



TRILLIUM'S 2021 INVESTMENT TEAM RACIAL EQUITY PROJECT: OVERVIEW AND OUTCOMES

Since our founding, Trillium Asset Management, LLC (Trillium) has believed that diversity, inclusive of gender and race, is essential and a critical attribute of a well-functioning organization.



As a firm, we strive to achieve diversity at all levels and seek to invest in companies that do the same. To that end, and motivated by the racial justice movement reignited in 2020, Trillium's investment team initiated a thorough review of how our research and analysis incorporates a racial justice lens, committing to make necessary changes to adequately and consistently consider racial and ethnic elements. This work was informed by a multi-disciplinary, internal working group comprised of investment, advocacy, and private client professionals that has a mission to "assess, enhance, and formalize" our consideration of racial and

ethnic diversity into the investment process, as well as inform other Trillium efforts, including Advocacy initiatives.

After designing and conducting trial efforts on how best to improve our incorporation of racial and ethnic factors into the research process and portfolio construction activities in Q1 of this year, Trillium's investment team sought to directly engage with every company we currently invest in, including those approved for investment on the topic of racial equity. We developed 5 primary objectives for this important diligence project:

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1. Let every company we invest in, or is eligible for investment, know that racial equity is important to Trillium as investors
2. Understand sector and company leading practices
3. Further inform and document our investment conclusions re: diversity
4. Identify areas for improvement and refer findings to Trillium's advocacy team
5. Communicate our findings back to companies

At the outset, to set a baseline for individual policies and practices, our equity analyst teams sent racial equity questionnaires that explored various topics including advancement of racial and ethnic minorities in the workplace, personal bias in hiring, mentorship programs, and supply chain initiatives. This effort is just one of many initiatives that individuals, companies, and communities launched across the U.S. and around the world. Beyond deepening our understanding of individual companies and seeding the comparative analyses, in many cases, this brought our equity research analyst teams into productive dialogues with our companies – listening and learning from others implementing leading practices.

61% of actively held companies (at December 31, 2020) demonstrated good or leading practices across survey topics.



Over the course of this multi-month project, our equity analyst teams engaged 395 companies on our approved BUY list with a 70% response rate. By region, 81% of domestic companies and 54% of international (non-US) companies completed the survey. By market capitalization, 68% of large and mega-cap companies responded, while 74% of small and mid-cap companies replied. Once the data was collected, our investment team developed a rubric and assigned scores to the responses, with 61% of actively held companies (at December 31, 2020) demonstrating good or leading practices across survey topics. Domestically, over 70% of our active holdings scored good or better, with 39% of US-based

holdings demonstrating leading practices and earning our highest score.

Across sectors and industries, leading practices identified included:

- Requiring employees to have an objective on how they will contribute to creating a diverse and inclusive environment; objectives will be monitored and integrated into year-end performance reviews
- Set concrete time-bound goals for increasing management diversity
- Tie executive compensation directly and meaningfully to quantitatively improving racial and ethnic minority representation across job functions
- Commit to invest in capacity building efforts as well as increase spend on Tier-1 Black suppliers
- Conduct and implement a racial equity audit
- Disclose hiring, retention, and promotion metrics including three years of historical data
- Support public policy designed to dismantle systemic racism and strengthen equity in our governments and institutions
- Commit to transparency and accountability by publicly reporting full EEO-1 data annually

In our view, the best standardized diversity report in the U.S. is a company's Employment Information Report, or EEO-1 Report. All companies with more than 100 employees are required to file this report – which tabulates racial and gender metrics against nine job categories – with the U.S. Equal Employment Opportunity Commission. While there is not an equivalent standardized report outside the U.S., there are numerous ways companies can be transparent and creative about their initiatives and policies aimed at increasing diversity. If companies object to releasing an EEO-1 report we usually highlight two items: (1) shareholder proposals seeking EEO-1 reports are increasingly getting majority votes demonstrating strong investor demand and (2) companies can always supplement their EEO-1 reports with customized reporting that achieves the company's communication goals.

While there is a significant dearth of quantitative racial and ethnic data that is currently available for use from third party research providers, we anticipate supplementing our equity analysts' more detailed diversity analyses with related content when sources are

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complete, consistent and reliable. As we wait impatiently for related data availability, Trillium's investment team will continue to directly engage on racial equity issues with companies considered for inclusion on the approved list by asking companies to complete our racial equity questionnaire, among other practices. Trillium team members will then analyze related initiatives to improve racial and gender diversity across peer companies and target lagging performers for further engagement (including those scored within this exercise), with the assistance and leadership of our shareholder advocacy team.

As more data becomes available globally, including more companies reporting EEO-1 data for U.S. operations, there will be increased opportunity to evaluate companies' current initiatives, as well as continuously monitor and engage to improve practices. As experienced investors, we recognize the business community overall has a long way to go when it comes to building racially diverse and inclusive corporate cultures and we're dedicated to driving that change forward.

About Trillium Asset Management

Trillium Asset Management, with over \$4.3 billion in assets under management (as of 3/31/21), 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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