TRILLIUM ASSET MANAGEMENT

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THE CASE FOR A TRANSPARENT WORKFORCE: ADVANCING WOMEN & RACIAL DIVERSITY MAKES THE DIFFERENCE

BY BRIANNA MURPHY, VICE PRESIDENT OF SHAREHOLDER ADVOCACY AND SUSAN BAKER, VICE PRESIDENT OF SHAREHOLDER ADVOCACY

2017 was defined in part by intensifying focus on racial, ethnic, and gender equality in the United States. Whether it was the #MeToo movement, the Women's March, the renewed focus on the legacy of the Civil War, or kneeling NFL players, questions about how we treat women and racial minorities in our communities, workplaces, schools, and other public places permeated the conversations.

At Trillium our concern with equality is at its core moral in nature. As the Universal Declaration of Human Rights states: "recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice, and peace in the world." These fundamental principles are at the heart of who we are. The daily indignities, and worse, that so many Americans suffer every day are profoundly wrong.

But Trillium is also an investment firm and we believe that a bedrock principle of U.S. economic and business policy must be that everyone, no matter their race, sex, sexual orientation, gender identity and expression, religion, age, or ethnicity, should have an equal opportunity to work, prosper, and contribute to the economic health of our nation. This combined perspective has moved us to action in no small part because 2017 showed us that no sector or industry is immune to the consequences of an imbalanced workplace. Widespread instances of sexual harassment and racial discrimination reinforces the need for concrete changes in how companies are measuring and reporting diversity outcomes. We know from research that in order to reduce harassment in the workplace we need to focus on hiring and promoting more women. The

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Thinking Capital℠

BY CHERYL I. SMITH, CFA, PH.D., PARTNER, PORTFOLIO MANAGER

A client recently asked us how to reconcile the personal and portfolio benefits of the tax plan with the way it undermines the foundations of our economy. We are struggling with the effort. On Friday, December 22, President Trump signed the Republican tax-overhaul bill, wrapping up a big gift package for corporations, hedge fund managers, and the wealthiest Americans. The overall motivation for the plan is simple: shift the tax burden from businesses to individuals. The bill permanently cuts the stated corporate tax rate from 35% to 21%, while providing just enough of a front-loaded smokescreen of cuts to individuals to allow President Trump and the Republicans to describe it as a "middle-class tax cut." The "supply-side" justification of the corporate tax cut is that businesses will use higher after-tax profits to increase investment and to pay higher wages. This stretches credulity, implying cost has been the limiting factor on investment, even at a time of record high corporate profits and extremely low loan and interest rates. We would argue

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The Case for a Transparent Workforce: Advancing Women & Racial Diversity Makes the Difference *continued from page 1*

evidence also shows that greater workforce diversity leads to better business outcomes.

Research from McKinsey & Company has found that companies with highly diverse executive teams had higher returns on equity and earnings performance than those with low diversity. A diverse workforce can also have positive outcomes for talent recruitment and retention, and can even contribute to increased employee satisfaction and a happier workforce. According to 2017 research by Morgan Stanley, companies with higher gender diversity tend to have better accounting fundamentals and better risk-adjusted performance[1]. A McKinsey report found that companies in the top quartile for gender or racial and ethnic diversity were more likely to financially outperform national industry medians. Specifically, companies with greater ethnic diversity were 35% more likely to outperform[2]. For every 10% increase in racial and ethnic diversity on the senior executive team, earnings before interest and taxes (EBIT) rise 0.8%. From this evidence, we know that companies that are truly committed to growing a more diverse workforce are better positioned to succeed.

A McKinsey report found that companies in the top quartile for gender or racial and ethnic diversity were more likely to financially outperform national industry medians.

Despite all the compelling reasons for companies to proactively cultivate a diverse workforce, there is limited evidence of corporate action and progress has proven to be slow. Women and minorities are greatly underrepresented throughout the corporate pipeline. Although women make up half of the workforce in the U.S., they represent just 29% of Vice President level roles and 21% of C-suite roles. Women of color, the most underrepresented group in the pipeline, account for just 3% of C-suite roles[3]. This is undoubtedly a problem for corporate America. Failing to incorporate diversity may lead to an unbalanced workplace which can expose a company to risks, including operational, legal, and strategic risk.

We also know that diversity extends beyond the diversity numbers; it reaches into the heart of a company's culture. There are numerous ways companies can make themselves more inclusive and accessible to different groups of talent. A company's family leave policies, for example, can play a role. McKinsey reports that paid parental leave and the availability of on-site child care can significantly impact women's ability to rise to higher productivity roles and therefore, when absent, can perpetuate a gender wage gap[4]. Some companies have acknowledged this potential barrier and are adopting programs and policies to make it easier for women and new parents to be successful at work. Google, for example, saw a 50% reduction in new mothers leaving the company after the company increased paid maternity leave from 12 to 18 weeks (MGI Power of Parity). Taking a different approach, in early 2017, Fifth Third Bank launched a maternity concierge program to help new and expecting mothers manage their work and the responsibilities that come with a new child. In the program's first four months more than 170 new and expecting mothers enrolled. The best performing companies on gender diversity have implemented gender-neutral policies that improve the workplace for both men and women, and policies inclusive of same-sex and adoptive parents (McKinsey).

HOW TRILLIUM ENGAGES COMPANIES

As Sherlock Holmes once said, "It is a capital mistake to theorize before one has data". Similarly, we believe it is a mistake to assume companies are building effective

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1 https://www.morganstanley.com/ideas/gender-diversity-investment-framework
2 https://www.mckinsey.com/~/media/mckinsey/business%20functions/organization/our%20insights/why%20diversity%20matters/diversity%20matters.ashx
3 https://womenintheworkplace.com/Women_in_the_Workplace_2017.pdf
4 https://www.mckinsey.com/global-themes/employment-and-growth/the-power-of-parity-advancing-womens-equality-in-the-united-states

INDUSTRY SPOTLIGHT: AN EXAMPLE OF AVOIDING ESG RISKS THE TRILLIUM WAY

Poor ESG scores identify Equifax as an underperformer in our latest Professional Services Group industry review.

BY MITALI PRASAD, CFA, RESEARCH ANALYST

How many of you woke up on the morning of September 8, 2017 to read the headlines that your personal information had been hacked, leaving you vulnerable to identity theft and other fraud? Over 145 million people, in fact anyone with a credit history, was impacted by the massive data breach reported by Equifax, one of the nation's three largest credit reporting agencies. Not surprisingly, the stock plummeted over 35% in the next few days. Over the following weeks the CEO faced a congressional hearing and eventually was forced to resign. At Trillium, our fundamental research process that integrates Environmental, Social, and Governance (ESG) analysis helps us avoid companies with major financial and reputational risks and helped to reveal concerns at Equifax prior to the breach.

> Our fundamental research process that integrates ESG analysis helps us avoid companies with major financial and reputational risks.

As part of our fundamental research process, Trillium conducts industry reviews based on various ESG factors every two to three years. Most recently, we completed the industry review on the Professional Services group that falls within the Industrials sector, and constitutes 0.34% of the S&P 1500 benchmark. Professional services companies, as the name suggests, provide a range of services from data analytics and information services to staffing and other employee services, including companies such as Equifax, Verisk Analytics, and the Manpower Group.

As part of this review and based on our scorings, Equifax (NYSE: EFX), ranked the lowest out of a group of twenty

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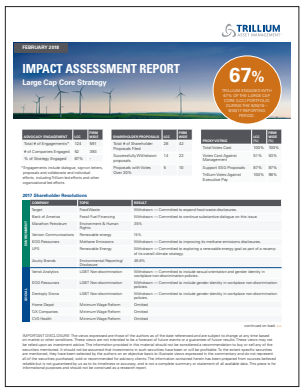
TRILLIUM ASSET MANAGEMENT

FEBRUARY 2018

IMPACT ASSESSMENT REPORT

Large Cap Core Strategy

67%

TRILLIUM FOCUSED WITH 67% OF THE LARGE CAP CORE ESG PORTFOLIO DURING THE ASSETS WEIGHTED REPORTING PERIOD

ADVOCACY ENGAGEMENTS*	CY 2016	Since Inception
Total # of Engagements*	124	991
# of Companies Engaged	82	345
% of Strategy Engaged	67%	

*Engagements include dialogue, signon letters, shareholder resolutions, and other advocacy efforts, including Trillium beneficiary and other organizational bel efforts.

SHAREHOLDER PROPOSALS	CY 2016	Since Inception
Total # of Shareholder Proposals Filed	29	62
Successfully Withdrawn proposals	14	22
Proposals with Votes Over 20%	5	10

PROXY VOTING	CY 2016	Since Inception
Total Votes Cast	100%	100%
Votes Cast Against Management	51%	52%
Support ESG Proposals	87%	87%
Trillium Votes Against Executive Pay	100%	96%

2017 Shareholder Resolutions

	COMPANY	TOPIC	RESULT
Food	Target	Food Waste	Withdrawn — Committed to expand food waste disclosures.
	Bank of America	Fossil Fuel Financing	Withdrawn — Committed to continue substantive dialogue on this issue.
Energy	Marathon Petroleum	Environment & Human Rights	35%
	Verizon Communications	Renewable energy	15%
	EQIX Resources	Methane Emissions	Withdrawn — Committed to improving its methane emissions disclosures.
	NFG	Renewable Energy	Withdrawn — Committed to exploring a renewable energy goal as part of a revamp of its overall climate strategy.
	Apache	Environmental Reporting/ Disclosure	49.8%
Diversity	Verisk Analytics	LGBT Non-discrimination	Withdrawn — Committed to include sexual orientation and gender identity in workplace non-discrimination policies.
	EQIX Resources	LGBT Non-discrimination	Withdrawn — Committed to include gender identity in workplace non-discrimination policies.
	Eversource Energy	LGBT Non-discrimination	Withdrawn — Committed to include gender identity in workplace non-discrimination policies.
	Home Depot	Minimum Wage Reform	Omitted
	CVS Companies	Minimum Wage Reform	Omitted
	CVS Health	Minimum Wage Reform	Omitted

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MEASURING THE IMPACT OF OUR INVESTMENTS: 2017 PRODUCT SPECIFIC "IMPACT REPORTS"

Now more than ever, sustainable and responsible impact (SRI) investors are beginning to track, measure, and assess impact. While measuring the impact of public equities poses many challenges, SRI product ratings (i.e. Morningstar ESG Ratings) continue to help asset managers, consultants, financial advisors, and individuals assess how well companies are managing environmental, social, and governance (ESG) risks.

Trillium's 2017 impact reports build upon our 2016 findings and have two primary sections: 1) proxy voting and shareholder advocacy and 2) portfolio exposures in relation to key ESG metrics, such as board diversity, CSR disclosure, and executive compensation.

As a critical component of the reports, we measure the carbon footprint of our equity investment strategies, which is an essential step in understanding the carbon risk of a portfolio. We integrate climate risk into our investment process because we believe that climate change is the defining investment issue of our time. In addition, carbon footprinting our portfolios fulfill our commitment to the Montreal Carbon Pledge, which Trillium signed in 2015.

We are pleased to report significant progress in key areas including representation of women on boards, carbon emissions intensity, and shareholder proposals that received over 20% of votes by management. We hope these reports continue to create dialogue around leveraging investments for impact and help clients and advisors determine which strategy best fits their investment goals.

Visit trilliuminvest.com for more.

The Case for a Transparent Workforce: Advancing Women & Racial Diversity Makes the Difference, *continued from page 2*

programs to attract and retain diverse talent if substantive data is not disclosed to support the rhetoric.

Data presents a common language that can inform company-wide strategies to build effective Diversity and Inclusion (D&I) programs. Many companies fail to understand the harsh realities confronted by women of color, who face the greatest obstacles and receive the least support.[5] Additionally, according to the McKinsey study, many employees jump to the false conclusion that women are well represented in leadership when they see only a few represented. Standardized data can help cut through misperceptions such as these that often obscure progress on D&I.

The best standard diversity report that we know of is a company's Employment Information Report, or EEO-1 Report. This report describes workplace level employment composition and is submitted to the U.S. Equal Employment Opportunity Commission (EEOC) by private sector employers with 100 or more employees.[6] However, companies are not required to make this information public, resulting in only 25% of S&P 100 companies voluntarily doing so. We believe more companies need to share this data, as investors increasingly incorporate workplace policies and practices in their investment decision-making.[7] We also believe that data transparency is critical to creating usable information that can help with allocating resources to effectively recruit and train diverse talent and manage the effectiveness of diversity programs.

Over the past two years, Trillium filed 21 shareholder proposals asking financial services and technology companies to disclose workforce composition data (EEO-1 report) and provide descriptions of D&I policies and practices.

Two years ago, Trillium launched a renewed effort to engage a large slate of financial services and technology companies on this issue. Over these past two years, we filed 21 shareholder proposals asking the companies to disclose workforce composition data (EEO-1 report) and provide descriptions of any D&I policies and practices. Four of these proposals garnered support from more than one-third of voting shareholders and in December, our proposal at Palo Alto Networks received a majority vote of 50.9%. This is the first majority vote ever received for a proposal of this kind and marks a significant increase in shareholder support for workforce diversity data. Eight of our proposals are set to appear on company ballots at annual shareholder meetings this spring. Since we launched this initiative we are pleased to have reached agreements with eight companies that agreed to release workforce diversity data, allowing us to withdraw the proposals.

SUCCESS STORIES

A key success that we look for in these engagements is getting companies to disclose their EEO-1 data and to develop a meaningful strategy to improving workforce diversity. Commercial and real estate services provider Jones Lang LaSalle (JLL) is one such example. After Trillium filed a shareholder proposal in 2016 and engaged in a productive dialogue with management, JLL agreed to increase its commitment to expanding disclosure around diversity policies and programs and to release its annual EEO-1 workforce diversity data for its more than 77,000 employees. Furthermore, JLL stands out among peers in its practice to tie incentive compensation for its Americas Executive Council members to D&I goals.

Another example can be found at software and services provider, Citrix Systems. After we filed a shareholder proposal in 2015 and engaged in several subsequent dialogues with management the company committed to disclosing EEO-1 reports annually (both the 2015 and 2016 reports have been made public) and taking concrete steps to eliminate its largely siloed strategies. In place of these strategies, the company, using internal and external expertise, has begun implementing a comprehensive diversity and inclusion program that includes annual reporting on its website and progress reviews with the board. We have continued constructive dialogues with the company, pressing management to hold itself publicly accountable as it makes progress towards setting gender diversity goals globally, and goals to expand representation of underrepresented minorities in its U.S. workforce.

5 https://womenintheworkplace.com/
6 https://www.eeoc.gov/employers/eeo1survey/faq.cfm#About
7 https://www.calvert.com/the-calvert-diversity-report-examining-the-cracks-in-the-ceiling.php

STAGE TWO OF THE DIGITAL REVOLUTION: TAKING RESPONSIBILITY FOR THE UNINTENDED CONSEQUENCES

BY JONAS KRON, ESQ., DIRECTOR OF SHAREHOLDER ADVOCACY

The emergence of digital technologies over the last two decades is in some ways analogous to the first 20 years of the "Green Revolution."

In the middle of the 20th century, the development of high-yielding crops, chemical fertilizers and pesticides, irrigation infrastructure, and farm machinery led to a dramatic increase in the amount of food humans could produce. It was credited at the time with saving millions, if not a billion lives from starvation. It also was seen as generally increasing food security and driving down the price of food. But as time wore on, we began to understand the unintended negative consequences of these agricultural technologies: human health impacts from agricultural chemicals, destruction of biodiversity, increasing greenhouse gas emissions, obesity, and social disruptions caused by changes in the sociology of farming. We may be fast approaching a similar point in the history of digital technologies as we seek to balance, understand, and address the positive and negative impacts of the internet revolution.

With this context in mind, consider two key players in our digital economy: Facebook and Verizon. Both companies offer some genuinely useful and profitable products that help connect people — which is why Trillium has invested in them. But they are both at the center of ferocious debates about the harms they may be facilitating or inflicting on society. This year, Trillium is bringing those debates into the companies' annual meetings through shareholder proposals. We are also bringing potential solutions to the table as well, in the belief that investors have a responsibility and positive role to play.

Until 2014, Facebook's mantra was "move fast and break things." Needless to say, it appears that Facebook may in fact be breaking many things. At the very least, the impact of Facebook's products and services is becoming increasingly difficult to understand and "unintended consequences" seem to emerge daily. To provide just a few examples:

- Research links Facebook to depression and other mental health issues;
- Since 2011, Facebook has been operating under a 20 year Federal Trade Commission settlement agreement regarding user privacy practices;
- Investigations into Russian meddling in U.S. elections and its role in proliferating "fake news";
- Media coverage demonstrating that its systems enabled advertisers to target users with offensive terms;
- Concerns over censorship in Myanmar and India;
- Growing public and policy attention to the anti-competitive implications of platform monopolies;
- Smugglers reportedly using Facebook to broadcast the abuse and torture of migrants to extort ransom money from their families;

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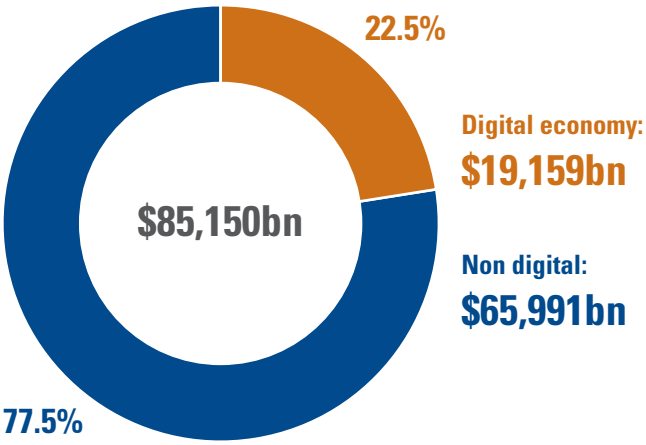
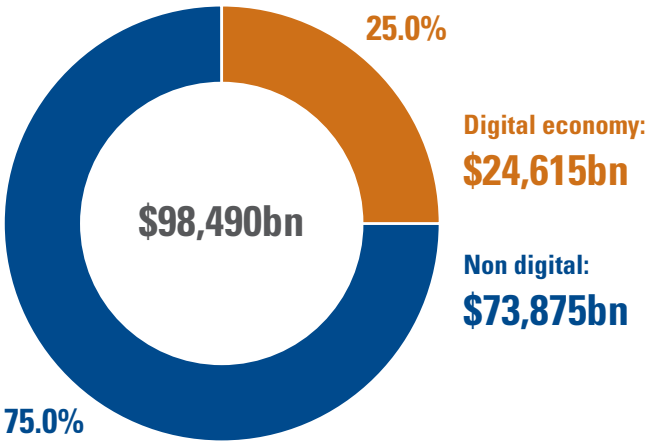
2015 Global Economy

The 2015 economy as a share of gross domestic product



2020 Global Economy

Forecast growth of the digital economy



Source: Digital Disruption: The Growth Multiplier. https://www.accenture.com/us-en/insight-digital-disruption-growth-multiplier

Recent Speaking Engagements

January 29, 2018: Conscious Capitalism, "A Conscious Conversation on Stakeholders: Investors" Roundtable, Boston, MA. *Paul Hilton, CFA, Portfolio Manager*

January 17, 2018: CFA Society Boston & Trillium Asset Management, "Resiliency and Climate Planning in Boston: A Regional Case Study of Coastal Climate Change Investment Risks and Opportunities," Boston, MA.

November 30, 2017: High Water Women, "Investing for Impact Symposium," New York, NY.

Panel: Investing in Sustainable Agricultural Solutions for Local Economies and Global Problems. *Sada Geuss, Investment Manager.*

November 13, 2017: CFA Society Boston, "Sustainable Investing: Moving into the Mainstream Seminar," Boston, MA.

Panel: Innovations in Reporting: Delivering a Better Investment Message. *Matthew Patsky, CFA, CEO.*

November 1 – 3, 2017: Sustainable, Responsible Impact Investing, "The SRI Conference," San Diego, CA.

Panel: Measuring the Impact of Shareowner Advocacy. *Paul Hilton, CFA, Portfolio Manager.*

October 26, 2017: Morningstar, Out@Morningstar Employee Resource Group, "Investing for Equality" Discussion, Chicago, IL, *Matthew Patsky, CFA, CEO.*

Visit trilliuminvest.com for news on recent press and speaking engagements.

Stage Two of the Digital Revolution: Taking Responsibility for the Unintended Consequences, *continued from page 5*

» Criticism from the Congressional Black Caucus over diversity and race relations; and
» The purported use of Facebook as a platform to incite terrorism.

While it is clear that Facebook's leadership is increasingly getting the message that these problems need to be addressed, it is less clear whether it has a comprehensive plan to deal with the growing list of concerns.

As investors in Facebook we are deeply concerned about what will happen next — not only to the company, but also to the people and communities that use Facebook every day. We have invested in the company because we believe Facebook provides pure play exposure to the fast growing mobile display advertising market. We believe Facebook will see improving margins, free cash flow growth, and return on investment. The company is also a corporate leader in sourcing renewable energy; it is targeting 50% of its generation needs from renewables by year end 2018, and has set a 100% long term renewable energy target. We continue to believe that the company has the ability to deliver on this strategy.

That said, we believe the company would be on a more solid footing if it created a board oversight committee dedicated to these kinds of risks. So in October, Trillium filed a shareholder proposal to do just that. Our goal in filing this proposal is not only to put a solution on the table that we believe will strengthen oversight and help Facebook chart a more socially productive course, but also to provide our fellow investors with an opportunity to weigh in on these important matters.

At Verizon Communications, there have been significant concerns for a number of years about data privacy and cyber security — and the company's ability to effectively address this risk. In 2016, Fortune reported that "Verizon's division that helps Fortune 500 companies respond to data breaches, suffered a data breach of its own … [including] information on some 1.5 million customers of Verizon Enterprise." In July 2017, *The Washington Post* reported that a "communication breakdown and a vacationing employee were the reasons it took more than a week to close a leak [in June] that contained data belonging to 6 million Verizon customers." In October 2017, it was announced that all 3 billion accounts in subsidiary Yahoo had been breached prior to its acquisition by Verizon. With its acquisition of AOL and Yahoo and the combination of these firms into a new digital media and advertising company called Oath, Verizon now reportedly aims in coming years to double its advertising reach to 2 billion people in Latin America, Asia, and Europe. CNBC reported that Oath is "working with third parties to provide more

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Industry Spotlight: Avoiding ESG Risks the Trillium Way, *continued from page 3*

domestic and international companies. The team completed the review in the third week of August and just two weeks later, Equifax reported its far reaching data breach. Fortunately, this stock was not on the Trillium buylist and given its low ESG ranking, it would not have made it to the buylist.

The factors included in our ESG scoring and review process included the following:

Human Capital (40% weight): The team evaluated and scored information on employee satisfaction, professional training, fringe benefits, employee stock ownership, employee turnover, and controversies within the labor force.

Data Privacy (25% weight): Factors such as whether the company has a data privacy policy, a Chief Privacy Officer or equivalent position, whether it shares its data internally and with third parties, or if the company had been subject to controversies related to data privacy and freedom of expression, were among the many that were scored.

Data Security (25% weight): This issue examined questions around leadership for the data security position, whether the company trains and certifies employees, and what the company's response has been to past breaches.

Executive Compensation (5% weight) and Board Quality & Diversity (5% weight) were also included as part of the team's analysis.

It is especially revealing to look at the ESG scores that Equifax received in comparison to its competitor Experian PLC. Both companies have a similar business model but differ in key ways in which they address issues around human capital, data privacy, and data security.

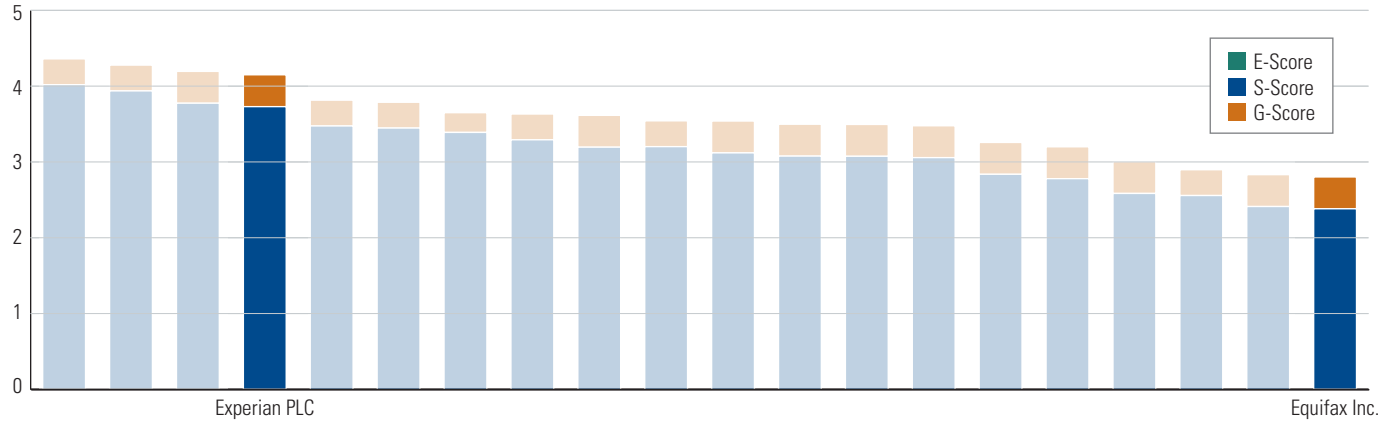
Based on our research Equifax has weak employee training programs and limited employee talent pipeline strategies. Its competitor Experian leads its peers with job specific training programs, broad stock ownership, and regular employee satisfaction surveys. It is no surprise therefore that Equifax received the lowest score amongst its peers for human capital while Experian ranked among the top.

In the area of data security and privacy, while both companies have experienced data breaches in the past, they have differed in the robustness of their responses. Experian has implemented annual global internal audits to evaluate its standards of practice. Additionally, it conducts training programs for employees on data security not only when they join the company but also on an annual basis. In sharp contrast, while Equifax had a data security and a data privacy officer, there was no evidence that the company conducted regular independent audits of its information security policies or that it had a robust data security training program for its employees. The limited scope and relative weakness of Equifax's data security and privacy policies resulted in lower scores for Equifax in comparison to Experian.

Based on the overall weighted score for all issue areas including human capital, data privacy and data security, Experian ranked among the top scorers in the Professional Services group, while Equifax was at the bottom as depicted in the bar chart below.

This example clearly illustrates how our review process helps us avoid ESG risks in our investments. By identifying, analyzing and scoring key ESG performance indicators for each industry group, we hope to not only avoid potential pitfalls but also identify the leaders within the groups.

Professional Services Score



Source: Trillium Asset Management

CENTER FOR ENVIRONMENTAL HEALTH: CHAMPIONING SAFE NON-TOXIC PRODUCTS AND SOUND PUBLIC POLICY

BY VIRALI MODI PAREKH, COMMUNICATIONS DIRECTOR, CENTER FOR ENVIRONMENTAL HEALTH

Did you know that businesses in the United States use more than 84,000 chemicals? Out of those 84,000 registered synthetic chemicals, the Environmental Protection Agency (EPA) only requires safety testing for 0.25%. Since 1996, the Center for Environmental Health (CEH) has served as a watchdog on toxic chemicals, pushing companies to produce safe non-toxic products. In addition to this work, our impact investments allow us to leverage all of our resources to facilitate the most change and to make sustainable and responsible investments that value corporate responsibility, environmental sustainability, and health.

All people deserve to live, work, learn, and play in a healthy environment. It is this belief that drives all of us at CEH to eliminate dangerous chemicals from everyday products and our surroundings.

We protect children and families from toxics by winning common-sense chemical policies, stopping polluters with legal action, and building markets for safer, sustainable products. In response to President Trump's attacks on environmental laws and EPA, CEH is also working to prevent federal rollbacks while advancing nationally relevant state and local policies. Below are two glimpses into how we safeguard families across the country.

DISCLOSURE OF ALL HAZARDOUS CHEMICALS IN CLEANING PRODUCTS

Cancer, asthma, and chemical burns should not have to be side effects of your job. That's why when it comes to consumer and worker health, CEH has been a champion for product safety.

With colleagues from green business, organized labor, domestic workers, and the environmental health community, CEH was heavily engaged in passing a

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Thinking Capital, *continued from page 1*

that investment has been constrained by the lack of aggregate demand, and that this corporate rate cut is far more likely to be used for higher dividend payments and stock buybacks. The touted benefits of higher investment and higher wages are hypothetical and uncertain. The increase in the deficit and the future interest rate cost of the deficit, in contrast, is real and material. The shifting of after-tax income from the bottom 80% of individual taxpayers to the top 2% is real and material.

Since the Republicans chose to pursue the bill by using the reconciliation procedure, the total cumulative deficit was constrained to the $1.5 trillion defined by their original budget resolution. Each iteration of the bill, from House to Senate to President, tilted further in the direction of inequality. Using the analysis of the Joint Committee on Taxation, the bill provides at least a (very) modest Federal tax cut for every personal income bracket in 2019, increasing across income brackets, with strikingly higher cuts for those earning over $500,000. These personal tax cuts are gradually phased out, so that by 2027, only households earning over $75,000 will see any Federal tax cut; and households with over $1 million in annual income will still be receiving an average $13,506 tax cut. Throughout the process, Republicans have used a slew of well-worn propaganda techniques to describe and sell the tax reform package. These include frontloading, so that voters experience the maximum benefit in the first year; misdirection, emphasizing the distribution of Federal taxes, and not the total tax burden of payroll taxes and state and local taxes; and emphasizing the tax rate cut rather than the dollar size of the cut. So-called simplifications, such as doubling the standard deduction but eliminating the personal exemptions, hide a slow erosion of benefits. Since the standard deduction and child care credits are not indexed for inflation, they become less meaningful over time. A provision undermining Obamacare is predicted to increase health care premiums by 10% per year, shifting costs from tax payments, but actually increasing the cost burden of healthcare for everyone.

In addition to the harm inherent in the bill, Speaker Ryan has already indicated that he intends to use the higher expected deficit resulting from the plan as a stalking-horse to shred the remaining elements of our social safety net, Medicare and Social Security. We would like to remind Speaker Ryan that the social safety net was designed to address the economic insecurity created by a modern industrial economy. Cutting away this safety net does not promote economic growth, and is more likely to decrease portfolio values than to increase them. Based on this emerging reality, our work to advocate for stabilizing policies which address economic inequality, such as increases in the minimum wage and restraints on excessive executive compensation, has never been more urgent.

Center for Environmental Health: Championing Safe Non-Toxic Products and Sound Public Policy, *continued from page 8*

new law this past year that would help keep dangerous chemicals out of cleaning products.

California's Cleaning Product Right to Know Act (SB 258) is a groundbreaking law that gives consumers and workers the right to know about chemicals they are exposed to from these products. Under this law, companies are required to disclose detailed ingredient information in cleaning products, including, ***for the first time ever***, fragrance chemicals. That provision is a significant precedent for achieving this level of disclosure in other product categories, such as cosmetics or personal care products.

This bill is a huge win for janitorial and domestic workers in particular. Without ingredient lists, workers faced challenges in being able to clearly point to the products responsible for their illnesses and advocate for their own health. Not only does this law provide those lists, but it will likely make products even safer. Our experience has shown that rather than disclose dangerous ingredients, companies choose to reformulate their products altogether—and not just for those in California, but to the benefit of consumers throughout the entire country. We're confident that this bill, like other disclosure laws, will lead to better products for consumers and workers nationally.

PUBLIC POLICY

Trump's rise to presidency emboldened chemical and other lobbyists to infiltrate regulatory agencies and undermine environmental and health protections. This in turn, encouraged our organization to be active on the public policy front CEH took up the fight against Trump nominee Michael Dourson, who was nominated to oversee toxic chemical regulations at the EPA. Dourson had a history of serving toxic corporate interests, from downplaying the effects of secondhand smoke for tobacco companies, to blessing dangerous chemicals in Teflon for chemical companies. He clearly was not the right candidate to keep Americans safe from toxic chemicals.

CEH organized groups across labor, environmental justice, and civil rights organizations to oppose his nomination. We published a petition in collaboration with CREDO that received over 150,000 signatures within weeks, ran a social media campaign that ballooned with over 1,500 tweets and 7 million impressions, and advocated with Senators at Capitol Hill. However, Dourson passed the Committee vote along partisan lines.

> With colleagues from green business organized labor, domestic workers, and the environmental health community, CEH was heavily engaged in passing a new law that would help keep dangerous chemicals out of cleaning products.

CEH acted quickly to influence the two Republican Senators from North Carolina to reject Dourson, whose block could help sink the entire nomination. Out of our North Carolina office, we engaged state groups and activists such as Indivisible, environmental groups, local activists focused on the recent contamination issues, and business associations to activate calls, postcards, emails and tweets to the Senators. We contacted reporters requesting that they ask the Senators to state their positions on record. It worked! Both Senators publicly rejected Dourson, ultimately forcing him to withdraw. Our #DumpDourson campaign resulted in the first Trump nominee to be rejected by the Senate and is a major step forward in taking back the EPA.

CEH'S NORTH STAR

These examples underscore how CEH is working to address our current political landscape, but we do much more in order to reach our goal of a healthier environment for all people. CEH also pushes companies to improve their products and practices through product testing, legal action, brand pressure, and partnerships. Our approach is ultimately pragmatic: to facilitate business practices that are safe for public health and the environment through a variety of strategies.

If you'd like to know more about our work, visit our website at **www.ceh.org**.

Stage Two of the Digital Revolution: Taking Responsibility for the Unintended Consequences, *continued from page 6*

transparency in telling marketers where their ads are running." This will require sharing information and will depend on the security and policies of vendors and other third-party partners. When asked about recent data breaches, Oath's chief revenue officer, John DeVine, "called it an 'industry problem' and pointed to the latest hack involving Equifax," according to CNBC.

At the same time, in the United Kingdom, a Parliamentary committee studying cyber security recommended, "To ensure [cyber security] receives sufficient CEO attention before a crisis strikes, a portion of CEO compensation should be linked to effective cyber security, in a way to be decided by the Board."

Reviewing that study, we thought the committee's recommendation was an excellent idea. Building upon Trillium's own proxy voting guidelines which ask companies to integrate environmental, social, and governance factors into executive compensation, we decided to turn the idea into a shareholder proposal. In October, we filed that proposal at Verizon, our largest telecom holding, and asked the company to do its own study of the merits of integrating cyber security and data privacy metrics into the performance measures of senior executives under the company's incentive compensation plans.

Verizon already integrates workplace diversity and carbon emissions into its executive compensation plans, so we feel there is a clear pathway forward for the company. We look forward to engaging our fellow Verizon shareholders in a dialogue around this idea.

Trillium is encouraging both Facebook and Verizon to take meaningful steps to address these negative consequences of the internet revolution. We have aimed our shareholder proposals at the strategic levels of the two companies as we look for deeper change, not just window dressing, to address the potentially dramatic harms to society.

DENTSPLY SIRONA ELECTS TWO WOMEN TO BOARD OF DIRECTORS

Trillium Asset Management commends Dentsply Sirona (NASDAQ: XRAY), a dental equipment and supply company, for appointing Leslie Varon and Betsy Holden as the first women to serve on the recently merged company's Board of Directors. Ms. Varon has served in several senior roles at Xerox and brings extensive experience in financial management and investor relations to the company. Ms. Holden, former Co-CEO of Kraft Foods and current senior advisor to McKinsey & Company, brings a deep skill set in strategy, marketing, and board effectiveness initiatives.

In December 2016, Trillium and several investor partners* filed a Board Diversity shareholder proposal out of concern that the all-male board created when Dentsply and Sirona merged in early 2016 was out of step with good governance practice and a laggard among peers. Following a series of dialogues, the Board approved revisions to its corporate governance guidelines, committing the company to ensure diverse candidates, inclusive of gender, race and ethnicity are in each pool of candidates from which Board nominees are chosen. Trillium and the co-filers successfully withdrew the shareholder proposal in February 2017.

Research identifies business benefits associated with board diversity, including better collective decision making, a stronger mix of leadership skills, and improved risk management. We applaud Dentsply Sirona's Board for effectively implementing its revised governance guidelines and appointing Ms. Varon and Ms. Holden. In recognizing diversity as an equity and economic issue, we will continue to urge the company to actively seek out diverse candidates in future board nominee searches.

*Calvert Investments, New York State Common Retirement Fund, Portico Benefit Services and Sonen Capital.

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