



The frequency and severity of extreme weather systems continues to impact the lives of people around the globe and increasingly in our own communities. Following Hurricane Sandy, many investors are becoming acutely aware of the presence of fossil fuel companies in their own portfolios. It seems clear that climate change is no longer solely a threat to future generations. The damage to the environment, economy, homes, and lives is happening today.

In the autumn of 2012, following an article that was published in *Rolling Stone Magazine*, author and 350.org founder Bill McKibben led a nationwide speaking tour encouraging thousands of investors to “Do the Math” on the carbon impact of their investments. As he repeated in cities from Seattle to Atlanta (traveling mainly by biodiesel bus, of course!): *“It does not make sense to invest my retirement money in a company whose business plan means that there won’t be an earth to retire on.”*

Similar to the South African divestment movement of the 1980s, students and alumni at colleges and universities nationwide are leading the charge and having some success in pressuring administrators to divest endowment funds from fossil fuel companies.

While traditional investment firms are just now grappling with this concept, Sustainable and Responsible Investing (SRI) pioneers like Trillium Asset Management (Trillium) and Green Century Capital Management have been on the forefront of clean energy and environmental investing for decades.

Forgoing traditional energy in a portfolio can create short-term impacts on portfolio performance during certain time periods; particularly when energy names are moving in different directions than the market as a whole. Trillium’s core equity strategies, such as Large Cap Core and All Cap Core, seek to invest in companies that are leaders within their industries in terms of minimizing the negative environmental impact of their activities. This also creates a platform for shareholder advocacy (see box on the next page), with energy holdings in these core portfolios, as well as with client’s legacy holdings.

That said, many SRI investors have found that not owning energy at all is an appropriate decision and can be incorporated into a portfolio with minimal negative impact on performance over the long-term. Specifically, the Trillium-managed Green Century Balanced Fund (Ticker: GCBLX) has been fossil fuel-free since 2005 and in 2008 Trillium launched its Sustainable Opportunities product, which has been fossil-fuel free since inception.

TRILLIUM’S SUSTAINABLE OPPORTUNITIES STRATEGY

Trillium’s Sustainable Opportunities strategy was started with the goal of proactively identifying companies providing

solutions to growing global sustainability challenges. From the beginning, there was an acknowledgement that traditional energy companies did not offer such solutions. To be included in Trillium’s Sustainable Opportunities portfolio, a company must demonstrate it is directly creating positive change in one of three core areas: Economic Empowerment, Green Solutions, and Healthy Living.

By design Sustainable Opportunities uses a high-conviction approach. Larger position sizes and greater international exposure distinguish it from Trillium’s other core strategies. While benchmarked to the S&P 1500, Sustainable Opportunities is granted considerable freedom in meeting its solutions mandate. Case in point is the strategy’s approach to avoid oil and gas investment, focusing elsewhere to find attractive returns. Trillium has shown over the life of this product that it is possible to provide competitive returns over the market cycle while managing this conscious choice to avoid fossil fuel investment exposure.

GREEN CENTURY BALANCED FUND

The Green Century Balanced Fund (The Fund) is an actively managed, no load, mutual fund that is accessible for a minimum investment of \$2,500 for regular accounts and \$1,000 for IRA accounts. The Fund does not invest in the exploration, drilling, refining or production of oil, gas or coal, or other environmentally harmful businesses. It was the first mutual fund to analyze its carbon footprint and found that in 2009, its holdings were two-thirds less carbon intensive than the S&P 500® Index. (At the time, The Fund had 0% exposure to the traditional energy sector while the S&P 500 held 12% in energy). Green Century’s commitment to environmental advocacy is rooted in its origins — it was founded in 1991 by a group of environmental advocacy organizations, a number of them state PIRGs (Public Interest Research Groups).

The Fund also strives to be at the forefront of clean energy investing. As of September 30, 2012, the Fund held nearly 7% of its net assets in the Renewable Energy and Efficiency sector. This allocation lets investors gain some exposure to energy through clean energy companies, although these companies would not be formally classified in the energy sector.

Fossil Fuel Free Investing

Both the Green Century Balanced Fund and Trillium Sustainable Opportunities offer ways to divest from fossil fuels consistent with 350.org's campaign. The Green Century Balanced Fund is available for purchase in most existing brokerage accounts and many investment platforms. The Sustainable Oppor-

tunities strategy is available to Trillium's private wealth and institutional clients.

CONCLUSION

To divest or invest, that is the question Bill McKibben has raised.

The appropriate answer will vary from investor to investor. To consider which is right for you please visit www.trilliuminvest.com or www.greencentury.com. In either case we have all been reminded of the larger issue: how will we solve our climate challenge? That is the burning question.

Trillium's Climate Change Advocacy

An important piece of Trillium's climate change strategy is to engage companies on climate change risks. Over the past decade Trillium has led a number of important efforts to persuade corporate America to address climate change — these include engaging in the following areas:

Oil and Gas. Going back over a decade Trillium has pressed companies such as **Exxon***, **ConocoPhillips***, **Anadarko***, **Apache**, **Range Resources**, and others on their direct impact on climate change through oil and gas production. Trillium filed the very first shareholder proposal on the Alberta Oil Sands — a resolution at ConocoPhillips that led to the company improving environmental impact disclosures. Most recently, Trillium opened a new line of engagement with natural gas companies on fugitive methane emissions, one of the fastest growing sources of human generated methane releases.

Utilities. Trillium has led in the effort to persuade electric utility companies to phase out of coal and to increase their use of renewable energy sources. The companies Trillium has pressed include **Dominion***, **American Electric Power***, and **Duke***. Our shareholder proposal at **Idacorp** on greenhouse gas emissions reductions was noteworthy for its very high vote, 52%.

Political Contributions. In order to allow the political process to effectively address climate change Trillium believes companies need to be transparent

about their political spending. At **Halliburton*** our shareholder proposals and active engagement at the company, led to it making major improvements in political expenditure disclosures that include disclosures of trade association payments for political spending. Trillium has also filed proposals at **Ford Motor*** and **Hess**.

Hydrofracking. Trillium has been actively urging the industry to increase transparency of the companies that are active in the very controversial practice of using millions of gallons of chemicals, water, and sand to fracture shale structures and release natural gas. The companies Trillium has engaged include **Anadarko***, **Halliburton***, and **Southwestern Energy**.

Bank Financing. Trillium has also sought to put pressure on bank financing of climate change. After our dialogue with **Bank of America** concerning its practice of financing coal-fired power plants and mountaintop-removal coal mining, the Bank announced it would no longer fund mountain-top removal activities. Trillium also engaged **Wells Fargo** on climate change and the **Royal Bank of Canada** on oil sands development.

Agriculture. Agriculture is one of the greatest contributors to climate change. It is also one of the most vulnerable industries to the changes in temperature and water cycles that accompany climate change. That is why Trillium has engaged pivotal players in agriculture such as **Yum Brands***, **General Mills** and **Starwood**. Our shareholder proposal and dialogue at **Sysco** has led the company to develop a strategic plan on climate change and agriculture. Our engagement with **Smuckers** (the world's third largest coffee company through its Folger's brand) pushed the company to develop a sustainable coffee strategy that should improve its climate footprint and its climate risk exposure.

Policy. As a leader in the Investor Network on Climate Risk, Trillium regularly participates in efforts in Washington to promote policy solutions to climate change. This includes meeting with SEC commissioners to discuss climate change disclosures, joining other investors in sending letters to policy makers, and publishing op-eds on important tax credits to promote the new energy economy.

**In addition to engaging with our core portfolio companies, Trillium also conducts advocacy on selected companies that are not in our core portfolios but are held as legacy positions in client portfolios. These are companies that may not meet our minimum social and environmental criteria, but that we still seek to improve.*