



The frequency and severity of extreme weather systems continues to impact the lives of people around the globe and increasingly in our own communities. Climate change is the defining investment issue of this generation. It is no longer solely a threat to future generations. The damage to the environment, homes, livelihoods, and lives is happening today.

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 have just begun grappling with this concept, Sustainable and Responsible Investing (SRI) pioneers like Trillium Asset Management (Trillium), Portfolio 21, and Green Century Capital Management have been on the forefront of clean energy and environmental investing for decades.

Eliminating traditional energy stocks from a portfolio can create short-term impact on portfolio performance during certain time periods; particularly when energy names are moving in different directions than the market as a whole. For this reason, in Trillium's core equity strategies, such as Large Cap Core and All Cap Core, we include energy names for diversification, but seek to invest in companies that are "best in class" in the industry. This approach also creates a platform for shareholder advocacy, which we do with energy holdings in these core portfolios, as well as with our client's legacy holdings.

Many SRI investors choose to eliminate all traditional energy from their portfolios, and have found that this approach has minimal negative impact on performance over the long-term.

As a leader in the Investor Network on Climate Risk, Trillium regularly participates in efforts 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.

"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."

—Bill McKibben

TRILLIUM'S FOSSIL FUEL FREE INVESTMENT STRATEGIES

Our **Fossil Fuel Free Core** which was launched in 2007, is based on an All Cap Core strategy, and excludes all companies that produce fossil fuel-based energy, including oil and gas companies and coal-based utilities. Due to the fossil fuel restrictions, the portfolio is typically underweight in Energy and Utilities stocks.

Trillium's **Sustainable Opportunities** (SO) strategy was started in 2008 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 SO 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. We have shown that we can provide competitive returns over the market cycle while managing a conscious choice to avoid fossil fuel investment exposure.

Trillium's **Portfolio 21 Global Equity Strategy** is available both as a separate

account strategy and as a mutual fund. The Strategy has been fossil fuel free since its inception in 1999. The strategy seeks to invest in global companies that demonstrate long-term perspective through environmental leadership. The Fund's rigorous selection criteria integrates financial and environmental, social and

governance (ESG) research to seek high quality growth companies at a reasonable price, resulting in an equity portfolio that seeks positive risk-adjusted return.

The **Green Century Balanced Fund** (GCBLX) 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. It has been Fossil Fuel Free since 2005. The Balanced Fund which is sub-advised by Trillium, does not invest in the exploration, drilling, refining or production of oil, gas or coal, or other environmentally harmful businesses. 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).

TRILLIUM'S CLIMATE CHANGE ADVOCACY

In addition to co-founding Ceres in 1989 Trillium, in collaboration with other concerned investors, has been continually engaging with companies to address climate change risks. Below are some recent examples of our corporate engagements.

Energy Efficiency, Renewable Energy and Green House Gas (GHG) emission reductions: One of the most important ways investors can take action is to per-

Fossil Fuel Free Investing

suaude companies to reduce their carbon footprint and thereby lower GHG emissions and/or the rate of emissions growth.

Examples of Trillium's work in this area include the following:

- Following our shareholder proposal at **Home Depot** the company committed to source and/or produce 50MW of renewable energy by 2020.
- We successfully withdrew our proposal at **Valmont Industries** after the company agreed to provide greater disclosure around the measurement and mitigation of its GHG emissions.
- Following our shareholder proposal at **3M** the company announced its first set of renewable energy targets in its annual sustainability report.
- Our shareholder proposal at **Lowe's*** lead the company to set a scope 2 reduction goal (emissions from purchased electricity), which targets the largest portion of the company's emissions.
- At **Church and Dwight**, we were able to withdraw our shareholder proposal when the company committed to set quantitative goals for the reduction of GHG emissions in its products and operations and issue a report on how it plans to implement and achieve these goals.
- Following a withdrawal of our shareholder proposal at **Costco**, the company committed to keeping GHG emission growth below sales growth for 2015 – 2020 and to participate in the Carbon Disclosure Project.

Oil and Gas: For more than a decade Trillium has engaged companies including **Exxon Mobil***, **ConocoPhillips***, and **Apache** among others on their direct

impact on climate change. Trillium filed the very first shareholder proposal on the Alberta Oil Sands — a resolution at ConocoPhillips that lead to the company improving environmental impact disclosures. Most recently, working on the issue of methane emissions, we successfully engage with **EOG Resources** to improve disclosures and reduced emissions.

Political and Lobbying Spending: In order to allow the political and public policy processes to effectively address climate change, we believe that companies need to be transparent about their spending. Our engagement with **Halliburton***, **Hess** and **Marathon Petroleum** lead the companies to make significant improvements in their disclosures, including disclosures of trade association and other third-party conduit payments for political and lobbying spending.

Agriculture: Agriculture, including the raising of crops and livestock, is one of the greatest contributors to climate change. It is also one of the most vulnerable industries to climate change. Trillium has engaged as **General Mills** on supply chain sustainability and setting GHG targets for its agricultural supply change. Our shareholder proposal and dialogue with **Sysco** lead the company to develop a strategic plan on climate change and agriculture. Our engagement with **Smuckers** (which is the world's third largest coffee company through its Folger's brand) lead the company to develop a sustainable coffee strategy that should improve its climate footprint and its climate risk exposure. Following an extensive engagement with Trillium, **Yum! Brands*** publicly committed to sourcing 100% of its palm oil used in fryers from responsible and sustainable sources by 2017.

Policy: As a leader in the Investor Network on Climate Risk, Trillium regularly participates in efforts 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. Trillium also organized \$300 billion in assets to support the administration adopting methane emissions regulation for the oil and gas industry. Following that letter, the Obama administration set a reduction goal based on the direct regulation of methane — 45 percent below 2012 levels by 2025. Trillium is also pleased that following a dialogue with **eBay**, it did not renew its membership in the American Legislative Exchange Council (ALEC) which is at the forefront of attacks on state renewable energy programs and legislative efforts to address climate change.

EXTRACTING FOSSIL FUELS FROM YOUR PORTFOLIO



350.org, Green Century Capital Management and Trillium Asset Management have published *Extracting Fossil Fuels from Your Portfolio: A Guide to Personal Divestment and Reinvestment*. The guide,

which aims to help individuals better understand fossil fuel divestment, provides clear steps to move your money out of coal, oil, and gas companies, and give tips on how to proactively invest in sustainable companies and investment vehicles. You can download the guide at www.trilliuminvest.com or www.greencentury.com.

**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. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable.*

The views expressed are those of the authors and Trillium Asset Management, LLC as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be a forecast of future events or a guarantee of future results. These views may not be relied upon as investment advice. To the extent specific securities are mentioned, they have been selected by the authors on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is for informational purposes and should not be construed as a research report.



Delivering Sustainable Investments Since 1982SM