

## Shareholder Advocacy Highlights

**In the last six months of 2020, we filed 20 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 three climate change proposals following mutually agreeable commitments and disclosures from those three 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.**

### Washington Football Team

Over eighty years of racist history arrived at an end on July 13, 2020, when the Washington Football Team announced that it would stop using the racist name, Redsk-ns, and its accompanying racist logo. While to many this appeared to be a swift reaction to a burst of attention on social media, this change came after decades of pressure from Native American leaders such as the Oneida Trust of the Oneida Nation of Wisconsin, supported by investors like Trillium Asset Management.

Trillium first became involved in 2009 when we worked with Susan White of the Oneida Trust in what would be the first of many shareholder proposals that sought to persuade FedEx, the holder of the team stadium's naming rights, to use its leverage with the team to make the name change.

Over the next 11 years, through shareholder proposals, meetings, and many other efforts at **FedEx,\* Bank of America, Pepsi,\*** and **Nike**, a group of investors with Trillium as a prominent leader continued to relentlessly press these brand name

\* Companies not held in Trillium strategies or funds.

partners of the team to use their power to end the racist name and symbols of the team. This culminated on June 26, 2020, amid the Black Lives Matter protests, when over \$600 billion in investors led by Trillium, Oneida Trust, First Peoples Worldwide, and other investors delivered letters to Nike, FedEx, Pepsi, and Bank of America urging them to follow through on their pro-Black Lives Matter statements and apply those principles for racial justice to their relationships with the team.

By July 2, 2020, the four companies were calling on the team to change its name, and the next day the team announced it would “undergo a thorough review of the team’s name”. Following ongoing pressure from Trillium, Oneida Trust, First Peoples Worldwide, and others, the team finally relented 11 days later by permanently retiring the name and logo.

Trillium is grateful for the principled leadership of Susan White and her colleagues at the Oneida Trust for their courage and perseverance. We were honored to work alongside them to achieve a hard-won victory for justice.

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## Toxic Chemicals

The negative human health and environmental impacts linked to toxic chemical exposures continue to be the focus of investor and activist interest, which is why Trillium engages companies and pushes them to measure and disclose their chemical footprints. In September, Trillium led a dialogue with **Danone** on the topic of regenerative agriculture and toxic pesticide risk. Our advocacy efforts on these topics have produced successful outcomes at large commodity crop, fruit and vegetable producers, and retailers, including General Mills, Lamb Weston, and Costco. Our September meeting with Danone focused on sharing investor and consumer concerns around pesticide risks and learning more about the company's plans to "scale up regenerative agriculture practices" and "report transparently on progress and impact" in its dairy and plant-based brands. For example, Danone's strong relationships with its 58,000 suppliers offer opportunities to scale its regenerative agriculture model and it has identified its fruit suppliers as a group to fully transition to a regenerative agriculture model by 2030. We also discussed Danone's participation in the One Planet Business for Biodiversity coalition focused on best practice sharing. While Danone has not settled on Key Performance Indicators for biodiversity, we pressed them to prioritize setting goals to phase out agrochemicals of concern.

Encouraging companies to respond to the Chemical Footprint Project (CFP) survey is also an important aspect of our work on this topic. The CFP survey gives companies an actionable framework with which to advance the concept and practice of chemical footprinting with the goal of reducing the use of chemicals of high concern in their products and supply chains. In response to our engagements with **Stryker** and **Church & Dwight**,\* both companies committed to CFP reporting in 2021 and 2022, respectively. Customer demand for transparency and safer products is particularly strong in the healthcare and household product industries. By using the CFP roadmap, opportunities exist for both companies to develop solutions to lower human health and environmental impacts.

Trillium's approach to this topic has proven to be effective. This spring, nearly 45% of **TJX Companies** shares voted for our groundbreaking proposal asking the company to reduce its chemical footprint. After speaking with the company this

summer and making an introduction to a peer with extensive experience developing safer chemical strategies, TJX joined the Green Chemistry and Commerce Council (GC3). GC3 is a leading multi-stakeholder organization promoting green chemistry adoption. Then in December, for the first time, TJX identified chemical management as a key priority issue and disclosed specific actions. For example, TJX will eliminate PFAS ("forever chemicals") from all food service ware in its corporate offices, eliminate toxins from all cash register receipts, eliminate PVC in certain home goods, prioritize personal care product improvements, and work with experts including the Chemical Footprint Project Survey and Closed Loop Partners Consortium. Regardless of the complexity of a retailer's supply chains, adopting a proactive chemical management strategy is necessary to the health of customers, workers, and the environment. We are pleased TJX is taking toxic chemical risks seriously and we will continue to monitor progress in the months ahead.

At **Sysco** and **Costco**, we were able to withdraw our climate change shareholder proposals following new commitments at the companies.



## Climate Change

While many companies have taken the last few years to set climate change goals that would bring their business operations and energy sourcing in line with the Paris Climate Agreement's call to keep global warming to 1.5 degrees Celsius, investors still need to press companies to live up to those commitments and to increase the number

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of companies with science-based targets. Because United Parcel Service's air cargo fleet accounts for 60 percent of its total operational emissions and lacks a climate strategy, we have once again co-filed a shareholder proposal at the company. Emissions from the fleet increased 22 percent from 2015 to 2019, leading to a 16 percent increase in its total operational footprint over the same timeframe. Last year, the proposal received almost 30% support from shareholders.

In September, Trillium actively participated in the Climate Action 100+ meeting with **Siemens AG**. The meeting focused on climate change governance, its commitments to carbon neutrality and greenhouse gas emission reductions, the EU taxonomy, executive compensation, and public policy. The meeting was a productive opportunity to discuss these topics, and Siemens continues to be on track to meet the CA100+ expectations. While there are opportunities for improved disclosures regarding lobbying, trade associations, and public policy, we look forward to fresh reporting from the company in 2021.

At **Sysco** and **Costco**, we were able to withdraw our climate change shareholder proposals following new commitments at the companies. At Sysco, we filed the resolution to encourage it to evaluate how climate change may impact the production of the food products it depends on, both for its private-label goods as well as the branded products it sells. Many other food companies are doing this as a way to identify climate susceptible hot spots in their supply chains and to tailor mitigation measures accordingly. Sysco has yet to look at climate impacts in its supply chain making it potentially underprepared for physical and regulatory changes. Thus, when Sysco committed to measuring the climate impact and vulnerabilities of its entire supply change, we found it to be a positive sign that it will undertake the necessary work to measure its full carbon footprint and determine if it can reduce its emissions in line with the aims of the Paris Agreement. At Costco, we were able to withdraw our proposal following the release of a new climate strategy.

Last but not least, at **Bank of America**, following a prolonged dialogue, we filed a shareholder proposal in October asking the company how it planned to address the risks associated with funding Arctic drilling. We had been engaging the company for over a year through repeated and focused conversations about the need to make a clear commitment that it would not engage in financing that could have such a negative impact on a regional ecosystem that supported enormous biodiversity and was the home of the Gwich'in – Indigenous People that depended on the health and wellbeing of the ecosystem for their way of life. We discussed how we opposed Arctic development as extracting that oil and gas would be a climate change setback. This is why Trillium has pressed energy companies and banks to abandon exploration and development plans for almost 20 years. Faced in 2020 with a combination of a shareholder proposal, vocal public engagement from the Gwich'in people who have lived in the region for thousands of years, and August polling that shows that about two in three voters oppose moves to open the Arctic Refuge to drilling, the bank announced in late November that it would not directly finance oil or gas exploration or production activities in the Arctic.

### Racial Justice

In the months since the summer peak of the Black Lives Matter protests, Trillium has achieved some meaningful changes at portfolio companies and begun the work at many more. In 2017, Trillium began a set of engagements with **Starbucks** focused on diversity and inclusion. Over the following years, through dialogue and shareholder proposals, we continually pushed the company to genuinely embrace the importance of diversity, equity, and inclusion throughout its workforce. That engagement was revisited this fall and we were pleased that Starbucks has committed to providing its full EEO-1\*\* report on workforce gender and racial data and publishing 3 years of historical data. Even more importantly, the company also committed to achieving BIPOC\*\*\* representation of at least 30% at all corporate levels and at least 40% at all retail and manufacturing roles by 2025. In addition, Hanesbrands and Hanover

<sup>1</sup><https://www.politico.com/news/agenda/2020/07/20/drug-companies-coronavirus-racial-disparities-372277>

<sup>2</sup>DeSantis CE, Siegel RL, Sauer AG, et al, "Progress and opportunities in reducing racial disparities: Cancer Statistics for African Americans, 2016", CA Cancer J Clin. 2016; 66:290-308

<sup>3</sup><https://www.reuters.com/article/us-johnson-johnson-marketing-specialrepo-idUSKCN1RL1JZ>

<sup>4</sup><https://www.mycentraljersey.com/story/news/local/middlesex-county/2020/08/31/group-calls-johnson-johnson-discontinue-talcum-baby-powder/565580002/>

\*\*The EEO-1 report is a detailed annual report of workplace racial, ethnic, and gender diversity made by most large companies to the Equal Employment Opportunity Commission.

\*\*\*Black, Indigenous, and People of Color

\* Companies not held in Trillium strategies or funds.

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Insurance responded this fall on earlier commitments to Trillium and began for the first time to issue reports on diversity and inclusion.

Building on internal efforts this past summer and fall, which focused on the design and analysis of related information, Trillium has launched a comprehensive communication to all portfolio companies with a series of questions on this topic [racial justice].



Looking forward, Trillium filed a novel shareholder proposal at **Johnson & Johnson** seeking a civil rights audit. It is clear that business as usual in the healthcare sector can result in disparate outcomes for Black Americans. For example, a recent Eli Lilly op-ed notes "Minorities make up nearly 40 percent of the U.S. population but less than 20 percent of participants in the key clinical trials... [t]his low participation is itself a health disparity."<sup>1</sup> Further, the mortality rate for black women diagnosed with breast cancer is 42 percent higher than the comparable rate for white women.<sup>2</sup> So we are concerned about the ongoing controversies Johnson and Johnson faces related to its decision in May 2020 to discontinue sales of talcum-based powder in North America, but continue sales across the globe. Claims of aggressively marketing these products to Black and Brown women after its talc supplier included the WHO's "possibly carcinogenic" label on shipments are troubling,<sup>3</sup> as are the more than 19,000 lawsuits

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pending related to its use. In August, more than 200 health and environmental justice organizations from 50 countries called on the company to "walk its talk on racial equity and valuing Black lives" by ending global sales of talcum-based baby powder.<sup>4</sup> Seeking to encourage the company to understand and address its role in contributing to systemic racism, we are asking the company to commission a third-party audit to review its corporate policies, practices, products, and services, above and beyond legal and regulatory matters; to assess the racial impact of the company's policies, practices, products and services; and to provide recommendations for improving the company's racial impact.

In November, we filed a shareholder proposal at **KeyCorp** asking the company to evaluate the racial impacts that its overdraft policies and practices have on Black and other racial minority customers. We raised this concern with the company because a 2020 Bankrate survey found that Blacks and Hispanics reported facing higher monthly fees, including overdraft fees, than white customers typically do, and in 2019 KeyBank collected over \$148 million in overdraft fees - 44% of its service charge income.

Also, throughout the fall, we filed shareholder proposals addressing the diversity of their workforce, executive team, or board at **IPG Photonics, PayCom, SBA Communications, First Solar, BJ's Wholesale, Autodesk, and Home Depot**.

Finally, we are planning a more rigorous evaluation of individual portfolio company approaches and commitment to diversity, equity, and inclusion. Building on internal efforts this past summer and fall, which focused on the design and analysis of related information, Trillium has launched a comprehensive communication to all portfolio companies with a series of questions on this topic. In 2021, Trillium analysts will be reviewing and evaluating each company's response - allowing us to more fully examine racial justice issues in our investment process.

### Biodiversity

For over a decade, Trillium has been a leader in the investor world challenging the proposed Pebble Mine in Bristol Bay Alaska. Through corporate engagement and

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advocating with government agencies, we have sought to build awareness of the importance of the Bay's annual sockeye salmon run – the largest wild salmon run in the world. Our work has helped persuade major mining companies to divest from the mine, food retailers to speak up against the mine, and the EPA to reject the mine. This November the Army Corps of Engineers denied a critically important permit for the monstrous gold and copper mine, bringing the project to an almost certain end. While this action was devastating, there is still room for proponents to try to move forward so Trillium will continue to voice objections to the mine.

### Technology

In the absence of public policy on several critical technology-related issues, Trillium continues to engage portfolio companies. By building off of past successes like persuading Verizon to disclose when and how it complies with government requests for user information, or entrenching user privacy concerns into the governance structures of Apple and Facebook we hope to continue to build out ways that portfolio companies can be pushed towards more socially positive behaviors.

At **Verizon**, in October we re-filed our shareholder proposal asking the company to link executive pay to user privacy protections. This proposal received a 31% vote in 2020 and will again appear before shareholders as senior leadership tries to justify its current remuneration package. We also co-filed a proposal in September at **Apple** which presses the company on its App Store policies which led it to remove privacy-protecting apps from the store in China. Finally, at **Alphabet**, we refiled our shareholder proposal in December in which we raise concerns about Alphabet's whistleblower protections and whether they adequately support the company's human rights responsibilities.

### Governance

Strong corporate governance is vitally important to a well-functioning company that can meaningfully be accountable to its stakeholders. One feature of good governance is an independent board chair, as they provide an important check and balance against

powerful and self-interested executive teams. Last year our shareholder proposal at Johnson & Johnson seeking an independent board chair received a very strong vote, 42%. We re-filed this proposal in October with additional language about the racial impacts that the company has and its decision to continue selling talc products internationally.

Building off of increasing evidence of the positive outcomes associated with linking executive compensation and ESG factors we engaged **Asos, Next plc, Zalando, Lululemon, VF Corp,** and **Nike**. We have asked them to provide more information about if and how they link executive compensation to ESG factors – and if they do not, why not. For years, Trillium's proxy voting policy has been to vote against executive compensation packages that do not have at least some sort of ESG link.

### Economic Justice

Two portfolio companies with very high CEO to worker pay ratios are **TJX** and **Burlington**. Both companies are a part of what AFL-CIO refers to as the 1000 club – companies that pay their CEOs more than 1000 times what they pay workers. TJX reports that they pay their average worker approximately \$12,000 a year and Burlington a bit less, \$11,500 per year. This is even more troubling when one considers that Burlington reports that 75% of associates self-identify as female and 71% self-identify as a racial or ethnic minority and TJX discloses that 78% of its global workforce is female and 57% of its U.S. workforce is people of color. In an effort to draw greater attention to this situation, we filed shareholder proposals at both companies this fall.

On a related topic, the COVID-19 pandemic has brought fresh attention to the topic of paid sick leave. Many companies, including **CVS Health**, responded to the pandemic

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by adopting a temporary benefit of paid sick leave for their employees. While this is commendable, we strongly believe it should not be a temporary benefit. Workers need paid sick leave for the well-being of their families and themselves. And it may also benefit companies as some report that bolstering paid sick leave improves morale and boosts productivity. In November, we filed a shareholder proposal at CVS on this topic and look forward to further engagement with the company which employs approximately 290,000 people.

### Political Spending

In the fall, the women's rights organization UltraViolet released research that showed that 26% of **Nike's** total political giving in 2020 was to anti-choice candidates or their associated PACs and that 53% of **Procter & Gamble's** total political giving in 2020 was to anti-choice candidates or their associated PACs. In light of this information, we have begun reaching out to both portfolio companies to emphasize the importance of standing up for women's rights and not undermining that position through political spending.

### Supporting Collaborative Engagements

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:

- Church of England Pensions Board and the Australian Council of Superannuation Investors (ACSI) organized a letter to the boards of mining companies operating in Australia and internationally to seek assurances about how they gain their social license to operate with First Nations and Indigenous communities.
- The Interfaith Center on Corporate Responsibility launched collaborative efforts in three areas: (1) a food equity/racial justice letter to General Mills, Mondalez, Unilever, Costco, and Target; (2) an investor endorsement against forced labor in Xinjiang Uyghur Autonomous Region; and (3) a letter to 47 of the largest corporate emitters urging them to align their climate lobbying with the goals of the Paris Agreement

- The \$25 trillion Farm Animal Investment Risk & Return Initiative began the latest phase of its campaign to build sustainable protein supply chains by engaging with Conagra, Costco, General Mills, Kraft Heinz, Kroger, Unilever, Walmart, and Nestle.
- We joined the Loyola Law Human Rights Advocacy Project letter to the UN Special Rapporteur on Contemporary Racism and Related Intolerance requesting an investigation into environmental racism in Louisiana.

### About Trillium Asset Management

Trillium Asset Management, with over \$3.2 billion in assets under management (as of 6/30/2020), offers investment strategies and services that advance humankind towards a global sustainable economy, a just society, and a better world. For nearly 40 years, the firm has been at the forefront of ESG thought leadership and draws from decades of experience focused exclusively on responsible investing. Trillium uses a holistic, fully integrated fundamental investment process to uncover compelling long-term investment opportunities. Devoted to aligning stakeholders' values and objectives, Trillium combines impactful investment solutions with active ownership. The firm delivers equity, fixed income, and alternative investments to institutions, intermediaries, high net worth individuals, and other charitable and non-profit organizations with the goal to provide positive impact, long-term value, and 'social dividends'.

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