

CASE STUDIES



Trillium Asset Management, LLC: Driving Growth of Sustainable Chemistry through an ESG Portfolio

Since 2007, Emily Lethenstrom has worked as an ESG specialist. In 2015 she took on the ESG role Trillium, with a goal of helping to shepherd ESG materiality analysis with Trillium’s sector analysts. Their work involves identifying key issue areas for each of the 11 economic sectors covered across the ESG portfolio and diving deep into that analysis, identifying the key ESG issues, and determining what companies are doing to manage those risks.

In addition, Lethenstrom analyzes companies for the Trillium ESG Global Equity Fund, a mutual fund which has been around since 1999. Originally known as the Portfolio 21 Global Equity Fund, it was purchased by Trillium. That fund has 27 environmental criteria against which companies are evaluated—and they are broad in nature, including issues such as raw material supply chain, leadership at the firm, factory improvements, and other issues.

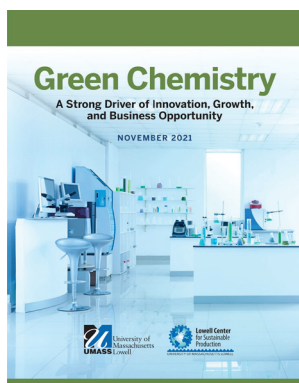
Traditionally, one of the sectors she works in is the Global Equity Green Strategy, which involves an analysis over time that examines what chemical companies are doing to contribute to sustainable outcomes. Traditionally, chemicals have had a pretty negative overall life cycle picture. However, the onset of green chemicals and chemistry has created many more attractive investments for an ESG portfolio, and more companies are recognizing this trend and are beginning

to position themselves to replace fossil fuel inputs, driven by consumer demand.

Letherstrom notes that this trend is definitely occurring. More consumers are becoming self-educated about human and environmental health impacts of products they consume such as food products, food packaging. But many haven’t thought about chemicals before. Increasingly individuals are asking

QUICK FACTS

- Founded by Joan Bavaria in 1982 who is considered the “founding mother” of Socially Responsible Investing
- HQ is in Boston, Massachusetts
- Over \$4 billion in assets under management
- 1st investment manager to file a shareholder resolution in 1995 (Johnson & Johnson)



Excerpted from **Green Chemistry: A Strong Driver of Innovation, Growth, and Business Opportunity**, University of Massachusetts Lowell, November 2021

<https://greenchemistryandcommerce.com/publications>

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“what do green chemicals mean for me as an individual and the environmental health of our communities?” Many consumers are definitely paying attention to this shift. For instance, there are safer chemistries that perform equally as well as their more harmful incumbents—and that over time have proven themselves. The other driving force is that retailers are asking for increased transparency for products they are putting on their shelves. Target and Walmart are great examples of retailers that have established a green chemistry policy and want to ensure the products are responsible—and are pushing their suppliers to change formulations. She notes that the change and interest is coming from a lot of different angles.

Traditional investors that don't consider sustainability are different than the ESG sustainable and socially responsible investors. The growth of green chemicals recognizes all of the pressures on the ecosystem and is tapping into consumer's recognition that fossil fuel inputs are increasingly recognized for their negative effects on environmental health. In the future, these fossil fuels will become increasingly regulated to the degree that those externalities and true costs of using fossil fuels are integrated into the financial costs of the product.

We are already starting to see this in Europe with the Registration, Evaluation and Authorization of Chemicals (REACH) legislation passed in 2006. This was a huge undertaking that allowed companies in Europe to begin measuring and monitoring chemicals and highlighted the impact of Substances of Very High Concern (SVHC's). Lethenstrom notes that regulation has an important role to play by recognizing those higher toxic chemicals that are produced from fossil fuels and showing that there are substitutes that are far less toxic and made from renewable inputs that are not as impactful. This is especially true when you look at the life cycle of a chemical.

In terms of financial outcomes, the growth is going to be coming from companies that are trying to reduce their SCOPE 3 GHG emissions across their supply chains. Examples include high performing companies like Unilever or SC Johnson, that have made commitments to replace fossil fuel inputs with chemicals that are biobased. A lot of companies that are producers of biobased inputs as a replacement for fossil fuels are seeing increased demand from companies and the connection to climate change will help push this.

Many companies see a business case a business case from green label certifications recognized by consumers and that give the consumer a level of confidence that what they are buying won't impact the larger environment. And as long as the label is reputable, consumers are becoming more educated and willing to spend more money.