Advocacy Impact Report – Second Half 2022

During the second half of 2022, Trillium Asset Management, LLC's ("Trillium") Advocacy program led to many improvements in companies' environmental, social, and governance policies, performance, and impacts. We filed nineteen shareholder proposals and engaged dozens of companies on critical social and environmental issues such as climate change, racial justice, toxic chemicals, and worker empowerment. The following pages demonstrate Trillium's dedication to advance humankind towards a global sustainable economy, a just society, and a better world.

Climate

As more and more companies publicly declare their net zero by 2050 targets, Trillium is aware that, while these statements are important signals to the public and policymakers, companies need to have concrete, substantive plans in place in order to achieve the emissions reductions needed to avoid catastrophic warming. Companies that agree to net zero by 2050 but do not have interim greenhouse gas ("GHG") emissions targets could rely on carbon offsets instead of actually reducing their footprints, which the global carbon budget cannot afford. That is why we are asking several portfolio companies to set short- and long-term GHG emissions reduction targets that are verified by a third-party to be in line with no more than 1.5 degrees of warming. Throughout the latter part of 2022, we filed shareholder proposals at **United Parcel Service, Quanta Services,** and **Quest Diagnostics** to set these science-based, GHG emissions reduction targets. These shareholder proposals will be the basis for conversations and shareholder votes through the winter and spring of 2023.

Earlier this year, we were able to withdraw our climate change-focused shareholder proposal at **SBA Communications** given its commitment to submit GHG emissions reduction targets to the Science Based Targets Initiative (SBTi) by the end of 2024. We are pleased to share that in November, the company informed us that it has submitted a letter of commitment to SBTi and will submit targets for verification by November 2024.

In addition, this year we initiated a set of climate engagements with non-US companies that are held in Trillium's global investment strategies. This effort began with letters to companies asking them to set short- and long-term GHG emissions reduction targets that are verified by a third-party to be in line with no more than 1.5 degrees of warming. These companies include **EssilorLuxottica, Bank Rakyat, ICON plc, MG Gleeson, KBC Group,** and **DNB Bank,** and we will continue to engage with them through 2023.

At **Bank of America ("BAC"),** we re-filed a shareholder proposal asking the company to develop a policy of not financing new fossil fuel projects. In 2021, the International Energy Agency ("IEA") found that in order to ensure global warming of no higher than 1.5 degrees Celsius by 2100 and net-zero emissions by 2050, "there is no need for investment in new fossil fuel supply." Bank of America has publicly committed to reach net-zero GHG by 2050 and to aim to limit warming to 1.5 degrees. Although BAC has restricted financing for Arctic drilling and coal operations, it has not yet committed to halt financing for all new fossil fuel development which we believe a net-zero commitment requires. The proposal received an 11% vote in the spring of 2022 and will go to a second vote in the spring of 2023. Recently, prominent climate activist and leader Bill McKibben highlighted the importance of focusing this question on the big banks as a crucial piece of the effort to transition to a renewable energy economy at the speed necessary.

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Food Waste

Food waste is a serious problem on which Trillium has focused attention for years. Not only does it have negative environmental consequences, but it also has economic and social implications. On an environmental level, food waste contributes to GHG emissions and climate change. When food waste is put into landfills, it decomposes and produces methane, a potent GHG that is significantly more harmful to the environment than carbon dioxide. From an economic perspective, food waste is a waste of resources and evidence of inefficiencies. The resources that go into producing, transporting, and storing food, such as water, land, and labor, are all wasted when food goes uneaten. This is a particularly troubling issue in a world where many people are struggling to access enough food to meet their basic needs.

For years, Trillium has focused on engaging companies to prevent and reduce food waste as it can be an effective way for them to reduce GHG emissions.

In December, we reached out to several companies with food waste reduction targets to support their work towards achieving those goals. We contacted **Starbucks, Sysco, Costco, Target, The Walt Disney Company, McCormick, Marriott,** and **BJ's Wholesale**—companies we have a history of engaging and many of which are USDA "Food Loss and Food Waste Champions." In our letters, we encouraged the companies to engage in innovative food waste solutions and look to peers for guidance. We emphasized our belief that the companies and their shareholders are positioned to benefit from an even more comprehensive approach to food waste prevention and strategic diversion, which can cut costs, provide competitive advantage, strengthen brand reputation, save resources, help alleviate hunger, and reduce GHG emissions.

Toxic Chemicals

In August, Trillium and co-filers Mercy Investment Services and Newground Social Investment filed a shareholder proposal at **Costco** asking the company to report on the outcomes of its chemical reduction efforts by publishing quantitative and qualitative data on progress made toward eliminating the use of chemicals of concern ("COCs").

The reasons for filing the proposal are multifold, but to start there has been a fiftyfold increase in the production of chemicals since 1950, and this is projected to triple again by 2050 according to researchers at the Stockholm Environmental Institute. At the same time, research is exposing the potential destabilizing impacts of synthetic chemicals to the Earth and human health. In addition, the cost of poor chemical management and the long-term impacts of chemicals can raise significant concerns for investors.

After a series of in-depth discussions, in November we were able to successfully withdraw the proposal after the company published significant revisions to the Chemical Management section of its Sustainability Commitment. Before our filing, Costco did not disclose quantitative data to allow stakeholders to assess its chemical management strategy. The new disclosures show that Costco is tracking and reducing COCs across several categories including apparel and footwear, sporting goods, luggage, handbags, and home textiles. In 2021, 81% of more than 7,000 suppliers in

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these categories showed no COCs, a 16.8% improvement over the 2020 supplier report. Costco is also tracking and disclosing chemical reduction in packaging and labeling materials, where PFAS ("forever chemicals"), BPA, and phthalates are commonly found. Finally, for the first time, Costco disclosed lists of chemicals it is restricting across multiple product categories, supporting accountability and rigor in its process.

Trillium also filed a similar shareholder proposal at **The Walt Disney Company** this fall – this time with co-filers Portico Benefit Services and Trinity Health. This proposal also led to conversations with the company and a commitment to take several actions in 2023 to enhance its disclosures and strategy to reduce priority chemicals. Included in the disclosures, Disney will address its baseline and how the company will track improvement, and provide information on what it considers as safer alternatives. With all of these commitments made, Trillium was able to withdraw the shareholder proposal.

In short, what Disney and Costco are doing has the potential to have meaningful positive impacts on adult and children's health and the environment. As retailers of textiles, furniture, toys, and apparel (all product lines with high chemical risk), their efforts to engage suppliers on eliminating COCs and moving toward safer alternatives can lead to reductions of some of the most problematic COCs.

Paid Sick Leave

In December we re-filed our shareholder proposal at **CVS Health** asking the company to provide paid sick leave to all employees—both part- and full- time. The vast majority (77%) of the lowest earning 10% of American employees do not have access to paid sick leave; in fact, 48% of Latino workers and 36% of Black workers report having no paid time away from work of any kind. We made the case that in addition to being a crucial contributor to public health, paid sick leave for all employees would be a boon to CVS in a particularly tight labor market, reducing turnover and associated hiring costs. Evidence suggests that paid sick leave both increases productivity and reduces turnover, which in turn reduces costs associated with hiring. This is particularly important for lower-wage industries like retail where turnover is highest. This proposal received a 26% vote at the company annual meeting in the spring of 2022.

We filed a similar shareholder proposal for the first time at **Union Pacific Company**. This comes at an important time following protracted disagreement between many railway workers and management over their lack of paid sick leave. Following Congress

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compelling workers to accept a labor agreement without paid sick leave, management and workers can still meet and try to address this important topic.

As Todd Vachon, a Rutgers University labor professor, put it:

> *"There's nothing inherent about the railroad industry to make paid sick leave unsustainable," he said, adding that rail workers in Europe have the benefit. "This idea that it's not possible is really just a cop-out. ... The companies are deciding how to spend their resources, and they're spending the money to buy back their stocks and give dividends to shareholders rather than investing in their workers."* [1]

Racial Equity Audits and Diversity Equity and Inclusion Targets

In the latter half of 2022 we continued to engage the companies where our racial equity audit shareholder proposals won strong support in the beginning of 2022. Pursuing engagements at **SVB Financial Group, Elevance Health, Travelers Companies,** and **American Water Works**, we urged the companies to address systemic racism through a full review of their businesses—inside and out—applying a racial justice lens. Trillium and other investors are increasingly seeking assurances via third-party audits that companies understand racialized impacts in the workplace and on external stakeholders and have taken account of blind spots while implementing effective programs to address latent problems before they metastasize. While we have seen some progress with some of these companies, we have re-filed our shareholder proposals for consideration at these companies' 2023 annual meetings. Following up on the majority vote achieved in spring 2022, we continue to engage **Johnson & Johnson** with our investor partners in an effort to reach agreement on a clear demonstration of action.

Building off earlier engagements with **IPG Photonics**, Trillium filed a shareholder proposal with the company in December asking the company to set goals and targets for executive leadership diversity. Following a 45% vote for our proposal on executive leadership diversity in spring 2020, we refiled in fall 2020 after additional attempts for dialogue failed. In December 2020, IPG reached out to us after publishing its first comprehensive CSR report. In the report the company states that "the diversity of our executive team does not yet reflect that of our workforce." The report discloses that women, for example, comprise 30% of its board, 35% of its workforce and 22% of the top three EEOC categories, yet are not represented at the most senior level. The company also committed to initiatives to expand diversity, including a focus on hiring requirements for search firms to seek female and diverse candidates, closing the promotion gap by developing internal candidates for executive openings, and formalizing board oversight. As a result of these disclosures and commitments, we withdrew the proposal. However, the slow progress exhibited by the company indicated that we needed to re-engage the company via a shareholder proposal.

As a result of recent revisions to corporate governance codes and listing rules in Switzerland, public companies will have to meet new requirements for gender diversity at the board level. Trillium reached out to **Kuhene and Nagel**, a Swiss logistics firm, to discuss its strategy for meeting these new requirements. After a meeting in August, the company has agreed to appoint the first woman to its all-male executive committee in early 2023. Trillium will continue to pursue conversations with the company on their plans for voluntarily achieving 30% gender diversity on their board and 20% on the executive committee by 2024, in line with the new law.

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[1] https://www.washingtonpost.com/business/2022/12/03/rail-workers-paid-sick-leave/

Political Spending and Democracy

Political spending and the health of the American democracy continue to be priorities for Trillium's Advocacy program because we understand the importance of a well-functioning democracy to business and our economy. In 2022, Trillium, continuing outreach that began in 2019, wrote to and spoke with the companies in our Large Cap Core strategy to assess their paid time off to vote policies, and encouraged uptake for companies that lacked them. Providing paid time off to vote may benefit companies by showing that they value the civic engagement of their workers. This can improve morale and help to create a positive work culture. Additionally, it can also help to improve a company's reputation by demonstrating that it is committed to supporting its workers and promoting democratic values. But at the core of this work is that voting is a fundamental right and a crucial part of our democracy. By offering paid time off to vote companies can help remove barriers that may prevent workers from exercising this right.

Positively, 45% of the companies that responded to our outreach offer some form of paid time off to vote, many of which started offering the benefit ahead of the 2020 election. Companies like **Procter & Gamble, Visa, NVIDIA, SVB Financial Group, Adobe,** and **Medtronic** led the pack with a full day off for employees to cast their ballots. However, there are still many companies that follow a compliance approach and do not offer material support for employees to vote. Our assessment of all 66 companies was published in October.[2]

Over the past few years, we have seen growing examples that corporate political contributions are problematic on many levels. Whether it is the way it affects our democratic processes to how it can become a source of brand risk and criticism, the evidence is mounting that companies should completely stop making political contributions. In fact, there are currently 20 companies that have committed to not making any political contributions including IBM, Verisign, and ADP. And as John Coates of Harvard Law School has found, political activity is strongly and negatively related to company value. With this information in mind, we filed a shareholder proposal at **Verizon Communications** asking the company to cease political spending. In the proposal we point out that while Verizon has sought to portray itself as a strong supporter of LGBTQ+ and gender equality, it has given well over $1 million to anti-choice candidates and candidates that have a zero rating from the Human Rights Committee.

LGBTQ+ rights

According to the Human Rights Campaign's ("HRC") Corporate Equality Index ("CEI"), automobile parts manufacturer **LKQ Corporation** lags other companies in providing an LGBTQ+-inclusive workplace. The company scored 55/100 in 2022 and according to HRC does not offer equal health coverage for transgender individuals. Conversely, 67% of the Fortune 500 and 86% of all 1200 CEI-rated businesses offer

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[2] https://assets-global.website-files.com/5ecd0982c9d00e2865ce6691/633b1e6b6e150d7d669aa9cb_TAM-WP-PTOV-FINAL.pdf

transgender-inclusive health insurance coverage. Competitors AutoZone, Advance Auto Parts, and Lear Corporation have all scored 85, 90, and 90, respectively, on the CEI.

We are particularly concerned because LKQ's employees may be especially affected by the lack of supportive corporate and state policies. Approximately 39% of LKQ's employees are based in North America. Tennessee, considered one of the worst states for LGBTQ+ equality with 31 anti-LGBTQ+ bills proposed in 2021, is a major operating location for LKQ. The company reports that it will "focus on policies and programs to attract, retain, and develop people of different backgrounds and experiences," but lacks disclosure of what kind of programs are in place.

Unfortunately, LGBTQ+ inclusion is a national issue. In the last two years, LGBTQ+ rights have contracted across state legislatures, with anti-trans legislation being a particular subset of discriminatory legislation. In 2021, 80% of the 191 anti-LGBTQ bill proposals were anti-trans bills. The discrimination, harassment, and structural barriers transgender people face lead to poorer health outcomes such as chronic disease, mental health problems, and substance abuse. These experiences are linked to suicide; 42% of transgender people report suicide attempts to cope with discrimination (versus 8% in cisgender people) and 81% have contemplated suicide (versus 30% in cisgender people). The added stress for LGBTQ+ employees or employees with LGBTQ+ children is high, affecting their well-being and productivity.

As such, in November, we filed a shareholder proposal at LKQ asking the company to adopt and publicly disclose a policy offering all employees affirmative transgender-inclusive healthcare coverage.

Building on our work domestically in support of LGBTQ+ equality, we co-authored a piece in December titled *The Investor Case for Supporting LGBTQ+ Rights* with a particular focus on Europe. Though regulation, investor expectations, and company practices in Europe are largely aligned around the importance of gender diversity (at least at the board level), inclusion of the LGBTQ+ community and other underrepresented minorities does not appear to be on the investor agenda at all. Trillium plans to expand our engagement with investors and companies globally on the importance of inclusion for all underrepresented groups (migrants, racial and ethnic minorities, people with disabilities, etc.) We believe this approach supports more inclusive decision making and ultimately contributes to improved company performance.

Reproductive Rights

Companies must navigate a patchwork of state laws with respect to the provision of reproductive health care. In recent decades, states have passed more than 600 laws restricting abortion access, and 12 states now ban most abortions. At the same time, other states have enacted legislation that protects these rights.

TJX Companies, Inc. ("TJX") has operations in all fifty states, and therefore is subject to this patchwork of laws. With Roe v. Wade overturned, some TJX employees now face challenges accessing reproductive healthcare, including abortion services, for themselves or their family members.

Employers, as well as employees, usually bear the cost of restricted access to reproductive health care. For example, women who cannot access abortion are three times more likely to leave the workforce than women who were able to access abortion when needed, and four times as likely to slip into poverty. The Institute for Women's Policy Research estimates that state-level abortion restrictions may keep more than 500,000 women aged 15 to 44 out of the workforce annually.

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TJX may find it more difficult to recruit employees to states that have outlawed abortion. According to a 2022 survey commissioned by Lean In, strong majorities of women under 40, regardless of political affiliation, would prefer to work for a company that supports abortion access. In addition, a 2022 Harris Poll found that in the wake of the Dobbs decision, 69% of employees aged 18-34 want more clarity and transparency about their organization's policies and benefits for reproductive healthcare.

Surveys have consistently shown that a majority of Americans wanted to keep the Roe v. Wade framework intact. In a 2021 survey of U.S. consumers, 64% said employers should ensure that employees have access to reproductive health care and 42% would be more likely to buy from a brand that publicly supports reproductive health care.

Shareholder proposals filed at Starbucks and Apple press both companies on their apparent interference with worker efforts to organize.

Accordingly, we re-filed our shareholder proposal at TJX recommending that the company report on known and any potential risks and costs to the company caused by enacted or proposed state policies severely restricting reproductive rights, and detail any strategies that the company may deploy to minimize or mitigate these risks.

Worker Rights, Freedom of Association and Collective Bargaining

In July, Trillium published *The Investor Case for Supporting Worker Organizing Rights*. After being on the decline for decades, unions are making a comeback in the context of rising economic inequality, declining working standards, pent-up demand for a greater voice at work, and the growing pressures caused by the COVID-19 pandemic. Workers in the United States have long faced a tilted playing field when trying to organize despite the important economic and societal benefits unions offer. How should different stakeholders, such as investors, think about and react to union formations?

As an investment firm, we seek to advance humankind towards a global sustainable economy, a just society, and a better world through activating our clients' capital. Sustainable economic growth should not be built on abuses of power or the exploitation of workers. Profits should not supersede basic worker and human rights. For a healthy society and healthy economy, we believe there must be a balance of power and interests—and unions offer an important check to the enormous power of company executives compared to individual workers.

In September we filed two shareholder proposals focused on worker rights asking **Apple** and **Starbucks** to commission and oversee independent, third-party assessments of adherence to their stated commitments to workers' freedom of association and collective bargaining rights as contained in the International Labour Organization's Core Labor Standards and as explicitly referenced by the company. We anticipate these proposals will go to a vote at the company's annual meetings in the spring.

Finally, Trillium was invited to speak about our paper and these corporate engagements at events hosted by the American Sustainable Business Network, the Committee for Worker's Capital, and Pensions & Investment Research Consultants Ltd.

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Technology

As the algorithms that lie at the heart of big tech companies like **Alphabet** continue to come under scrutiny from civil society, academics, and lawmakers, questions about how algorithmic systems can lead to discrimination and other harmful outcomes in education, labor, medicine, criminal justice, and online platforms also continue. For example, earlier in 2022 the White House published a Blueprint for an AI Bill of Rights, and in 2021, an investigation by The Markup found that Google Ads "blocks advertisers from using 83.9% of social and racial justice terms."

In an effort to foster engagement between investors and management on this topic and to encourage the company to publish data that will allow civil society organizations and academics to analyze the social impact of these algorithms, we re-filed a shareholder proposal at the company in December asking the company to go beyond its existing disclosures and provide more quantitative and qualitative information on its algorithmic systems. We recommended the company disclose how it uses algorithmic systems to target and deliver ads and calculate error rates, as well as the impact these systems had on user speech and experiences. We also suggested it use the recommendations and technical standards for algorithm and ad transparency put forward by the Mozilla Foundation and researchers at New York University.

The shareholder proposal went to a vote in June 2022 at the company's annual meeting and received a 19.6% vote, which is 56.3% of the vote of non-insiders.

In August, immigration advocates filed a lawsuit claiming that **RELX** (a division of LexisNexis Risk Solutions) violated Illinois law by collecting and combining personal information and selling it to federal immigration authorities. The concern articulated by the Just Futures Law and Organized Communities Against Deportation lawsuit is that the company's conduct is violating individual's privacy rights and civil liberties by enabling US Immigration and Customs Enforcement to access personal data without warrants or other privacy safeguards. In light of these questions, Trillium reached out to the company in October to learn more about its human rights due diligence processes and what it does to ensure respect for human rights and avoid being implicated in human rights violations.[3]

Forced Labor

The prevalence of forced labor in corporate supply chains is a well-established concern for civil society, companies, and governments. Forced labor refers to the use of coercion, threats, or violence to force individuals to work against their will. According to the International Labor Organization, there are an estimated 25 million people worldwide who are victims of forced labor in the private economy, which includes corporate supply chains.

To address this problem, companies can conduct audits, implement policies and procedures to prevent forced labor, and work with suppliers and other stakeholders to identify and address instances of forced labor that are found. By taking these steps, companies can help combat forced labor and promote more ethical and sustainable supply chains.

Reports of state-sponsored forced labor of Uyghur and Muslim minority groups have been identified in Xinjiang province, and cotton has been identified as an "at-risk" product for modern slavery.

Trillium portfolio company **Kering** has been identified as being connected to the Xinjiang province (Xinjiang Uyghur Autonomous Region) in China through its cotton research project in the region. Reports of state-sponsored forced labor of Uyghur and Muslim minority groups have been identified in Xinjiang province, and cotton has been identified as an "at-risk" product for modern slavery. Accordingly, in 2020 we collaborated with other investors to send the company a letter asking them to respond to concerns about human rights risks from sourcing in the Xinjiang province.

[3] https://www.cbsnews.com/news/lexisnexis-lawsuit-collected-sold-personal-data-immigration-advocates-allege/

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It was decided that further engagement with the company would be appropriate in 2022, specifically to gain an understanding of the status of its cotton research project in the Xinjiang province. Trillium contacted the company via email and has subsequently had a follow up call. In this call the team received assurance that the project was finished and learned more about the company's approaches to compliance, raw material sourcing, and trailing traceability technology. Trillium has scheduled a follow-up call with the company to continue our engagement on this topic. The investor group has reconvened and is working with KnowTheChain to send a letter focused on worker-centric due diligence, responsible purchasing practices, and remedies for workers.

Supporting Collaborative Efforts

Many of our fellow investors and allied organizations do important work on a wide variety of issues that are important to Trillium and our clients. It is crucial that we support and draw attention to that work. A few examples of efforts that we signed onto during the past six months include the following:

- **Illinois and Connecticut State Treasurers** organized a letter calling on boards of Russell 3000 companies to disclose a matrix in annual proxy statements with the self-identified racial, ethnic, and gender composition of each board member. A standard matrix allows investors to clearly ascertain the level of racial, ethnic, and gender diversity among directors and facilitate comparability across companies.
- **Ceres and the Valuing Water Finance Task Force** published an investor statement calling on companies to better steward and protect freshwater resources within their operations and global supply chains. The statement promotes a set of expectations for companies that will enable evaluation, goal setting, and accountability, leading to more sustainable water management and reduced water risk.
- **Open Mic** organized a letter calling on the Federal Communications Commission ("FCC") to create a rule requiring the Commission to collect and make publicly available Equal Employment Opportunity data (EEO-1) from its regulates, including broadcasters, cable operators, and multi-channel video providers.
- **Aviva Investors and Storebrand Asset Management** organized a letter urging the world's largest chemical companies to phase out the use of PFAS ("forever chemicals") that can accumulate in the environment and remain hazardous for generations.
- **Global Real Estate Engagement Network** published an investor statement asking real estate funds and companies to take clear actions on climate change. The statement focused on developing a strong governance framework, setting climate goals aligned with science-based transition pathways, and using green building certification schemes to improve sustainability characteristics and performance.

About Trillium Asset Management

Trillium Asset Management, with $6.1 billion in assets under advisement as of 12/31/2022, offers investment strategies and services that advance humankind towards a global sustainable economy, a just society, and a better world. For nearly 40 years, the firm has been at the forefront of ESG thought leadership and draws from decades of experience focused exclusively on responsible investing. Trillium uses a holistic, fully integrated fundamental investment process to uncover compelling long-term investment opportunities. Devoted to aligning stakeholders' values and objectives, Trillium combines impactful investment solutions with active ownership. The firm delivers equity, fixed income, and alternative investments to institutions, intermediaries, high net worth individuals, and other charitable and non-profit organizations with the goal to provide positive impact, long-term value, and 'social dividends'.

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