

# Advocacy Impact Report – First Half 2022

**The first half of 2022 has been very impactful for Trillium’s Shareholder Advocacy program. We have seen important successes on racial justice, gender equity, climate change, toxic chemical reductions, and many other topics. We have also continued to press forward on issues such as worker empowerment, paid sick leave, and Indigenous People’s rights. We saw 10 of our 22 shareholder proposals successfully withdrawn following commitments and actions from the companies engaged. When our proposals did go to a vote, we saw some notably high results such as the 62% vote at Johnson & Johnson on a racial justice audit.**

## Justice, Equity, Diversity, and Inclusion

Two years after the summer 2020 racial reckoning and five years after the MeToo movement accelerated, Trillium continues its long history of using the tools of shareholder advocacy to help advance racial justice and gender equity. Trillium filed an inaugural diversity target proposal at **Intercontinental Exchange (ICE)** for the 2021-2022 proxy season following the company’s lack of response to our racial equity survey. We were additionally concerned that despite ICE’s public reporting that the company’s workforce should reflect the broader communities within which it operates, the actual composition of the workforce did not meet this stated goal. ICE’s staff numbers from non-white backgrounds declined or stayed flat across multiple levels over the last two years.

In the proposal, Trillium requested that the company set public, company-wide, quantitative, and time-bound goals to increase the numbers of under-represented communities. After a series of dialogues, we successfully withdrew the shareholder

proposal following a number of notable commitments from the company, including doubling the representation of under-represented minorities in the US officer (senior executive) population from 6% to 12% in 5 years, increasing the representation of female officers globally from 23% to 30% in 5 years, realizing linear increases year-over-year, and including a minimum of two diverse candidates when interviewing for any open officer position when third-party search firms are used.

At **Ormat Technologies**, Trillium successfully withdrew its proposal this winter following the company’s commitment to expand gender diversity in its director ranks by the June 2022 Annual Meeting. The company also committed to revise its Corporate Governance Guidelines such that its commitment to assemble a diverse slate—including diversity of age, gender, ethnicity, and race—for each candidate pool for open board and senior leadership seats is clearly stated, and an agreement to publish a Board diversity matrix in its 2022 proxy statement. On June 3rd, the company newly elected two highly qualified women, Michal Marom and Karin Corfee, to its board—making the board one-third female.

This spring, Trillium joined Nia Impact Capital in filing a shareholder proposal at **Tesla** focused on forced arbitration. Tesla has been accused of not doing enough to address racism and sexism within its ranks, leading to several high-profile lawsuits. In one high-profile case, a former employee claimed that she was harassed and that her supervisor made racist and sexist comments. In another, six women filed suits against the company claiming they were sexually harassed by other employees and that Tesla did not take any action. Tesla has also been criticized for its lack of diversity, with some accusing the company of not doing enough to recruit and retain a diverse workforce. This includes a lawsuit by California’s Department of Fair Employment and Housing, which claims that Black workers experienced “rampant racism” that the company left “unchecked for years.”

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This year Trillium continues to be a leader in pressing companies to conduct racial justice audits. We argue that to address systemic racism, companies need a full review of their businesses—inside and out—applying a racial justice lens. Trillium and other investors are increasingly seeking assurances via a third-party audit that companies understand racialized impacts in the workplace and on external stakeholders, and have taken account of blind spots while implementing effective programs to address latent problems before they metastasize. In the last few months, several of our shareholder proposals came to a vote and earned remarkably high levels of support including the following: **Johnson & Johnson** 62%, **Anthem** 41%, **Travelers** 47%, and **American Water Works** 48%. These strong votes will allow us to move to the next stage of our engagements with these companies with the intention of securing commitments on timing, scope, and next steps towards implementing racial justice audits.

### Reproductive Rights

In early May there was a leaked Supreme Court of the United States (U.S.) (the “Court”) draft opinion in *Dobbs v. Jackson Women’s Health Organization* overturning *Roe v. Wade*, where the Court held the Due Process Clause and the Fourteenth Amendment of the U.S. Constitution protected right to an abortion. In response, Trillium reached out to all companies held within our portfolios to share our support for reproductive rights, to highlight the business, economic, and human rights issues at stake, and to urge companies to (1) state as clearly as possible the company’s opposition to laws that interfere with reproductive rights; (2) publicly announce that the company will immediately cease making any direct or indirect political contributions to anti-choice political candidates; and (3) publicly announce that the company provides comprehensive reproductive health care coverage, including transportation costs for exercising reproductive rights. Shortly after that communication **Microsoft** and **Starbucks** announced that they would be providing their employees with transportation costs for obtaining abortion care. Combined, the two companies employ approximately 500,000 people. This was not the first time we have been in touch with these companies on this topic. We have been raising these issues and meeting with the companies for the last nine months as the salience of the topic steadily increased.



Trillium’s shareholder proposal at **TJX** on reproductive rights drew the support of 30% of company investors.



At **The Home Depot**, we joined Tara Health Foundation in filing a shareholder proposal asking the company to analyze the congruence of political and electioneering expenditures during the preceding year against publicly stated company values and policies. As the proposal points out, while the company has shown a strong commitment to gender diversity through its support of a women’s employee resource group, a “Women in Leadership” curriculum, and other actions, including the provision of strong reproductive health and maternity benefits, it appears that in the 2016-2020 election cycles, The Home Depot and its employee PAC made political donations nearing \$7.5 million to politicians and political organizations working to weaken access to abortion.

In addition, our shareholder proposal at **TJX Companies**, the parent of TJMaxx and other brands, went to a vote at the company’s June annual meeting, seeking better information about how the company will address this topic.

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The proposal won 30% of the vote—a significantly high vote which is evidence that many investors are concerned about the impact that the Supreme Court’s decision will have on businesses and the rights of the people that work at these businesses. Trillium has emphasized the human rights, financial, and economic issues at stake, and many investors appear to be listening.

### Organized Labor

In the last 10 months, Trillium has been actively pressing **Starbucks** to respect worker rights to organize. This is not our first engagement with Starbucks—in fact, we have a 20-year history of positive engagements with Starbucks on many topics such as bovine growth hormone, sustainability reporting, diversity and equity, reproductive rights, plastics, and waste. Historically, we have found that we can work well with Starbucks to help it be a better corporate citizen.

We feel strongly that Starbucks has the responsibility to adhere to international human rights norms and regulations. Around the world, freedom of association is recognized as a human right. Workers have the right to organize and collectively bargain under the Organisation for Economic Co-operation and Development (OECD) Guidelines, the UN Guiding Principles, and the ILO (International Labor Organization) Conventions. Happily, Starbucks refers to and affirms its commitment to these norms. But it must live up to those commitments—to put meaning behind those words—to genuinely respect workers' rights.

These human rights are critically important to investors like Trillium. There is a fast-growing understanding that businesses cannot and should not push right up to the line of what is consistent with human rights. Human rights are a cornerstone of our democracy and our economy—and we believe Starbucks needs to give robust and emphatic protections to those rights for our society, political system, and economy to thrive.

But, from a bottom-line point of view we are genuinely concerned about Starbucks’ behavior over the last few months in response to worker organizing efforts—conduct that the National Labor Relations Board has concluded violates federal labor laws. We are particularly concerned about Starbucks’ management’s behavior at a time that the public’s support for the right to organize is at record-high levels.



We believe it is the perfect time for **Starbucks** to pivot away from its history of resisting unions.



Starbucks’ financial success depends heavily on the strength of its reputation, and it should not put that reputation in jeopardy with behavior that the National Labor Relations Board regards as union busting. Customers can easily go elsewhere as the competition is virtually everywhere.

Accordingly, Trillium and fellow investors organized a letter in March representing a total of \$3.4 trillion in assets urging Starbucks to adopt a neutrality policy towards worker organizing. We believe a neutral approach to unions would not only be completely consistent with its financial success and its reputation as a socially responsible company but also strengthen the company on several levels—social and financial. Hearing from the workers who are putting their livelihoods on the line has shown us that they care about the kind of company Starbucks is and can be, and comes at a time when Starbucks needs to keep skilled and enthusiastic employees.

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## Indigenous Peoples

To meet the fast-growing demand for renewable energy technology and a mostly electrified infrastructure, economies across the globe will need 3 billion tons of minerals and metals. Specifically, to deploy wind, solar, and geothermal power, as well as energy storage, electric cars, and trucks, we expect demand to skyrocket for so-called “transition minerals.” By 2040, the International Energy Agency forecasts that demand for lithium will have increased 42 times compared to 2020 levels. The World Bank Group reports that the production of minerals, such as graphite, lithium, and cobalt, could increase by nearly 500% by 2050. According to Earthworks, demand could reach 136% of the documented nickel deposits that are currently economically feasible to extract, 280% for lithium, and 426% for cobalt. What is critical for investors to understand is that most of these minerals are found on or near the lands of First Nations. MSCI recently issued a report showing that 97% of nickel, 89% of copper, 79% of lithium and 68% of cobalt reserves and resources in the US are found within 35 miles of Native American reservations.

This is especially important as we see the Biden Administration invoking the Defense Production Act (DPA) to address mineral production. In its announcement, the administration said “the DPA will be authorized to support the production and processing of minerals and materials used for large capacity batteries—such as lithium, nickel, cobalt, graphite, and manganese—and the Department of Defense will implement this authority using strong environmental, labor, community, and tribal consultation standards.” But we cannot simply assume this assurance will have an impact; in fact, we have hundreds of years of history that shows the opposite.

Over the last nine months, Trillium has moderated panels for the Interfaith Center for Corporate Responsibility and Council of Institutional Investor on Indigenous Peoples, renewable energy, and mining. These panels focused attention on the voices of Native Americans that were on the panels and the leadership of First Peoples Worldwide on this critically important topic.

## Climate Change

As part of our commitment to press companies to take responsibility for their greenhouse gas emissions, Trillium continues its multi-decade leadership on climate

change focused shareholder advocacy.

At **SBA Communications**, we successfully withdrew our shareholder proposal following the company’s commitment to submit greenhouse gas emissions reduction targets to the Science Based Targets Initiative by the end of 2024.

Revisiting our engagements with **Middleby** in 2017-2019 which centered on the company’s ESG materiality assessments and disclosures, we successfully withdrew our shareholder proposal in the spring after the company agreed to disclose estimated 2023 scope 3 emissions by the end of 2024; to send a letter of commitment to the Science Based Targets Initiative by the end of 2023; and to commit internal resources to set a science-based greenhouse gas emissions reduction target verified by the Science Based Targets Initiative by the end of 2025.

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Four Trillium portfolio companies made strong Science Based Target Initiative climate change commitments this year.



Similarly, we successfully withdrew our shareholder proposal at **Darling Ingredients** earlier this year following the company's commitment to submit scope 1, 2, and 3 greenhouse gas emissions reduction targets aligned with 1.5 degrees of warming to the Science Based Targets Initiative by the end of 2024. This is similar to the result at **BJ's Wholesale Club** where we successfully withdrew our shareholder proposal after company agreed to commit to send a letter of commitment to the Science Based Targets Initiative by December 1, 2023; to publicly disclose 2031 scope 1 and 2 targets in line with 1.5 degrees of warming and calculated using the Science Based Targets Initiative methodology by December 1, 2024; and to submit 1.5 degree aligned targets covering all scopes for verification to the Science Based Targets Initiative by December 1, 2025.

For smaller companies, engagements often begin with first steps such as disclosures. This was true at **BJ's Restaurants**, where we successfully withdrew our shareholder proposal after company agreed to disclose food waste reduction efforts by the end of 2023, measure and disclose scope 1 and 2 emissions by the end of 2024, and measure and publicly disclose scope 3 emissions by the end of 2025.

These engagements are all supportive of our goals as part of the Net Zero Asset Managers Initiative to engage with portfolio companies in the furtherance of a net zero economy.



At **Bank of America**, we filed a shareholder proposal at the company asking it to develop a policy of not financing new fossil fuels. In 2021, the International Energy

Agency (IEA) found that in order to ensure global warming of no higher than 1.5 degrees Celsius by 2100 and net zero emissions by 2050, “there is no need for investment in new fossil fuel supply.” Bank of America (BAC) has publicly committed to reach net-zero greenhouse gas emissions by 2050 and to aim to limit warming to 1.5 degrees. Although BAC has restricted financing for Arctic drilling and coal operations, it has not committed to halt financing for all new fossil fuel development that we believe a net-zero commitment requires. The proposal received an 11% vote – a solid outcome considering how adamant, insistent, and novel the request was.

Trillium modified our approach at **United Parcel Service** this year. In the past we had sought a report describing if, and how, it plans to reduce its total contribution to climate change and align its operations with the Paris Agreement's goal of keeping global temperature increases at or below 1.5 degrees Celsius. This year, we were more direct. We asked the company to adopt independently verified short, medium, and long-term science-based greenhouse gas emissions reduction targets, inclusive of emissions from its full value chain, in order to achieve net-zero emissions by 2050 or sooner and to reach proper emissions reductions prior to 2030, in line with the Paris Agreement. The proposal received a 28% vote at the company's May annual general meeting, and we believe this will allow us to move forward with meaningful engagement with the company.

On the policy front, Trillium met with members of Congress this spring to discuss the inclusion of clean energy investment provisions in the reconciliation bill.

### Toxic Chemicals

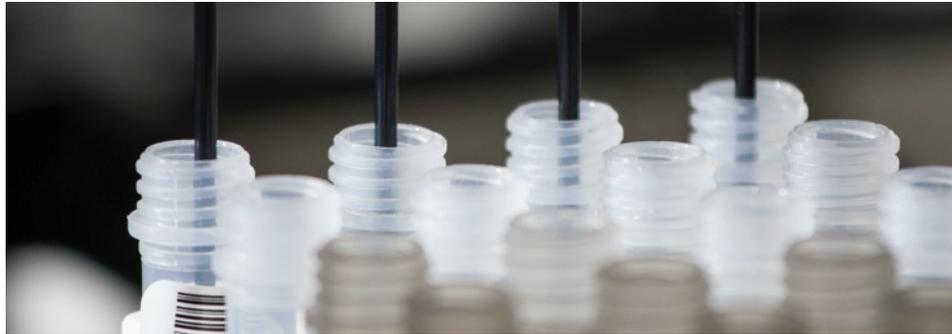
Trillium has a long history of engaging companies on the life-cycle impacts of toxic chemicals—their impacts on workers, consumers and the communities where they operate.

Last winter, we partnered with Parnassus Investments in a new engagement asking **WM** (formerly Waste Management, Inc.) to address environmental justice concerns. A number of studies have found direct correlations between the placement of high-polluting facilities and the concentration of minority and low-income populations.

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WM had some environmental justice disclosures and social context around facility placements already in place, but we believed that further strengthening its environmental justice practices and policies was important and necessary. As such, we asked WM to take meaningful steps to assess and rectify racially disparate impacts of its operations. In February, WM took a number of positive steps that were consistent with many of our requests. WM formed an advisory council to oversee environmental justice topics and became the first commercial services company to publish an interactive tool that maps clean technology, pollution, and community demographic data at the facility-level. This level of data consolidation and transparency is a key first step in mitigating disparate impacts of the company's operations and makes WM a corporate leader on environmental justice. WM continues to work with us to further develop its environmental justice strategy.



This spring, Trillium and investor partners met with **BD** (Becton, Dickinson and Company) to discuss ways in which management is identifying, analyzing, and mitigating its realized and potential disparate environmental impacts, including the use of ethylene oxide (EtO), a controversial and toxic chemical by-product used to sterilize medical equipment. Last December, the Environmental Protection Agency expanded reporting on this chemical stating that *"[f]or too long, many communities in this country, particularly those with environmental justice concerns, have been at risk of exposure to EtO without even knowing it."* BD uses a third-party chemical footprint project survey to manage toxins intentionally added to its products, so we asked management to consider a third-party environmental justice audit to assess the company's practices and the impacts in communities where it operates. The company agreed to take our recommendations into consideration.

Finally, Trillium continues to find success in helping companies accelerate corporate chemical strategies away from hazardous chemicals and toward safer alternatives. In March, we successfully withdrew our chemical footprint shareholder proposal at **Burlington Stores** following the company's commitment to set time bound targets to reduce its chemical footprint in its own operations and retain a chemical footprint consulting expert to establish a strategy to address the chemical footprint of certain merchandise vendors. In April, Burlington disclosed a Chemical Management Program on its website, which includes its Chemical Compliance Manual, Restricted Substance List (RSL), and a stated commitment to guide vendors on identifying chemicals of concern and seeking alternatives.

### Bank Overdraft Policies

For a number of years, Trillium has engaged with banks concerning their approaches to overdraft fees and policies. The Center for Responsible Lending reports that account holders incurring large numbers of overdraft fees are more often low-income, single, non-white, and renters—and customers often pay more in overdraft fees than the average amount. The Consumer Financial Protection Bureau found the majority of customers that frequently overdraft are more financially vulnerable than those who are not. Pew Research has shown approximately 70% of heavy overdrafters earn less than \$50,000/year. A 2020 Bankrate survey found that Black and Hispanic customers reported facing higher monthly fees, including overdraft fees, than white customers typically do.

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Following our engagements with **Key Bank**, in February the company announced several changes to their policies and practices, including raising de minimis levels on overdraft, new fee structures, and other changes that they expect to result in an approximately 65% reduction in fees in 2023 compared to 2019. Similarly, this spring **Bank of America** announced reducing its overdraft fee from \$35 to \$10 and ending some related fees completely. While these changes are positive, they should be seen as a step towards more improvements.

## Big Tech

The algorithms that lie at the heart of big tech companies like **Alphabet** are coming under increasing scrutiny from civil society, academics, and lawmakers. Stakeholders are becoming alarmed at how algorithmic systems can lead to discrimination and other harmful outcomes in education, labor, medicine, criminal justice, and online platforms. For example, in 2020, Black content creators launched litigation against YouTube and Alphabet for allegedly violating laws intended to prevent racial discrimination. In 2021, an investigation by The Markup found that Google Ads “blocks advertisers from using 83.9 percent of social and racial justice terms.” In an effort to foster engagement between investors and management on this topic and to encourage the company to publish data that will allow civil society organizations and academics to analyze the social impact of these algorithms, we filed a shareholder proposal at the company late last year asking the company to go beyond its existing disclosures and provide more quantitative and qualitative information on its algorithmic systems. We recommended the company disclose how it uses algorithmic systems to target and deliver ads, error rates, and the impact these systems had on user speech and experiences. We also suggested it use the recommendations and technical standards for algorithm and ad transparency put forward by the Mozilla Foundation and researchers at New York University. The shareholder proposal went to a vote in early June at the company’s annual meeting and received a 19.6% vote which is 56.3% of the vote of non-insiders.

## Russia

Following the Russian invasion of Ukraine, Trillium wrote to portfolio holding companies that received a “D” or lower on the Yale list of companies operating in

Russia. These were companies that are described as either “Defying Demands for Exit or Reduction of Activities (Grade: F) Companies that are just continuing business-as-usual in Russia” or “Holding Off New Investments/Development (Grade: D) Companies postponing future planned investment/development/marketing while continuing substantive business.”



In our correspondence, we explained Trillium is concerned about their exposure to Russia at a time that the Russian government was flouting international norms and human rights through its invasion of Ukraine. We specifically questioned them about what they would do next and urged them to take more meaningful steps. At that time, we wrote to the ten companies that were on our list of portfolio holdings receiving a “D”; as of this writing three of them moved up—receiving an “A”, “B”, and “C” respectively.

## Supporting Collaborative 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 and draw attention to that work.

A few examples of efforts that we signed onto during the past six months include the following:

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- **First Peoples Worldwide** published an investor statement asking financiers of clients with oil sands projects to develop policies which eliminate financing for projects or companies that do not protect Indigenous rights.
- The **Investor Alliance for Human Rights** issued an investor statement supporting digital rights regulations for technology companies. The statement focused on governance and the lack of transparency and accountability which affects people's rights to privacy and freedom of expression.
- **Plastic Solutions Investor Alliance** organized a letter calling on UN Members to lay the groundwork for a global treaty to eradicate plastic pollution at the upcoming UN Environment Assembly meeting.
- The **Environmental League of Massachusetts, Ceres, Health Care Without Harm, and Second Nature** organized 31 businesses and institutions to call on Massachusetts lawmakers to finalize the landmark Next Generation Roadmap law, which requires the Commonwealth to reduce emissions 50% by 2030 and to achieve net-zero by 2050.



### About Trillium Asset Management

Trillium Asset Management, with \$5.3 billion in assets under advisement as of 6/30/2022, 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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