TRILLIUM ASSET MANAGEMENT

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TRILLIUM'S 2016–2017 SHAREHOLDER ADVOCACY INITIATIVES

BY JONAS KRON, DIRECTOR OF SHAREHOLDER ADVOCACY

Despite recent regulatory rollbacks and an ever-evolving policy environment under the Trump administration, our work as sustainable and responsible investors remains more important than ever. We continue our 35-year history of using shareholder advocacy to influence corporate behavior and push for sound social and environmental public policy.

Six months into the Trump administration, we can definitively state that the role of shareholder advocacy in the current political and policy environment is more important than ever. As public policy solutions to market failures — such as environmental degradation and social inequity — are either at a standstill or moving in reverse, sustainable and responsible investors such as Trillium Asset Management must continue to lead initiatives that push businesses to adopt solutions that benefit investors, society, and the environment. Based on this threat, we have recommitted our shareholder advocacy to two core themes:

WORKPLACE / INCOME EQUALITY

Over the past nine months, we have seen great successes on a number of social equity issues.

In June, Trillium's Allan Pearce published an op-ed in *The Hill* that explains why investors support strong public and corporate policies that cover reproductive care, maternity care, family leave and other workplace policies that (1) enable women to have greater control over their lives and (2) support economic and corporate prosperity. Pearce cites a section of a speech that Janet Yellen

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Thinking Capital℠

BY MATT PATSKY, CEO

Trillium is proud to celebrate our 35th anniversary. During this time, our core mission has focused on equity, economy, and ecology. We have seen tremendous progress over the years, much of it tied to our core tool: the right to file shareholder proposals. Trillium filed our first shareholder proposal on child labor at Wal-Mart in 1992, and as a result of that proposal, helped push the company to become the first major retailer to adopt a comprehensive set of labor standards across their supply chain including protections against child and forced labor.

Shareholder proposals provide a very important leverage point that helps us encourage, cajole, and persuade companies to improve their social and environmental policies, performance, and practices.

Now, however this right is under threat. The Financial Services Committee in the U.S. House of Representatives introduced the Financial CHOICE Act in April 2017 and among its attacks on Dodd-Frank, the Consumer Financial Protection Board, and good corporate governance there

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Trillium's 2016–2017 Shareholder Advocacy Initiatives, *continued from page 1*

recently gave at Brown University: "Further advancement [of women] has been hampered by barriers to equal opportunity and workplace rules and norms that fail to support a reasonable work life balance. If these obstacles persist, we will squander the potential of many of our citizens and incur a substantial loss to the productive capacity of our economy…"[1]

We are also focused on engaging companies directly on these issues. For example, we filed a shareholder proposal at Aflac in the fall asking the company to disclose its workforce diversity numbers and the policies it was putting in place to improve those numbers. We were able to successfully withdraw that proposal when the company agreed to our request that it not only disclose its numbers, but also its policies and practices. Aflac will release the report in July and we look forward to either good results or some evidence upon which to push for further improvements.

We also successfully withdrew our shareholder proposals at Visa, F5 Networks, Jones Lang LaSalle Incorporated, and Fifth Third after they strengthened their commitments to expand disclosure around diversity policies and programs and agreed to release their annual EEO-1 workforce diversity data. Furthermore, our shareholder proposals at T. Rowe Price Group Inc., The Travelers Companies, Inc., and First Republic Bank earned strong results with votes greater than 30%.

We believe that diversity, inclusive of gender and race, is a critical attribute of a well-functioning board and a measure of sound corporate governance. In May, we successfully withdrew a board diversity proposal at Xilinx (which has only one woman on its board) after it agreed to revise its corporate governance documents by embedding a commitment to diversity, inclusive of women and underrepresented minority candidates, in every pool from which board nominees are chosen. In addition, Vopak, an oil and gas company, announced its first female board member, Hanne Sørensen, following our engagement in 2016.

Alongside our colleagues at New York State Common Retirement Fund, Mercy Investments, Calvert Fund, and Sonen Capital, we were able to withdraw our proposal at Dentsply Sirona in April when the company agreed to include gender and racial diversity in its nominating committee charter and to commit to considering a diverse pool of candidates when it refreshes its board.

CLIMATE CHANGE

On the level of corporate engagement a good example of our work is our shareholder proposal at Tractor Supply, the farm and garden supply retailer with 1,600 stores in 49 states. Unlike its peers Home Depot and Lowe's — Tractor Supply had no greenhouse gas (GHG) targets or goals. For that reason, we filed a shareholder proposal asking the company to commit to GHG reduction targets. The company's immediate response was to offer up an energy reduction goal, but because energy reduction is not the same as GHG and carbon reductions we felt it was inadequate. We were confident that our fellow shareholders would agree, so we decided to take it to a shareholder vote. Confronted with the possibility of an embarrassing vote, the company acquiesced and agreed in February to set quantitative GHG goals (scope 1 and 2) by the end of 2018.

> We believe climate change is the defining investment issue of our time and must be addressed through production, financing, and consumption.

We are also focused on encouraging companies to produce comprehensive sustainability reports addressing improvement targets that include reductions in GHG emissions. Reporting allows companies to publicize and gain strategic value from existing sustainability efforts and identify emerging risks and opportunities. Over the winter, we were able to successfully withdraw our shareholder proposal at water heater manufacturer A.O. Smith Corporation after the company committed to enhancing sustainability reporting disclosures and to continuing dialogue this year.

We also encourage companies to diversify their energy sources and reduce costs by producing or sourcing renewable energy. Last November, we filed a proposal (co-filed alongside Zevin Asset Management) at United Parcel Service urging the company to set company-wide renewable energy targets and strengthen climate change commitments. We were able to withdraw our proposal

1 http://thehill.com/blogs/pundits-blog/healthcare/337362-investors-to-lawmakers-business-keep-obamacares-commonsense

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2016–2017 Trillium Shareholder Resolutions Filed

	COMPANY	TOPIC	RESULT	LEAD FILER
ENVIRONMENT	Middleby Corporation	Environmental Sustainability	44.6%	Trillium
	Costco Wholesale Corporation	Food Waste	Successfully withdrawn — commitment to improve reporting and continue dialogue on the issue	Trillium (co-led with Green Century)
	Whole Foods Market	Food Waste	30.4%	Trillium
	Target Corporation	Food Waste	Successfully withdrawn — commitment to expanding food waste related disclosures in its 2017 Corporate Social Responsibility Report	Trillium
	Bank of America Corporation	Fossil Fuel Financing	Successfully withdrawn — commitment to continue substantive dialogue on this issue	Trillium
	A.O. Smith Corporation	GHG Emissions	Successfully withdrawn — commitment to update and expand sustainability reporting in 2017	Trillium
	Tractor Supply Company	GHG Emissions	Successfully withdrawn — commitment to set company-wide GHG reduction goals by the end of 2018	Trillium
	Verizon Communications Inc.	GHG Emissions	15.0%	Trillium
	EOG Resources	Methane Emissions	Successfully withdrawn — commitment to improve its methane emissions disclosures	Trillium
	PepsiCo*	Pollinator Protection	9.1%	Trillium (co-led with Sustainability Group
	The J.M. Smucker Company	Renewable Energy	28.4%	Trillium
	United Parcel Service, Inc.	Renewable Energy	Successfully withdrawn — commitment to explore renewable energy goals for facilities and to join a group of investors in an intensive dialogue on climate change in 2017	Zevin Asset Management
	Chipotle Mexican Grill, Inc.	Sustainability Reporting	Successfully withdrawn — commitment to issue first sustainability report in 2017	Domini Impact Investments
SOCIAL	Marathon Petroleum Corp.	Environment & Human Rights	35.2%	Oneida Elder Trust
	The J.M. Smucker Company	Human Rights	Successfully withdrawn — commitment to improve social compliance program	Trillium
	Verisk Analytics, Inc.	LGBT Non-Discrimination	Successfully withdrawn — revised Code of Business Conduct and Ethics to include gender identity	Trillium
	EOG Resources Inc.	LGBT Non-Discrimination	Successfully withdrawn — commitment to include gender identity in non-discrimination workplace policies	Trillium
	Dentsply Sirona Inc.	LGBT Non-Discrimination	Successfully withdrawn — revised equal employment opportunity policy to include protections based on gender identity and expression	Trillium
	Chipotle Mexican Grill, Inc.	Minimum Wage Reform	Successfully withdrawn — commitment to issue statement on its position on public policy issues, including minimum wage policy	Trillium
	Home Depot Inc.	Minimum Wage Reform	Omitted by SEC	Trillium
	The TJX Companies, Inc.	Minimum Wage Reform	Omitted by SEC	Trillium
	CVS Health Corporation	Minimum Wage Reform	Omitted by SEC	Zevin Asset Management
	FedEx Corporation*	NFL Team Controversy	Omitted by SEC	Oneida Tribe of Indians of Wisconsin
	Verizon Communications Inc.	Privacy & Data Security	Omitted by SEC	Trillium
	Merck & Co., Inc.	Product Quality and Safety	6.8%	Trillium
	Zimmer Biomet Holdings, Inc.	Product Quality and Safety	Successfully withdrawn — commitment to set up Board Committee for product quality and safety, and prioritize and report on these issues	Trillium
	Visa Inc.	Workplace Diversity	Successfully withdrawn — commitment to disclose EEO-1 data and action plans to improve diversity and inclusion outcomes	Trillium
	F5 Networks	Workplace Diversity	Successfully withdrawn — commitment to disclose EEO-1 data, and action plans to improve diversity and inclusion outcomes	Trillium
	Fifth Third Bank	Workplace Diversity	Successfully withdrawn — commitment to expand workforce diversity reporting	Trillium
	T. Rowe Price	Workplace Diversity	36.8%	Trillium
	Travelers Companies	Workplace Diversity	36.4%	Trillium
	Aflac	Workplace diversity	Successfully withdrawn — committment to disclosing comprehensive workplace diversity data	Trillium
	JLL	Workplace diversity	Successfully withdrawn — commitment to disclose annual EEO-1 data	Trillium
	PNC Financial Services	Workplace Diversity	11.1%	Trillium
	First Republic Bank	Workplace Diversity	32.8%	Trillium
GOVERNANCE	Dentsply Sirona Inc.	Board Diversity	Successfully withdrawn — commitment to strengthen corporate governance documents to board diversity inclusive of ethnicity, race, and gender	Trillium
	Xilinx	Board Diversity	Successfully withdrawn — commitment to strengthen corporate governance documents to board diversity inclusive of ethnicity, race, and gender	Trillium
	Emerson Electric	Political Spending	40.3%	Trillium
	PNC Financial Services Group Inc.	Political Spending	Successfully withdrawn — commitment to significant improvements in political spending disclosure	Trillium
	BlackRock, Inc.*	Proxy Voting Guidelines	Successfully withdrawn — issued its 2017-2018 engagement priorities, recognizing the importance of an inclusive workplace	Trillium

Trillium's 2016–2017 Shareholder Advocacy Initiatives, *continued from page 2*

when the company committed to exploring a renewable energy goal. This agreement will be part of the company's revamp of its overall climate strategy.

We re-filed, for the third time, a shareholder proposal at The J. M. Smucker Company in April asking the company to issue a report on how it can improve its adoption of renewable energy. We will be working to increase shareholder support beyond the 28% vote our proposal received in August 2016 and the 21% vote it received in 2015.

Food waste is a critical issue, with clear links to climate change. Following productive meetings with Target Corporation over the winter, the company has committed to addressing the issue in partnership with a leading environmental group. This allowed us to withdraw our shareholder proposal after securing an additional commitment to data transparency and a thorough discussion of food waste in the company's next sustainability report. We also continue to build investor support at Whole Foods Market, where we were able to increase support for our shareholder proposal to 30% in February, up from 28% last year. Our paper with the Natural Resources Defense Council on food waste published in April has provided the industry with a road map for how to take action on this issue.

We have also been active in the successful effort to resist the rollback of an Obama-era U.S. Bureau of Land Management (BLM) rule requiring oil and gas companies to take basic measures to stop wasting methane, an extremely powerful greenhouse gas. House Republicans successfully passed a Congressional Review Act bill that would have terminated this rule. However, through a concerted effort by many groups, including Trillium's op-ed published in March and our successful meetings with numerous senate staffers, we were able to stop the Senate from passing the bill by gaining support from three Republicans, Senators McCain, Graham, and Collins on May 9th.

As we move through these uncharted political waters, Trillium understands that our role as investors is critical. Through our advocacy, both at the policy level and at the company level, we will work to build on a growing movement that sets a clear expectation that companies must have a positive impact on society and the environment.

Thinking Capital, *continued from page 1*

was a specific attack on our ability to file shareholder proposals. Shareholder proposals are a critically important tool for encouraging companies to set climate change goals, increase board and workforce diversity, and disclose political and lobbying spending. The CHOICE Act attacks our rights as shareholders by limiting the shareholder proposal to those beneficial owners of at least 1% of company shares, significantly up from the $2,000 of company stock required today.

In order to demonstrate the breadth and depth of opposition to this terrible plan, Trillium is working closely with investor partners such as, Ceres, US SIF, and the Interfaith Center on Corporate Responsibility (ICCR) to explain forcefully to Congress that shareholder proposals are important not only because improving ESG performance is good for companies and the economy, but also because the bill would interfere with our property rights as shareholders and could have unintended consequences. If investors no longer have the communication channel offered by shareholder proposals, "vote no" campaigns against directors may become more frequent and our only option.

In our meetings with legislative directors and chiefs of staff we learned that our voices are breaking through the noise of Capitol Hill and are making a real impression on the Hill. We hope that the same can be said for members of the Senate Banking Committee where the bill will be considered next. The Senate, a less polarized body, offers the opportunity for actual understanding and consideration of why shareholder proposals have been such a net positive for the last 50 years and we are eager to see this line of attack on shareholder proposals lose steam quickly.

We will continue to be vigilant as we work with key allies to explain to members of congress why shareholder proposals are good for our economy and for business.

FROM ENVIRONMENT TO DIVERSITY: KEEPING EOG ACCOUNTABLE

BY BRIANNA MURPHY, VICE PRESIDENT OF SHAREHOLDER ADVOCACY AND ALLAN PEARCE, SHAREHOLDER ADVOCATE

In January, oil and gas company EOG Resources made substantial commitments to improve its methane emissions disclosures and enhance protections for all lesbian, gay, bisexual, and transgendered (LGBT) employees.

Natural gas is a fossil fuel which has climate impacts and contains methane, a greenhouse gas (GHG) with 86 times the climate warming potential of CO_2 over a 20-year period.[1] Therefore, any perceived climate benefits of natural gas, as compared to other fossil fuels, hinge on the extent of methane leakage from natural gas production systems, which has been found to be up to 90% higher than EPA data estimates.[2]

> Methane emissions is a greenhouse gas with over 80 times the global warming potential of CO_2 and is the key component of natural gas, one of EOG's primary products.

At the same time, emissions of methane mean lost revenue for oil and gas companies — estimates suggest approximately $2 billion of natural gas is lost each year in the U.S.[3] These factors make compelling arguments for why oil and gas companies should strive to minimize methane emissions, yet the oil and gas industry constitutes the largest industrial source of methane emissions in the U.S.

Concerned with the climate and financial impacts of methane leaks, Trillium has been engaging EOG Resources (EOG) on methane emissions for several years. Through our engagement this year, we were able to persuade EOG in January to commit to disclosing its methane emissions as a percentage of total oil and gas production, an important metric to understanding methane leaks within its systems. Furthermore, EOG will provide data for at least the past three years, which will enable stakeholders to better evaluate how effective the company has been in reducing methane emissions. These new data points, combined with previous commitments to improve disclosure around management of methane emissions, provide shareholders with years of data demonstrating that EOG's greenhouse gas intensity, fugitive intensity, methane intensity, and methane as a percentage of production are all trending downward.

In addition to managing emissions and climate risk, we expect our portfolio companies to maintain best practices regarding diversity and inclusion. In the absence of state and federal policy we believe it is critical for companies to protect all employees under a company-wide non-discrimination policy that provides explicit protections based on sexual orientation and gender identity. Currently, 82% of the Fortune 500 companies also include gender identity in those policies in order to better position themselves to attract and retain the best talent.[4] Research also has shown that corporate policies that foster inclusive workplaces by supporting LGBT employees lead to more positive business outcomes, lower staff turnover, and increased job satisfaction and productivity.[5]

In reviewing EOG's workplace policies we found that the company did not provide explicit protections based on gender identity. This led us to file a shareholder proposal on behalf of its clients requesting the company make changes to its non-discrimination policy. Following a productive dialogue with EOG, the company agreed to add gender identity to its Code of Business Conduct and Ethics. With these changes in place, the policy now provides equality protections for the company's 2,650 employees working across the country.

1 http://www.climatechange2013.org/report/
2 http://www.pnas.org/content/112/51/15597.full.pdf
3 https://www.nrdc.org/sites/default/files/Leaking-Profits-FS.pdf
4 http://hrc-assets.s3-website-us-east-1.amazonaws.com//files/assets/resources/CEI-2017-FinalReport.pdf
5 https://williamsinstitute.law.ucla.edu/wp-content/uploads/Business-Impact-LGBT-Policies-Full-May-2013.pdf

TRILLIUM LAUNCHES NEW WHITE PAPER ON INVESTING IN SUSTAINABLE FOOD AND AGRICULTURE ACROSS ASSET CLASSES

In May, Trillium Asset Management released a new white paper, *Impact Investing in Sustainable Food and Agriculture across Asset Classes: Financing Resilient Value Chains through Total Portfolio Activation*. The paper was prepared by Croatan Institute with the guidance and close collaboration of Iroquois Valley Farms, Maine Organic Farmers and Gardeners Association (MOFGA), Organic Agriculture Revitalization Strategy (OARS), Root Capital, and RSF Social Finance.

As interest in sustainable food systems and agricultural value chains grows, increasing numbers of investors are beginning to explore high-impact investing opportunities in food, farming, and forestry across asset classes. According to the Global Impact Investing Network's most recent survey of leading impact investors, the largest number of respondents — 63% — reported allocating to food and agriculture, more than any other sector.[1]

Impact opportunities in sustainable agriculture now extend from real estate investments in sustainably managed farmland and forests to debt investments in farms, cooperatives, and food enterprises, and, to equity investments — both private and public — in healthy food companies, retailers, and agricultural technologies focused on the efficient use of energy, inputs, and natural resources. Total Portfolio Activation provides a framework for impact investing that can be readily adapted to sustainable food and agriculture.[2] Rooted in emerging financial research that explores the distinctive impact features of each asset class, the framework helps investors analyze the social and environmental impacts of their investments, both positive and negative, and then seize opportunities to minimize negative impacts and to maximize the potential for positive impact by activating assets across their entire diversified portfolios.

Total Portfolio Activation gives investors both an analytical toolkit and a process for assessing impact opportunities and re-allocating their assets in alignment with their impact objectives. Investors can use the framework to integrate multiple environmental and social impact criteria or apply it thematically in more focused ways, as has been done in areas such as women's empowerment and LGBT equality.[3]

"We know that we have a responsibility to align our investments with our values and to put those investments to work to build a more sustainable food system," said Matthew Patsky, CEO of Trillium Asset Management. "The paper serves as a guide for sustainable and responsible impact investors looking to leverage their investments and broaden their impact across agricultural value chains."

The white paper is available for download on trilliuminvest.com.

1 https://thegiin.org/assets/GIIN_Impact%20InvestingTrends%20Report.pdf
2 http://www.trilliuminvest.com/wp-content/uploads/2017/05/Investing-in-Sustainable-Food-and-Agriculture.pdf
3 http://www.trilliuminvest.com/wp-content/uploads/2017/05/Investing-in-Sustainable-Food-and-Agriculture.pdf

IMPACT INVESTMENT THEMES IN SUSTAINABLE AGRICULTURE

Sustainable Production	Sustainable Consumption	Sustainable Agricultural Technology	Conservation & Climate Change	Social Equity & Sustainable Livelihoods
» Crops, livestock, fisheries	» Nutrition	» Smart irrigation	» Climate change mitigation & adaptation	» Fair Trade
» Animal welfare	» Healthy foods	» Biowaste	» Deforestation	» Land grabs
» Timber & wood products	» Food safety	» Software	» Land care & soil health	» Workers' rights
» Sustainability standards	» GMOs	» Big data	» Water use	» Child labor
	» Food waste	» Green chemistry	» Biodiversity	» Women farmers
		» Digital precision ag		» Food sovereignty

CLIENT SPOTLIGHT: WOODS HOLE RESEARCH CENTER

BY DAVID MCGLINCHEY, DIRECTOR OF COMMUNICATIONS

In 1986, Woods Hole Research Center founder George Woodwell testified to the U.S. Senate Subcommittee on Environmental Pollution about the looming danger of climate change.

"On the issue of climactic change there is surprising unanimity at the moment," Woodwell told the subcommittee. "There can be no question as to the seriousness with which the scientific community views the prospect of an imminent warming caused by human activities… it marks the advent of an indefinite period of instability in climate globally."

More than 30 years later, those warnings are playing out before our eyes. When Woodwell testified, the carbon dioxide in the atmosphere was just under 350 parts per million (ppm). That means that for every million molecules in the air, about 350 were carbon dioxide. Now, in 2017, the carbon dioxide in the atmosphere is more than 410 ppm — a level the earth has not experienced in about three million years, since the mid-Pliocene era.

Carbon dioxide and other heat trapping gases are increasing the earth's temperature. The last three years in a row — 2014, 2015, and 2016 — have each broken the mark for the hottest year in recorded history.

> WOODS HOLE RESEARCH CENTER
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> Low carbon economic development in the Democratic Republic of Congo and sustainable agricultural development in Brazil have been an essential component of our work as sustainable investors.

Scientists at the Woods Hole Research Center (WHRC) are working to understand the impact that this climate change will have on the earth, and also to develop climate solutions using the most effective technology that we currently have available — forests.

Trees capture and store carbon more efficiently than any technology humans have devised. In fact, there is currently more carbon stored in the world's forests than there is in the atmosphere. The remarkable power of forests to sequester carbon makes them critically important to the climate change fight.

While the world must still reduce greenhouse gas emissions — dramatically and immediately — aggressive reforestation can help pull large amounts of carbon out of the atmosphere. Sequestering atmospheric carbon in forests would buy us some time to decarbonize our economy.

The carbon already locked up in forests is also at risk from increased wildfires, deforestation, and forest degradation (removal of individual trees, instead of large scale clearing). Tropical rainforests contain an exceptionally high amount of carbon, and the largest of those are in the Amazon and in central Africa. Because of this, WHRC scientists work in both those areas to help government officials, community leaders, and farmers develop strategies to avoid deforestation.

WHRC scientist Glenn Bush, an environmental economist who focuses on deforestation, is working in Africa and South America to help develop plans that would make keeping the forests intact more financially appealing than cutting them down.

In the Democratic Republic of the Congo, farmers often use land until it is depleted and then slash and burn new forest to create new farmland. Dr. Bush and his team work with local leaders to introduce measures that would make agriculture more efficient and require less land. Even more creatively, WHRC scientists help remote villagers to identify trees that attract caterpillars — a local delicacy. Demonstrating the value of intact forests makes it more appealing for the local Congolese to join in WHRC's efforts.

In Brazil, WHRC scientists work with state governments to devise the most effective economic incentives for farmers to keep their land forested. The incentive differs based on the locality, the crop that would replace the forest, and the distance to market, but ultimately the decision is a question of opportunity cost, according to Bush.

Responsible investing complements these on-the-ground strategies, by creating financial support for sustainable

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AFTER THE CLEAN POWER PLAN: UTILITIES PURSUE CLEAN ENERGY AND A GREENER FUTURE

BY ELIZABETH R. LEVY, CFA, VICE PRESIDENT AND LEAD MANAGER, FOSSIL FUEL FREE CORE STRATEGY

This spring, President Trump announced plans to dismantle the Obama-era Clean Power Plan, weakening rules governing greenhouse gas emissions for utility companies. However, the administration's attempt to undo climate protections is unlikely to disrupt future investment in renewables by utilities.

Given the politics and donor base of the current occupants of the White House and the Environmental Protection Agency (EPA) Administrator's office, it would be reasonable to assume that the future of renewable energy is finished, vanished into a hydrocarbon- and particulate matter-laden haze. However, due in part to the tumbling prices of wind and solar technologies and the unpopularity of coal, that dystopian future seems unlikely to materialize, no matter how strongly the Administration might wish it so.

To be sure, the administration is trying. President Trump campaigned on a promise to revive the coal industry, and in March 2017, surrounded by coal miners and executives, made a flashy show of ordering EPA Administrator Pruitt to dismantle President Obama's key climate protection, the Clean Power Plan. While we can debate why coal regions, companies, and employees are sticking with coal, their customers, electric utilities that traditionally burned the coal, are moving on. In April, *The New York Times* reported that six coal-fired power plants had closed since the election, with 40 more closures scheduled before the end of this presidential term. According to *The New York Times*, "with or without the Clean Power Plan, power companies say, coal is simply no longer the fuel of choice for keeping the lights on in America — and they do not expect it to make a comeback. Cheaper natural gas and renewable sources like wind and solar power have replaced it."[1] Even more importantly, as *E&E News* noted at the end of April, four of the five plant closure announcements since the beginning of 2017 were large, comparatively young plants rather than the small, old, fully depreciated plants that dominated earlier closings.[2] For example, the Jacksonville, Florida Electric Authority is closing a large plant built in 1987. Why? Because the power is not needed, as other types of electricity generation are cheaper—the Jacksonville coal plant ran only 51% of the time during 2015 compared to 71% during 2011, and this lower output level cannot cover the high overhead costs of coal-fueled power.

While a stable policy environment would help the electric utilities, persistently low-cost natural gas, plummeting wind and solar prices, and access in the near-term to lower cost, grid-scale battery storage for back up is giving the utilities the confidence to plan for the future, rather than the present or past. As The New York Times notes, "Electric company executives are including in their long term profit and loss calculations an expectation that the federal government will eventually tax or regulate carbon dioxide pollution… While Mr. Trump tries to roll back the rules today, executives of electric power generators assume that his successors will eventually reinstate them in some form. Essentially, they say, Mr. Trump's moves are a bump on the road to a future in which the government constrains climate warming pollution and consumers increasingly demand cleaner power."[3]

Instead of looking back to a static electric grid where coal and nuclear plants consistently pumped out energy, utility executives are looking towards a flexible grid of the future, where intermittent renewable resources like solar and wind are partnered with natural gas backup capacity or, increasingly, battery storage. Industry publication *Utility Dive* polls energy utility executives annually, and announced the results of the 4th annual State of the Electric Utility survey in April 2017: "More than 80% of North American utility employees expect renewable energy to increase moderately or significantly in their service areas over the next decade… while 79% expect to see at least moderate coal retirements in the next decade."[4] These executives credit the cost competiveness of wind and solar with their assumed growth and also expressed less concern about integrating them into the grid than they had in prior surveys—only 16% of executives cited integration as their top concern, compared with 32% last year.

Interestingly, consumer demand for clean power was ranked first by the participating executives as their top reason for investing in renewables. Perhaps that should not be surprising (especially to those of us familiar with the

1 https://www.nytimes.com/2017/04/05/business/dealbook/coal-utilities-regulation-trump.html
2 https://www.eenews.net/climatewire/2017/04/27/stories/1060053677
3 https://www.nytimes.com/2017/04/05/business/dealbook/coal-utilities-regulation-trump.html
4 http://www.utilitydive.com/news/why-utilities-are-more-confident-than-ever-about-renewable-energy-growth/440492/

Trillium Shareholder Advocacy team's success in working with companies such as 3M and Akamai to develop renewable energy procurement targets.) According to the Advanced Energy Economy 2017 market report, "As of 2016, 71 Fortune 100 companies had set sustainability or renewable energy targets, up from 60 two years earlier."[5] In April, the *Charleston Gazette-Mail* pointed out the impact that the corporate desire for clean power has, even in coal country: "Giant businesses [that electric utility Appalachian Power] would like to lure to the state as its future power customers — the Amazons and Googles of the world — make it very clear that when they are scouting locations for facilities like new data centers, they have to go somewhere that can guarantee them a power supply that is generated from 100 percent renewable sources."[6] The article noted that Appalachian Power, a subsidiary of utility giant AEP, has been closing local coal plants and is set to announce new wind resources this spring.

Despite the current administration's wishes to ignore the risks of climate change and reverse global progress on energy generation, there are still legal impediments to employing such actions. While President Trump formerly announced his decision to withdraw the United States from the Paris Climate Agreement on June 1st, there is still a key driver shaping the future energy mix more firmly. In 2007, the Supreme Court ruled that greenhouse gases (GHGs) are pollutants under the Clean Air Act. Two years later, in 2009, the EPA determined that GHGs endanger public health, a finding that the D.C. Circuit Court upheld. Under this finding, called the Endangerment Finding, the current administration is unable to ignore GHGs because the EPA is required to regulate them. While the EPA may write rules that are far more lenient than the recently abandoned Clean Power Plan, undoing the Endangerment Finding would require the EPA to prove that new evidence, discovered since 2007, demonstrate fault in the EPA's original conclusion, a tall task even for a climate change denier such as Pruitt.

Combined, the lack of utility appetite for coal, the desire of major utility customers to use clean energy, and the inability of the administration to completely undo all climate protections paint a picture that is at least not quite as grim as it might seem at first glance. In the end, the fast but steady growth of renewables to economically compete on their own, without regulatory or policy help, will drive the electric grid to a cleaner, greener future.

5 https://www.aee.net/articles/corporate-buyer-demand-driving-renewable-markets-that-states-can-capture

6 http://www.wvgazettemail.com/news/20170422/appalachian-power-president-says-company-is-looking-toward-renewables

Trillium Releases Updated Guide to Fossil Fuel Free Investing

Trillium Asset Management, in collaboration with Green Century Capital Management and 350.org, released an updated fossil fuel free investing guide titled, *Make a Clean Break: Your Guide to Fossil Fuel Free Investing*. The guide provides investors with insights and tools to eliminate fossil fuel companies from their portfolios and reinvest in clean, sustainable, and solutions-oriented investments that are advancing the transition toward a zero-carbon economy.

"As we continue to see critical shifts in both the political and regulatory landscape, we believe it is more important than ever for investors to support sustainable economic growth through fossil fuel divestment and to proactively invest in companies that provide solutions to growing global sustainability challenges," says Matt Patsky, CEO of Trillium Asset Management. We believe this guide offers a concrete action plan to set the wheels in motion."

The guide is available for download on trilliuminvest.com.

SMUCKERS, SLAVERY, AND SEAFOOD

BY SUSAN BAKER, VICE PRESIDENT OF SHAREHOLDER ADVOCACY

Global consumption of seafood is growing, particularly as U.S. pet owners feel increasingly inclined to serve real fish to their cats and dogs. The average U.S. cat eats more than twice what the average person eats per year.[1] To meet this growing demand, we are seeing increased exploitation of vulnerable worker populations, particularly in seafood rich areas of Asia. Pet food imports from Thailand, for example, more than doubled between 2009-2014 making it among the fastest growing exports to the U.S.[2] In 2014, *Associated Press* investigators traced pervasive use of slave labor in the fishing industry in Southeast Asian waters to several major U.S. and European food companies.[3]

The findings resulted in the rescue of more than 2,000 enslaved fishermen and several industry and government investigations. Trillium began engaging several companies including Costco, Target, and Smuckers on the management of human rights risks in its supply chain. While Costco and Target acknowledged the escalating problem and disclosed efforts to address forced labor in their seafood supply chain, Smuckers was publicly silent.

Smuckers, which built its brand selling fruit spreads almost 120 years ago, made an abrupt shift into pet food when it purchased Big Heart Brands in 2015, a major manufacturer and distributor of pet food and snacks including Meow Mix, Milk Bone, and Natural Balance. Following the $5.8 billion dollar acquisition, Big Heart Brands was accused of selling slave tainted seafood products.

In February 2016, Trillium and Portico Benefit Services, supported by the Interfaith Center on Corporate Responsibility (ICCR), decided to engage Smuckers on this critical issue by filing a shareholder proposal asking management to disclose the process for identifying existing and potential human rights risks in its supply chain. Building on Trillium's history of constructive dialogue with Smuckers' management (most recently concerning the risks of climate change to its coffee supply chain) we raised the risks of severe labor and human rights violations to its reputation for operational excellence. The proposal argued the business case and moral imperative to demonstrate its corporate responsibility to protect human rights, a tenet of the U.N. Guiding Principles on Human Rights.

> In 2015, Trillium began engaging Smuckers on its strategies to manage and reduce human rights risks in its supply chain.

In June 2016, Trillium successfully withdrew the shareholder proposal. In exchange, the company committed to strengthening its Global Supplier Code of Conduct and Social Compliance Assessment Program. The program includes oversight of human rights-related risk at senior management and Board levels. Smucker's also developed time-bound benchmarks segmenting suppliers according to risk profiles based on assessment results and other factors. Big Heart Brands' suppliers will submit to the overhauled risk assessment plan as will its hundreds of coffee suppliers (note: Smuckers bought the Folgers coffee brand in 2008).

We are pleased that Smuckers has demonstrated a commitment to engage with government officials, industry partners, and other stakeholders, understanding that eradicating slavery in the seafood industry requires coordination by all stakeholders.

Visit trilliuminvest.com to read more about our recent shareholder advocacy initiatives.

1 http://www.nytimes.com/2009/03/22/opinion/22greenberg.html
2 https://www.nytimes.com/2015/07/27/world/outlaw-ocean-thailand-fishing-sea-slaves-pets.html
3 https://www.ap.org/explore/seafood-from-slaves/

Woods Hole Research Center, *continued from page 7*

forestry practices. Policies that support the fight against climate change — such as carbon markets — put real value on maintaining intact forests. We began our sustainable investment program in 2004 with these goals in mind.

Now WHRC's director emeritus, Woodwell reflected back on his 1986 congressional testimony, and bemoaned the fact that scientists' warnings have gone largely unheeded. But he insisted that there is still time to avert the worst impact of climate change because of the potential carbon storage in forests.

"If we do the right thing, we will have a bright future as opposed to a catastrophe," Woodwell said.

Recent Speaking Engagements and Awards

March 15, 2017: Confluence Philanthropy, "LGBT Corporate Engagement by Mission-based Investors: A Case Study in Leveraging Assets", Love and Resilience: 7th Annual Practitioners Gathering, New Orleans, LA. *Matthew Patsky, CFA, CEO*

March 23, 2017: The Economist, "Breaking Down Religious and Political Barriers", Pride and Prejudice Summit, New York, NY. *Matthew Patsky, CFA, CEO*

April 26, 2017: Ceres, "Is Your Product Against the Law? Insights on Illegality in Supply Chains", Ceres Conference 2017, San Francisco, CA. *Jonas Kron, Director of Shareholder Advocacy*

May 5, 2017: *Investment Advisor* and Envestnet | PMC, "SMA Manager of the Year" Award, Small/Mid Cap Core strategy, Impact category.

May 11, 2017: The Forum for Sustainable and Responsible Investment, "Shareholder Advocacy in the New Climate", US SIF Annual Conference: A New Climate for Investing in Impact, Chicago, IL. *Jonas Kron, Director of Shareholder Advocacy*

May 12, 2017: The Forum for Sustainable and Responsible Investment, "What's Next: How Will the New Administration Affect Sustainable and Impact Investing?" US SIF Annual Conference: A New Climate for Investing in Impact, Chicago, IL. *Matthew Patsky, CFA, CEO.*

Visit trilliuminvest.com for news on recent press and speaking engagements.

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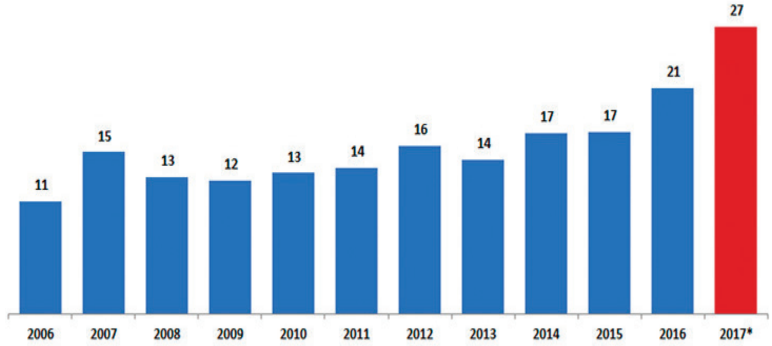

Source: ProxyMonitor.org database

*In 2017, for 225 of 250 companies with annual meetings scheduled through the end of June

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