

Active Investor Impact Update

Third Quarter, 2022



As a certified B Corp, we are proud to meet high standards of accountability, transparency, and performance on factors from employee benefits and charitable giving to supply chain practices and input materials. Being recognized as a Best for the World B Corp places us among the top 5% of more than 5,000 companies worldwide in the "Customers Impact Area." This speaks to our efforts on behalf of our clients—including our shareholder engagement, portfolio management, client service, and our commitment to aligning our clients' investments and values.

Given the [very high bar all B Corps must meet](#), standing out within this already distinguished community of companies makes us particularly proud. A big thank you to our clients for the opportunity to serve you—and for your commitment to ESG-integrated investing.

Boston Common recognized as a Best for the World Company by B Corp for the 5th consecutive time



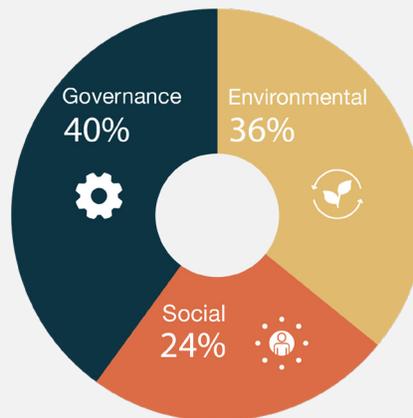
Global Impact Strategy Impact Report:

2021/2022

The 2nd annual report for the Global Impact strategy reflects on the past year, a period marked by volatile global financial market conditions, noticeable impacts of climate change, and an energy crisis that has intensified the rush towards energy transition. Amid the resulting instability and uncertainty, we continue to see opportunity for global, solutions-oriented companies to build a circular economy, address widespread inequity, and forge a path to net-zero carbon emissions.

Boston Common's Global Impact Strategy invests in solutions providers whose products and services address the most critical systemic issues we face. Our active ownership engagement approach seeks to accelerate corporate progress on

Engagement Outcomes



Engagement Initiatives

- Environmental: Biodiversity, Refrigerants, High Carbon Emitters Framework
- Social: Human Rights, Access to COVID treatments, Reproductive and Maternal Health
- Governance: Board Diversity & Workplace Racial Equity (WRE), Lobbying Disclosure

issues such as responsible refrigerant management, deforestation and biodiversity loss, racial and gender equity, and aligning business models with a 2050 Net Zero and 1.5°C pathway.

Markets place a high value on future profits, and we believe that strong

ESG characteristics are markers of long-term oriented, well-run companies positioned to grow and adapt – essential characteristics in this era of uncertainty.

Please read on to learn more about [our approach and our impact](#).

Net Zero Q&A with ESG Clarity

This past September, Boston Common's Lauren Compere talked to ESG Clarity on the firm's journey to net zero. As a Net Zero Asset Managers signatory, Boston Common is committed to engaging key holdings and improving financed emissions.



What have you found works well/doesn't work when engaging companies to adopt science-based targets or equivalent?

Engaging on the same set of asks across regions is a challenge, particularly if companies have yet to adopt specific climate targets or commitments. Approximately half the companies without climate targets or commitments are found in emerging markets (EMs) so we are often engaging with EM companies at the beginning of their net-zero journeys.

How do you think NZAM and other net-zero initiatives could be improved to speed up decarbonisation of investments?

Perhaps the biggest challenge to speeding up decarbonisation of investments is enabling the companies we invest in to access the resources/tools to adopt climate commitments. Also, the backlash we have seen in the US threatens to sideline efforts mandating climate disclosure by companies.

Could you say a little about building net zero into the culture of the firm?

We hold ourselves accountable to the same standards we ask of companies. The ESG team, under the leadership of me and Leah Turino, Head of ESG integration, led the project to join NZAM, conducted the assessment, and set the NZAM target. Senior leadership, including the CEO, CIO, the board of directors, and portfolio managers were involved in the consultation and ultimate approval of the NZAM commitment and plans.

Please [read more on ESG Clarity](#).

A Standardized ESG Lexicon: A Tool for Confronting ESG Criticism

Michelle Buckley, CFA, CAIA

Before politicians from either the right or left publish assertions on ESG-integrated investing, they would benefit from better education around sustainability-oriented terms and fund managers' intent behind investment practices. By better communicating a standardized lexicon that helps define terms like values-based or SRI (socially responsible investing), ESG (environmental, social & governance) integration, impact and sustainability, the investment industry could enhance and properly steer these debates toward less politicized outcomes. Nearly one-third of US-domiciled assets are now managed following a sustainability-aware mandate, but an exclusionary SRI fund differs from one

that seeks integration of ESG criteria. Like the term hedge fund, sustainable investing is amorphous and serves as an umbrella over various types of investing.

Corporations and investors should be neither glorified nor vilified for pursuing what they determine is in the best interests of their stakeholders or clients.

For corporations, awareness of sustainability is arguably critical to success; after all, any company's goal should be a long-term, sustainable (in the sense of persistent) business model.

For investors, the mosaic theory, which incorporates determinations on any input that may inform an investment decision, has proved critical to fundamental analysis since Graham & Dodd. Thinking about a company's environmental, social or governance practices or deciding to exclude certain industries because one's opinion on their long-term outlook suggests secular decline is really nothing new. Good investors and pivotal executives have pondered these facets of due diligence since the dawn of modern investing.

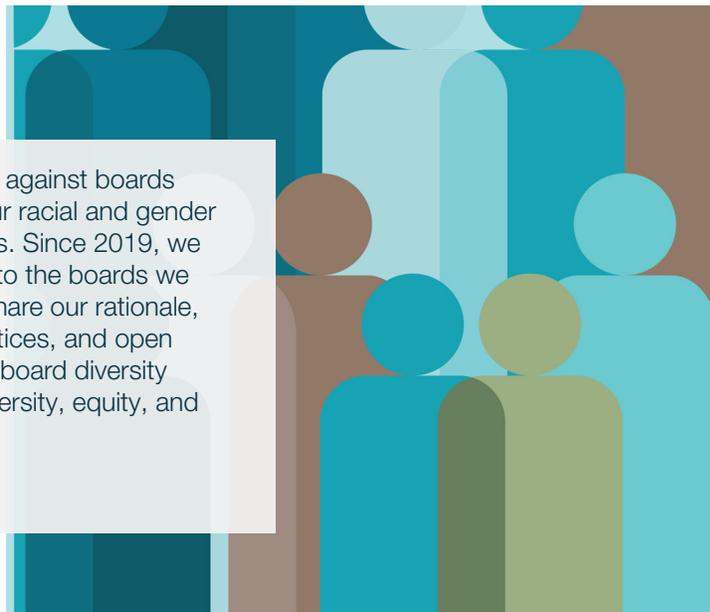
[Michelle's LinkedIn post](#)

Board Diversity

2022 Engagement Highlights

Boston Common has advocated for increased diversity in the workforce since 2003. Diversity on the board of directors and in senior and mid-level management is a key indicator of good corporate governance and management quality. A diverse range of perspectives fosters better decision-making and enables more inclusive and equitable workplace cultures.

We routinely votes against boards that fail to meet our racial and gender diversity thresholds. Since 2019, we have reached out to the boards we voted against to share our rationale, suggest best practices, and open a conversation on board diversity and workplace diversity, equity, and inclusion.



Company Highlights

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responded to Boston Common's Workplace Racial Equity question set- a resource shared with companies that addresses DEI across the value chain. The company has committed to pay equity and has had an access program for underrepresented communities in place since 2020.
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refreshed its DEI strategy to better promote accountability. Each business unit has a leader responsible for integrating DEI factors into business strategy.
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is downsizing its board, which will increase female representation from 29% to 36%. Moving forward, the board has formalized intentions to maintain 33% gender diversity and to seek out ethnically and racially diverse directors.
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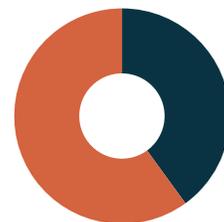
intends to appoint a female director and is undergoing corporate governance reforms including right-sizing the number of directors from 15 to 8, adding three independent directors, and adding a non-Japanese director.
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set a global goal to double gender and racial representation in leadership by 2030. Senior leaders must incorporate diversity equity and inclusion into core business planning and develop strategies to address site specific pain points.
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nominated a woman director to the board, increasing female board representation to 30%. The company has set a target for 40% recruitment of women in key positions across senior leadership by 2025, with the ultimate goal of achieving gender balance.

Shared our rationale in writing with 45 companies resulting in a

60% response rate



Results Summary

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13 companies Nominated Diverse Directors
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5 companies Linked DEI to Compensation
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12 companies Institutionalized or Formalized Board Diversity from 2020-2021
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6 companies Racial Equity or Social Audit (Planned or Completed)

Shareowner Engagement Highlights

Inclusive Finance Initiative

- Boston Common is leading an **Inclusive Finance initiative** to engage 12 US banks on advancing access to finance and inclusion across the value chain. We are addressing alternative risk assessment, alignment with corporate strategy, development of innovative products and services, community banking partnerships, and stakeholder models for Black, Latinx, and low-moderate income customers and communities. The following banks have participated in dialogues and/or provided written responses: Citigroup, Fifth Third, JP Morgan, HBSC, Morgan Stanley, PNC, TD, and US Bank.
- **Since 2020, we have engaged PNC on inclusive finance.** The bank recently launched a new Minority Business Development Group to drive capital and technical capabilities for minority business owners.

From the Commons

- Boston Common has once again been recognized as a **Best for the World B Corp**, the fifth time we have received this honor!
- We released the **2nd annual Impact Report** for our Global Impact strategy.
- Our own Tara Doyle attended the Climate Energy and Energy Security Summit at the Department of Energy in Washington, DC where the new Inflation Reduction Act was in the spotlight. Read about the courage of local representatives advocating for their communities amidst mounting climate-driven challenges in **Tara's recent blog** for Confluence Philanthropy.

Engagement Highlights

- Boston Common has joined the World Benchmarking Alliance's Digital Inclusion Collective Impact Coalition as a co-leading investor. The alliance brings together investors and stakeholders to support and raise the ambition of digital inclusion and ethical AI principles.
 - The active engagement phase co-led by Boston Common is supported by 29 investors with \$6.3 trillion in assets under management. The group will actively engage nearly 40 companies globally to **adopt public ethical AI commitments** over the next year.
- A key expectation of the Net Zero Asset Managers (NZAM) commitment is to engage our investment holdings to improve our portfolio financed emissions over time. We actively engaged our top 10 highest relative emitters at the firm level as well as the top 3 highest emitters¹ in our Emerging Markets strategy to gain insights into climate strategies, transition plans, supplier engagement, and energy mix. We also reached out to nearly 40 companies with no climate targets or commitments across our strategies to encourage adoption of time-bound, science-based targets.
- In line with **Boston Common's Investor Guide to Prioritize Gender**, we organized an **investor statement** supporting the inclusion of gender-specific impacts and remedies as part of the EU's Corporate Sustainability Due Diligence Disclosure (CSDDD). More than 30 investors have signed-on and the statement is open for signatures through the fall as we engage with EU policymakers.

¹BEWG, DS Smith, Essity, Hengan, Mohawk, Mondi, Orix, Steel Dynamics, TDK, Valeo, Xinyi Solar, Westrock

