



In the last six months of 2019, we filed 34 shareholder proposals and engaged many more companies in dialogues on a wide variety of environmental, social, and governance topics at portfolio companies. We are pleased that we have been able to successfully withdraw five of the proposals following mutually agreeable commitments and disclosures from those five companies. Below you will find descriptions of this work undertaken by our Advocacy and Investment teams. Recognizing that even top ESG performers have room for improvement, we continue to engage as many companies every year as we are able, to help them strengthen their ESG performance, policies, and practices, and to have a positive impact on our communities and our environment.

PLASTIC POLLUTION

With plastic pollution becoming increasingly recognized as a critical and urgent global problem — an estimated 300,000 metric tons of plastic are polluted into the ocean from the U.S. every year — Trillium has been actively engaged with a number of companies in the plastics supply chain. Although **CVS Health** has identified the topic as material, the company has minimal information describing how it will address the problem. As such, we filed a shareholder proposal in December requesting the company increase the scale and pace of its efforts. We also worked with As You Sow on an ongoing engagement with **Starbucks**, resulting in numerous meetings with the company as a follow up to the 44% vote in favor of our plastics recycling and reusability proposal last year. In September, we resubmitted that proposal in our ongoing efforts to persuade the company to work harder at addressing the issue and to set strong goals for the billions of unrecyclable plastic packaging items it uses every year.

Considering other parts of the supply chain, we have also engaged with **Waste Management** (recycling and disposal) and **Sonoco Products** (plastic production) to leverage their unique positions to increase efforts to reduce the harmful environmental impacts associated with plastic pollution and to be constructive participants in sound public policy efforts. Finally, in September we sent letters to **Ahold, Target, TJX, and Home Depot** encouraging the companies to end any exportation of plastic bags and film material to countries with poor waste management systems. Ceasing these exports will help reduce the amount of plastic bag/film material that leak into the natural environment at little to no cost to the companies.

TOXIC CHEMICALS

In the summer, we met with **The TJX Companies** to discuss its toxic chemical policy, urging the company to intensify the

scale and pace in addressing chemicals of high concern in its retail assortment and supply chain. Unfortunately, given its unwillingness to prioritize the issue, we decided to file a proposal with the company in December requesting that it report on if and how it plans to reduce its chemical footprint. We also met with **Carter's** in the fall to discuss this topic and are continuing a positive dialogue as the company seeks to understand best practices and develop and disclose a restricted substances list. Lastly, after our engagement with **Ahold** throughout the year, the European based grocery store operator announced in September it would be joining the Chemical Footprint Project, an important player in this global effort to transform global chemical use by measuring and disclosing data on business progress to safer chemicals. The Chemical Footprint Project provides a tool for benchmarking companies as they select safer alternatives and reduce their use of chemicals of high concern.

AGRICULTURAL PESTICIDES

In April, we filed a shareholder proposal at **Lamb Weston**, a global supplier of frozen potato, sweet potato, and vegetable products, asking the company to disclose quantitative metrics on pesticide use in its supply chain and how its pesticide use impacts pollinators. We raised these concerns because conventionally-grown potatoes are among the most pesticide-intensive crops grown in the U.S. Potatoes consistently rank in the top 'dirty dozen' of fruits and vegetables with heavy pesticide loads, according to government data examined by the Environmental Working Group. Further, potato seeds are routinely pretreated with neonicotinoid pesticides. Their systemic properties and prolific use has resulted in growing scientific consensus that this class of pesticide is an important factor in pollinator population losses and contamination of major waterways. Just before the company's September annual meeting it announced a

continued >>

number of positive steps it was going to take to address this issue. In addition, at the annual meeting the proposal received a 34% vote, signaling that the company needs to take further steps. A similar proposal filed at **General Mills** resulted in additional disclosures of its pesticide use reduction strategies including quantitative data available in 2020 of outcomes from its regenerative agriculture programs.

TECHNOLOGY

While companies like Alphabet and Verizon provide important and valuable services and are leaders on environmental issues such as climate change, the social impacts of the changes in technology they pursue raise significant concerns. At **Verizon**, we continue to press the company on how it is protecting user privacy given its ability to collect enormous amounts of information and are encouraging it to explore how it can link its performance on this topic to executive compensation.

At **Alphabet**, we filed a proposal in December encouraging the company to strengthen and resource its whistleblower protections for matters related to human rights. In 2017, Google asked the National Labor Relations Board to overturn policy that allowed workers to organize on company systems and prevented companies from retaliating; in 2019, as part of a settlement agreement with NLRB, Google must tell workers they will not be retaliated against for exercising their rights. In November 2019, employees protested actions of the company's investigations team, claiming it was illegal retaliation for organizing, violating the National Labor Relations Board settlement, and labeling Google's actions as "brute force intimidation." Google then fired workers active in organizing, reportedly for violating data security policies.

Trillium continues to lead a large group of investors, including the New York City Comptroller and the treasurers of Illinois, Rhode Island, Connecticut, and Pennsylvania in recommending that **Facebook** adopt an Independent Board Chair structure. While it is true that independent board chairs are widely seen as best practice, we believe the ongoing controversies and specific challenges Facebook must grapple with make it a particularly relevant topic for the company. Facebook's powerful social impacts demand a governance structure that provides the most robust form of oversight and accountability. Thus, following on our 68% of non-insider shares vote for our proposal in May, we have refiled the proposal and continue to engage the company.

DIVERSITY

Evidence continues to mount that ethnic, racial, and gender diversity is enormously important to a well-functioning

organization. Study after study tells us that companies that are inclusive and representative of diversity at all levels of the corporate structure — workforce, executive team, and board — have better financial outcomes. The need to address this topic does not stop at the four corners of a business, as we see communities, cities, states, and nations around the globe striving to create more just and equal societies that encourage people to bring their authentic selves to their professional and public lives, so that our families, cultures, businesses, and economies can grow and thrive. Yet, we continue to see many companies failing to make progress. As one devastating statistic illustrates, only four members of the Fortune 500 have an African-American CEO, Tapestry, Lowe's, TIAA, and Merck. For decades, Trillium has engaged dozens of companies on this issue, and we continue to do so.

In response to our proposal on executive diversity, **Marathon Petroleum** produced a report examining the current state of executive leadership team diversity and its plan to make the company's executive leadership team more diverse in terms of race, ethnicity, and gender. The report was published in December and discusses the strategic initiatives being undertaken to increase the representation of racial and ethnic minorities and women in leadership capacities. Marathon Petroleum has implemented balanced slates to ensure that diverse candidates are considered in the final pool for the top six non-officer pay grades. The new report includes a breakdown of diversity data by board, officer, and senior manager levels. In September, following our advocacy, **Analog Devices** began issuing a diversity and inclusion report with data covering four job categories across gender, and race across two categories. In October, along similar lines **Borg Warner** signed the CEO Action Pledge committing the CEO to create and share strategic inclusion and diversity plans with the board. The company is preparing goals and metrics to be published in its 2020 Sustainability report.

Our team has also opened a few new engagements related to diversity. In August we joined the 30% Coalition in sending letters to 237 Russell 3000 companies with zero or one woman on their boards. We have filed proposals on diversity topics at **Marriott, Home Depot, SVB Financial Group, Hanesbrands, Stryker, Tractor Supply, SBA Communications, IPG Photonics, and Ormat**. We also refiled our proposal at **Travelers** which received a 50.9% vote at the 2019 annual meeting. In the proposal, we highlighted that all six of Travelers named executive officers are white men.

On the international front, Trillium wrote to **Roche, KBC, Inditex, Geberit, Croda, Essity, and Aviva** asking how the companies are ensuring that their policies and practices lead to leadership teams as diverse as their workforces. We also wrote to **Kingspan, Ahold, Essilor Lucottica, Kerry,**

and Kuehne + Nagel encouraging greater disclosure about workforce and executive team diversity.

Finally, on the policy front, the Securities and Exchange Commission opened a comment period this fall seeking input on how to improve corporate disclosures. Recognizing that while our advocacy has improved the situation, ideally, all companies would have to provide public and comprehensive diversity disclosure. To help advance this approach, in September, Trillium submitted comments to the SEC encouraging it to require companies to publicly disclose their annual EEO-1 report to the Equal Opportunity Commission which provides a more comprehensive set of diversity disclosures.

CLIMATE CHANGE

At COP 25 in December we saw many corporations announce their support of the Paris Climate Agreement and their commitment to addressing climate change. In September and October, Trillium joined international efforts by adding our name to two Principles for Responsible Investments investor statements — one, on the deforestation and fires in the Amazon and another in support of a just transition.

At portfolio companies **UPS, Chipotle, and J.B. Hunt**, we filed shareholder proposals in the fall asking if and how the companies would reduce their total contributions to climate change consistent with the aims of the Paris Climate Agreement. At **Chipotle** that could mean matching the scale, pace, and rigor of the approach established by many other food-based businesses, such as McDonald's, YUM! Brands, Hyatt Hotels, Walmart, Tyson Foods, PepsiCo, Nestle, Mars, Kellogg, General Mills, and Danone.

At the same time, the transportation sector is now the largest source of GHG emissions in the country, so focusing in on trucking company **J.B. Hunt**, we pointed out that its peers Republic Services, Waste Management, and CSX Corporation are among the over 690 Companies intending to reduce their emissions in line with the aims of the Paris Climate Agreement. We are co-engaging with Zevin Asset Management at **UPS** where we continue our work dating back to 2016 to push the company to significantly amplify its climate change strategies, particularly for its airline that accounts for roughly 60% of its total emissions.

In collaboration with a global group of investors, we co-filed a shareholder proposal through the Carbon Action 100+ at **Marathon Petroleum**. The Carbon Action 100+ consists of more than 320 investors (including Trillium) with greater than \$33 trillion in assets under management engaging the 100+ largest emitters on improving climate change governance, curbing emissions, and strengthening climate-related financial disclosures. This shareholder proposal encourages Marathon

Petroleum to develop a strategy to increase the scale and pace of the company's efforts to reduce its contribution to climate change.

We are also in regular dialogue and communication with **EOG Resources** and **Marathon Oil** about their methane emissions and other climate change impacts.

Finally, in November, after meeting with **JPMorgan Chase**, we filed a shareholder proposal asking the company to describe how it plans to respond to rising reputational risks and questions about its role in Canadian oil sands production, oil sands pipeline companies, and Arctic oil and gas exploration and production. JPMorgan is reportedly the largest global lender and underwriter to the top 30 companies operating in Arctic oil and gas, and the top U.S. lender and underwriter to the top 34 tar sands companies. Due to this, JPMorgan is the target of significant protests — often led by indigenous peoples. In the proposal we also point out that in August, JPMorgan's CEO Jaime Dimon led 180 other members of the Business Roundtable in expressing his commitment to deliver value to all of the company's stakeholders. Specifically, he committed to delivering value to customers, employees, suppliers and communities, embracing sustainable practices across its businesses, and generating long-term value for shareholders.

REPRODUCTIVE HEALTH

Continuing our decades-long work engaging companies on gender inequality, we have recently focused on the numerous ways companies can align their human resources policies and practices with their stated intentions and goals on gender equity and inclusion. We most recently participated in a multi-investor effort to write to approximately 40 companies about the reproductive health care benefits they provide to their employees, ranging from parental leave and flexible hours to access to contraception and abortion. We have also been asking these companies about their related public policy positions as we've seen legislative attacks on reproductive rights reaching new heights in the past year. We're pursuing dialogue in follow up to these letters with companies such as **Bank of America, CVS Health, UPS, Home Depot, Microsoft, and J.B. Hunt**.

LGBT NON-DISCRIMINATION

This fall we reached out to more than a dozen small and mid-cap companies regarding their non-discrimination policies and specifically whether these include protections based on gender identity — language that is considered crucial to protect LGBT employees at work. Initially we reached out to **A. O. Smith, Aqua America, Atmos Energy, Camden**

Property Trust, EastGroup Properties, First Solar, Horace Mann Educators, International Flavors & Fragrances, LHC Group, LKQ Corporation, Paycom Software, Rogers Corporation, Syneos Health, and WW International.

Many of these companies quickly updated their workplace policies to include gender identity. We continued on to file shareholder proposals at A. O. Smith, EastGroup, International Flavors & Fragrances, LKQ, Rogers Corporation and Syneos Health. With the exception of Syneos Health, all of these companies have since updated their policies and made them available for prospective candidates. Our proposal at Syneos Health is pending.

PHARMACEUTICALS

In October, citing the devastating effects of the opioid epidemic, Trillium filed a shareholder proposal at **Johnson & Johnson** encouraging the company to adopt an independent board chair governance structure. In August 2019, a judge in Oklahoma made a factual finding that Johnson & Johnson had intentionally played down the dangers and oversold the benefits of opioid treatment for chronic pain. The judge also concluded that the company's behavior caused a "public nuisance," finding that had it had developed "false, misleading, and dangerous marketing campaigns" that had "caused exponentially increasing rates of addiction, overdose deaths" and babies born exposed to opioids.

At **Merck**, we co-filed the proposal led by Seventh Generation Interfaith Coalition for Responsible Investment regarding out-of-control drug pricing. We are concerned that the incentive compensation arrangements applicable to Merck's senior executives may discourage them from taking actions that lower short-term financial performance even when those actions may be in Merck's best long-term interests. Merck has committed to limit average price increases of its drugs to no more than the rate of inflation, but incentive compensation arrangements may be inconsistent with that commitment.

COMMUNITY IMPACTS

Following the enormous June 2019 explosion and fire involving hydrogen fluoride at a Philadelphia oil refinery which injured workers, drew national attention, and disrupted the community, we became increasingly concerned about **Marathon Petroleum**, as it has one of the largest inventory of hydrogen fluoride among US refiners. At the same time, Marathon's challenges in responding to the community concerns of its Detroit neighbors has led to considerable negative press attention and a local congressional hearing on pollution. At a September 2019 hearing, US Representative Tlaib called into question Marathon's commitment to

community well-being after citing recent vapor leaks that sent workers to hospitals. She drew public attention to 13 documented violations of air permits and the Clean Air Act over six years at Marathon's Detroit refinery. These releases reportedly sent cancer causing toxic chemicals into nearby neighborhoods. For these reasons, Trillium filed a proposal in November asking that the company integrate community stakeholder concerns and impacts into Marathon's executive compensation program.

GOVERNANCE

In October, Trillium team members met with **EssilorLuxottica** representatives to discuss the company's lack of clear leadership as its two largest shareholders vie for the ability to appoint a new CEO, which is of significant concern for Trillium. This meeting came after the failure in May to name two new independent board directors which we hoped would help bring resolution to the governance challenges.

PRIVATE PRISONS

Following engagements coordinated by the Interfaith Center on Corporate Responsibility and supported by Trillium, **PNC Financial Services** announced in August that it would not extend any additional credit to companies operating private prisons Geo Group or CoreCivic. As we continue to be concerned about the human rights impacts of private prisons and the involvement of banks, we are following up on these announcements with numerous banks to ensure follow through.

DEMOCRACY

We believe a well-functioning democracy is good for the economy — which is important for both companies and investors. However, the United States has one of the lowest voter participation rates in the developed world. Census data indicates that 18% of registered voters did not vote in the 2008 elections because of schedule conflicts including work. Also, a Pew Research Report, which surveyed registered voters who did not vote in the 2014 election, found that 35% of those surveyed identified schedule conflicts with work or school as the reason for not voting. Surveys also suggest that hourly employees may be impacted the most because of a lack of flexibility in work schedules. For these reasons we have begun engaging companies like **Apple, Bank of America, Chipotle, Costco, CVS, Home Depot, JPMorgan, Marriott, SBUX, Target, and TJX** seeking more information about how they support their employees' ability to exercise their right to vote. As we head into 2020, this work will take on enhanced attention as American's focus on Election Day.

ECONOMIC INEQUALITY

One way that the Dodd-Frank Act, which was adopted in response to the financial crisis, sought to address economic inequality, was to require companies to disclose the ratio of CEO pay to median worker pay. This information has been published by most companies for the past two years, and as expected, it is deeply troubling. The ratios are far too high, so Trillium is now voting against pay packages when the ratio is above 50:1. One such firm is **The TJX Companies** which paid its CEO in 2019 a total of \$18,822,770. In contrast, the median employee received \$11,791 in total compensation in fiscal 2019. This means that TJX has a pay ratio of 1,596:1 — which is higher than its reported 1,501:1 ratio in fiscal 2018. As a point of comparison, the following comparable companies' pay ratios were: Ross Stores 1,222:1; Starbucks 1,049:1; Macy's 582:1; Home Depot 486:1; and Best Buy 610:1. These were all *lower* ratios as compared to the previous year at these companies. In November, we filed a shareholder proposal at TJX requesting that the Executive Compensation Committee of the Board of Directors take into consideration the pay grades and/or salary ranges of all classifications of its employees when setting target

amounts for CEO compensation. While this is not the most pointed way of getting at the problem of economic inequality, given Securities and Exchange Commission constraints on shareholder proposals, it is a relatively effective way to move the issue forward.

GUN VIOLENCE

While Americans are clearly fed up with gun violence and a political solution remains out of reach, there exists a potentially important avenue for progress that is within reach — finance. The retirement assets of millions of Americans continue to be invested in gun companies, largely through passive pension funds and mutual funds that track benchmarks. To address this situation, Trillium and Impact-Cubed published new research in December which found that removing gun and ammunition manufacturers from commonly tracked benchmarks maintained by **S&P**, **MSCI**, and **Russell** would have a negligible impact on investors' financial performance, but a large impact on the manufacturers' share price, cost of capital, and potentially even participation in these markets.

IMPORTANT DISCLOSURE: The information provided is not a recommendation to buy or sell the securities mentioned. The securities were selected on an objective basis for illustrative purposes and do not represent all of the securities purchased, sold or recommended. It should not be assumed that investments in the securities have been or will be profitable. The securities 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