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## 2011 Proxy Season Wrap-up

by Shelley Alpern

In August, we bade farewell to the 2010–2011 “proxy season,” the inside lingo for the annual cycle of filing resolutions, negotiating their withdrawal, and getting out the vote for the remainder that will appear on the spring proxy ballots.

“A good portion of our dialogues and resolutions resulted in agreements with companies to improve policies and provide more transparency,” said Matt Patsky, CEO of Trillium. “Both are helpful in assessing the environmental, social and governance (ESG) risks and their financial impact on shareholders.” Trillium’s ESG engagements addressed a wide range of concerns in 2011, including climate change and fossil fuel dependency, hydraulic fracturing, indigenous peoples’ rights, workplace discrimination, pollution at the community level, and a free and open Internet.

Industry-wide, average votes rose this year for resolutions addressing hydraulic fracturing, political contributions, climate change, and workplace discrimination policies. According to Institutional Shareholder Services, a division of MSCI, the average level of support for environmental and social resolutions “surpassed the 20 percent mark for

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## Dialing Up Sustainability Dials Up Returns: Trillium’s “Sustainable Opportunities” Turns Three

by Paul Hilton, CFA

In early 2008, nearly a dozen Trillium clients asked us to develop a new investment approach – one that seeks companies providing solutions to growing global sustainability challenges. Evolving from “do no harm,” their mantra became “invest in the innovators,” supporting only those companies actively creating positive change through their core business. Heading their call, Trillium’s portfolio managers went to the chalkboard and “Sustainable Opportunities” (SO) was born. As Managing Partner Cheryl Smith affirms, “We heard the message loud and clear. We thought the next natural step was to create a portfolio of companies leading the transition to a low-carbon, sustainable, and equitable economy.” Now, three years later, we have a commanding track record that shows these leaders are delivering financial performance above their peers. SO achieved a three-year average net annual return of 5.1 percent, compared to 3.4 percent for its underlying benchmark, the S&P 1500, for the period ending July 31, 2011.

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## Dear Reader



by Matt Patsky, CFA, CEO

As I reflect on my first two years as Trillium’s CEO, I am gratified by the support of our clients and proud of what our Trillium team has achieved. In particular, we are continuing to build on three key themes at the heart of our company: a commitment to employee empowerment, a focus on impact through advocacy, and a longterm goal of transforming capital markets. Let me give you a quick update in each of these areas.

First, on employee empowerment. Our founder Joan Bavaria started Trillium with the belief that we should create a “work environment that encourages personal development and growth, and in which ownership, responsibilities and rewards are broadly shared.”

On July 1, Trillium converted its corporate structure from a “C” corporation to a partnership, completing our journey to a fully independent, employee owned firm. Trillium was able to begin this conversion after we bought back a stake held by Wainwright Bank in December 2010, one of my first priorities as CEO. The transition to an LLC structure has allowed us to broaden employee ownership – now, nearly 90 percent of Trillium employees own stock in the firm, the highest ever.

Next, on advocacy. We continue to innovate in our advocacy work, feeling a need to work even harder in response to the paralysis in Washington.

In the wake of the January 2010 *Citizens United* decision, in which the U.S. Supreme Court decided that corporations can spend an unlimited amount of money to influence elections, informed and involved ownership has never been more important. Using shareholder resolutions and dialogue, Trillium partnered with other concerned investors and the Center for Political Accountability to press Target, Best Buy, Pentair and other companies to strengthen their disclosure and oversight of political expenditures. Trillium will continue to press companies for transparency and positive action on these and other environmental, social, and governance issues. (See an overview of our recent advocacy wins in this month’s cover story.)

Finally, we continue to make progress on our ambitious goal of transforming capital markets, both through our own work and in collaboration with others. As you’ll read, our

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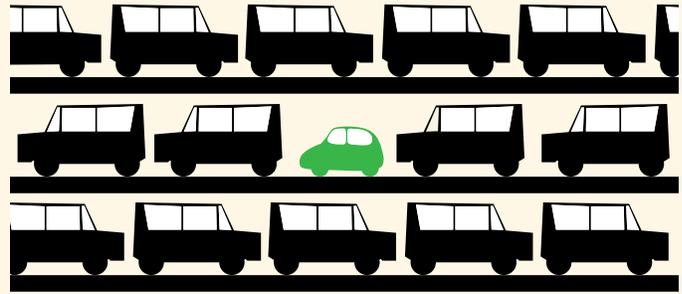
## Are cars still cool?

Nothing embodies a feeling of independence quite like a car. Hop in, crank up the tunes, and leave it all behind. But the American institution known as Two Cars in Every Garage, which triumphed over the energy crisis of the 1970s, is under challenge again. Gen Y doesn't much seem to care, valuing environmental impact over the notion that cars are about status and identity. The recent Deloitte study *Connecting with Gen Y: Making Cars Cool Again*, found that 35 percent of respondents cited the environment as a top concern when choosing a car, and 80 percent were willing to pay a premium for a greener vehicle.<sup>1</sup>

Given Gen Y's status as the largest cohort in US history, poised to represent 40 percent of car purchases by 2020, companies are taking notice – and not just the old guard. **Tesla** and **ZipCar** are going head to head with Detroit's and Japan's new line-up of more environmentally friendly electric options, which include **GM's** Chevy Volt, the **Ford** Focus Electric, and the **Nissan** Leaf.

Electric motors are 75 percent efficient at converting fuel to energy, compared with 20 percent for gasoline powered engines. The range they can be driven between charges is increasing to keep pace with traditional gas powered vehicles – from 100 miles for the Chevy Volt up to 300 miles for a Tesla Model S.<sup>2</sup> Increasing ranges are helping drivers overcome the "range anxiety" that stems from the lack of a robust recharging infrastructure. This is being tackled in part by the installation of charging stations up and down the west coast. Even **Starbucks** is investing in its own charging stations, a definite sign the transportation (and coffee!) paradigm is shifting.

Tesla, which debuted with the sporty, expensive Roadster, is shifting its strategy to the mass market. The Model S sedan



will seat seven with half the carbon footprint of a traditional car. The \$50,000 - \$70,000 price tag is still steep (even after a \$7,500 tax credit with price dependent on mile range), but on the upside, Tesla owners will spend 2 cents per mile on energy compared to 20 cents for a gasoline-powered vehicle, which could save owners over \$2,000 per year.<sup>3</sup>

An even more disruptive transportation model, pioneered by ZipCar, throws out the idea of car ownership entirely. It's not just garnering the attention of Gen Y, either – investors oversubscribed its initial public offering last spring, paying an 87 percent premium over the company's projections. ZipCar's customers appreciate the service of a car, rather than the high cost and burden of actually owning one – especially in urban settings, where parking is expensive and cars sit idle 90 percent of the time. Zipsters, as they are affectionately known, value their much reduced environmental footprint and the freedom of having ZipCar as their first or second car.

So, are cars still cool? Tesla and ZipCar think so, with the hope Gen Y will give them their eco-blessing. ♻️

1. "Generation Y, the Green Car Generation," at [www.autotropolis.com](http://www.autotropolis.com); and "Generation Y Giving Cars a Pass," at [www.kiplinger.com](http://www.kiplinger.com), September 14, 2010.
2. See [www.fueleconomy.gov/feg/evtech.shtml](http://www.fueleconomy.gov/feg/evtech.shtml).
3. For those who drive at least 12,000 miles a year.



Investing for a Better World®

711 Atlantic Avenue  
Boston, MA 02111  
617-423-6655

[lmackinnon@trilliuminvest.com](mailto:lmackinnon@trilliuminvest.com)

Editor  
**Shelley Alpern**

Managing Editor  
**Lisa MacKinnon**

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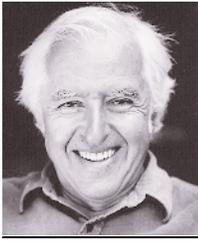
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## IT SEEMS TO ME



## Never Mind the Financial Crisis, the Colosseum is Being Restored to its Original Splendor

Milton Moskowitz

As I write this column, the whole world seems to be coming apart. Unruly mobs of British youths rampaged through the streets of London, Birmingham, Liverpool and Manchester, looting and torching. A bill everyone agrees is inadequate emerged from a divided U.S. Congress, raising the debt ceiling and calling for spending cuts of \$900 billion over the next decade. The U.S. credit rating was lowered a notch by Standard & Poor's, setting off a global alarm bell. The stock market swooned, then rebounded, then swooned again and rebounded, as if investors were unsure which way to go. Much of the nation suffered under one of the severest droughts on record. Texas received 6.53 inches of rain this year, down from the normal 34 inches. Rivers and streams have dried up. Crop yields have plunged.

*The Economist*, a sober British weekly, summed up the events in the United States as follows: "The political dysfunctionality of America has been on display as never before, to the nation's shame. And it can still do plenty of harm to a very sick economy."

It's easy, under these circumstances, to join the "doom and gloom" chorus. I obviously don't know what other disasters will come down between the time I finish this column and the time it is published, but I thought it might be useful to look for some silver linings or unexpected developments. So here goes.

Did you see where Ralph Nader has taken up shareholder activism again? Few people remember Nader's early and influential shareholder campaigns at **General Motors** in the early 1970s. He is, of course, best known for his role as a consumer advocate and as a presidential also-ran who siphoned off enough Democratic voters in 2000 to enable George W. Bush's election. Now Nader has a new target: **Cisco Systems**.

In an interview with the *Wall Street Journal*, Nader disclosed that he owns 18,000 shares of Cisco, now worth about \$288,000. Nader is a longtime Cisco shareholder. When he was running for President a decade ago, his stake was worth \$1 million – and Ralph doesn't appreciate this performance. In June he shot off a letter to Cisco's longtime CEO, declaring that it is time for him to do something for the long suffering shareholders. He suggested a special dividend of \$1 a share and an increase in the regular dividend from 24 cents a year to 50 cents. "If they can't give shareholders value, they have to give cash," said Nader.

Ralph Nader becoming a crusader for shareholders – who would have thunk it? Nader was, of course, one of the first to use the proxy statement to advance social issues – he mounted a campaign against General Motors in 1970 – but this marks the first time he has gone to bat for shareholders who have seen their

stock languish for more than a decade. He may have opened up a new career path for himself.

One of my favorite companies is the Seattle-based specialty department store chain, **Nordstrom**, one of only four companies that have graced every list Robert Levering and I have done since 1984 identifying the "100 Best Companies to Work For" in America. Nordstrom has stores all over the country but it has never found a way into New York City – until now. In August it opened a store in Soho called Treasure & Bond. It's less than one-tenth the size of a regular Nordstrom and it has a different mix of merchandise – housewares and rugs, for example. The idea is to give the company some experience in the New York market. A Nordstrom store will follow later on.

But here's the interesting feature of Treasure & Bond: *all* the profits will go to children's charities.

I always look forward to the weekend edition of the *Financial Times*, where the third page of the second section is devoted to an interview over lunch with someone prominent from academia, the arts, politics or business. In August, staff writer Peter Aspden took Diego Dalla Valle to lunch at the celebrated Milanese restaurant, Il Bareto al Baglioni. Dalla Valle runs the luxury goods company, **Tod's**, founded by his family in the early years of the twentieth century.

For lunch they both had my favorite Italian dish, veal Milanese washed down with a Montalcino red. They rarely prepare it anymore in Italian restaurants in America. Because of its shape, it's sometimes called "elephant's ear."

Tod's recently pledged €20 million to support the restoration of the Roman Colosseum, the most visited tourist destination in Italy. Work starts in September and will take two to three years. When completed, it will look just the way it did centuries ago. Dalla Valle explained this investment as follows: "We have an obligation to do things for our country. To create a sense of solidarity. Our country is made by proud Italians."

In the United States corporations put their names on ball parks. Dalla Valle promises that Tod's will not commercialize its restoration of the Colosseum. We can all subscribe to his idea of what a corporation should be about. 

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Milt Moskowitz is a journalist and author who has been writing about corporate social responsibility since 1968. He is co-author of the annual *Fortune Magazine* survey, "The 100 Best Companies to Work for in America," and the author of *The Executive's Almanac: A Diverse Portfolio of Eclectic Business Trivia* (Quirk Books, 2006).



## 2011 Proxy Season Wrap-up (continued)

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the first time, while the number of proposals receiving less than 20 percent continued to decline.” Five received majority votes.\*

### Environmental Advocacy

Roughly half of our 2011 engagements focused on the environment or environmental health matters.

Concerned with the environmental health risks and water-intensiveness of hydraulic fracturing, Trillium filed a shareholder proposal at energy company **Anadarko Petroleum (APC)**, which has large drilling operations in Pennsylvania. Following a productive dialogue, we withdrew it when the company agreed to expand and improve its public reporting on hydraulic fracturing.

Dialogue with **Costco (COST)**, the warehouse-style consumer products retailer, produced a substantially improved seafood sustainability policy. Costco will stop selling twelve wild species identified as ‘at great risk’ by the Marine Stewardship Council, up from seven. Costco is also partnering with reputable nongovernmental organizations to come into compliance with best practice standards for shrimp and salmon aquaculture.

We withdrew a shareholder proposal at the food distributor **Sysco Corporation (SYY)** after the company agreed to participate in the Carbon Disclosure Project, the Carbon Disclosure Project Water Survey, and to fully develop its sustainability strategy to include water scarcity and sustainable agriculture.

Trillium worked to ward off the construction of the proposed Pebble Mine in Bristol Bay Alaska. Proposed by the U.K.-based **Anglo-American (AAM.SW)**, Pebble Mine, if built, would be the largest open pit mineral mine in North America. It would generate billions of tons of mining waste to be held behind a massive system of dams in a highly earthquake-prone area – and one that happens to be the breeding grounds for the largest sockeye salmon run in the world. Currently the Environmental Protection Agency (EPA) is reviewing the proposed mine to determine whether it should veto the project under its Clean Water Act authority. In April Trillium organized a group of shareholders, representing \$170 billion of assets under management, to publicly issue a joint statement calling for the agency to protect this vitally important national resource. Within 48 hours of posting, EPA staffers requested a meeting with Trillium.

### Corporate Political Spending

In 2011, shareholders expressed their deep discomfort with corporate political spending more strongly than ever before. In the spring, forty-six percent (46%) of votes cast by **Halliburton (HAL)** shareholders supported our proposal for greater transparency and oversight at the energy services company, as did 44% of the vote at **State Street (STT)**. And for the first time, a resolution of this type received a majority vote (at mobile phone com-

pany **Sprint Nextel**, courtesy of the New York City Employees Retirement System).

Early last August, Trillium was part of a shareholder group that reacted swiftly to the revelation that a number of Minnesota companies had given substantial contributions, via a business front group, to a gubernatorial candidate with extreme anti-gay views. As protestors demonstrated at its stores, **Target Corporation (TGT)** became the focus of a nationwide boycott that received generous media attention during a slow news month. Within days of the initial revelations, Trillium filed shareholder resolutions at Target, **Pentair (PNR)**, **Best Buy (BBY)** and **3M (MMM)** calling for a review of existing political donations policies and tighter oversight of the reputation and other risks incurring from them.

These companies’ ill-considered donations represented a betrayal, intentional or not, of these companies’ commitment to valuing diversity. They also illustrate the widening reach of corporations in the wake of *Citizens United*, the 2010 Supreme Court decision that removed significant barriers to corporate political involvement. Except at 3M (where our resolution gained 31 percent of the vote), the resolutions were eventually withdrawn at all of the companies after they demonstrated that they had improved their oversight of political contributions and the procedures in place for vetting potential recipients. A multiyear national shareholder campaign coordinated by the Center for Political Accountability has resulted in the adoption of best practices in political disclosure by 88 companies, including more than 50 in the S&P 100.

Most experts expect “independent” groups’ political spending to reach record levels in 2012. Independent groups, many of which receive corporate funding, are not allowed to coordinate with campaigns, but enforcement is lax.

### Conflict Minerals

“Conflict minerals” are those whose proceeds finance fighting by armed groups in war-torn regions, particularly the Democratic Republic of the Congo (DRC). Trillium took part in a meeting with the Securities and Exchange Commission (SEC) to discuss proposed rules on conflict minerals mandated by the passage of the Dodd-Frank Financial Reform Act. Several of the recommendations we supported were included in the SEC’s recently proposed new rules.

In February, Trillium was part of an investor coalition representing nearly \$200 billion in assets that released a statement calling on companies to condemn the use of minerals whose trade promotes the conflict in DRC, and take immediate steps to eliminate them from their supply chains. Trillium also lob-

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\* ISS U.S. Proxy Season Review 2011: Environmental and Social.



## Dialing Up Sustainability *(continued)*

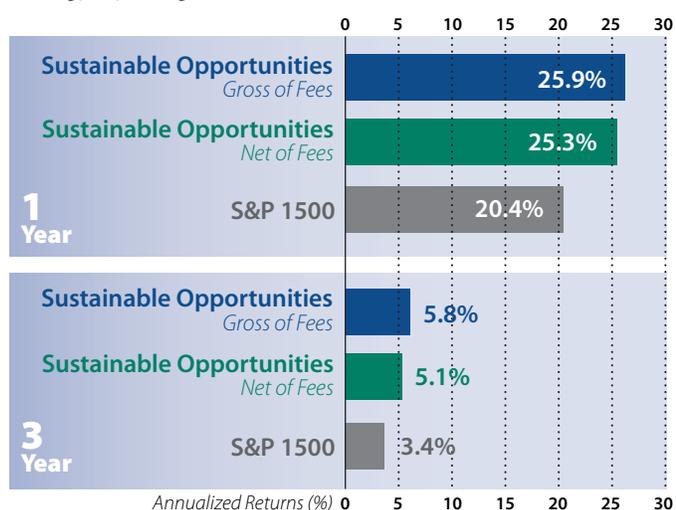
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### Investment Process

For nearly three decades, Trillium has pioneered products that combine both negative and positive sustainability criteria, culling out the best names in the investable universe. But Sustainable Opportunities sets the bar higher. To make the cut, a company must demonstrate it is directly creating positive change in one of three core areas: Economic Empowerment, Green Solutions, and Healthy Living. The thematic approach avoids companies significantly involved in fossil fuel production and distribution.

The portfolio team is led by Laura McGonagle, CFA, who has been with the firm for 10 years and has covered companies in the healthy living space since 1998. Like all of our products, the investment strategy is driven by rigorous fundamental analysis from a team of analysts looking for companies with strong growth prospects that are also trading at reasonable valuations. Sector experts embed an examination of key sustainability drivers into the full analysis of expectations for long term company financial performance – with a focus on how these drivers impact both risk and opportunities. But with the SO portfolio, we shift the emphasis to highlight the opportunities side of the equation. Trillium CEO Matt Patsky says, “At Trillium we believe that the companies revolutionizing the fields of energy efficiency, clean energy, sustainable agriculture, and preventive medicine will have the highest growth prospects and benefit from profound secular changes in the global economy.”

While the strategy is benchmarked to the S&P 1500, the SO strategy, by design, takes bets that deviate from the benchmark.



*Annualized returns for Trillium Asset Management® Sustainable Opportunities Equity composite, through 07/31/11. Past performance is no guarantee of future returns. Every investment carries the potential for both profit and loss. Please contact Trillium for a complete list of disclosures.*

As a thematic, high-conviction approach, SO has higher tracking error and fewer holdings than our other portfolios, as well as no set sector constraints. In addition, SO has higher international exposure than our core domestic strategies, at roughly 20 percent of the portfolio. Along with great individual client interest in SO, we are also seeing increasing institutional consultant interest in this strategy – particularly from consultants looking to pair it with a passive index product in a core satellite approach. SO has emerged from its incubation period as our fastest growing investment strategy, with nearly \$50 million in assets under management.

### Company Stories

Current holdings in the portfolio range from large companies with deep sustainability commitments, like **Intel**, **Google**, and **Whole Foods**, to smaller companies with a specialized focus on a particular product niche, such as **Green Mountain Coffee Roasters**, **Johnson Controls**, **EcoLab**, **Fresenius**, **Waters Corporation**, and **Zipcar**.\*

**Johnson Controls, Inc. (JCI)** – Based in Milwaukee, Wisconsin, Johnson Controls is known as a leader in automotive interiors, such as seating and door panels. But the company has also established leading businesses in two core sustainability areas: batteries for hybrid and electric cars and high-efficiency heating and cooling systems for commercial buildings. The company’s building efficiency unit, for example, is responsible for reducing the carbon dioxide emissions of other companies’ buildings by 15 million metric tons since 2000, while generating savings of \$7.5 billion. The company recently partnered with the Rocky Mountain Institute and the Clinton Climate Initiative on a demonstration project to make the Empire State Building more efficient, with total energy savings of 38 percent a year.

**Fresenius Medical Care (FMS)** – Based in Bod Hamburg, Germany, Fresenius is the world’s leading kidney dialysis company. With 2,757 locally-based dialysis clinics in North America, Europe, Latin America, Asia-Pacific and Africa, Fresenius helps more than 214,000 dialysis patients around the world gain easier access to treatment. The company serves a growing population of people with chronic renal failure. Two million people worldwide suffer from this condition, which is increasing 5 to 7 percent per year due to greater life expectancy, and the growing prevalence of diabetes and high blood pressure. The company’s new generation of dialysis machines have eco-efficient features that reduce the water and electricity required for operation by 30 percent.

**ZipCar, Inc. (ZIP)** – Based in Cambridge, Massachusetts, ZipCar provides an alternative to car ownership. Individuals become members to participate in a car-share, where they pay a fixed price

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\* The use of specific companies does not represent investment advice. They are used as examples to assist in the explanation of the SO investment process.



## Merged or Not, AT&T Still Threatens Net Neutrality

Jonas Kron, JD

The U.S. Department of Justice's (DOJ's) announcement in August that it will try to block the proposed AT&T/T-Mobile merger in federal court is highly welcome news. One thing to keep in mind, however, is that even if the government is successful, AT&T's will still be trying to squash net neutrality – the principle that it cannot privilege, degrade or prioritize information transmitted over its wireless infrastructure based on its source, ownership or destination.

The DOJ upended the story of inevitability that AT&T was asserting about its \$39 billion purchase of T-Mobile, arguing that AT&T's elimination of T-Mobile as an independent, low-priced rival would remove a significant competitive force from the market, and would:

*Result in tens of millions of consumers all across the United States facing higher prices, fewer choices and lower quality products for mobile wireless services. Consumers across the country, including those in rural areas and those with lower incomes, benefit from competition among the nation's wireless carriers, particularly the four remaining national carriers.*

The deal would have been particularly bad for minorities. The National Hispanic Media Coalition reports:

*Latinos pay the highest rates on AT&T, averaging bills of \$120 per month, and the lowest on T-Mobile, averaging \$102. Thus, it should be no surprise that approximately 21–25 percent of T-Mobile's 34 million customers are Latino, compared to 12 percent of AT&T's customers. If this acquisition were approved, T-Mobile customers would have fewer choices for pricing plans and devices and would be subject to AT&T's documented history of poor customer service.*

The DOJ action is a strong rebuke to the corrosive influence of mammoth lobbying budgets. AT&T had pulled out all the stops in its lobbying efforts, and it is no small victory of the rule of law over political spending that this tactic appears to have failed. Bloomberg reported that the company boosted its spending on lobbying by 30 percent to \$11.7 million in the first six months of 2011 (from the same period last year) as it sought regulators' blessing for the merger. Its political action committee, which distributes money raised from employees, gave over \$800,000 to federal candidates in 2011, more than any other company, according to the Center for Responsive Politics.

By many indications, despite AT&T's pledge to fight the DOJ to the bitter end or try and negotiate a settlement, the proposed mergers seems on the path to failure. The highly respected telecom analyst Craig Moffett of Bernstein Research concluded in the wake of the DOJ's announcement that the deal "can be considered all but definitely dead."

But even if the deal is dead, a problem of great concern remains – the movement of the US wireless internet access market toward a duopoly in which AT&T and Verizon act as gatekeepers to the Internet with the power to exercise discriminatory pricing. Without net neutrality, AT&T and Verizon would have powerful economic incentives to promote the content of their "partners" – big content producers, like Disney, NBC and NewsCorp, from whom they can charge higher prices, while offering slower, inferior service to small, independent or politically controversial voices that are unwilling or unable to "pay to play".

In support of net neutrality, the California chapter of the National Organization for Women stated, "The Internet is one of the few ways left for ordinary people to make their views heard in a national forum. Organizations, coalitions and individuals from underserved and underrepresented groups can use the web to get their issues and voices heard. If content from large corporations gets priority, what happens to these voices?" The Internet is has become the public square of the 21st century and it must be protected as a resource for all of us.

This is why we will continue to press AT&T and Verizon through shareholder proposals to make meaningful and specific commitments to respect net neutrality – the principle that they cannot privilege, degrade or prioritize information transmitted over its wireless infrastructure based on its source, ownership or destination.

As the lawsuit and potential settlement negotiations proceed this fall and winter, we will be making our case to AT&T and Verizon shareholders that for the good of our society, our economy, and yes, the individual companies, that they should adopt and abide by strong net neutrality principles. 

Sources: U.S. Department of Justice Press Release, August 31, 2011 ([www.justice.gov](http://www.justice.gov)); National Hispanic Media Coalition ([www.nhmc.org](http://www.nhmc.org)); *Financial Times*, September 1, 2011; OpenSecrets blog, August 31, 2011 ([www.opensecrets.org](http://www.opensecrets.org)); California National Organization for Women statement, November 23, 2010 ([www.canow.org](http://www.canow.org)).



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bied for the passage of landmark legislation in California that will ban companies that do not comply with the SEC's disclosure requirements for conflict mineral from bidding on state contracts. The legislation passed the Senate in June and is currently pending in committee.

### Internet Privacy and Freedom of Expression

CenturyLink (CTL), the nation's third largest telecommunications company, finally owned up to its responsibilities regarding Internet privacy and freedom of expression. Trillium's well-supported 2009 and 2010 shareholders proposals (both received about 30 percent of the vote) had asked the company to report on how it would avoid violating Internet users' privacy. (Comcast had done business with an online advertising company that secretly monitored Internet users' browsing activities.) In exchange for the withdrawal of our 2011 resolution, CenturyLink agreed to incorporate privacy and freedom of expression responsibilities into its governing documents.

Trillium's 2011 shareholder proposals on "net neutrality" at AT&T (T), Verizon (VZ) and Comcast (CMCSA) were excluded from the companies' ballots with permission from the Securities and Exchange Commission, on the grounds that

they focused on "ordinary business." We were pleased, however, that U.S. Senators Al Franken (D-MN) and Ron Wyden (D-OR) wrote to SEC Chairman Shapiro to object to the decision, insisting that "whether the government will preserve and protect today's free and open Internet is the telecommunications and free speech issue of our time." We plan to re-file on net neutrality in 2012.

### Workplace Protections for Lesbian, Gay, Bisexual and Transgendered Workers

In 2010, we worked with the Equity Foundation to file a shareholder proposal at Gardner Denver (GDI), asking the manufacturer to include sexual orientation and gender identity expression to its nondiscrimination policy; it garnered the support of 49 percent of shareholder votes. To our surprise, it was necessary to re-file the proposal in 2011, but the resubmission spurred the company to implement our proposal, which we then withdrew. In contrast, **Lowes Corporation (LOW)** responded very positively and quickly to our request.

Visit [www.trilliuminvest.com](http://www.trilliuminvest.com) to see the results of all of Trillium's 2011 resolutions. 

## Dialing Up Sustainability *(continued)*

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to use a car for a specified period of time, with gas included. The company estimates that each ZipCar takes 15 owned vehicles off the road and that members drive fewer miles – with 90 percent of members driving 5,500 miles or less per year. Members save more than \$500 a month versus traditional car ownership. Many take advantage of access to the company's growing fleet of hybrid and plug-in models, allowing them to test and promote the new technology. In April, the company's initial public offering raised \$174 million to fuel further expansion efforts beyond its current 605,000 members and more than 9,000 vehicles. (See our related story on Page 2.)

### Advocacy Approach

With a portfolio of change-makers, our advocacy focuses on the emerging challenges that come from breaking new ground. Shelley Alpern, Director of ESG Research and Shareholder Advocacy, says: "Companies in the vanguard can encounter challenges for which there's no standard blueprint for action and by default, their actions set a precedent. During this process, we're encouraging them to establish new leadership standards rather than simply muddle through." For example, under pressure from Trillium, other social investors, and human rights advocates, Intel (INTC) and Dell (DELL) are among a number of technol-

ogy companies working together to create a verification process for Congolese mineral smelters that use "conflict free" metals. We are also participating in the Global Network Initiative, a multi-stakeholder group, alongside companies like Google (GOOG), to develop protocols to protect freedom of speech and privacy on the internet.

The second theme that runs through our advocacy in the SO portfolio is pressing companies that are standouts in particular areas to broaden their sustainability goals, or to become better at publicly reporting their achievements. We pressed former SO holding Chipotle Mexican Grill (CMG), a leader in serving hormone-free sour cream and antibiotic-free meats, to adopt stronger pesticide reduction goals. We also urged past holding Whole Foods Market (WFM) to reconsider its longtime anti-union stance.

### Conclusion

By investing in tomorrow's leaders, the SO strategy makes a strong case that focusing on sustainability can indeed help drive investment returns. We are optimistic that our newly minted 3-year track record will help a growing number of investors realize that this type of thematic investing should be an integral part of their investment portfolio. 

## What's In Your College's Wallet?

## GUEST COLUMN

by Dan Apfel, Executive Director, Responsible Endowments Coalition

Do you know what's in your investment portfolio? If Trillium manages your investments, you probably do. You have likely also thought about your values, and are confident that your money is working to have a positive impact through shareholder activism and investing in low-income communities and sustainable businesses.

But do you know what's in your alma mater's portfolio? Your donations to your university's endowment support its operations for years to come.

Across the country university presidents have focused on greening their campuses. LEED-certified buildings have been built at many schools, alternative sources of energy from wind to methane digesters are being installed, and hundreds have signed up to the Presidents' Campus Climate Commitment. These efforts certainly conform to the standard vision of college in America as an idyllic bastion of thoughtful, liberal consideration, where research and teaching are done and administrations make carefully considered decisions in the best interests of their students and stakeholders.

Yet investment policies have lagged, perhaps because investment decisions are often detached from the general campus culture. In some cases the offices are even hundreds of miles away.

Institutions of higher education are 501(c)3 public-benefit institutions with a mission of education and research and an obligation to serve the broader community. One can envision a world where colleges invest money locally in their community and in sustainable investments worldwide, fulfilling their broader mission while still make substantial investment returns.

The **Responsible Endowments Coalition** (REC) is working to make that vision a reality while training the next generation of responsible investment leaders. REC works with students, faculty and administrators to promote responsible investing of all kinds, from shareholder engagement to community investment.

In one recent example, students from Carleton College in

Minnesota represented the school's Responsible Investment Committee at a recent annual meeting of **3M Corporation**. They spoke in support of a shareholder resolution addressing the company's political contributions policy, which lags substantially behind those of many other companies.\* Their outspokenness garnered substantial press in the local media, drawing attention to the company and the school, where otherwise the topic may have gone without much coverage.

Students who are involved in responsible investment gain substantial experience working with administrators and confronting corporate power. They leave school to become leaders who understand the power of money and how to use it to do good things.

In another example, students at Fordham University saw the great disparity between the school and its Bronx neighborhood. They describe the school as "a beautiful campus with walls" and have been disappointed with its relationship to the community. The student group Fordham For The Bronx pressed the university to invest money into community development financial institutions – community controlled organizations that provide better services to low-income communities.

Students from Fordham attended REC's conference at Columbia in the fall of 2010, organized teach-ins and events on campus, and after building student support, successfully convinced their administration to invest \$500,000 in two community investment institutions in the Bronx, **Bethex Federal Credit Union** and **Amalgamated Bank**.

Higher education's \$350 billion dollars in endowments is money that should be aligned with its mission.

REC is advocating nationally for responsible investment at colleges and universities, but these institutions need to hear from their graduates as well.

To press your alma mater (or your child's) to change its policies, write to your university's president when you make your next donation. For more information visit REC at [www.endowmentethics.org](http://www.endowmentethics.org)

\* The proposal was co-sponsored by Trillium Asset Management and Walden Asset Management.

### Dear Reader *Continued from page 1*

Sustainability Opportunities product turned three. By investing in innovative companies providing answers to sustainability challenges, we are helping to direct capital to companies moving ahead of the curve. In the autumn of 2009, I was proud to represent Trillium as a founding member of Slow Money, an organization which is working to "accelerate the transition from an economy based on extraction and consumption to an economy based on preservation and restoration." This organization continues to have a profound impact by bringing like minded investors together in the aim of building a community to change capital markets. I will be speaking at third annual Slow Money Gathering which is taking place in San Francisco on October 12–14 and hope to see you there.

So after two eventful years, I look back on our progress and truly believe we have never been better positioned to live up our goal of combining performance and impact for our clients. I hope you agree.

