



Privacy and data security have quickly become one of the most critical business and social issues of our time. Trust is critical for any business, but especially for companies that routinely gather massive amounts of personal data concerning and affecting the lives of hundreds of millions of people in the U.S. and around the world.

If people, companies, and governments mistrust how companies handle sensitive information, it may cause them to take their business elsewhere—or to curtail their online spending, negatively impacting the economy. In addition, when people lose trust in their communication networks, they're less likely to speak out on critical social issues.

A healthy democracy is a critical engine of economic growth. The willingness of consumers and businesses to take full advantage of the Internet influences economic growth as well as social policy. This is particularly true as the knowledge economy and the benefits of an Internet-connected business, political, and social life increases. Additionally, fundamental to democracy is the freedom of thought, self-determination, and broad civic participation. When citizens feel constrained by government and corporate overreach into their private activities and decisions, these fears and the accompanying feelings of disempowerment can impede the full and healthy functioning of our democracy.

How companies use and protect customer information can have financial consequences. Companies in possession of personally identifiable information are prime targets for criminals that exploit the data they steal from companies. For example, investors can only speculate about what Target's enormous 2013 security breach will eventually cost the company. Companies are also subject to financial risk when they are associated with government surveillance. We know that IBM, Microsoft, and other companies are incurring costs to establish data centers overseas in an effort to increase the security and confidentiality of their services, as well as to boost customer confidence. Other companies, including Cisco and Verizon, have reportedly lost contracts and business over their connections with U.S. surveillance programs.

While it is the responsibility of our government to protect us, this responsibility must be carried out with the greatest amount of transparency and accountability possible. When it comes to intelligence gathering on hostile individuals, organizations, and other countries, the government must be

extremely careful to respect privacy and freedom of expression and to subject those activities to meaningful and overlapping accountability mechanisms. The long and ongoing history of these types of abuses that harm minorities and dissidents provide ample evidence that these protections are needed.

There is evidence that reports of government surveillance may already be hurting the U.S. economy. The Information Technology and Innovation Foundation *has estimated* that disclosures regarding surveillance programs may cost the cloud computing industry from \$21 to \$35 billion in business over the next three years if foreign customers decide the risks of storing data with a U.S. company outweigh the benefits.

Companies must use and protect personal information in a way that respects and serves people's rights and dignity. Many Internet companies want to do the same thing that the intelligence services do—understand the thoughts, feelings, and desires of as many people as possible. While the government is doing so with the goal of providing security, companies are doing it to sell goods and services. While this commercial activity can be both socially and economically beneficial, we are concerned that these new tools will be used in a predatory or exploitative manner and without the proper respect for individual civil rights.

It is with this landscape in mind that, on behalf of our clients, Trillium has engaged companies and policymakers in the following areas:

GOVERNANCE — APPLE

In December 2012, in response to Trillium's shareholder proposal regarding privacy issues, Apple Inc. (NASDAQ: AAPL) updated its Board's Audit and Finance Committee charter to include responsibility regarding regulatory, legislative, and reputational privacy risks that confront the company. Trillium's proposal, which highlighted the business and social privacy risk and impacts that come with handling personal information, sought more clarity regarding Board

Trillium's Approach to Privacy Issues

oversight of these issues. We believe these improvements to Apple's governance structure will help the company protect the privacy of its customers and will be beneficial to its business.

HUMAN RIGHTS — GLOBAL NETWORK INITIATIVE (GNI)

Recognizing the important role of multi-stakeholder organizations that can promote corporate respect for human rights to privacy and freedom of expression, Trillium joined the Global Network Initiative. With the goal of protecting and advancing the rights to privacy and freedom of expression, GNI members help each other navigate these complexities and obligations by providing them with expert guidance, shared learning, and policy engagement while ensuring accountability and transparency in the interest of global citizens.

SURVEILLANCE TRANSPARENCY — AT&T, VERIZON* & COMCAST*

After initially taking a hard line against Trillium's 2013 shareholder proposal, Verizon Communications (NYSE: VZ)

agreed to publish a transparency report on government surveillance. A day after Verizon made its announcement AT&T announced a similar plan allowing the New York State Common Retirement Fund and Trillium to withdraw an identical shareholder proposal. These announcements were followed by a

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successful engagement with Comcast (NASDAQ:CMCSA), which resulted in that company also conceding that transparency reporting was required. Publication of transparency reports such as these represents a watershed moment in the effort to curb excessive government surveillance and have

provided civil society organizations with important policy information. These reports are preliminary steps in a long-term effort to press AT&T, Verizon, Comcast, and other companies to be genuine guardians of privacy.

REPORTING ON RISK AND SECURITY — SEC PANEL ON CYBER-SECURITY

Appearing by invitation at an SEC panel on cyber-security, Trillium encouraged the commissioners to take a number of important steps toward requiring meaningful disclosure of the risks related to collecting personal data, security efforts, and consumer protections. We highlighted the risks generated by business practices and models that use personal information and discussed why companies need to be forthright about the risks they create.

Trillium will continue to work toward greater transparency reporting on privacy—while also highlighting the much broader need for companies of all types to embrace privacy rights that are beneficial to their business, our economy, and democracy.

In addition to engaging with our core portfolio companies, Trillium also conducts advocacy on selected companies identified with an "" 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.

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