

Corporate Political Responsibility Taskforce

Expert Dialogue with Kron

Kron - Module #1

Elizabeth Doty: Hello and welcome. This is the Erb Institute's Corporate Political Responsibility Task Force Expert Dialogue. My name is Elizabeth Doty and I'm the task force director and I'm delighted to be moderating today's conversation with Jonas Kron, who is the Chief Advocacy Officer for Trillium Asset Management.

The Corporate Political Responsibility Task Force or CPRT is an initiative of the Urban Institute. A 25 year long partnership between the Ross School of Business and the School for Environment and Sustainability at the University of Michigan. Led by Managing Director Terry Nelodov and Faculty Director Tom Lyon, the URB Institute is known for its leadership in three areas.

Teaching and Learning. Business [00:01:00] engagement with groups like the CPRT, and scholarly and applied research. The CPRT's mission is to help companies better align their approach to political influence with their commitments to purpose and values, sustainability, and stakeholders. As we're seeing, corporate political responsibility is an increasingly pivotal element in managing stakeholder trust, addressing systemic issues, and rebuilding public trust in institutions.

Today, I am delighted, as I said, to be talking with Jonas Kron. Jonas is the Chief Advocacy Officer of Trillium Asset Management. He leads their advocacy program, which involves engagement, talking with corporate leadership, filing shareholder resolutions building investor education and awareness, and even public policy advocacy.

So it's a pretty thorough when they say engage approach and we'll be talking about that. He's a recognized legal expert in the field, and is on the board of the [00:02:00] Forum for Sustainable and Responsible Investment, the USSIF. And before that he was an environmental attorney and public defender. So really a precise thinker and I've always learned a lot in our conversations.

Today we'll be approaching the conversation in three rounds. talking about impact investors in the current environment, all the debate about ESG and impact investing then go to, is it really possible for an investment management firm to represent shareholder voice? And what are the challenges in practice there and legitimate voice?

And then finally, what are the implications for action? I can't actually think of a topic that would be more timely given the debates about investor voice, ESG, corporate political influence in the environment today. So thank you so much.

Jonas Kron: Yeah, no, thank you so much for, for having me. It's really it's actually a pleasure and honor to be here and wonderful to have everybody else that has joined and look forward to a great conversation.

Elizabeth Doty: We want [00:03:00] to start with this idea. There are some elements that are multi dimensional debates going on right now around ESG, what it means. ESG and impact investing, which originally were defined as two different things and often get blended

together. Now some elements of this debate, try to be neutral about values or a point of view on societal impacts and just focus on the risk, financial risk to investors of certain Larger systemic factors, but trillium is not like that.

You're not neutral. And when we've talked to you, you say we actually have a point of view of what we think would be a positive contribution. So I'd like to invite you to lay out kind of the philosophy of, of how you see having a point of view how that relates to this idea of being neutral. And then where does it come from on what basis.

Do you have a point of view?

Jonas Kron: It's probably helpful just to think about Trillium, maybe almost taking a few steps back in time to when Joan Bavaria, our founder [00:04:00] created Trillium, which was 40 years ago exactly that we came into being ever since inception, we've always incorporated environmental, social and governance factors, although that wasn't exactly the terminology back in the eighties but we always have incorporated that into our investment process.

And that is sort of a more narrow. The more narrow band way of thinking about ESG thinking about it in terms of, well, does it give you, you know, information and your investment process, both of the company and portfolio level that can be useful. And we can talk more about that if that's of interest.

But the other side of it is. We weren't only looking to see how these different factors impacted the company and the risks and opportunities are created, but we looked at how the company impacts the environment, how it impacts society how it impacts. Our democracy and thinking about that sort of that flip side, if you will, and we were just very aware.

Joan was very [00:05:00] aware of the important role that these companies play in society. And it was always important to us as an owner of these companies to be able to. Influence to persuade to participate in the conversation about how they would be having that impact on different ecosystems, communities around the country around the world and just more broadly on the on the point of governance and in doing that.

We've always brought a sense of a set of values to it. A sort of simple way to think about it is actually in our name, which is Trillium, which is a three petaled flower. And those three pedals in our sort of iconography is equity, economy and ecology. But even beyond that we've got a set of sort of overarching values that define who we are and what we do and, and give us guidance when it comes to both our investment process, but also our advocacy.[00:06:00]

And so we publish those as a public and out there for the world to see in in an impact report that we put out. Basically the, the five features of it is protection of human rights. Protection and respect our protection of and respect for the natural environment achievement of justice, uh, respect for labor and respect for civil society institutions.

And those are obviously pretty broad and how those actually translate into the actions that we take is, is, you know, is, is, I guess what we'll probably talk about next and sort of how that plays out over time. But really what it does is, as you had alluded to. We really do take the opportunity on so many different fronts to engage the companies that we are shareholders in to encourage them to be better performers, to have a better impact when it comes to these environmental, social and governance [00:07:00] factors.

But we also recognize that sometimes. Public policy solutions are really going to be a better solution than sort of market based, you know company by company solutions. And so we do

engage in public policy conversations in Washington, but also at the state level and sometimes even down at the local and municipal level.

And those are guided by our values as an organization. Okay.

Elizabeth Doty: It's, it's very interesting. It's very thoughtful and very clear. And I'm wondering I guess the first place my mind goes is how do those conversations unfold? Do you have any examples of the how you have the conversation, how you make the argument?

If you're talking with the senior executives,

Jonas Kron: I guess I'm not sure how much folks in this group are familiar with, you know, what active ownership or stewardship you know, looks like. But to be honest, it can look like a lot of different things. You know, we have conversations [00:08:00] with companies that sometimes are very friendly and move very quickly.

For example there was a period of time when we would go to companies that weren't providing non discrimination protections for LGBTQ employees. And at the beginning, it was actually quite difficult to have that conversation. But over time, that conversation got easier and easier. And it was actually to the point where we would go to a company and point out, it was like your EEO1 policy, your Equal Employment Opportunity policy doesn't protect, you know, people based on who they are, who they love.

And they often you know, once we get to a certain point would, would write quite quickly be like, we did not realize that. Thank you for pointing that out. We're more than happy to make that change. And they would make the change quite quickly, but other times the, the change does not come quickly and we have to Broaden the conversation and bring other investors in and do that through often shareholder proposals.

I think shareholder proposals have a bit of reputation for being sort of an advocate adversarial way of, of [00:09:00] interacting with a company, but we don't really see it that way. Like I think it's a shareholder proposals are a great way to provide companies with a very concrete focus question and then give them the opportunity to get feedback from investors at the annual meeting, but, you know, to give an example maybe of an issue area where.

We engage companies, but we also engage the public policy process to sort of show where these two things can come together. One good example is on the idea of paid paid sick leave or paid family leave or any of the various. Forms of paid leave. For the last couple of years, we have filed shareholder proposals at CVS health and actually most recently at Union Pacific, the railroad company, asking those companies to provide paid sick leave for their employees.

And. Explaining why it is good in and of itself to do that, then why also it is good in terms of a business reason to be to be [00:10:00] providing paid sick leave. And those proposals, you know, lead to conversations with the companies and can lead to. Dialogues, but also, you know, they can go to a vote and in the case of CVS, I believe we had around a 26 percent vote of support for that shareholder proposal.

So a considerable amount of support from investors, but at the same time that we were doing that sort of company by company engagement, we were part of a group of investors, led a group of investors with the help of the Interface Center of Corporate Responsibility, ICCR. Back in 2021 to bring together a group of investors representing about 1.6 trillion dollars in assets to send a letter to Congress.

Basically saying, we as investors believe paid family leave, that paid sick leave, paid medical leave policy at the federal level is really what we need and that that's good for business. That's good for the economy. And that's good for our people and for our fellow citizens. So we can do both of [00:11:00] those things at the same time.

We can, you know, encourage the companies to take individual steps or we can encourage policymakers to, to make that change as well. So those are, you know, some examples of, of, of how we do our work. Got it.

Elizabeth Doty: Thank you. That's really helpful. And it makes me want to go. You and I have talked about the principles that we've been clarifying of on what basis do companies engage and take these points of view.

But I think there's something what you're saying about the relationship with your shareholders. That they expect this. It could you describe like it? It seems almost I'm imagining and tell me if I'm projecting. This is part of the deal. This is part of what they're signing up for when they invest with Trillium.

Is that fair to say? Or is it a black box that they just they don't know, but you do good for me.

Jonas Kron: No, no, no, no. That's thank you. It's an excellent point. You know that so. We manage about 5 billion in assets. So we're not [00:12:00] that, that big, you know, we are orders of magnitude actually smaller than say BlackRock.

Although I should say that we about two years ago were acquired by an Australian financial services firm called Perpetual. So we are part of a larger organization. We are a boutique firm within that larger organization. There, there's sort of this virtuous. You know, reinforcing cycle that happens with our clients and our clients take a number of different forms.

We, we have a private client group where we have direct relationships with individuals and organizations, and we manage their assets, you know, whether it's 1 million, 5 million, 10 million, 20 million, 50 million. We also have interactions through intermediaries. So financial advisors that will be carrying our products.

And then we also have mutual funds, so we have retail exposure as well. But we always have been incredibly transparent about who we are and what we are doing. You know, if you go to our website, there's enormous amounts of material on how we vote our proxies and what our proxy voting policies are.

And you can look at actually [00:13:00] our proxy voting record going back. Decades you know, we put all of our shareholder proposals up. We you know, are constantly commenting on events in the marketplace. Whether that is from climate change to reproductive rights, to voting rights, to gun violence we are very outspoken.

And so when our clients come to us, they know who we are and what they're getting when they become a client of ours. And. In becoming clients of ours, they tell us what's important to them and that informs what we do. And so those two sort of feed into each other. So we have, you know, I think a very good you know, our, our business is a very high touch business in the sense that we have a lot of contact with Not all of our clients, retail clients are a little tougher to have that kind of relationship with, but with a lot of our clients.

And so we have that back and forth that helps inform who we are and who we are helps inform who our clients are because they are self selecting. Nobody, nobody is forced to

become [00:14:00] a client of Trillium. You have to seek us out and actively decide that you want to invest in our products.

Elizabeth Doty: To describe what you're saying about including policy advocacy directly for policies that will affect the economy the, the businesses and people as well as how to be responsible for the larger good in the long term.

We've talked about on what legitimate basis. How to be transparent, how to be accountable for what you say you will do, and what does it mean to be responsible as kind of core facets of political responsibility. Do you have a sense, and I know I'm superimposing our framework on what you do, do you have a sense of how Your philosophy aligns with those principles.

Jonas Kron: So in terms of, you know, how are actions align with our values? You know, it's in some respects, it's just it's the water that we swim in day in day out. It's not like this overlay or this thing that's tacked on. It's something that sort of DNA from the [00:15:00] very beginning. That being said, you know, I think accountability and transparency.

Transparency. And transparency as a form of accountability are really important. And we do actually have an oversight board of of outside individuals whose job is to make sure that we do. Live up to our principles and that we actually continue to act that are, that our conduct and the way we do our business and the way we advocate is in line with those values.

And so we do get that check. We do have that outside group that looks at the two and make sure that, that they are in alignment with each other. And I think that's sort of important as an organization that is growing and getting bigger, you know, you know, we're only. 45, maybe 50 some odd people at this point.

So we're still relatively small, but as we get larger, you know, having those governance systems in place to make sure that we are true to label as it were is important. Yes.

Elizabeth Doty: And then the legitimacy or responsibility, do you see any relevance to those? Because I think that's the [00:16:00] one that your approach is, and in our second round we'll go into the debate over this, that's the one where your approach I think goes beyond what many people say is Yeah, you should align.

You should be transparent. It's not hard to get agreement on. But the other two, do you have any thoughts on those? Or

Jonas Kron: well, I guess, you know, probably a couple things to say here is that one we don't have a pack. We do not do political spending as a organization. You know, we don't have any of our Treasury dollars go towards that.

So we are not You know, participating in that sense, you know, we are participating very much in submitting comments to regulatory processes, submitting comments to legislators meeting with legislators and staffers meeting with regulators. So it's much more in, in that realm. And I think, you know, the, the legitimacy that we draw is from our clients and what our clients want, as well as who we as an organization.

You know, we also are a B Corp.[00:17:00] And so we you know regularly hold ourselves to that standard as well and defines part of who we are.

Elizabeth Doty: Interesting. So we'll get into that more. It sounds like an important distinction in participating in the, in the debate versus the spending. So that's, we'll get to that in the second round.

Grace, can I turn it to you for any comments you're seeing?

Alison: Jonas, I am really curious about, I mean, you talked in a very compelling way about engagement. There are people in a limited amount of time in the day. How do you think about the tensions, if you perceive there are tensions and I know the kind of...

And lines on all this, obviously, but between Direct engagement on ESG issues and ESG performance and these wider questions, which arguably are more significant and arguably companies are engaging in ESG and sustainability initiatives, partly as a distraction from these questions. So do you see attention?

How do you think about this in terms [00:18:00] of the overall ESG agenda? What would you prioritize? How do you try and align that strategy? Can you talk to me about that, please?

Jonas Kron: Sure. I think part of your question is, you know, there's any number of things that we could be working on or advocating on. And so how do we decide which ones to, to, to, to spend our time and energy on?

And and, and, you know, truth be told, that is one of the hardest things to do. Parts of my job, I should say, I'd be the team of seven of us that do shareholder advocacy 100 percent of the time. Our, our analysts and portfolio managers also enter the fray periodically, but that's what we do all the time.

And the way that we tend to focus our advocacy is a, is, is more art than science. And it's a bit of a Venn diagram. We go through a prioritization process every summer because that's sort of the quietest time of year and shareholder [00:19:00] advocacy. And we can sort of step back and see how things went in the preceding nine months, and then focus on what's going to be coming ahead.

And. You know, we, to start with, and I think this is very important is we are active investors. We are not passive investors. So we are not providing index funds. We are not investing in the whole marketplace. And you know, just sort of going along for the ride as it were, we are stock pickers. And so that means we are going to be focused at any given time on roughly about 260 companies.

So that immediately shrinks. A lot of things that we could work on down because for example, we do not hold oil and gas companies. So we are not going to be engaging with oil and gas companies or coal companies for that matter. We do not buy weapons companies. We do not buy military services companies.

So there's a whole set of companies that we're never going to own. And so that's sort of one way of thinking about it is like, well, what are the companies that we own and what are the issues? And this sort of gets in the second one is what are those companies impacts? You know, and what are the [00:20:00] biggest things that they can do to make a difference for our ecosystem and for the communities where they operate or their customers or their employees.

So those are two circles in the Venn diagram. The next is sort of a more narrow ESG question, which is, you know. What are the ESG topics that really actually affect the company's business and their stock performance and their business performance? Then we also look to see like, well, where is there an opportunity for us to actually make progress?

Where is there a place for investors to add to the conversation and make a difference? Now, I should say that. Trillium is notorious for picking up issues way before their time and being

kind of stubbornly persistent on the issue for years and years and years before we see progress. LGBT is a great example of that.

You know, we started filing shareholder proposals in the 90s on LGBT non discrimination and companies would look at us like we had 10 heads. They were like, we don't have [00:21:00] any gay employees. What are you talking about? Eventually that changed, you know, and you know, there's there's sort of issues, but we often will look for places where we can see progress being at hand and where we can come in and be a catalyst to really sort of accelerate that change.

And then the last piece is the values that we were talking about. So. In an ideal world, we're going to be doing most of our work where all of those issues come together where, you know, we hold the companies, there's an opportunity for those companies to have impact, there's an ESG in the sort of narrow sense of the term, there's a pathway forward, and then aligns with our values, those sort of five things.

And probably one of the best examples of that, is actually board gender diversity. Back in around 2011, 2012, we started getting scholarship showing the companies that had more diverse. Bores in terms of gender, we're actually gonna be better financial performers. So we had lots of companies, [00:22:00] unfortunately, that had all male boards.

We knew that there was a social impact in terms of representation and leadership by having. You know, more women in these roles. We had now the evidence from a scholarship point of view, that there was an ESG argument for this. The pathway forward was pretty clear. Like, it's not like you have to do much of a bank shot.

It's pretty straightforward in terms of like, yes, you know, we need to bring more women onto the board. There's lots of very highly qualified women on the, out there. We just need to actually. Do it. And then third, it aligned with our values on, on equity. And we found that as soon as we started having those conversations with companies that in very fast order, we had one, you know, companies bring one, two, three, four women onto the boards of directors, you know, and these weren't just sort of like, you know, token gestures, these were highly qualified individuals and at multiple levels, so it wasn't just like one person, you know, and over the course of about three or four years, we engaged dozens of companies.

About 75 percent of which within a year brought on at [00:23:00] least one woman onto the board of directors and all in all cases did bring gender diversity onto their board. And so that's sort of an example where all five sort of line up and you can just run with with a body of work in other areas, you know, sometimes they're all the pieces aren't there and it takes you a little longer and you got to.

Bring the pieces in, but that's roughly how we try to prioritize our work.

Elizabeth Doty: Clearly, one of the themes we've been hearing is have a thought process, right? And I think it does get to this underlying suspicion or question of how much of this is distraction, deflection, and how much is targeted impact where you see leverage.

Jonas Kron: You know, I think we could easily sort of have this entire conversation sort of veer off into the anti ESG ESG debate and probably should spend some time talking about that. But, you know, I, for one, just to put down one little marker and maybe this is cause I'm a lawyer by training, but I think words matter.

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I think actually when companies start talking about these issues and start making commitments that are, that they articulate, I think that does [00:24:00] make a difference. It doesn't make the entire difference. It doesn't get us all the way there, but it does

Elizabeth Doty: matter. That's really good to hear and especially as we're talking about commitments to political responsibility.

Where to go from here, the task force is forming that that's the private group that works on wrestling with these dilemmas and trying to use the principles we've been working on as a guide. For thinking through dilemmas, we have just had our first goal setting session. Every company came up with a, how might we question for a political responsibility dilemma?

And if you know someone who'd like to join that, please let us know, or to look at the principles that we are about to publish on March 7th, that's our big announcement that will be coming out then. And if you'd like to see that or know someone who might consider. Supporting them. Please be in touch email addresses at the bottom.

And then if you want to follow up with Jonas and learn more about Trillium and their incredible thoughtful approach, clear, explicit, transparent point of view, you can do so here or follow us on [00:25:00] Twitter at the urban Institute. Thank you all. This was a, this was a delight and I really appreciate it. Any final comment as we sign off Jonas any call to action for if you were a government affairs person listening to this sustainability officer, sustainable policy officer.

What one thing would you want to leave them with? And then we'll sign off.

Jonas Kron: Sure. Well, thank you so much for again for this opportunity. This has really been wonderful and appreciate the conversation. I think, you know, I would just end probably would just reiterating a couple of key points is, you know, stop the political spending and provide pay time off to vote.

Elizabeth Doty: That's very interesting. And then you listen to the rest of the the conversation and you'll know why. Thank you so much. Thank you all.

Jonas Kron: Thank you, Elizabeth.