Boston Common
Asset Management

200 State Street, 7th Floor | Boston, MA 02109

STEWARDSHIP AND ADVOCACY POLICY 2021-2024

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Introduction

Our engagement and stewardship is intended to support long-term thinking by corporate managements. We believe that long-term oriented decision making will improve the fundamentals of the companies we invest in, eventually becoming reflected in the value of its shares. These improvements may take the form of lower risk premia, higher earnings, cost savings, product and process innovation, policy changes, etc. As shareowners we seek transparency and accountability from companies, but also empower steps towards better environmental, social, and governance performance. We have several tools at our disposal to encourage companies to address sustainability risks and opportunities but **our most common approach is sustained dialogue with companies over the short, medium, and long-term either through individual or collaborative engagement.**

In order to prioritize our focus and impact we have established a three-year engagement framework with two to three key initiatives across our sustainability pillars. In addition, a core focus on governance and alignment with the UN Sustainable Development Goals (SDGs) underpin and support our engagement pillars. We review these initiatives on an annual basis and track engagement impact through our reporting

Our Strategic Pillars:

Climate Change & Earth Renewal:

Promote the transition to a low carbon and sustainable future

Inclusion & Empowerment:

Respect for human rights, and gender and income equality

Health & Community Well-being:

Advocate for health equity and safer products

Embedded Across Strategic Pillars:

Governance:

Advocate for ethical, transparent, inclusive and accountable corporate culture

SDG Alignment:

In addition, we are focused on aligning our investments and our engagement activity with the United Nation's SDGs and the post 2030 sustainable development agenda.

Topical Issues:

During each engagement cycle, we provide flexibility to respond to emerging risks or new issues that impact our portfolios and industry practice. For example, in 2020 we prioritized broad and sector-specific focus on the short-term impacts of COVID. In the wake of the death of George Floyd and the call to address systemic racism in the US, we pivoted our focus to address the double impacts of COVID and racial equity in the US. On the policy front, to support accelerated action in the US on climate, we engaged and supported efforts to implement a robust climate finance agenda with the new Biden Administration and engaged regulatory agencies like the US Securities and Exchange Commission (SEC) to protect existing shareholder rights related to the shareholder proposal process and required ESG disclosures.

How We Engage with Companies

Under our key initiatives, initial ESG research and stakeholder engagement helps us identify which companies to engage with during the year, and we select our priorities based on an assessment of the severity and urgency of the issues, and their receptiveness to engagement. Our engagement efforts can take a variety of shapes and sizes depending on which tools or methods best fit the task.

What underpins our integrated engagement approach and sustained dialogue framework are core governance expectations which are integrated into all our engagements from the governance of sustainability (board level oversight, integration into performance goals and compensation), corporate political influence (increased disclosure and aligned public policy engagement), and responsible tax practices. These core concepts have been part of any engagement we have had over the past 3-5 years but will now be more explicit. We also look at key intervention points across the ecosystem and our engagement tilts towards looking not just at one intervention points but many across a sector or individual company.

Our engagement approaches include:

- **Sustained Dialogue** – Our most common form of engagement is through sustained dialogue with companies over many years on how ESG and sustainability issues are integrated into core business practices. Our first focus is to better understand how the governance of sustainability is approached by companies including board level oversight and links to performance goals and compensation. Our dialogues tend to focus on robust overarching sustainability policies, alignment with international norms, response and remedy to controversies, setting ambitious and long term sustainability goals and targets, and robust and business relevant disclosure on implementation.

Given our global peer approach, we frequently provide feedback in our dialogues on what we consider key sustainability priorities, share best practices relative to peers, and guidance to resources or policy development. Our sustained dialogue starts when we first initiate an investment by reaching out to share our ESG thesis but also identify areas for engagement or improvement.

- **Benchmarking companies** on a particular issue and then engaging to learn from and praise leaders and demand improvements from the laggards;
- Working with **standard-setting bodies** to develop better ESG metrics or key performance indicators;
- Using **investor letters and statements**, (often collaboratively)
- **Proxy voting**
- **Public policy testimony** and rule-making processes.

Proxy Voting

Boston Common's proxy voting guidelines are designed to promote best global corporate governance practices and to encourage long-term thinking of corporate managements. Our guidelines ensure we vote to support shareholder proposals which focus on respect for human rights, gender and racial equality, a pro-active approach to climate risk, and environmental stewardship. Our guidelines related to management proposals **advocate for ethical, transparent, and accountable corporate cultures.** Boston Common pays particular attention to nominations for boards of directors with four broad principles which apply when determining director nominees including **Board Accountability, Board Responsiveness, Director Independence, and Director Diversity and Competence**. Our guidelines also include a key focus on **problematic compensation practices, environmental, social and governance (ESG failures)** and 2021 we added guidelines to address **Climate Change Risk Mitigation and Performance Failures.**

Board Diversity Guidelines:

- BCAM will vote against all directors in US/Canadian/Australian boards when the board has less than 30% females.
- BCAM will vote against all directors in UK/Irish/European boards when the board has less than 33% females.
- BCAM will vote against all directors in French/Italian/Norwegian boards when the board has less than 40% females.
- BCAM will vote against all directors in US/UK/Irish/Australian/Canadian boards when the board does not contain at least one racial minority.

- BCAM will vote against all directors in Indian boards when the board does not contain at least two women.
- In all other regions (other than US/Canada/UK/Ireland/Europe/Australia) BCAM will vote against all directors when the board does not contain at least one female.

We conduct an annual review of our custom proxy voting guidelines and make revisions to capture evolving expectations informed by our travels and participation in global governance organizations. Beginning in 2019 we began to share with companies the voting rationale for why we voted against the board on gender or racial diversity. We will continue to do this in the 2021-2024 engagement cycle.

We publicly disclose a summary of our proxy voting guidelines and proxy voting record of our mutual funds via our mutual funds website: www.bostoncommonfunds.com.

Shareholder Proposals

While we routinely vote in favor of ESG shareholder proposals through our proxy voting approach across the markets we invest in, we also file shareholder proposals each year with a select group of US companies. We generally file resolutions when a company dialogue has stalled or when a company is not willing to engage. The most common issues we file on include **board gender or racial diversity, climate change (adopting GHG emission reduction targets), human rights, political and lobbying disclosure, and certain sector-specific issues like US drug pricing strategy or COVID response with pharmaceutical sector.** We have also filed shareholder proposals in other markets but this is not a common practice.

Investor Collaborations

Where appropriate we look to collaborate with coalitions of shareholders and other partners. Our collaborative engagements are selected based on a review of the ESG risks and opportunities and the issue's suitability for a wider group of stakeholders. For example, engagements to encourage disclosure are often a good fit for a collaborative approach.

Some of our collaborative platforms include Ceres, the Interfaith Center on Corporate Responsibility (ICCR) and the UN PRI. We also belong and are active in governance organizations including the International Corporate Governance Network (ICGN) and the Asian Corporate Governance Association (ACGA).

Public Policy

While our first priority as stewards of capital is to engage with the companies in which we invest, we also maintain a robust strategy for public policy engagement. Our strategy is to engage in public policy globally where existing or proposed policy: (1) directly or indirectly erodes shareholder rights; (2) enhances our access to standardized and enhanced corporate ESG disclosure informative to our investment decision-making; or (3) presents the opportunity to fundamentally improve ESG or sustainability management.

We typically engage in public policy through collaborative platforms, including the PRI, Ceres, US SIF, Shareholder Rights Group, the International Corporate Governance Network (ICGN), and the Asian Corporate Governance Association (ACGA). On occasion we meet directly with regulatory and financial supervisors, as we have in Japan and India through ACGA. In certain instances, we take a more active role, such as when we supported the rule-making process for Dodd-Frank Section 1502: Conflict Minerals Disclosure. Through the Conflict Risk Network, we worked to ensure the disclosure rule was meaningful and relevant to investors. We have also publicly advocated for mandatory human rights due diligence and enhanced climate-related disclosures.

ESG Disclosure and Reporting

Given the evolving expectations around ESG disclosure and reporting on our engagement and stewardship activities in 2016 we began to produce an annual Impact Report which primarily focuses on our engagement activities and impact but also firm level and portfolio impacts. We are signatories to the Montreal Carbon Pledge and supporters of TCFD and have been annually disclosing on our portfolio level (or Scope 3) carbon footprint for core investment strategies. In 2020 we became the first US asset manager to join PCAF (Platform for Carbon Accounting Financials) and were part of the 2020 PCAF Core team which developed global standards for six asset classes on carbon accounting for asset managers, asset owners and banks. In additional to formal annual reporting on our engagement program, we periodically publish more thorough papers. Two recent reports focus on multi-year engagements with the global banking sector on climate risk Banking on a Low Carbon Future: Finance in a Time of Climate Crisis and our Eco-Efficiency Framework which supports an integrated management approach to managing water, GHG emissions, energy mix and waste).