

# Shareholder Advocacy Highlights

Thus far 2020 has presented us with two overlapping challenges to business as usual. The societal effects of the covid-19 pandemic and the racial justice protests have highlighted a lack of economic justice that is both morally wrong as well as unwise from a value perspective. It also highlighted how much more resilience we need in our society and economy. Resilience is a touchstone feature of the climate movement as well and helps us to understand three critical aspects for a sustainable economy – one in which racial justice, economic equity, and a healthy environment are necessary. Below you will find all three areas represented in our shareholder advocacy efforts in the first half of 2020. During this time Trillium reached agreements and successful engagements with 20 companies, which represented meaningful impact on the environmental, social, and governance policies, practices, and impact of the companies our clients invest in.

## Diversity and Inclusion

The Black Lives Matter movement is igniting a drive in corporate America to examine diversity, equity, inclusion, and systemic racism both within their “four walls” and externally, as they realize that their actions affect more than just their employees. Over the course of the first half of 2020, Trillium had a number of successful engagements with portfolio companies on many of these subjects. In light of the current moment, however, it has become even clearer that we can and must do much more to promote anti-racism and anti-sexism. So, Trillium will take these preliminary success and our long line of work and use it as a foundation that we can now build upon.

Following four years of engagement and a majority vote on our 2019 workplace diversity proposal, for the first time **Travelers Companies** published its full Equal Employment Opportunity form (EEO-1) containing all its unvarnished data on racial and gender diversity throughout the company. The data showed that the company still has a long ways to go in building a truly diverse workforce at all levels. The majority of executive and senior level roles are held by white men while underrepresented minorities hold just 9% and women of color only 3%. We had similar results at **Hanesbrand**, **Tractor Supply**, **Ormat**, and **SBA Communications**. This information is an important starting point that can be used to hold companies accountable for improving workforce diversity.

In February, we were pleased that following our shareholder proposal, **Tractor Supply** promoted three women to the executive management team. Women now comprise 30 percent of its executive management team, comparable to the gender diversity on its board of directors. Similar engagements at **Hanover Insurance** and **SVB Financial Group** resulted in

commitments to produce public reports assessing the current state of racial and gender diversity on its executive teams, and their plans to improve diversity at the highest levels of the company.

Some shareholder proposals did not result in agreements with corporate leadership and went to votes at the companies’ annual meetings. For example, at **IPG Photonics’** June annual meeting, 45% of the vote supported our proposal on board diversity. And at the May annual meeting for **Marriott International** our workplace diversity proposal earned the support of 42.1% of non-insider shares (30.1% of all shares). At **Home Depot**, investors, including Trillium, have been seeking full EEO-1 data for over 20 years and this year the proposal received 35% support. In the next 12 months, we will be following up with these companies and many more as the dramatically heightened attention to workplace discrimination and systemic racism offer a moment to press the companies to make genuine changes.

Lastly, Trillium filed a proposal at **Marathon Petroleum** this year that focused on how the company’s air pollution and health and safety practices impact the communities in which it operates. For example, at the company’s Detroit refinery, its emissions have been of significant concern for local communities of color. Our proposal asked the company to link its executive compensation packages to these matters and the proposal received a 7.8% vote at MPC’s April annual meeting. While that vote was low, we have found that it can take investors some time to fully understand these kinds of proposals. With the renewed focus and emphasis on systemic racism we are hopeful that MPC will be more responsive to community concerns and health needs in the future.

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As we head into the summer, we recognize that we must do more and will be re-examining our work on racial justice. We want to listen and learn from the communities most impacted, so that we can calibrate and focus our work in the most effective manner possible. We look forward to updating you later this year.

### Toxic Chemicals

The negative health effects on individuals, families, and communities from environmental chemical exposures appear to be dramatically underestimated and can also have important economic costs. That is why Trillium engaged retailers and manufacturing companies over the past twelve months in an effort to persuade them to take even basic steps such as measuring and understanding their chemical footprint. At **TJX Companies**, our proposal on this topic achieved a groundbreaking 45% vote at the company's June annual meeting. Progress was also seen at **Stryker Corporation**, where we successfully withdrew our shareholder proposal when the company committed to assess opportunities to incorporate ESG-related metrics in executive compensation, including metrics related to healthier materials. They also committed to disclose in its 2020 proxy that by year end senior leadership will have developed an enterprise-wide ESG strategy. Finally at **Costco**, after engaging with the company in January concerning its strategic plan for managing chemicals of concern, it agreed to further enhance its processes by partnering with the University of Massachusetts Lowell Center for Sustainable Production.

### LGBT

Since 1995, when Trillium was the first investment firm to sponsor a shareholder proposal asking a company to add sexual orientation (and later gender identity and expression) to its non-discrimination policy, we have continually pressed portfolio companies through shareholder proposals and dialogue. Rounding out a year in which we engaged over a dozen companies on this topic, the last company in that group, **Syneos Health Inc.**, made the change in February, allowing us to withdraw the proposal.

Trillium also joined an open letter organized by Virginia Values to Virginia legislators expressing business support for comprehensive non-discrimination laws for LGBTQ Virginians and visitors. Virginia became the first Southern state to provide

those protections when it adopted the Virginia Values Act in February.

However, the most eventful moment came on June 15th when, in a remarkable 6 to 3 decision, the United States Supreme Court concluded that the workplace protections provided by federal anti-discrimination laws also apply to gay and transgender employees. This was a long hoped for development that eliminates the need for Trillium to engage companies one by one. Trillium joined in an amicus brief on these Supreme Court cases back in July 2019 arguing that prohibiting sexual orientation and gender identity/expression discrimination in the workplace is good for employees, good for employers, and good for the U.S. economy. A number of Trillium portfolio companies were on that brief as well, including **Apple, Cisco, Microsoft, MasterCard, Nike, PayPal, and Starbucks**.

### Climate Change

U.S. federal government inaction and outright attacks on climate change policy means that companies have an increasing burden to do more to address climate change and reduce their greenhouse gas emissions. We were particularly pleased to see **Chipotle Mexican Grill's** January response to our shareholder proposal where it committed to address its contribution to climate change consistent with the recommendations of the global climate science community. Specifically, Chipotle agreed to set science-based emissions reduction targets for its full carbon footprint, adopt new initiatives, and continue existing initiatives to reduce the carbon intensity of its supply chain, including its agricultural suppliers.

In collaboration with a global group of investors, we co-filed a shareholder proposal through the Climate Action 100+ initiative at **Marathon Petroleum**. The engagement led to a dialogue with the company, and the investor group withdrew the proposal after Marathon established a modest GHG emissions intensity reduction target and committed to tying achievement of this goal to executive compensation, which we believe will help ensure accountability.

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Our shareholder proposal at **JPMorgan Chase & Co.** which focused on financing Arctic drilling and Canadian tar sands development helped persuade the company in February to adopt a strong policy against financing new oil and gas drilling in the Arctic. This was an important development in the effort to protect the Arctic National Wildlife Refuge and was praised by the Gwich'in Steering Committee. The Gwich'in are the northernmost Indian Nation living in fifteen small villages scattered across northeast Alaska, the northern Yukon, and Northwest Territories. The remaining issue raised in the shareholder proposal, Canadian tar sands financing, went to a vote at the annual meeting and received a 15% vote.

On the topic of transportation emissions, the largest and fastest growing source of greenhouse gas emissions in the U.S., our shareholder proposal at **J.B. Hunt Transportation Services** which focused on the opportunity to reduce its emissions achieved one of the first climate change majority votes of the year – 54%. This is a particularly strong showing given the high level of insider ownership of shares. We will continue to press the issue and believe it will be very difficult for the board and management to ignore this clear message from its investors that it is time to put together a robust climate strategy. Our proposal at **United Parcel Service**, which was co-led by Zevin Asset Management, received a 29% vote at the company annual meeting in May.

## Plastics

Plastic pollution has matriculated into the environment and our waterways in well-established ways. The problems are intensifying as recent studies have found that plastic pollution is showing up at surprisingly high rates in the air as well. A study in June indicated that more than 1,000 tons of plastic fragments land each year on national parks and wilderness areas in the American West. In an effort to address the growing problems associated with plastic pollution, Trillium engaged **Starbucks, Waste Management, CVS Health, and Sonoco Products, Target, Ahold-Delhaize, TJX Companies, and Home Depot** over the last twelve months – with some strong results.

At Starbucks, As You Sow and Trillium successfully withdrew our shareholder proposal following an in-depth engagement that contributed to Starbucks' January announcement to eliminate waste globally from its operations and to shift away from single-use packaging. To achieve these ambitious goals, Starbucks also committed to reduce waste sent to landfill by 50% by 2030.

Similarly, our shareholder proposal at CVS Health reached a successful conclusion when the company agreed in February to take positive and constructive action to identify the amount and types of plastic used in its packaging, as well as their recyclability. It is also collaborating with industry partners to address various aspects of the plastic pollution problem.

Trillium is also focused on other parts of the plastic supply chain and engaged with Waste Management this year. This engagement, via shareholder proposal and dialogue, resulted in the company committing to issuing a report presenting a nationwide analysis of the generation of and demand for recyclable plastic material, an overview of the efficiency of Waste Management's recycling facilities, and an updated public policy discussion.

At Sonoco Products, a packaging manufacturer, our engagement led to the company committing to report on its efforts to constructively support public policy and industry solutions to reduce plastic pollution.

## Technology

For two years, our shareholder proposal at **Verizon**, which raised questions about how the company profits from user information such as location data, received modest support from shareholders. In 2018, it won 11% support and the following year the vote rose to 12%. But this May, at the company's virtual annual meeting, the vote jumped to 31%. As investors have come to understand better the risks to users and companies from the lack of clear rules about protecting people's privacy, the pressure on Verizon to do something to address the topic is rising.

At **Facebook**, our re-filed proposal seeking an independent board chair so Mark Zuckerberg will not be his own boss once again saw a super majority of outside shareholder vote in favor of the proposal. 63% of non-insider shares agreed that a unified Chair and CEO, as Zuckerberg has constructed leadership, is a very bad idea. The shareholder proposal, co-filed by the New York City Comptroller and the treasurers of Vermont, Connecticut, Rhode Island, Pennsylvania, and Illinois, continues to draw public attention to this fundamental governance failure.

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In late 2018, Dr. Jack Poulson, a senior Google research scientist felt compelled to resign over his employer's decision to produce a censored search engine for China despite his internal objections. His resignation led him to author a New York Times op-ed in April of 2019 highlighting the importance of extending whistleblower protections to human rights matters at technology companies. The absence of these protections means that companies increase their risk of making decisions that may result in human rights abuses and harms. We were therefore honored when Dr. Poulson presented Trillium's whistleblower protection shareholder proposal at the company's June annual meeting where it received a vote of 13.7% from outside shareholders.

### Economic Inequality

As followers of our work know, Trillium has spent years pursuing ways to engage companies on economic inequality issues within the constraints the Securities and Exchange Commission imposes on shareholder proposals that focus on worker pay and benefits. We have engaged companies on minimum wage reform, living wage, pay gaps, and bank overdraft policies that disproportionately impact the working poor.

In December, we filed a shareholder proposal at **TJX Companies** 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. The company paid its CEO in 2019 a total of \$18,822,770. In contrast, the median employee received \$11,791 in total compensation. At the company annual meeting in June we concluded our presentation of the proposal, which received 9% support, by pointing out:

*The coronavirus pandemic and the Movement for Black Lives has revealed many concerning aspects of business as usual in the United States. One of them is the precarious economic conditions that many working Americans live under every day. Another is the brittleness of businesses that for too long have prioritized efficiency and costs at the expense of long-term resiliency that living wages and strong benefits may engender. As working Americans return to the workplace, many will be spending more time with more people. Some will take on the risk that comes with more human contact with the support of meaningful leave policies and a living wage. Some will not. This is an opportunity for TJX to show investors, its customers, its impacted communities, and its employees (78% of whom are women and 57% of whom are persons of color) that it will give these issues the attention they deserve.*

These issues related to the coronavirus pandemic have led us to reach out to a number of companies in March, including **Target, Tractor Supply, Marriott, Home Depot, Chipotle, Carter's, Sysco, CVS Health, Starbucks, UPS, BJ's, Bright Horizons, and Burlington**, to urge management to:

1. strengthen/create/expand paid emergency leave, family, and medical leave policies;
2. postpone job cuts as long as possible;
3. compensate employees during shut downs;
4. ensure that any laid off employees maintain access to healthcare;
5. take steps to help support contractors and the employees of contractors, such as custodial and food services workers; and
6. express concerns about buybacks and executive compensation.

A week later, we joined 200 other investors representing \$5 trillion, organized by ICCR, Domini Impact Investments, and the NYC Comptroller, in issuing an investor statement which "Called on Companies to do Their Part to Support Workers and Markets During the Coronavirus Crisis." We shared that statement with the companies we had contacted earlier and also began the process of monitoring portfolio companies for controversies and concerns regarding their approach to the coronavirus.

### Democracy

In our last Shareholder Advocacy Highlights we discussed our belief that 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.

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For these reasons we engaged 20 companies over the last 9 months seeking more information about how they support their employees' ability to exercise their right to vote. We have recently published a paper on this work, including a scorecard of how companies are performing on this topic. Following these engagements, we are happy to report that two companies, **PNC Financial Services** and **Bank of America** made changes to their human resources policies for the better. PNC adopted a paid time off to vote for all of its employees. This policy will impact PNC's 60,000 employees in 21 states including Florida, Pennsylvania, Michigan, and Wisconsin. By shifting from a compliance approach to best practice, PNC employees will have the flexibility to vote without jeopardizing their jobs or sacrificing hourly wages. PNC also became a signatory to Time to Vote pledging that it's "CEO has committed to increasing voter participation by ensuring employees have a work schedule that allows them to vote or, if applicable, resources for mail-in ballots." Similarly, Bank of America now provides its 200,000 employees with up to 3 hours of paid time off to vote.

### Pharmaceutical Pricing

As the price of drugs continues to vex individuals, families, communities, and businesses Trillium has been an active participant in the work led by the Interfaith Center on Corporate Responsibility (ICCR). ICCR's leadership has improved disclosures on drug pricing at nine companies, driven greater media attention to the issue, and informed the questions asked at a recent U.S. Senate committee hearing on drug pricing risk. In conjunction with this work, Trillium filed a shareholder proposal at **Johnson & Johnson** seeking an independent board chair as a way to address problems related to the safety and quality of a number of its products. That shareholder proposal received 41% support at the April annual meeting.

### Public Policy

Over the winter, the Oregon State Legislature met to consider new climate legislation that could serve as a model for the rest of the

country. The cap and trade bill was the result of years of painstaking work reaching out to stakeholders to develop a bill that would work for rural, suburban, and urban communities. Trillium brought the investor perspective to the capital, Salem, in February and met with representatives and senators on both sides of the aisle to explain why investors believe strong climate public policy was necessary. While the bill ultimately failed when the GOP fled the state to deny the legislature a quorum, Governor Kate Brown did adopt a series of executive orders which set new science-based greenhouse gas emissions goals and directed state agencies to put new measures into effect to lower the state's greenhouse gas emissions to meet Oregon's climate goals.

### 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 March investor statement led by Mirova to promote the development of biodiversity metrics allowing the financial sector to assess the impact of their investments on biodiversity.
- NEI Investments May investor letter to the Government of British Columbia congratulating them on the passage of the Rights of Indigenous Peoples Act.
- Interfaith Center for Corporate Responsibility May letters to Kering, Inditex, and other companies asking them to take strong action to support worker livelihoods during the pandemic and sign the internationally supported Covid-19 Global Action to Support the Garment Industry.
- A May Ceres letter to all U.S. financial regulatory agencies on policies they should adopt to address climate as a systemic risk.

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