

HOW TRILLIUM IS INVESTING IN A BETTER WORLD



PERPETUAL ASSET MANAGEMENT
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While investors know Trillium Asset Management as an impact-driven, ESG-focused firm that Perpetual is introducing to an international audience, the company's shareholder advocacy is less well understood. Here we look at how active ownership can create concrete, positive social and environmental change on a global scale.

Trillium Asset Management was founded in 1982 by ESG pioneer and Boston trailblazer Joan Bavaria and acquired by Perpetual in June 2020, with the first funds being made available to Australian investors on 4 August last year. A year on and the local market can draw on both Trillium's decades of experience focused exclusively on responsible investing – via the Trillium ESG Global Equity Fund and the Trillium Global Sustainable Opportunities Fund – and the way it has historically combined impactful investment solutions with active ownership.

Trillium leverages the full breadth of company resources, including a dedicated shareholder advocacy team, to engage with companies and governments, activating stakeholders' assets in an effort to create concrete, positive social and environmental change on a global scale. Current priorities include economic inequality, diversity and inclusion, climate change and pollution. As the below graphic indicates, the Trillium approach is to incorporate Environmental, Social, and Governance (ESG) factors into fundamental financial analysis. This helps identify companies that appear best positioned to deliver risk-adjusted, long-term investment performance. The goal is to invest in strategic leaders with above-average operating fundamentals and growth opportunities managed with a longer-term and stakeholder-aware orientation.



Source: Trillium Asset Management

Advocacy

Trillium's shareholder advocacy team seeks to leverage the tools available to us as shareholders to help change corporate behaviour on issues like diversity and inclusion, human rights in the supply chain, climate change, chemical and pesticide reduction, and other pressing ESG issues. This can be done in a variety of ways, such as shareholder proposals, proxy voting, dialogue or collaboration. The advocacy team also plays an integral role throughout the various stages of our ESG-integrated investment process, including their participation in the ESG performance benchmarking, ESG qualitative considerations, and ongoing monitoring of ESG performance.

In the last six months of 2020 alone, Trillium filed 20 shareholder proposals and engaged many more companies in dialogues on a wide variety of environmental, social, and governance topics at portfolio companies. As some of the following examples show, even top ESG performers often have room for improvement. Trillium continues to engage with many companies each year to help them strengthen their ESG performance, policies, and practices, and to have a positive impact on both communities and the environment. Examples of Trillium's shareholder advocacy are many and varied but here are a few highlights.

Climate Change

Consistent with its decades of work on climate change, Trillium re-filed its shareholder proposal at United Parcel Service earlier this year. We filed this proposal because while UPS has set a greenhouse gas emissions reduction target for its road operations, it has not made similar commitments for its airline. This is a concerning oversight as UPS's airline accounts for 60 percent of its total operational emissions and its airline emissions have increased 22 percent in the last four years. UPS risks lagging behind its peers as more than 1,500 companies have now committed to achieve the Paris Agreement's climate goals by becoming net zero by 2050, including companies like DHL Group, FedEx and Amazon. Although reducing airline emission will be difficult, many airlines have risen to the challenge and committed to net zero operations by 2050 or sooner, including Delta, Qantas, British Airways, and American Airlines.

Biodiversity

In April this year, Trillium led a group of 50 investors representing \$105 billion in releasing a letter calling for the U.S. EPA and Congress to permanently protect Alaska's Bristol Bay, and the world's largest wild salmon fishery, against large-scale mining. While recognising the importance of natural resource development to support economic growth, the signatories expressed deep concern over the long-term negative social and environmental impacts of the proposed Pebble Mine, a massive open-pit gold and copper project in the Bristol Bay headwaters. Bristol Bay supports the largest and most productive wild salmon fishery on earth, supplying half of the world's commercial supply of wild sockeye salmon, \$2.2 billion in annual revenue, 15,000 jobs, and sustaining Alaska Native communities that have relied on the salmon for millennia. Bristol Bay Native Tribes, commercial fishermen, business leaders, conservation organisations, and others have long opposed the Pebble Mine.

Big Tech

While public policy on several critical technology-related issues emerged at the state and federal level, Trillium continues to engage portfolio companies. At Alphabet, our shareholder proposal in which we raised concerns about Alphabet's whistleblower protections and whether they adequately support the company's human rights responsibilities doubled in support from the 2020 vote. At the June annual meeting, the proposal increased its support from 5% to 10%, which represents about 30% of outside shareholders. This vote means that a large plurality of Alphabet's shareholders are not satisfied with the company's approach to

protecting workers who raise human rights issues within the company. The proposal was presented by a spokesman for the recently formed Alphabet Workers Union and gave the union a platform to assert its position and views to the board and senior leadership.

Racial Justice

This year Trillium innovated a new shareholder proposal focused on racial justice audits. While companies are making bigger and bolder commitments to address racial justice they need to guard for their blind spots and ensure the steps they are taking are effective. We filed this new shareholder proposal at Johnson & Johnson in part because we believe health care companies in the US have a history with and ongoing struggle to address disparate racial impacts. But Johnson & Johnson also had a very specific controversy about its ongoing sale of talc products in Black and Brown communities around the world, while discontinuing their sale in North America. This shareholder proposal went to a vote at the company's annual meeting in April and received the support of 34% of the vote. For a unique proposal, this is a very strong vote and should provide the basis for ongoing dialogue with the company. We hope Johnson & Johnson will lead the health care sector as the first of its peers to commission a third-party racial justice audit.

Toxic Chemicals

The negative health effects on individuals, families, and communities from environmental chemical exposures appear to be dramatically underestimated and can also have important economic costs. We were therefore very pleased that in January TJX Companies announced on its website it is developing an expanded "Chemical Management" strategy. The new program, which follows more than three years of advocacy by the Mind the Store campaign, Clean Water Action, Trillium Asset Management, First Affirmative Financial Network, and the Investor Environmental Health Network, takes an important step forward towards protecting customers, workers, and the environment from toxic chemical exposure, and paves the way for future action.

Find out more about [Trillium Asset Management](#).