TRILLIUM ASSET MANAGEMENT

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Winter 2016 WWW.TRILLIUMINVEST.COM

FOOD WASTE IS AN EMERGING SUSTAINABLE AGRICULTURE ISSUE

ALLAN PEARCE, SHAREHOLDER ADVOCATE

Given the tremendous environmental impact that agricultural and food companies have, food system advocacy has been a mainstay of Trillium's shareholder activism for decades. Trillium has focused on sustainable agriculture as it directly contributes to, and is impacted by, climate change, through deforestation and the use of fossil fuels to fertilize and harvest. In addition, our agricultural production systems use 50% of U.S. land and 80% of our freshwater.[1]

Taking into account the resource demands of our agricultural systems, one might be tempted to think that we would waste as little of the food we produce as possible. However, approximately 40% of all food produced in the U.S. goes uneaten every year[1], the equivalent of 133 billion pounds of food.[2] Yet the sheer quantity of this waste does little to illustrate the extent of the far-reaching environmental, social and financial impacts that stem from this waste.

THE MAGNITUDE OF THE FOOD WASTE PROBLEM

The vast majority of this uneaten food ends up in landfills, where it decomposes and emits an estimated 23% of U.S. methane emissions[1] and 4.5% of all U.S. greenhouse gas emissions.[3] Due to the resource demands of agriculture, 25% of U.S. water use, 30% of fertilizer and 31% of cropland go into the production

1 Gunders, Dana. "Wasted: How America is Losing Up to 40 Percent of Its Food from Farm to Fork to Landfill." NRDC Issue Paper IP: 12-06-B. August 2012.

2 Buzby, Jean C., Wells, Hodan F. and Hyman, Jeffrey. "The Estimated Amount, Value, and Calories of Postharvest Food Losses at the Retail and Consumer Levels in the United States." Economic Information Bulleting Number 121. Economic Research Service. February 2014.

3 ReFED. Rethink Food Waste through Economics and Data. Retreived from www.refed.com. November 18, 2015.

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Thinking Capital℠

JACKSON W. ROBINSON, VICE CHAIR & PORTFOLIO MANAGER

I am recently back from Paris where I represented Trillium speaking on two panels at the World Business Council for Sustainable Development Conference (WBCSD), a climate solutions conference which was held concurrently to the United Nations Climate Change Conference - more conveniently dubbed "COP 21". The audience for the WBCSD was primarily CEO's and senior officers of global companies. Our focus during the conference was on financing options and innovations, investment opportunities and risks, and technological advances.

According to researchers and scientists at the UN Intergovernmental Panel on Climate Change 2009, the tipping point to avoid serious climate catastrophes is 2° Celsius above pre-industrial levels. After decades of setbacks (think Kyoto Protocol and Copenhagen Accord), years of planning, months of negotiations, and days and weeks of posturing and maneuvering; 196 countries reached an historic climate agreement. For the first time in world history, nearly all countries — both developed and developing — have accepted responsibility to manage their greenhouse gas emissions.

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NEW WHITE PAPER: INVESTING FOR POSITIVE IMPACT ON WOMEN

Trillium, as part of a group of investors, has released a new white paper, Investing for Positive Impact on Women: Integrating Gender into Total Portfolio Activation. The paper was prepared by Croatan Institute with the guidance and close collaboration of Global Fund for Women, Root Capital, and Thirty Percent Coalition.

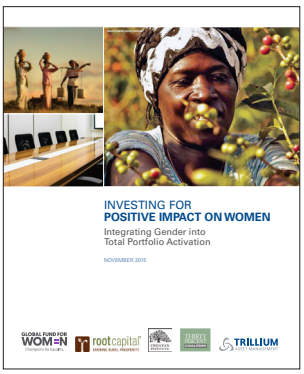
Although the term "gender lens investing" may be relatively new — according to a recent report from the Criterion Institute[1], it was first used in 2009 — the practice of empowering women through the use of capital has much longer precedents.

Much of this has taken place in the developing world through microfinance: providing very small loans to help women start and grow their own businesses aimed to provide better social and economic outcomes for women, their children and families, and their wider communities. Many foundations and donors have long provided grants to women and girls, with the hypothesis that financing for education results in higher household incomes and better employment opportunities. Additionally, many members of the SRI investment community have for years included criteria that touch directly on gender and women, such as business lending to women-owned firms, board diversity, equal employment opportunity (EEO), gender identity and expression, and labor and human rights when making investment decisions and engaging with portfolio companies.

By deploying capital across their entire portfolios, investors are able to optimize the impacts within each asset class, resulting in the greatest cumulative social and environmental benefits. For investors who care about truly impacting women and girls, an investment portfolio should make gender considerations, along with issues such as income inequality, supply chain management, and climate change, core ESG criteria. It is through investments that target the intersection of these issues that the deepest impacts can be made.

"We know that every investment has social and environmental impacts — both positive and negative", said Trillium's CEO Matt Patsky. "It has never been clearer that investors should be integrating gender into their investment process in ways that align with their mission and values".

1 Joy Anderson and Katherine Miles, "Gender Lens Investing: A Review and A Roadmap," Criterion Institute, October 1, 2015



"Women's issues cannot be considered in isolation from other social and environmental factors. This paper provides an important tool for investors to assess their impact and identify investment opportunities that benefit women and girls."

— DR. MUSIMBI KANYORO, PRESIDENT & CEO OF GLOBAL FUND FOR WOMEN

Increasing numbers of investors are integrating the use of gender in investment decision-making. For investors who care about impacting women and girls, an investment portfolio should make gender considerations, along with interrelated issues such as income inequality, supply chain management, and climate change, a core ESG (Environment, Social and Governance) criteria. Using the Total Portfolio Activation framework, the new paper provides a guide for mission-driven investors as they consider how to put their investments to work in support of their own long-term goals to benefit women and girls. It presents concrete examples of just some of these opportunities, as well as a variety of case studies of investors, funds, and initiatives that integrate gender considerations into their investment activities.

"By widening the angle of gender lens investing, we are able to identify numerous opportunities to empower women and girls across investment asset classes," noted Kristin Lang, Associate at Croatan Institute and lead author of the report. "When executed within a Total Portfolio Activation strategy, gender investing can generate strong results for women while delivering broader social, environmental and financial impacts as well."

The paper can be downloaded at www.trilliuminvest.com.

TRILLIUM SUBMITS COMMENTS IN SUPPORT OF EPA'S PROPOSED METHANE RULE

Trillium Asset Management recently submitted its formal comments in support of the U.S. Environmental Protection Agency's (EPA) proposed methane rule for new and modified sources in the oil and gas industry.

Trillium joins members of the Interfaith Center on Corporate Responsibility (ICCR) who are engaging the oil and gas industry to promote more sustainable practices. On Thursday, December 3rd, ICCR hand-delivered comments to EPA Acting Assistant Administrator Janet McCabe in support of its proposed regulation to curb methane emissions leaks for new or modified fracking operations.

We believe this rule is important to investors because methane that leaks is lost revenue and methane is 25 times more potent as a greenhouse gas than carbon dioxide, over a 100-year period.

In expressing our support for the rule we stated that while the proposed rule is a very strong and meaningful step towards addressing methane emissions, it does not apply to enough facilities to meet our national goal of cutting methane emissions from the oil and gas sector 40–45 percent from 2012 levels by 2025.

It is estimated that nearly 90 percent of methane emissions from the oil and gas sector in 2018 will come from infrastructure built prior to 2012[1]. The EPA needs to move quickly to implement rules to get at that existing oil and gas infrastructure. As we continue to support the proposed rule, Trillium will move forward urging the EPA to take the next step and put forward rules for existing infrastructure.

1 http://insideclimatenews.org/news/18082015/epas-new-methane-rules-need-stronger-teeth-groups-say

TRILLIUM ENGAGES CHIPOTLE ON MINIMUM WAGE REFORM

Trillium Asset Management, on behalf of our client The Congregational Council of Plymouth Church UCC of Seattle, recently filed a shareholder proposal at Chipotle Mexican Grill (NYSE: CMG) urging the Board of Directors to "adopt principles for minimum wage reform, to be published by October 2016".

As public protests and commentary about income inequality steadily grows, Americans have become increasingly aware of the problem of low wages and economic inequality. For that reason, we believe that companies need to speak up in support of a minimum standard of living necessary for the health and general well-being of workers and their families; and a minimum wage that is indexed to maintain its ability to support a minimum standard of living.

This issue is particularly concerning at Chipotle because an August 2015 Reuters report pointed out that Chipotle pays its leadership "more than a thousand times what they pay their typical worker, giving them [one of] the biggest internal pay gaps among S&P 500 companies."

Earlier in 2015, Trillium publicly announced its support for an initiative by Business for a Fair Minimum Wage calling for an increase in the minimum wage to at least $12.00 by 2020. The current federal minimum wage is $7.25 an hour, which is equivalent to $15,080 per year at 40 hours of paid work each week, 52 weeks a year. This number is below the federal poverty line of $15,930 for a family of two.

With this shareholder proposal, we look forward to bringing investors into this national debate.

MEASURING THE CARBON IMPACT OF OUR INVESTMENTS

At Trillium, we believe that fiduciary duty requires the integration of Environmental, Social, and Governance (ESG) factors into the investment process as a way to identify the companies best positioned to deliver strong long-term performance. We integrate climate risk into our investment process because we believe that climate change is the defining investment issue of our time.

For more than two decades, we have had an active shareholder advocacy campaign focused on getting companies to make commitments to energy efficiency, Green House Gas emissions reduction targets, and purchasing alternative energy.

Across all of our portfolios we have a low-carbon focus, eliminating all coal companies, companies with tar sands exposure (greater than 10%), and identifying leaders in the energy sector. As of September 30, 2015, approximately 50% of our assets under management are in products designed to be fossil fuel free. As part of this focus on the impact of climate change, we believe that carbon footprinting is an essential step in understanding the carbon risk of a portfolio.

In signing the Montréal Pledge, Trillium joins investors who share our belief that as "institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that there are long-term investment risks associated with greenhouse gas emissions, climate change and carbon regulation".

While Trillium has previously measured the carbon footprint of some of our investment strategies, we are measuring the carbon footprint of all of our equity investment strategies because it is important for us to more thoroughly understand, quantify and manage the carbon and climate change-related impacts, risks and opportunities in our investments.

For our September 30, 2015 measurement, Trillium used the Bloomberg Portfolio Carbon Footprint tool, which allows users to measure and compare portfolio carbon emissions. It utilizes emissions data taken directly from company reports, as well as Carbon Disclosure Project (CDP) data. The analysis is based on measuring the tons of carbon emissions per million dollars of revenue of the companies held by the strategy and those of the companies included in the corresponding benchmark index. Figures from companies that do not disclose are estimated using sector or industry averages normalized by revenue.

You can read details of the carbon impact of our investments at www.trilliuminvest.com.

TRILLIUM | Measuring the Carbon Impact of Our Investments

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Trillium's All Cap Core is 53% less carbon intensive than its benchmark on a revenue basis

	ALL CAP CORE	BENCHMARK (S&P 1500)	DIFFERENCE
Weight in of Members with Estimated Carbon Data	90.63	43.33	
Weight in of Members with Reported Carbon Data	38.93	40.67	
Carbon Efficiency (tonnes/$m USD invested)	43.78	130.96	-45.21
Carbon Intensity (tonnes/$m USD revenue)	72.32	166.33	-45.41
Carbon Impact (tonnes)	4,310.45	9,133.25	

ALLOCATION EFFECT	-46.35
SELECTION EFFECT	-48.53
TOTAL ATTRIBUTION	-93.41

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SRI INVESTORS COMMEND DEPARTMENT OF LABOR REPEAL OF 2008 BULLETIN

Investors who are integrating Environmental, Social and Governance issues into the investment process were heartened by the recent announcement by Secretary of Labor Tom Perez in New York that the administration is rescinding a 2008 bulletin that discouraged investors from considering environmental and social factors in the companies and funds in which they invest. Through his leadership, Secretary Perez is supporting fiduciaries that engage in sustainable and responsible investing.

The Department of Labor bulletin on Economically Targeted Investments, 29 CFR 2509.08-1, issued in October 2008, arbitrarily disfavored the consideration of environmental and social risks and opportunities in assessing potential investments.

The updated Interpretive Bulletin brings ERISA guidance in step with today's realities by noting that "fiduciaries need not treat commercially reasonable investments as inherently suspect or in need of special scrutiny merely because they take into consideration environmental, social, or other such factors."

Indeed, the 2008 bulletin on economically targeted investments was out of step with the growing consensus view that fiduciary duty may compel fiduciaries to consider environmental, social and governance (ESG) factors in investment analysis and ownership practices. Many of these asset owners and managers use their votes as shareholders to encourage companies to reduce their greenhouse gas emissions and to take other steps to improve their environmental, social and governance performance. Companies themselves increasingly understand that environmental, social and governance issues and risks are important considerations in creating long term value.

Trillium's CEO Matt Patsky, who appeared with USSIF' CEO, Lisa Woll and Labor Secretary Perez at the press conference announcing the change, said "We know that integrating Environmental, Social, and Governance factors into the investment process can help identify companies best positioned to deliver strong long-term performance. With Secretary Perez's announcement, the gold standard for fiduciary duties in the United States—the standard that impacts Trillium and our peers—now recognizes consideration of ESG as a valid part of the investment discipline. Using our rights as shareholders, Trillium has a long history of engaging directly with companies in our portfolios to move them toward more sustainable business practices. We look forward to working with the Secretary on this issue, as well."

Trillium CEO, Matt Patsky *(left)* with U.S. Secretary of Labor Tom Perez at the October 22, 2015 press conference.

PHOTO CREDIT: INSIDER IMAGES/GARY HE FOR U.S. DEPARTMENT OF LABOR

Food Waste is an Emerging Sustainable Agriculture Issue, *continued from page 1*

of food that feeds only landfills.[3] Another way to look at the environmental magnitude of food waste is that if global food waste was a country, its carbon footprint would rank third, behind only China and the U.S.[4]

Responding to the magnitude of the impact of food waste, the Obama Administration recently set a goal to reduce food waste 50% by 2030.[5] This is an historic goal that has received broad support. For instance, EPA Administrator Gina McCarthy said: "Let's feed people, not landfills. By reducing wasted food in landfills, we cut harmful methane emissions that fuel climate change, conserve our natural resources, and protect our planet for future generations."[5] This goal is echoed by a commitment to halve food waste that is part of the UN's 2030 Sustainable Development Goals.[6]

In addition to these ambitious goals, Vermont, Massachusetts and California are among the states that now require large generators of organic waste (i.e. large supermarkets, hotels, convention centers), to divert this waste from landfill.[7,8] The legislative approach to tackling food waste is also proceeding at the federal level as U.S. Representative Chellie Pingree of Maine recently introduced the Food Recovery Act, which aims to reduce food waste at U.S. businesses and farms.[9]

Reducing food waste in the U.S. would free up food and resources that could be used to feed many of the nearly 50 million Americans that are food insecure every year. The Natural Resources Defense Council reports that reducing food waste by just 15% could feed 25 million Americans every year.[1] The adverse impacts of food insecurity are particularly frightening for the nearly 16 million food insecure children in the U.S. because such children are more likely to have anemia, asthma, certain birth defects and higher rates of hospitalization, among others.[10]

If the environmental and social impacts associated with food waste were not enough to spur companies to act, there is also a strong business case to be made for reducing food waste. The 133 billion pounds of uneaten food in the U.S. carry an estimated retail value of $162 billion.[2] Grocery stores and supermarkets alone lose approximately $47 billion annually.[11] Demonstrating the business case for implementing these strategies, Stop and Shop, a grocery retailer in the Eastern U.S., reported saving $100 million per year following an analysis of loss and waste in its perishables department.[1]

Beyond retailers, food is wasted at all stages of the value chain from the farm to our plates. And despite the staggering food waste generated by companies, it is actually consumers that account for more waste than any individual business sector. As a result, Trillium believes it is imperative that companies — at every point in the supply chain — take action to reduce food waste; a comprehensive approach should include efforts to educate consumers on methods to reduce food waste. From a corporate perspective, a comprehensive approach to food waste will serve as a means to reduce GHG emissions, save resources and money, and feed those in need.

TRILLIUM LEADING INVESTORS ON ENGAGING ON FOOD WASTE

Because Trillium believes reducing food waste is a critical component of more sustainable agricultural systems, we have been leading our industry in engaging companies on food waste. In addition to on-going dialogues with Starbucks, Target, Panera and others, Trillium, with Green Century Capital Management and First Affirmative Financial Network as co-filers, filed the first shareholder proposal on food waste at Whole Foods Market.

The proposal, which was filed in September of 2015, asks Whole Foods to issue a report on company-wide efforts to assess, reduce and manage the food waste from its stores. Whole Foods' current efforts are lagging behind its peers, including Kroger and Walmart, which are members of the Consumer Goods Forum, an organization than has set a goal to halve food waste by 2025. Therefore, we are urging the company to determine the causes, quantity and destination of the food it is wasting. We anticipate than in the process Whole Foods will identify cost savings and new revenue streams, in addition to helping the company reduce its environmental impact, donate food to those in need, all while strengthening its reputation as a responsible company.

Trillium will continue to raise the topic of food waste with additional companies. We believe that our clients' commitment to sustainable agriculture will be reinforced by the addition of our work on food waste.

4 Food and Agriculture Organization. Food Wastage Footprint: Impacts on Natural Resources. Summary Report. 2013. Accessed at http://www.fao.org/docrep/018/i3347e/i3347e.pdf on November 18, 2015.

5 U.S. Department of Agriculture News Release No. 0257.15. "USDA and EPA Join with Private Sector, Charitable Organizations to set Nation's First Food Waste Reduction Goals." Sep. 16, 2015. Accessed at http://www.usda.gov/wps/portal/usda/usdahome?contentid=2015/09/0257.xml

6 https://sustainabledevelopment.un.org/sdg12

7 http://www.calrecycle.ca.gov/recycle/commercial/organics/

8 Heikkinen, Niina. "Food Security: Vt. Tries to lower emissions by keeping food waste out of dumps." www.eenews.net. July 21, 2015.

9 Lyons Hardcastle, Jessica. "Businesses can Save Billion by Cutting Food Waste." Environmental Leader. Dec. 18, 2015. http://www.environmentalleader.com/2015/12/18/businesses-can-save-billions-by-cutting-food-waste/.

10 Gundersen, Craig and Ziliak, James P. "Childhood Food Insecurity in the U.S.: Trends, Causes, and Policy Options. Research Report for the Future of Children. Fall 2014. Accessed at https://www.childrensal.org/workfiles/futureofchildren/GR_Presentation_Zilliak.pdf.

11 Buzby, Jean C., and Hyman, Jeffrey. "Total and Per Capita Value of Food Loss in the United States." Food Policy 37. 2012. P. 561-570.

HOME DEPOT TO PHASE OUT BEE-KILLING PESTICIDES

Home Depot (NYSE: HD), the world's largest home-improvement chain, has announced that it has removed neonicotinoid pesticides, a leading driver of global bee declines, from 80 percent of its flowering plants and that it will complete its phase-out in plants by 2018. This announcement follows an ongoing campaign urging Home Depot to stop selling plants treated with neonicotinoids and remove neonic pesticides from store shelves.

Over the past few years, Trillium has been engaging with Home Depot, urging the company to strengthen its existing commitments to protecting bees and other pollinators and nursery workers by immediately disclosing the progress it has made to date in phasing out neonicotinoid pesticides in all of its plants and off-the-shelf products. A coalition, led by Friends of the Earth, also called on the retailer to make a public commitment to complete its phase-out of neonicotinoids in all plants and off-the-shelf products, while transitioning to least-toxic alternatives that are benign to human health and the environment, by December 2016.

In the past year, more than thirty nurseries, landscaping companies and retailers have taken steps to eliminate bee-killing pesticides from their stores. A growing body of scientific evidence has continued to mount that neonicotinoids are a major contributor to both wild bee and honey bee declines and that they are contaminating the environment, harming a variety of other organisms essential to healthy ecosystems and sustainable food production.

"Home Depot's public commitment will better position the company to meet the demands of an increasingly environmentally-conscious consumer base. And, it sends an important market signal that restricting the use of bee-harming pesticides is essential to stemming chronic bee declines," said Susan Baker, Vice President of Trillium Asset Management. Trillium and partners in the Investor Environmental Health Network, Domini Social Investments and the Sustainability Group of Loring, Wolcott and Coolidge, have been in active dialogue with management on this issue.

Thinking Capital℠, *continued from page 1*

If met, the agreed-upon goal will reduce greenhouse gas (GHG) emissions by 40 to 70 percent by 2050 from 2010 levels, thereafter reaching zero in 2100. Success is by no means guaranteed, and there are many unanswered questions to how we achieve a significant reduction in GHG, including, and significantly, financing, technology innovations and transfer, capacity building, transparency, facilitation, and compliance.

Today, about 80% of energy produced globally is carbon-based with the balance being renewables. In order to reach the carbon targets set with the COP21 agreement, that 80:20 relationship needs to be reversed with at least 80% of our world's energy becoming renewables based. The estimated amount of capital needed for this transition has been estimated to be somewhere between $50 and $100 trillion, a staggering amount given that the total market capitalization of all publically traded fossil fuel companies today is reported to be approximately $5 trillion.

The real possibility that un-mined fossil fuel reserves will become "stranded assets" has now entered the mainstream and we believe the long-term risks of owning these assets is high. Even still, a short-term complete (and impractical) divestment of $5 trillion fossil fuel holdings and reinvestment only covers a fraction of the long-term capital that is needed for a transition to a low-carbon future.

Given the omnipresent carbon-tax buzz throughout the conference, we believe numerous carbon tax plans are being framed within rational and progressive countries, states, cities and municipalities. These taxes are expected to generate innovation and economic growth through renewables while accelerating the reduction of global GHG emissions. After COP21, the question remains whether or not the pace of low carbon innovation and implementation will be enough to slow, and reverse, the threat to our warming planet.

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Investing for a Better World®
is published by Trillium Asset Management, LLC.

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