corp* | Board diversity | Successfully withdrawn — updated nominating committee charter language to include gender, race and national origin | Trillium |
| | Stifel Financial | Board diversity | Successfully withdrawn — appointed the first two women to its board and updated nominating committee charter language to include gender, race and national origin | Trillium |
| | PPG Industries* | Exec comp & sustainability | Successfully withdrawn — committed to phasing out of lead in its products | Trillium |
| | Wells Fargo | Lobbying spending | 11.0% | Trillium |
| | Marathon Petroleum | Lobbying spending | Withdrawn — technical | Trillium |
| | Spectra Energy | Political Spending | 31.7% | Trillium |
| | Emerson Electric | Political Spending | 31.4% | Trillium |
| | T. Rowe Price | Proxy voting positions | 8.0% | Zevin Asset Management |

minimum wage debate is not a significant public policy issue. However, Panera Bread management did not challenge the proposal at the SEC, which allowed for a productive dialogue that resulted in a company commitment to conduct a review of employee benefits, compensation, and wages.

LGBT Non-Discrimination

In March, **Southwestern Energy** and **First Republic Bank** responded positively to our engagement and updated their non-discrimination policies to cover all LGBT workers. These policy updates cover a total of approximately 7,000 people employed by the two companies. In May shareholders sent a strong message to **JB 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 not only a powerful indicator of how investors take this issue so seriously, but we believe it will leave the company with little choice but to update its non-discrimination policy to cover all LGBT workers.

GOVERNANCE

Political and Lobbying Spending

Having made good, but not good enough, progress on encouraging political and lobbying spending disclosures at **Wells Fargo**, **Spectra Energy**, and **Emerson Electric** we re-filed these proposals this past fall. In high impact industries like these where public policy needs to be developed with high levels of transparency, we continue to push for as much disclosure as can be achieved. The proposals went to votes with the following results: Wells Fargo (11.0%), Spectra Energy (31.7%), and Emerson Electric (31.4%).

Board Gender Diversity

Following a multi year engagement with Trillium, **Superior Energy Services** added the first woman to its board in March. In April, as part of our engagement with **Stifel Financial**, the company

announced that it was appointing the first two women to its board. Finally, our board diversity shareholder proposal filed at **Discovery Communications**, which has no women on its board, received 23% of the outsider vote and 17% of the total vote.

PUBLIC POLICY

In early April, Trillium participated in an advocacy day at the California State House in Sacramento, where we met with the staff of Governor Brown and 10 key Senators, Assembly Members, and senior staff. Trillium was the sole investor participant alongside several companies, including **Autodesk**, **Genentech***, and **Eileen Fisher**. In each meeting, we discussed why we believe it is important for California to maintain strong policies that conserve water resources and reduce GHG emissions. For example, we were recommending legislators support SB 32, which would extend California's GHG reduction goals to 2030, as we believe this mandate would further empower businesses in California to pursue and achieve GHG reductions.

For the past few years investors have been engaged in advocacy efforts to support Ohio's renewable energy and energy efficiency policies. In June 2014, Governor Kasich signed legislation that halted a 2008 law that required Ohio's utilities to generate 25% of their power from alternative energy sources by 2025. In September, a legislative panel called the Energy Mandates Study Committee recommended the freeze continue indefinitely. There are now efforts by lawmakers to extend the freeze for another three years. Governor Kasich has said that an indefinite freeze (as recommended by the committee) is unacceptable. We are working to slow down the process in the legislature and give Governor Kasich some political cover to push back on his party in both the House and Senate. Through this letter we hope to demonstrate continued support from the business and investor community to reinstate the renewable energy and energy efficiency standards.

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