



## ENVIRONMENTAL

### Climate Change

Implementation of the Paris Accord remains critically important despite President Trump's decision to withdraw the United States from the agreement. Trillium Asset Management joins the global investor community in continuing support of the Paris Accord and therefore, pushing companies to focus on climate change continues to be a high priority for Trillium. At **Tractor Supply Company**, our shareholder proposal led the company to commit in February to setting greenhouse gas (GHG) reduction goals (scope 1 and 2) by the end of 2018. Our proposal at **United Parcel Service, Inc.** (co-filed with Zevin Asset Management) urging the company to set renewable energy targets was withdrawn after the company committed to explore a renewable energy goal as part of a revamp of its overall climate strategy. In February the company announced plans to invest \$18 million in on-site solar generation at its facilities. Finally, we re-filed a renewable energy proposal at **The J.M. Smucker Company** in April and will be working to increase shareholder support beyond the 28.4% vote it received in August 2016.

We successfully used shareholder proposals at natural gas company **EOG Resources** to press the company to reduce methane emissions, an extremely powerful greenhouse gas. After filing a shareholder proposal and engaging in constructive dialogue, we were able to persuade EOG Resources in January to commit to disclosing its methane emissions as a percentage of its production, an important metric to assess the leakiness of its systems. Combined with previously agreed to disclosures, we now have years of data demonstrating that EOG Resources' greenhouse gas intensity, fugitive emissions intensity, methane intensity, and methane as a percentage of production are all trending downward.

### Sustainability Reporting

We encourage companies to produce comprehensive sustainability reports and this year focused on three companies: **Chipotle Mexican Grill, Inc.**, **Middleby Corporation**, and **A.O. Smith Corporation**. In February,

after years of dialogue and filing shareholder proposals at Chipotle, we were able to successfully withdraw our shareholder proposal (co-filed with Domini Impact Investments) when the company committed to a robust list of disclosures it plans to include in its first sustainability report. Similarly, we were able to withdraw our proposal over the winter at water heater manufacturer A.O. Smith, when it committed to sustainability reporting disclosures late this year. At Middleby, a manufacturer of foodservice kitchen equipment, the proposal went to a vote and received a remarkable 44.6% vote at the May annual general meeting.

### Sustainable Agriculture

Continuing our work on pesticides and pollinator health, we led a shareholder engagement with **Costco Wholesale Corporation** asking the company to address the issue in its supply chain. Following a prolonged series of conversations with the company, Costco adopted a "Live Goods Policy to Protect Pollinator Health" and published it on its website in January. The policy encourages suppliers of garden plants to limit the use of bee-harming chemicals including neonics, a chemical of particular concern to wild and managed pollinators. Our shareholder proposal at **PepsiCo\*** addressing pesticide use on environmental and human health (co-led with The Sustainability Group) received a 9.0% vote at the company annual meeting in May. Finally, in February we filed a similar shareholder proposal at The J.M. Smucker Company on behalf of our clients, which is expected to go to a vote in August.

Food waste continues to be a place where Trillium demonstrates leadership on what has been called "our dumbest environmental problem." Following a productive set of meetings with **Target Corporation** over the winter, the company has committed to addressing the issue in partnership with a leading environmental group. This allowed us to withdraw the shareholder proposal with an additional commitment to data transparency and a thorough discussion of food waste targets in the next sustainability report. We also continue to build investor support at **Whole Foods Market**, where we were able to increase support for our shareholder proposal to 30.4%

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*\*In addition to engaging with approved companies on our buy list, Trillium also conducts advocacy on selected companies (identified with an "\*\*") that 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.*

in February, up from 28.0% last year. [Our paper](#) with the Natural Resources Defense Council on food waste published in April has provided the industry a road map for how to take action on this issue.

## SOCIAL

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### Workplace Diversity

Research indicates that a diverse and inclusive workforce with strong family-friendly policies is good for business. As a 2015 report from McKinsey and Company illustrates, “Companies in the top quartile for racial and ethnic diversity are 35 percent more likely to have financial returns above their respective national industry medians.”<sup>1</sup> Employees are paying more attention to these issues and expect companies to take a proactive approach to fostering an inclusive workplace. For these and related social and financial reasons, we filed shareholder proposals with **F5 Networks, PNC Financial Services Group Inc., Fifth Third Bancorp, Aflac Incorporated, T. Rowe Price Group Inc., The Travelers Companies, Inc., Jones Lang LaSalle Incorporated, and First Republic Bank** asking the companies to publish their EEO-1 data and to disclose more information on their diversity programs and policies. Throughout the spring we have been able to successfully withdraw proposals at F5 Networks, Jones Lang LaSalle, Fifth Third, and Aflac as these companies agreed to expand disclosure around diversity policies and programs and to release annual workforce diversity data. The remainder of the proposals will be going to a vote shortly or have gone to a vote, with strong results such as the 36.8% vote at T. Rowe Price Group in April, a 32.8% vote at First Republic Bank in May, and a 36.4% vote at Travelers also in May.

### LGBT Equality

Continuing our decades-long work on corporate LGBT non-discrimination policies, we have successfully engaged **EOG Resources, Verisk Analytics, and Dentsply Sirona, Inc.** In February, as requested in our shareholder proposal, Verisk finalized changes to its equal employment opportunity (EEO) policy after committing to revise its Code of Business Conduct and Ethics to include discrimination protections based on sexual orientation and gender identity. EOG Resources and Dentsply Sirona also updated their non-discrimination policies to cover transgendered employees.

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1. Hunt, V., Layton, D., Prince, S. “Why diversity matters,” McKinsey & Company. 2014. Retrieved from <http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

Combined, these companies employ over 35,000 people, all of whom benefit from an inclusive workplace.

In March, we were able to withdraw our shareholder proposal at **BlackRock, Inc.\*** on the risks associated with the nation’s largest asset manager not voting its trillions in assets in support of LGBT non-discrimination policies. The withdrawal came after the company, with input from Trillium, issued its 2017-2018 engagement priorities, which recognize the importance of an inclusive workplace and indicates that BlackRock’s long standing resistance to supporting LGBT non-discrimination proposals may be finally coming to an end.

In February, Trillium and the New York City Comptroller led a group of \$11 trillion in assets to speak against the proposed “bathroom bill” in Texas, Senate Bill 6. This was one of the largest collections of investors speaking with a unified voice on any issue. Our [CNN op-ed](#) co-authored with the New York City Comptroller regarding Texas Senate Bill 6 reached thousands of readers and helped slow the legislation.

### Indigenous Peoples

On the issue of Indigenous Peoples’ rights and the Dakota Access Pipeline, we were honored to work with the Oneida Tribe of Indians of Wisconsin, the New York State Common Retirement Fund, and the Unitarian Universalist Association on a shareholder proposal at **Marathon Petroleum Corp.** asking the company to reexamine its human rights policies and practices. The proposal at Marathon Petroleum, a 9% owner of the pipeline, received a very strong 35.2% vote in April. The Dakota Access Pipeline is one leading example of the risks associated with controversial, high-profile fossil fuel projects. Financial institutions that back the companies behind such projects are also subject to significant risks. As such, Trillium filed a proposal at **Bank of America Corporation** that started an insightful (and on-going) discussion around the bank’s financing of the companies behind the fossil fuel projects that pose the greatest environmental and social risks.

## GOVERNANCE

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### Board Oversight

Recognizing the growing emphasis on board oversight of management and seeking to address our growing concern about product quality and safety, we filed shareholder proposals late last year at medical device manufacturing company, **Zimmer Biomet Holdings, Inc.** and pharmaceutical company **Merck & Co., Inc.** After numerous dialogues with leadership at Zimmer Biomet the Board agreed to take a number of important

## 2016–2017 Trillium Shareholder Resolutions Filed

	COMPANY	TOPIC	RESULT	LEAD FILER
ENVIRONMENT	Middleby Corporation	Environmental sustainability	44.6%	Trillium
	Costco Wholesale Corporation	Food Waste	Successfully withdrawn — commitment to improve reporting and continue dialogue on the issue	Trillium (co-led with Green Century)
	Whole Foods Market	Food Waste	30.4%	Trillium
	Target Corporation	Food Waste	Successfully withdrawn — commitment to expanding food waste related disclosures in its 2017 Corporate Social Responsibility Report	Trillium
	Bank of America Corporation	Fossil Fuel Financing	Successfully withdrawn — commitment to continue substantive dialogue on this issue	Trillium
	A.O. Smith Corporation	GHG Emissions	Successfully withdrawn — commitment to update and expand sustainability reporting in 2017	Trillium
	Tractor Supply Company	GHG Emissions	Successfully withdrawn — commitment to set company-wide GHG reduction goals by the end of 2018	Trillium
	Verizon Communications Inc.	GHG Emissions	15.0%	Trillium
	EOG Resources	Methane Emissions	Successfully withdrawn — commitment to improve its methane emissions disclosures	Trillium
	PepsiCo*	Pollinator Protection	9.1%	Trillium (co-led with the Sustainability Group)
	The J.M. Smucker Company	Renewable Energy	28.4%	Trillium
	United Parcel Service, Inc.	Renewable Energy	Successfully withdrawn — commitment to explore renewable energy goals for facilities and to join a group of investors in an intensive dialogue on climate change in 2017	Zevin Asset Management
	Chipotle Mexican Grill, Inc.	Sustainability Reporting	Successfully withdrawn — commitment to issue first sustainability report in 2017	Domini Impact Investments
SOCIAL	Marathon Petroleum Corp.	Environment & Human Rights	35.2%	Oneida Elder Trust
	The J.M. Smucker Company	Human Rights	Successfully withdrawn — commitment to improve social compliance program	Trillium
	Verisk Analytics, Inc.	LGBT Non-discrimination	Successfully withdrawn — revised Code of Business Conduct and Ethics to include gender identity	Trillium
	EOG Resources Inc.	LGBT Non-discrimination	Successfully withdrawn — commitment to include gender identity in non-discrimination workplace policies	Trillium
	Dentsply Sirona Inc.	LGBT Non-discrimination	Successfully withdrawn — revised equal employment opportunity policy to include protections based on gender identity and expression	Trillium
	Chipotle Mexican Grill, Inc.	Minimum Wage Reform	Successfully withdrawn — commitment to issue statement on its position on public policy issues, including minimum wage policy	Trillium
	Home Depot Inc.	Minimum Wage Reform	Omitted by SEC	Trillium
	The TJX Companies, Inc.	Minimum Wage Reform	Omitted by SEC	Trillium
	CVS Health Corporation	Minimum Wage Reform	Omitted by SEC	Zevin Asset Management
	FedEx Corporation*	NFL Team Controversy	Omitted by SEC	Oneida Tribe of Indians of Wisconsin
	Verizon Communications Inc.	Privacy & Data Security	Omitted by SEC	Trillium
	Merck & Co., Inc.	Product Quality and Safety	6.8%	Trillium
	Zimmer Biomet Holdings, Inc.	Product Quality and Safety	Successfully withdrawn — commitment to set up Board Committee for product quality and safety, and prioritize and report on these issues	Trillium
	Visa Inc.	Workplace Diversity	Successfully withdrawn — commitment to disclose EEO-1 data and action plans to improve diversity and inclusion outcomes	Trillium
	F5 Networks	Workplace Diversity	Successfully withdrawn — commitment to disclose EEO-1 data, and action plans to improve diversity and inclusion outcomes	Trillium
	Fifth Third Bank	Workplace Diversity	Successfully withdrawn - commitment to expand workforce diversity reporting	Trillium
	T. Rowe Price	Workplace Diversity	36.8%	Trillium
	Travelers Companies	Workplace Diversity	36.4%	Trillium
	Aflac	Workplace Diversity	Successfully withdrawn — commitment to disclosing comprehensive workplace diversity data	Trillium
	JLL	Workplace Diversity	Successfully withdrawn — commitment to disclose annual EEO-1 data	Trillium
PNC Financial Services	Workplace Diversity	11.1%	Trillium	
First Republic Bank	Workplace Diversity	32.8%	Trillium	
GOVERNANCE	Dentsply Sirona Inc.	Board Diversity	Successfully withdrawn — commitment to strengthen corporate governance documents to board diversity inclusive of ethnicity, race, and gender	Trillium
	Xilinx	Board Diversity	Successfully withdrawn — commitment to strengthen corporate governance documents to board diversity inclusive of ethnicity, race, and gender	Trillium
	Emerson Electric	Political Spending	40.3%	Trillium
	PNC Financial Services Group Inc.	Political Spending	Successfully withdrawn — commitment to significant improvements in political spending disclosure	Trillium
	BlackRock, Inc.*	Proxy Voting Guidelines	Successfully withdrawn — issued its 2017-2018 engagement priorities, recognizing the importance of an inclusive workplace	Trillium

steps which allowed us to withdraw the proposal in March. The Board established explicit Board Committee responsibility for oversight of product safety and quality in the charter of the existing Research, Innovation and Technology Committee of the Board, which was re-named to incorporate the word “Quality.” The Board also agreed to prioritize product safety and quality subject matter expertise as an important competency and attribute in its next new director search. Finally, the Board bolstered public disclosures related to product safety and quality in its 2017 Annual Report, Form 10-K, and Proxy Statement. Our proposal at Merck received a 6.8% vote in late May.

## Political and Lobbying Spending

In February, following a series of conversations with **PNC Financial Services Group**, we were able to withdraw a shareholder proposal when the company committed to disclosing dues paid to trade associations such as the U.S. Chamber of Commerce. Those disclosures were made public in May and have facilitated ongoing discussions about the wisdom of indirect political spending through groups opposed to climate change policies. At **Emerson Electric** we increased our vote on political spending disclosure from 31.4% up to 40.3% in February even though the company had made valuable, but modest, improvements over the last year. Our proposal sought disclosure of indirect political spending through organizations which use the IRS rules to avoid transparency. We believe this significant increase in the vote is strong evidence that support for political spending disclosure may be reaching a tipping point.

## Board Diversity

In February we filed a board diversity proposal at **Xilinx**, which has only one woman on the board, asking the company to commit to including women and underrepresented minority candidates in every pool from which Board

nominees are chosen. At **Vopak**, following our dialogue, which started in 2016, the company announced the appointment of H.B.B. Sørensen (Hanne), former CEO of Damco International B.V. and Maersk Tankers, as the first woman to its six member Supervisory Board. Unsatisfied with 11% women in its leadership ranks, this Netherlands-based materials distributor set a 20% by 2020 goal for women in senior positions.

Alongside our colleagues at New York State Common Retirement Fund, Mercy Investments, Calvert, and Sonen Capital, we were able to withdraw our proposal at **Dentsply Sirona Inc.** in April when the company agreed to include gender and racial diversity in its nominating committee charter and to commit to ensure candidates with ethnic, racial, and gender diversity are included in each pool of nominees when it refreshes its board.

## POLICY

In a remarkable effort by many actors, the Senate rejected an attempt to rescind an Obama administration rule which was designed to reduce methane leaks by oil and gas companies operating on federal lands. Trillium, Sonen Capital, and Miller-Howard Investments published a [March op-ed in \*The Hill\*](#) which argued that the rules provide the necessary encouragement for companies to be prudent with public energy resources, rather than squander a saleable product. Prior to the rule’s implementation, oil and gas investors saw more than \$1 million worth of natural gas wasted every day by venting and flaring methane into the atmosphere. Trillium was pleased to have met with a number of important Senate offices over the winter to explain that methane is a super-powered greenhouse gas, with an impact on global temperature approximately 84 times that of carbon dioxide over a 20-year period. This case represents a strong victory that we believe will serve as a model for other policy advocacy in the future.

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