



CLIMATE ADVOCACY

2021-2022 Corporate Engagement Update



The Importance of the Transition to Clean Energy

As is abundantly clear, climate change threatens to dramatically alter our planet, our societies, and our economies. Unless governments, businesses, investors, workers, and all stakeholders take meaningful steps to severely reduce our greenhouse gas (GHG) emissions and rapidly adapt to a low carbon world, we face unprecedented disruption and destruction, unfairly borne by our most vulnerable ecosystems and communities. At the same time, the climate crisis presents unprecedented opportunities to re-envision what a more sustainable and equitable economy might look like.

At Trillium Asset Management, LLC, we believe that the health of people and planet are inextricable from the health of our economy. We have long sought to invest in companies proactively addressing climate change and have worked with many companies through our shareholder advocacy to reduce their climate impact by pushing for policies, targets, reporting, and action. As Trillium CEO Matthew W. Patsky said upon the firm's invitation to the signing of the Paris Agreement in 2016, "Climate change is the defining investment issue of our time. It is no longer solely a threat to future generations. The damage to the environment, people's lives, society, infrastructure, and corporate financial performance is happening today. The signing of the Agreement represents a new beginning in the transition to a low-carbon future, which may also provide one of the greatest economic opportunities of the 21st century."¹

¹ <https://archive.trilliuminvest.com/2016/04/20/trillium-invited-attend-signing-paris-climate-agreement/>



Trillium set an interim target; by 2030, 75% of the holdings of our Trillium-advised larger-cap equity strategies will have set science-based greenhouse gas (GHG) emissions reduction targets (SBTs) approved by the Science Based Targets Initiative (SBTi).



Trillium's Recent Efforts to Address Climate Change

Trillium Joins Net Zero Asset Managers Initiative

In 2021, Trillium joined the Net Zero Asset Managers Initiative (NZAM), committing to align our operations and portfolio with net zero emissions by 2050. In addition to our net zero commitment, we set an interim target; by 2030, 75% of the holdings of our Trillium-advised larger-cap equity strategies will have set science-based greenhouse gas emissions reduction targets (SBTs) approved by the Science Based Targets Initiative (SBTi).² SBTi provides companies with a standardized methodology and verification system to ensure their GHG emissions reduction targets are aligned with 1.5 degrees of warming, which in turn helps investors assess the alignment of our portfolios and identify companies to engage.

² <https://www.trilliuminvest.com/documents/trillium-joins-nzam-initiative>

³ Darling Ingredients 2021 Climate Change CDP

Engaging with Portfolio Holdings Companies

To implement our commitments, Trillium engaged many portfolio companies through dialogues and shareholder proposals. Most of the shareholder proposals were successfully withdrawn following strong company commitments and only two of the proposals went to votes in the spring of 2022.

We chose to file at **SBA Communications (SBA)** following a successful multi-year engagement on board and management diversity because the company did not report its scope 3 emissions or have GHG targets. SBA is a real estate investment trust (REIT) that owns and operates wireless towers and transmission networks and has recently begun expanding into data centers, which are notoriously energy intensive. After a productive dialogue in which we discussed how the company was lagging peers and the feasibility of setting science-based targets the company agreed to send a letter of commitment to SBTi by the end of 2022 and to submit targets for verification by the end of 2024.

Trillium also engaged in 2021 and 2022 with **Middleby Corporation**, which manufactures commercial cooking equipment, industrial processing equipment, and residential appliances. As an acquisitive small/mid-cap company, Middleby faces the additional challenge of having to collect data and disseminate strategy across its decentralized operations. But after very generative discussions about how science-based targets would fit into Middleby's overall sustainability strategy the company agreed to send a letter of commitment to SBTi by the end of 2023; to disclose its 2023 scope 3 emissions by the end of 2024; and to commit internal resources to set a SBTi-verified science-based GHG emissions reduction target by the end of 2025. We look forward to continuing to build our relationship with Middleby as they operationalize the commitment.

Similarly, we successfully withdrew a shareholder proposal at **Darling Ingredients** earlier this year. Darling has a more sustainable business model producing bionutrients, taking slaughterhouse byproducts that food and agriculture companies would otherwise throw away and recycling them into ingredients and proteins such as collagen. While Darling diverts waste, its processes can be energy intensive, and their emissions intensity is high compared to other feed and food products companies. Additionally, although the company was committed to net zero emissions by 2050 it did not have adequate emissions reduction targets or a plan to meet its net zero commitment.³

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We co-lead-filed a proposal with Green Century Capital Management asking the company to set SBTs, and after a successful dialogue focusing on supplier engagement to reduce scope 3 emissions the company agreed to send a letter of commitment to SBTi by the end of 2022 and submit scope 1, 2, and 3 targets to SBTi for verification by 2024. We look forward to continued dialogue with Darling as it inventories its scope 3 emissions and develops targets that cover its entire value chain.



After returning to the public markets after going private, **BJ's** is willing to allocate resources to catch up with peers on climate.



We also successfully withdrew our proposal at **BJ's Wholesale Club** after the company agreed to commit to send a letter of commitment to the SBTi by the end of 2023; to publicly disclose 2031 scope 1 and 2 targets calculated using SBTi methodology by the end of 2024; and to submit targets covering all scopes for verification to SBTi by the end of 2025. We are pleased that after returning to the public markets after going private BJ's is willing to allocate resources to catch up with peers on climate.

We continued our engagement with **UPS** this year. In stark contrast to the companies discussed thus far, as a large cap company, UPS has ample resources to set SBTs without delay. Although UPS pledged carbon neutrality by 2050, its interim goals are neither science-based nor independently verified and do not cover its scope 3 emissions—which account for more than its scope 1 and 2 emissions combined.⁴ In addition, UPS lags behind its peers when it comes to electric vehicle procurement,⁵ relying instead on natural gas trucks, which poses both potential reputational and competitive risk as EV battery supplies may be constrained later in the decade, and as EVs increasingly provide lifetime savings costs.⁶ Our resolution, co-lead-filed with Zevin Asset Management and Green Century Capital Management received a 28% vote at the company's May annual general meeting, and we believe this will allow us to move forward with meaningful engagement with the company.

At **Bank of America**, we filed a shareholder proposal asking the company to develop a policy of not financing new fossil fuels. 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."⁷ Bank of America (BAC) has publicly committed to reach net-zero emissions by 2050 and to align with the Paris Agreement's goal of limiting global warming to 1.5 degrees.⁸ Although BAC has restricted financing for Arctic drilling and coal operations, it has not committed to halt financing for all new fossil fuel development that we believe a net-zero commitment requires. The proposal received an 11% vote – a solid outcome considering how adamant, insistent, and novel the request was. Finally, we were honored to co-present the resolution at Bank of America's annual general meeting with Ms. Sharon Lavigne, the founder of RISE St. James, a community grassroots organization working to stop a proposed Formosa Plastics petrochemical plant in Louisiana's "Cancer Alley." RISE St. James has asked BAC not to fund the project.

Investing for a Better World

Ultimately, the private sector has an incredibly important role to play as we confront the increasingly severe human and ecosystem impacts caused by rising temperatures. Trillium will continue to push for a just and rapid transition to a low-carbon, sustainable economy by building investor consensus and growing inclusive coalitions.

⁵ <https://sustainability.aboutamazon.com/environment/sustainable-operations>; <https://www.fedex.com/en-us/sustainability/electric-vehicles.html>

⁶ <https://time.com/6182044/electric-vehicle-battery-lithium-shortage/>

⁷ <https://www.iea.org/reports/net-zero-by-2050>

⁸ <https://newsroom.bankofamerica.com/content/newsroom/press-releases/2021/02/bank-of-america-announces-actions-to-achieve-net-zero-greenhouse.html>



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