



COMMITMENT TO COMMUNITY: SUPPORTING UNDERSERVED COMMUNITIES AMID CORONAVIRUS

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The compounding effects of the Novel Coronavirus during a time of political and social unrest and disastrous national leadership, signals and exacerbates many long-standing issues underserved communities in the United States face. Specifically, Covid-19 has disproportionately affected the health and economies of communities of color, placing a spotlight on the centuries-long systemic racism, specifically targeted towards black communities, in the U.S. In fact, a report by the Federal Reserve Bank of New York outlining the percent decline of the number of active business owners highlighted this, "Black businesses experienced the most acute decline, with a 41% drop. Latinx business owners fell by 32% and Asian business owners dropped by 26%.

In contrast, the number of white business owners fell by 17%.¹⁷ The term 'underserved communities' encompasses disadvantaged populations who don't have access to modern-day necessities which support health and economic stability. Individuals living in an underserved community oftentimes are unable to secure loans due to prejudices about the community population, cannot qualify for loans because they don't meet the minimum required capital, or simply don't have the access to the capital they need because there aren't any formal financial institutions nearby. Rural communities in the United States, for example, struggle with this reality, which hinders their growth potential. The additional strains from Covid-19 on an economic environment, which already was not conducive for small business growth and minority community health, elevate the importance of investing in underserved communities; we believe that a healthy and sustainable economy and society incorporates all participants.

Trillium's community investment program is a longstanding and intrinsic element to our overall mission of aligning stakeholders' values and investment objectives. Since 1984, two years after our founding, Trillium has offered community investment options to clients by partnering with CDFIs (Community Development Financial Institutions) Funds. CDFIs provide capital and technical assistance in support of small businesses, homeowners, affordable housing, and community-oriented facilities (childcare centers, schools, health services). Clients who incorporate Trillium's community investment options into their portfolios not only create high social impact through supporting community-determined economic development, revitalization, and sustainability, but they can also expect sound investment returns.

These investments are a necessary part of our building blocks for total portfolio activation and active impact to create lasting social and environmental change. The other components include investing in publicly traded companies with sound ESG performance, engaging with these companies to push for positive change through shareholder advocacy, and influencing public policy to better support social equity, environmental sustainability, and long term economic prosperity for all. We believe Community Investments provide an important lever for change by providing capital to individuals and businesses that historically have not had access. Trillium chooses CDFIs that focus on servicing community economic development, international development, development in Native American communities, environmental sustainability, childcare, employment, agriculture,

and other impact driven areas. As of 09/30/20, Trillium actively works with over 25 CDFIs, with over \$45 million of assets invested.

Investments in CDFIs pose special risks by their nature, when compared with publicly issued debt of other financial institutions. Most CDFI investments are promissory notes issued by loan funds and non-profit organizations which are held by the investor with no liquid secondary market. While these risks are tangible, we strive to mitigate them by completing deep due diligence on our CDFI partners and selecting leaders in the space. Our community investments performed well during market downturns relative to traditionally safer investments such as publicly traded stocks and bonds.

In support of the communities they serve, we have seen our CDFI partners move quickly to assist their borrowers in response to COVID-19. From immediately suspending monthly payments until stay at home orders are lifted, to assisting business owners in navigating state and federal relief programs, we have seen our CDFI partners tirelessly working to support their borrowers and their communities. In addition, many of our CDFI partners have recently heightened their focus on administering loans to racial and ethnic minorities. One of these partners include Craft3, a nonprofit regional CDFI that administers loans to strengthen economic, ecological, and family resilience in the Northwest states of Oregon and Washington.

An example of one of Craft3's successes include their work with Earl's Cuts & Styles in Seattle's Central District. For nearly 30 years, Earl's Cuts & Styles has been a cultural and community hub. Today, it is a training ground for up-and-coming barbers and one of the last beacons of Black arts and culture in the district. In 2018, shop owner Earl received news that his shop in Midtown Center was being demolished for redevelopment. Fortunately, he was presented with an opportunity to relocate to the newly developed Liberty Bank Building, a mixed-use affordable housing project just across the street. The building honors the legacy of being the first African American-owned bank in the Pacific Northwest and preserves the district's rich African American culture by leveraging the site to advance the goals of affordability and anti-displacement. Earl's relocation started with an outpouring of support from the community. It resulted in the form of grants and loans from Craft3, Community Roots Housing, the City of Seattle Offices of Economic Development and Arts and Culture, and the

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¹⁷ Kramer Mills, Ph.D, C., & Battisto, J. (2020, August). DOUBLE JEOPARDY: COVID-19'S CONCENTRATED HEALTH AND WEALTH EFFECTS IN BLACK COMMUNITIES. Retrieved November 24, 2020, from <https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardyCOVID19andBlackOwnedBusinesses>



Central Area Collaborative.² This example is emblematic of the much-needed support for Black-owned businesses; without CDFIs like Craft3, Earl may not have been able to relocate despite his 30-year track record of running a successful business.

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The Cooperative Fund of New England (CFNE) is another CDFI partner that we feel is important to highlight due to their additional work with small businesses navigating business operations during the pandemic. This year through August, CFNE approved over \$3 million to 20 borrowers, including 16 new loans for start-ups, predevelopment, conversions to worker ownership, and expansion of existing co-ops, as well as some emergency relief loans and modifications to assist borrowers suffering from pandemic-related closures. One of these 2020 initiatives involved the creation of the Co-Op Launch Loan, which strives to increase the accessibility of debt capital to cooperative businesses facing structural barriers to credit. Through this program, CFNE provided a \$30,000 line of credit to The Boston Cleaning Collective, a cooperative cleaning service, and a \$50,000 loan to the

cooperative Sankofa Café so they could purchase equipment and make new hires to launch their café and community space in Bridgeport, CT.³

Examples like these are common among our CDFI partners. We are proud to work with such important institutions contributing to the betterment of society and underserved communities. The unfortunate circumstances may have propelled our team at Trillium to evaluate and reflect on our community investment program and our remarkable partner CDFIs, but it is important to know that these investments have been core to our process all along. We look forward to watching this program, and the communities impacted, grow and flourish. Thank you to our partner CDFIs for doing the hard work to make communities stronger, and our clients for working with Trillium to financially support their communities.



²Craft3. (2019, April 15). Earls Cuts & Styles. Retrieved November 24, 2020, from <https://www.craft3.org/results/StoriesOfChange/story-details/earls-cuts-styles>

³Cooperative Fund of New England. (2020, October 28). CFNE Newsletter Fall 2020. Retrieved November 24, 2020, from <https://www.cooperativefund.org/content/cfne-newsletter-fall-2020>

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