



Shareholder Advocacy Highlights

July 2021

The winds are shifting and we see environmental, social, and governance topics taking a prominent place in the minds of large institutional investors.

The first half of 2021 has been very impactful for Trillium's shareholder advocacy program. We have seen important successes on racial justice (diversity and racial justice audits), toxic chemical reductions, and overdraft policies. We have also continued to press forward on climate change, democracy, LGBTQ+ inclusion, biodiversity, worker empowerment, and many other issues. We saw 10 of our 24 shareholder proposals successfully withdrawn following commitments and action from the companies. When we did go to a vote, we saw some record-setting results such as the 91% vote at First Solar on board diversity and 94% vote at Paycom on executive team diversity. Clearly, the winds are shifting and we see environmental, social, and governance topics taking a prominent place in the minds of large institutional investors.

Racial Justice

This year Trillium innovated a new shareholder proposal focused on racial justice audits. While companies are making bigger and bolder commitments to address racial justice they need to guard for their blind spots and ensure the steps they are taking are effective. We filed this new shareholder proposal at Johnson & Johnson in part because health care companies have a history with and ongoing struggle to address disparate racial impacts. But **Johnson & Johnson** also had a very specific controversy about its ongoing sale of talc products in Black and Brown communities around the world, while discontinuing their sale in North America. This shareholder proposal went to a vote at the company's annual meeting in April and received the support of 34% of the vote.

For a unique proposal, this is a very strong vote and should provide the basis for ongoing dialogue with the company. We hope Johnson & Johnson will lead the health care sector as the first of its peers to commission a third-party racial justice audit.

Building on years of prior engagements, Trillium filed shareholder proposals at a number of companies this year focusing on workplace diversity, executive team diversity, and board diversity. The level of support and success we saw this year was dramatic.

After receiving a 45% vote for our proposal on executive leadership diversity at IPG Photonics in spring 2020, we refiled this fall after additional attempts for dialogue failed. Our proposal asked for the Board's assessment of diversity in the executive leadership ranks, and if and how it planned to expand that diversity. In December, IPG reached out to us after publishing its first comprehensive CSR report. In the report the company stated that "the diversity of our executive team does not yet reflect that of our workforce." The report disclosed that women, for example, comprise 30% of its board, 35% of its workforce and 22% of the top three EEOC categories, yet are not represented at the most senior level. But IPG also reported that it was adopting new initiatives to expand diversity including a focus on hiring with a requirement that search firms seek female and diverse candidates, closing the promotion gap by developing internal candidates for executive openings, and formalizing board oversight. As a result of these disclosures and commitments we withdrew the proposal in January.

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Trillium had a similar engagement with **SBA Communications**, a leading independent owner and operator of wireless communications infrastructure. Subsequent to our filing in November 2020, and following a series of dialogue with the company, the company committed to strengthen its workforce diversity policies, practices and disclosures in its 2020 CSR report (to be released in Q4 2021). The Board's involvement in SBA's D&I initiative; its assessment of the current state of diversity in the leadership ranks, and a review of the effectiveness of corporate strategy to date and across talent recruitment, promotion, retention measures will be discussed in the report. Because of these disclosures and commitments we withdrew the proposal in March.

We are pleased to report that after a series of letters and dialogues with **Autodesk** in the winter and early spring concerning its assessment of and approach to improving diversity in executive leadership, we were able to secure commitments which allowed us to withdraw the proposal. Notably, in February, during the course of the dialogue, Autodesk appointed a new Chief Financial Officer and Chief Technology Officer, both of whom bring important skillsets, and strengthen gender and racial diversity on the senior leadership team. Women and people of color now comprise 45% and 9%, respectively, of Autodesk's executive team (up from 27% and 0%). Autodesk also committed to improve its public disclosures on demographics. In its 2021 proxy and website Autodesk discussed how prioritizing diversity led to success in its search process. In recruiting, Autodesk stated that it applied "more flexibility around certain parameters, such as geography and work experience, to widen the pool of potential candidates. These efforts resulted in a diverse slate of candidates for both the Chief Financial Officer and Chief Technology Officer".

¹ https://www.axios.com/google-tweaks-diversity-research-policies-following-inquiry-8baa6346-d2a2-456f-9743-7912e4659ca2.html?utm_campaign=organic&utm_medium=socialshare&utm_source=twitter

Similarly, at **BJ's Wholesale**, in exchange for withdrawing our EEO-1 report disclosure proposal in March, BJ's agreed to annually disclose team member diversity data based on EEO-1 categories and make past reports public. The company also agreed to an ongoing dialogue in 2021 to discuss progress and next steps.

Not all shareholder proposals were withdrawn and what is noteworthy in 2021 is how high the votes were. At **First Solar**, our board diversity proposal received a 91% vote at the company annual meeting in May. An even higher vote, 94%, was the result at **Paycom** where we filed an executive leadership diversity proposal this year.

Which brings up the important point of how these topics evolve and develop over time. For example, in 2019 our shareholder proposal at **Alphabet** called on the company to prepare a report assessing the feasibility of integrating diversity into compensation plan performance measures. The company opposed us on this proposal and we were able to get almost 10% of the vote (about 30% of outsider votes). But less than two years later, in February 2021, Alphabet announced that it will be tying pay for those at the vice president level and above partly to reaching diversity and inclusion goals.¹

Similarly, at **Nike** in 2018, we filed a shareholder proposal asking the Board Compensation Committee to prepare a report assessing the feasibility of integrating improvement of culture or diversity metrics into senior executive's compensation plans. This proposal was filed after a rash of revelations of a discriminatory workplace that was hostile to women and people of color. Following dialogue with the company, we withdrew the proposal when the company committed to evaluate our request and meet quarterly to discuss the topic. While it took some time, in March 2021, Nike announced that for the first time tie some executive pay to five-year goals for improving racial and gender diversity in its workforce and leadership positions.

Our engagement with **KeyCorp** about the racial impacts of its overdraft policies hit important milestones this year. In the Fall of 2020, following a Bankrate survey which found that Blacks and Hispanics reported facing higher monthly fees, including overdraft fees, than white customers typically do, Trillium filed a shareholder proposal

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asking KeyCorp to look at its overdraft program with a racial justice lens. We were concerned because in 2019, it collected over \$148 million in overdraft and insufficient funds fees – representing over 7% of its non-interest income and 44% of its service charge income – and we could see the potential for some disproportionate impacts on communities of color. While the company had racial justice programs in place for years and had recently enhanced them, there was no evidence that KeyCorp, or any bank that we are aware of, was looking at this very specific question around overdraft policies and racial impact. In the wake of the Black Lives Matter protests, this struck us as both a failure and an opportunity for social impact. Through the end of 2020 and the beginning of 2021, the shareholder proposal led to a series of dialogues with the company where we were able to exchange views and information – generating greater understanding and knowledge on both our parts. The discussions were ultimately productive as we were able to catalyze some new thinking at the company which resulted in KeyCorp agreeing to map the racial equity impact of its overdraft policies, in addition to a number of other steps. While we were able to withdraw the proposal in March, implementation will be critical and we look forward to ongoing engagement with the company.

Following a Bankrate survey which found that Blacks and Hispanics reported facing higher overdraft fees Trillium filed a shareholder proposal asking KeyCorp to look at its overdraft program with a racial justice lens.



Finally, we were very proud to join a Supreme Court amicus brief with companies such as **Levi Strauss**, **PayPal**, and **Ben and Jerry's** in support of the Voting Rights Act (VRA). In that brief, we argued that broad representation in an electorate leads to greater economic growth citing research that shows. We contended that the VRA caused a 5.5% increase in Black Americans' wages between 1950 and 1980 and that so-called "VRA counties" experienced faster growth in Black income and occupational status during that period.



Climate Change

Consistent with Trillium's decades of work on climate change, Trillium re-filed its shareholder proposal at **United Parcel Service** this year with our co-filer Zevin Asset Management. We filed this proposal because while UPS has set a greenhouse gas emissions reduction target for its road operations, it has not made similar commitments for its airline. This is a concerning oversight as UPS's airline accounts for 60 percent of its total operational emissions and its airline emissions have increased 22 percent in the last four years UPS risks lagging behind its peers-- more than 1,500 companies have now committed to achieve the Paris Agreement's climate goals by becoming net zero by 2050, including UPS's peer DHL Group*. FedEx* and Amazon* aim to achieve the Paris goals by 2040. Although reducing airline emission will be difficult, many airlines have risen to the challenge and committed to net zero operations by 2050 or sooner, including Delta*, Qantas*, British Airways*, and American Airlines*. Additionally, many airlines are actively implementing Sustainable Aviation Fuel (SAF) that can reduce air emissions up to 80%. In a demonstration of the

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² <https://www.trilliuminvest.com/news-views/keycorp-agrees-to-review-products>

³ https://www.supremecourt.gov/DocketPDF/19/19-1257/166786/20210120113945519_Nos.%2019-1257bsacVoting%20Rights%20Act%20Amicus%20Brief%20of%20Business%20Leaders.pdf



growing investor resolve to address climate change, the proposal won 36.7% of the vote, up from 29.6% last year, at the company annual meeting in May.

Recognizing the continuing climate change risks associated with deforestation and how important maintaining healthy forest ecosystems and biodiversity is, Trillium engaged in dialogue with **Bank Rakyat** of Indonesia in March regarding its financing of pulp and paper operations in Indonesia. Deforestation releases tons of carbon into the atmosphere while simultaneously depriving us of forests that can capture and contain carbon that has already been released. Forests impact rainfall patterns around the world, provide basic needs for communities such as food and clean water, and are vital to maintaining biodiversity. While most of the attention is properly paid to the large financiers like BlackRock* and State Street*, which Trillium is not invested in, Bank Rakyat does have some pulp and paper operations in its book of business. Similarly, while Indonesian public policy is an important part of the picture, with the government financial regulator planning to adopt new regulations that will mandate the integration of ESG risks, we feel it is important to convey to our portfolio companies that for both company-specific risk mitigation and for global sustainability it is important that they implement policies such as no deforestation, no peatland and no exploitation criteria, and Free Prior and Informed Consent (FPIC).

At the public policy level, Trillium continues to be a leader in the investment community when it comes to engaging state legislatures. Building on many years of meetings and successes in Sacramento, California, Trillium testified in support of California Senate Bill 449, the California Climate Risk Disclosure bill in the spring. Our testimony helped persuade Senate President Pro Tempore Toni Atkins to support the bill. This will help keep the bill, which would establish mandatory climate risk disclosures in California, moving forward in the next legislative session. At the federal level, we joined our friends at Ceres in May meetings with members of Congress to discuss the environmental justice and the infrastructure bill.

In March, the Securities and Exchange Commission asked for input on a wide variety of climate change disclosure questions, as well as the broader framework of environmental, social and governance (ESG) disclosure. As longtime ESG investors, Trillium welcomes this chance to engage with regulators. Our full response can be

found [here](#). We emphasize the need for mandatory ESG and climate disclosures, with specific recommendations for the characteristics of such a disclosure framework.



LGBTQ+

Though federal law, via *Bostock v. Clayton County*, protects LGBTQ+ workers from workplace discrimination in the realm of hiring, termination, compensation, terms, and privileges of employment, corporations struggle with comprehensively inclusive cultures. Corporate America supports LGBTQ+ inclusion in public messaging and communications, but underperforms in structural support for employees and public policy. In 2020, 40% of LGBTQ+ employees surveyed by the Boston Consulting Group and the LGBT Community Center reported not being out at work, and 75% responded that they had experienced at least one negative interaction pertaining to their LGBTQ+ identity in the workplace during the past year. While our primary guiding principle is that all individuals should have equal rights and access in society, there is also a financial case for inclusion: LGBTQ+-inclusive companies are better able to attract and retain talent, win market share, and drive creativity and innovation. Five of Trillium's holdings, including **Analog Devices, Booking Holdings, IQVIA, LKQ Corp., and United Natural Foods**, received low scores for a lack of disclosure on the Human Rights Campaign's 2021 Corporate Equality Index (CEI), which measures corporate policy and performance regarding LGBTQ+ inclusion. Besides vague language referring to non-discrimination, these companies did not publicly report providing same-spousal or partner medical and soft benefits, transgender-supportive medical benefits, inclusion

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⁴ <https://www.hrc.org/resources/business-statement-on-anti-lgbtq-state-legislation>



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training, and employee resource groups, or engage with the broader LGBTQ+ community. In our March 2021 letters to the companies, we inquired whether the results of the CEI were accurate, asked for evidence of best practices if the results were misrepresented, and requested that they participate in future iterations of the CEI. We found that Analog Devices, United Natural Foods, and Booking Holdings were already planning to participate in the 2022 CEI, while IQVIA is considering participation. We will escalate action with LKQ Corp., which remained unresponsive. Finally, Trillium was one of a few investors to join the Human Rights Campaign and Freedom for All Americans' Business Statement Opposing Anti-LGBTQ State Legislation stating our clear opposition to harmful legislation aimed at restricting the access of LGBTQ+ people in society. We were joined in that letter by many portfolio companies including **Amalgamated Bank, CVS Health, Johnson & Johnson, Marriot, Medtronic, Thermo Fisher, Verizon, and Xylem.**



Biodiversity

In April, Trillium led a group of 50 investors representing \$105 billion in releasing a [letter](#) calling for the U.S. EPA and Congress to permanently protect Alaska's Bristol Bay, and the world's largest wild salmon fishery, against large-scale mining. While recognizing the importance of natural resource development to support economic growth, the signatories expressed deep concern over the long-term negative social and environmental impacts of the proposed Pebble Mine, a massive open-pit gold and copper project in the Bristol Bay headwaters proposed by Canadian junior mining company Northern Dynasty*. Bristol Bay supports the largest and most productive wild salmon fishery on earth, supplying half of the world's commercial supply of wild sockeye salmon, \$2.2 billion in annual revenue, 15,000 jobs, and sustaining Alaska Native communities that have relied on the salmon for millennia. Bristol Bay Native Tribes, commercial fishermen, business leaders, conservation organizations, and others have long opposed the Pebble Mine.

Economic Justice

Two portfolio companies with very high CEO to worker pay ratios are **TJX Companies** and **Burlington Stores**. Both companies are a part of what AFL-CIO refers to as the 1000-to-1 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

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⁵ <https://aflcio.org/paywatch>

⁶ <https://www.trilliuminvest.com/leadership-corporate-engagement/corporate-support-for-employee-civic-engagement>



considers 75% of Burlington associates self-identify as female and 71% self-identify as a racial or ethnic minority and that 78% of TJX's 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 asking the board to take worker pay into account when setting CEO pay. The proposal at TJX received a vote of 10.7%, up from 9.4% last year. At Burlington, the proposal earned 8% support for its first year. While the rising vote at TJX was encouraging, and we are pleased we were able to bring this issue to the companies, speak to it at the annual meeting, emphasize the intersectional gender and race aspects, and compel the companies to respond, the low vote suggests that now is the time to give some fresh thought to the approach.

We are supporting the John Lewis Voting Rights Advancement Act which is a necessary and crucial public policy to help our democracy function well and protect the rights of people of color.



Democracy

Following on our 2019-2020 work on whether companies provide employee with paid time off to vote, we continue to engage portfolio companies on this important topic. But we are also expanding our efforts in a number of areas. We are supporting the John Lewis Voting Rights Advancement Act which is a necessary and crucial public policy to help our democracy function well and protect the rights of people of color. In both of these areas we look forward to future announcements of success. Trillium is also supporting the work of others and has joined the Vote.org letter to Congress in support

⁷ <https://www.fairr.org/engagements/sustainable-aquaculture-engagement/>

⁸ <https://www.tjx.com/responsibility/environment/chemicals-management>

of the For the People Act (S.1/HR.1) and other bills to protect democracy. We are also a leader in the SEIU/Majority Act effort to engage dozens of companies asking them to end political contributions to any candidate or committee that advances voter suppression laws.

In June, we joined Rashad Robinson of Color of Change, Renaye Manley of SEIU, Nsé Ufot of New Georgia Project and Maine State Treasurer Henry Beck in a webinar to announce our efforts to hold corporate directors accountable to their obligations — and their promises — on racial equity and democracy.



Animal Welfare

In April we joined the Business Benchmark on Farm Animal Welfare (BBFAW) in sending letters of congratulation to the 23 companies to be ranked in the top two tiers of the 2020 Benchmark, including **Unilever, Jeronimo Martins, Costco, Sysco, Ahold Delhaize, General Mills, Target, and BJ's Wholesale**. The BBFAW asks companies in the food supply chain to report annually on company policies, practices and performance on farm animal welfare, and the joint letter asked them to continue to report in the 2021 survey and encouraged them to maintain farm animal welfare as a key topic within their businesses.

In January, Trillium participated in a Farm Animal Risk and Return (FAIRR) engagement on sustainable aquaculture. Letters were sent to eight companies in the salmon

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aquaculture industry on the ESG risks in their supply chains. The letter asked them to establish a science-based strategy to develop and scale alternatives to marine and soy feed ingredients and to conduct and disclose a forward-looking risk assessment and strategies to increase alternate feed ingredients such as algae, insects and single cell proteins. Reducing dependency on feed sources in the salmon industry (such as soy, fishmeal and fish oil) is fundamental to protecting bio-diversity, reducing ESG risks and ensuring the future resiliency of the sector.



Big Tech

While public policy on several critical technology-related issues emerges at the state and federal level, Trillium continues to engage portfolio companies. At **Alphabet**, our shareholder proposal in which we raise concerns about Alphabet's whistleblower protections and whether they adequately support the company's human rights responsibilities double in support from the 2020 vote. At the June annual meeting, the proposal increased its support from 5% to 10%, which represents about 30% of outside shareholders. This vote means that a large plurality of Alphabet's shareholders are not satisfied with the company's approach to protecting workers who raise human rights issues within the company. The proposal was presented by a spokesman for the recently-formed Alphabet Workers Union and gave the union a platform to assert its position and views to the board and senior leadership.

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

⁹ <https://www.tjx.com/responsibility/environment/chemicals-management>

While public policy on several critical technology-related issues emerges at the state and federal level, Trillium continues to engage big tech on its social impacts.



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 42%, a very strong vote. We re-filed this proposal with additional language about the company's racial impacts, including its decision to continue selling talc products internationally. At the company annual meeting in April, the proposal maintained its strong support with a 43% vote which we hope will provide the foundation for changes at the company.



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. We were therefore very pleased that in January

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TJX Companies announced on its website it is developing an expanded “Chemical Management” strategy. The new program, which follows more than three years of advocacy by the Mind the Store campaign, Clean Water Action, Trillium Asset Management, First Affirmative Financial Network, and the Investor Environmental Health Network, takes an important step forward towards protecting customers, workers, and the environment from toxic chemical exposure, and paves the way for future action.

Pursuant to our advocacy, TJX took an important step forward towards protecting customers, workers, and the environment from toxic chemical exposure.



Drawing the link to our work, in making the announcement TJX stated “We have heard from our investors and other stakeholders that they care about our Company’s approach to the management of chemicals in the products we sell and in our operations. We are committed to taking steps to expand our understanding of what is feasible for our business model to manage ‘chemicals of concern’ in our operations as well as the products we sell over the short, medium, and longer term.”

Specifically, the company committed to a comprehensive suite of policies and goals, including eliminating BPA and BPS from receipt paper, working to eliminate PVC plastic from certain bedding products, retaining an outside expert to review chemicals management for certain personal care products, and establishing chemicals management as a strategic sustainability priority, among many others. These actions will begin to drive toxic chemicals out of TJX’s operations and clearly demonstrate that the company is serious about making headway to develop and implement a broader safer chemicals management program.

Important Disclosure

This is not a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. The specific securities were selected on an objective basis and do not represent all of the securities purchased, sold or recommended for advisory clients.

At other companies, including **Costco**, **Target**, **BJ Wholesale**, and **Ahold Delhaize**, Trillium continues to initiate and follow up on our efforts to get pesticides and other toxic chemicals out of circulation. This has led to progress at Costco in reducing the use of neonics and chlorpyrifos in its supply chain and Ahold agreeing this spring to participate in the CFP.



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 and draw attention to that work. A few examples of efforts that we signed onto during the past six months include the following:

Sierra Club organized an investor letter in January urging banks to cease funding Mountain Valley Pipeline. The pipeline is of significant concern as the developers have received 350 notices of violating environmental protections. The pipeline will likely become a stranded asset in the near future as gas demand throughout the region rapidly erodes.

Majority Action and Service Employees International Union published in April an open letter in the Financial Times in support of racial equity in the boardroom.

Justice Capital sent a letter in April to banks and investors asking them not to purchase securities being used to finance and develop two new prisons in Alabama. The engagement was highly successful as it has thus far stopped any financing of the prisons to occur.

