



How We Are Responding to the Climate Crisis

MARCELA PINILLA, DIRECTOR OF SUSTAINABLE INVESTING



The most recent Intergovernmental Panel on Climate Change (IPCC) [report](#) concluded, once again, that unless there are immediate, rapid and large-scale reductions in greenhouse gas emissions, limiting warming to close to 1.5°C or even 2°C in the next few decades will be beyond reach. Climate scientists continue to warn that struc-

tural changes in our economy are needed to mitigate the greatest harms of climate change. Meaningful policy changes are the most important strategy to address this, but the role of sustainable investing is also key.

Climate change is already impacting or is anticipated to impact nearly every facet of our economy. It is a threat at the macro level but also at a more granular corporate level. Environmental supply chain disruptions and impacts, energy resiliency, and access to customers are just a few of the business-critical aspects at risk. There are also opportunities to be uncovered as economies turn towards renewables, rapidly electrify their infrastructure, and become more efficient.

Important to our response to the climate crisis is how we operate, how we decide which stocks to invest in and which to avoid, and how we develop our shareholder advocacy and public policy approaches.

Change Begins With Us

As a Certified B Corp, we undertake a rigorous process to ensure that we are walking the walk. The certification process covers several areas of climate mitigation, including where we source our energy, which is 100% New England wind energy, and how we shrink our footprint from employee mobility and travel, which includes adopting a hybrid office schedule and providing commuter benefits for public transport and air travel for only essential business. That being said, the biggest contribution to our climate impact comes from our investment decisions and extends to advocating for robust climate transition plans from companies that match the urgency of the climate crisis.

Investment Choices

Negative Screens — Our environmental policy excludes egregious environmental offenders at a minimum. For example, we typically avoid investing in companies with poor performance in the areas of toxic emissions, greenhouse gas emissions, hazardous waste, environmental regulatory problems, biodiversity, and environmental justice. No fossil fuel companies currently meet our standards.

Positive Screens — We seek out companies that provide products or services that contribute positively to the planet. This can include those involved in renewable energy, environmental technology and solutions, e.g., energy efficiency, and leaders in innovative products or processes such as green manufacturing. Climate change mitigation from these solutions is an important part of the equation. We are now feeling the impacts of a warming planet and therefore prefer companies that demonstrate they are innovating for climate adaptation. We believe companies that are actively managing and reducing water use, waste and greenhouse gas emissions, and supporting public policies aligned with these objectives are more resilient and better prepared to face the repercussions of the climate crisis.

Investing in Solutions-Oriented Companies — Our fundamental equity research process examines how companies operate in a transparent, connected, and turbulent world. Those companies that bring together profit, performance, and sustainability strengthen portfolios and define the future. Financial fundamentals come first. If a company is not financially sound, it shouldn't be considered — even if it shows promise for the future. The portfolio must be built around stocks with proven, consistent revenue and earnings growth, strong balance sheets, committed industry leadership, enduring competitive advantages, and attractive returns on capital. Any analysis should start with these key foundational elements. Given the tremendous opportunities, we are proud to invest in companies on the front lines of the fight against climate change. Not only are such companies providing products and services that are critical to mitigating climate change, but they are also leading innovation within their respective industries.

PORTFOLIO SPOTLIGHT

While no company is perfect from an emissions standpoint, these companies in our client portfolios are contributing to climate mitigation:

Company	Products & Services	Impact
Novozymes – a world leader in bioinnovation, this Danish company allows customers to improve efficiency, reduce energy consumption, and move from chemicals to sustainable alternatives through its products.	Research, production, and sale of enzymes and microbial solutions for industrial use.	Novozymes’ innovations are helping to: <ul style="list-style-type: none"> • Speed up the process of turning agricultural waste into sugars that can be made into fuel. • Boost crop yields without added fertilizer. • Improve laundry detergents to cut energy use and water. • Develop and produce sustainable meat substitutes.
Vestas – a global leader in wind energy, this Danish company has more wind power installed than any other provider.	Manufacturing, installation, and service of onshore and offshore wind turbines.	As of this writing, Vestas: <ul style="list-style-type: none"> • Services a global portfolio of more than 160 GW, the largest fleet in the world. • Saved 1.5 billion metric tons of CO2.
EDP Renewables – the fourth largest producer of renewable energy in the world, this Portuguese company is aiding the clean energy transition.	Development, construction, and operation of renewable energies – onshore wind, offshore wind, and solar.	In its leadership in the renewable energy sector, EDPR has: <ul style="list-style-type: none"> • Powered more than 4.6 million homes. • Saved 18.5 million metric tons of CO2.

Proxy Voting — Our proxy voting guidelines include voting against directors at companies that fail to align a climate mitigation strategy with the goals of the Paris Agreement and voting against board nominees where the board has demonstrated a lack of responsiveness to ESG concerns (such as climate). We also vote in favor of increased disclosure on environmental policies and for proposals seeking information around misalignment between corporate political spending and lobbying activities on shaping climate policy, procedures, and commitments.

Climate Advocacy

As engaged shareholders, for years we have used our investor voices to hold companies accountable for their climate impacts and making progress on their pledges and commitments. Given the large environmental footprints of publicly traded corporations, our engagement with companies can be especially impactful when it comes to mitigating climate change (see our [Shareholder Engagement Highlights](#) table for more).

Climate change and water scarcity are issues that affect all companies, although some industries have greater exposure than others. In our climate engagement, we are particularly interested in companies’ carbon footprints, as well as exposure to renewables, energy efficiency programs and products, and corporate preparations for a future price on carbon, as well as water conservation practices and emissions. How companies address these issues can indicate a long-term perspective as well as prudent business planning.

Public Policy — Corporate lobbying to influence public policymaking affects all aspects of the economy, Companies are

increasingly playing a public role in climate change through their association memberships. These industry organizations, including so-called social welfare non-profits, mobilize to shape public policy agendas at state and local levels, often motivated by conflicting interests that go against a company’s stated values and sustainability strategy.

While there is nothing new about companies weighing in on public matters, doing so without evaluating the subsequent social and climate impacts or business implications may be riskier than ever. We leverage our investor voice to advocate for more sound public policy. Examples of our public policy work on climate change include:

- Testifying along with numerous organizations before the EPA in support of clean trucks. Pressure to set strong regulations on heavy-duty trucks must continue, given their strong contribution to greenhouse gas (GHG) emissions. Read more about this engagement [here](#).
- Joining a letter calling on the U.S. Chamber of Commerce and its members to cease blocking critical climate and energy policy and to cease statements opposing the SEC’s proposed climate disclosure rule that supports the goals of the Paris Agreement.
- Joining the Global Investor Statement to Governments on the Climate Crisis encouraging governments to engage closely with investors to make sure that climate risks are effectively managed and that opportunities are fully realized.
- Providing testimony to the University of Michigan Board of Regents supporting divestment from fossil fuels. The University did divest eventually. We have also advised student-led university divestment campaigns such as the Divest NYU chapter.

SHAREHOLDER ENGAGEMENT HIGHLIGHTS

Company	Tool	Zevin Asset Management Action	Impact
Alphabet A (parent company of Google)	Shareholder proposal (lead filer)	Concerned that Alphabet's current lobbying disclosures are inadequate to protect shareholder interests, we asked the company to report on how its lobbying activities align with the Paris Agreement's ultimate goal to limit average global warming to 1.5° C.	Won 55.6% of the outside vote shareholder vote, helping to bring the issue to the forefront of management.
Costco	Shareholder proposal (co-filer)	Concerned about the human rights and climate impacts from deforestation, we co-sponsored a shareholder proposal urging a more rigorous approach to deforestation in specific supply chains. <i>Partner: Green Century Capital Management</i>	In a win, Costco published a new Forest Conservation Commitment and Climate Action Plan. There is more work to do, but now the retailer is more specific about how much pulp and paper it procures from various sustainable certifications.
Expeditors International	Shareholder proposal (lead filer)	We filed a shareholder proposal urging Expeditors to set a "science-based" greenhouse gas target in line with the Paris Climate Agreement. <i>Partner: Friends Fiduciary Corporation</i>	While Expeditors does not own planes and ships, it nevertheless faces second-order climate change risks related to customer operations, increasingly stringent climate change regulations, and fluctuating fuel prices. We withdrew the proposal successfully and plan to receive updates on progress.
United Parcel Service (UPS)	Shareholder proposal (co-filer)	In tandem with our request for lobbying disclosure, we believe UPS can be more ambitious in its climate action given their heavy carbon footprint. We asked the company to produce a more ambitious plan to align its climate commitments with the Paris Agreement. <i>Partner: Trillium Asset Management</i>	Our first-time proposal urging UPS to stop ignoring its large airplane carbon footprint in its climate change strategy performed very well with nearly 30% support.

For more on our work and broader advocacy, check out our [resources](#) and latest [publications](#), and join us on [Twitter](#) and [LinkedIn](#). And please don't hesitate to contact Marcela Pinilla, Zevin Asset Management's director of sustainable investing, at marcela@zevin.com with your questions, thoughts, and suggestions.

DISCLOSURES

1. Registration with the SEC should not be construed as an endorsement or an indicator of investment skill, acumen or experience.
2. Investments in securities are not insured, protected or guaranteed and may result in loss of income and/or principal.
3. Historical performance is not indicative of any specific investment or future results.
4. Certified B Corp status is, at least in part, based on responses provided to B Lab by Zevin Asset Management. Zevin Asset Management pays annual membership dues to B Lab, which is a requirement for eligibility in B Lab results. Certified B Corp status requires an assessment of companies' positive impact on workers, community, customers, and environment (Criteria: <https://bcorporation.net/certification/meet-the-requirements>).

