

Boston Common Asset Management Comprehensive ESG Guidelines

INTRODUCTION

At Boston Common Asset Management, we seek to activate capital and shareowner voice to facilitate the transition to a more sustainable and inclusive economy. Our four focus areas— (1) Earth Renewal and Climate Change; (2) Health, Wellness, and Community Wellbeing; (3) Human Rights, Equity, and Social Mobility; and (4) Good Governance and Corporate Culture—are guiding principles for corporations and investors. We believe the coming decade will be a time of great change and have identified key drivers or influencers of this disruption: consumer preferences, regulatory action, scientific and technological advances, and company innovation. As investors, we seek to proactively address these opportunities and challenges and, in so doing, invest for an inclusive, sustainable future.

Under each of the four focus areas we have crafted “seek” criteria guiding investment in Products and Services, Policies, and Processes, as well as “avoid” criteria guiding investment away from Products and Practices that detract from the transition to a sustainable economy.

- We believe that a company’s Products and Services (what a company makes), Processes (how they make it), and Policies (how they run the business) are meaningful dimensions of long-term sustainability.
- Through application of our seek criteria, we aim to invest in ESG leaders, solutions providers, and companies demonstrating positive ESG momentum.
- Through application of our avoid criteria, we choose not to invest in companies that depend on harmful Products or Practices or exhibit egregious behavior.
- Considerations in our decision-making process include peer-relative performance, history and pattern of practices and incident response, degree of positive and negative impacts, market leadership, and products or practices to be uniquely avoided.

Our seek and avoid criteria guide our investment-seeking and analysis; however, our guidelines do not prohibit additional information from consideration. We research Environmental, Social, and Governance (ESG) issues and themes as they emerge and incorporate them into our research process.

We also aim to align our investments—and shareholder engagement initiatives—with globally adopted standards and goals. Our guidelines reference key principles drawn from the International Labour Organization (ILO) core conventions, the United Nations (UN) Guiding Principles on Business and Human Rights, the UN Declaration on the Rights of Indigenous Peoples, the Paris Agreement, and the UN Sustainable Development Goals (SDGs).

Our guidelines, while divided into groups, are interrelated, as the opportunities and challenges we face are interconnected. In practice, we analyze all investments through the lens of our four interrelated focus areas as we strive to construct portfolios positioned for financial return and positive social change.

1. EARTH RENEWAL AND CLIMATE CHANGE

Future economic growth, social stability, and life on Earth itself depend on averting catastrophic climate change and ensuring the protection and renewal of biodiversity, watersheds and rivers, soil health, and air quality and the urgent transition to net-zero and absolute-zero carbon emissions as soon as possible. Through our investments — and our engagements — we seek to address direct and indirect physical and transition risks.

Note: We address air, food, and water quality and availability, toxic chemicals, waste, and organic products under Health, Wellness, and Community Wellbeing.

SEEK

We seek to invest in companies innovating Products and Services, Policies, and Processes that contribute significantly to Earth renewal and the prevention or mitigation of catastrophic global climate change. We seek to invest in companies that are future prepared. We look for companies that are acting with urgency to support a just energy transition, to address the direct and indirect physical and transition risks associated with climate change, and to prepare for “Inevitable Policy Response” (IPR), an abrupt and forceful response by governments to climate change.

PRODUCTS

Eco-Efficiency and Recycling

- Efficiency-enabling products, technologies, and services
- Products or services that promote or enable a circular economy, including recycling services
- Green infrastructure, buildings, and materials
- Products and services that lessen waste and emissions

Renewable Energy

- Renewable energy generation
- Renewable energy storage systems and components
- Renewable energy enabling equipment, technologies, and services
- Renewable energy transmission
- Renewable energy finance

Sustainable Transportation

- Electric vehicles, batteries, materials, and components
- Hydrogen fuel cells (HFCs) and HFC vehicles
- Products that support mass transit, pedestrian transit, and zero- or very low-carbon transit (e.g., bicycles)
- Railways and rail components
- Software, logistics, and technologies for transportation efficiency

Sustainable Agriculture and Forestry

- Regenerative, sustainable, and climate-resilient agriculture
- Humanely raised livestock that improves soil health and climate
- Sustainable forestry-based products

Healthy Oceans

- Products or services that protect or renew ocean health and sea life

POLICIES AND PROCESSES

Eco-Efficiency, Recycling, and Climate

- Rigorous policies, practices, and targets to improve operational efficiency and productivity, including public goals for Eco-Efficiency (e.g., energy use, water use, waste elimination)
- Significant demonstrated improvement in operational, supply chain, or customer eco-efficiency
- Significant demonstrated progress in reducing greenhouse gas emissions
- Innovative programs to reduce greenhouse gas emissions and use of energy, water, materials, and land
- Corporate strategy to align operations with the Paris Climate Accord
- Strategy for achieving net-zero carbon emissions or carbon neutrality by 2050 or sooner
- Strong environmental and energy management systems, including clear environmental policies and regular audits
- Comprehensive reporting on emissions, climate strategy, transition plans, and other climate actions
- Circular economy practices that encourage product takeback, repair, reduction, reuse, and recycling

Renewable Energy

- Significant deployment of renewable energy technologies
- Public goals and targets to increase use of renewable energy
- Engagement with suppliers to increase renewable energy utilization

Sustainable Transportation

- Significant deployment of low-emission vehicles for own operations
- Public goals and targets to improve sustainability of vehicle fleet
- Engagement with suppliers to increase utilization of sustainable transportation methods

Sustainable Agriculture and Forestry

- Demonstrated protection of biodiversity, wetlands, soil, and forests
- Sustainable and regenerative agriculture practices that improve long-term soil health and fertility and soil recarbonization
- Reforestation and responsible forestry practices
- Adoption of zero-deforestation policies or commitments
- Responsible sourcing of commodities linked to deforestation, including palm oil, beef, soy, cocoa, and timber
- Strict humane and climate-beneficial livestock policies for own or supplier operations

Healthy Oceans

- Policies and practices that protect or renew ocean health and sea life

AVOID

We avoid investment in companies whose Products and Services, Policies, and Processes significantly contribute to catastrophic global climate change or hinder Earth renewal. Additionally, we seek to avoid companies whose principal products, business strategy, or lack of planning present significant risks related to the energy transition or poorly position the company for Inevitable Policy Response to climate change by national, state, and local governments.

PRODUCTS

Fossil Fuels

We avoid companies significantly engaged in fossil fuel production, transportation, or distribution.

- Significant revenues (>5%) from the exploration, extraction, production, manufacture, or refining of fossil fuels¹
- Significant revenues (>30%) from the transportation, transmission, distribution, or retail sale of fossil fuels
- Significant revenues from the generation of coal-based electric power (>10%) or combined fossil fuel-based electric power (>30%)
- Significant revenues (>50%) from the production or provision of dedicated equipment or services for fossil fuel production or transportation
- Mining of thermal coal

Nuclear Power

- Operation or direct equity ownership of operating nuclear power plants
- Mining or processing of uranium for fuel
- Manufacture of nuclear power reactors
- Significant revenues (>50%) from nuclear power plant design, construction, maintenance, or components

Agriculture and Forestry

- Direct engagement in widespread factory farming of livestock
- Significant engagement in production of genetically modified organisms or seeds used for agriculture

POLICIES AND PROCESSES

Environmental Harm

- History and pattern of egregious environmental practices without remediation
- Responsibility for major environmental disasters with negligent response
- Responsibility for widespread destruction of major biodiversity zones, forests, or oceans
- Poor environmental performance relative to peers in industries with elevated negative environmental impacts
- History and pattern of egregious pollution of air, water, or land

¹ Not applicable to the use of fossil fuel-based energy or feedstock as an input within company operations, including to produce petrochemical feedstocks.

2. HEALTH, WELLNESS, AND COMMUNITY WELLBEING

The future of health and wellbeing relies on companies' manufacture and marketing of safe, quality, and beneficial products and their contributions to vibrant communities and a clean environment.

Note: We address many components of environmental health, including eco-efficiency, renewable energy, sustainable transportation, agriculture and forestry, and ocean health, under Earth Renewal and Climate Change. We address inclusive finance, communication empowerment and education, community consultation, dignity of work, and human rights under Human Rights, Equity, and Social Mobility.

SEEK

We seek to invest in companies that produce safe, useful, and high-quality Products and whose Products and Services, Policies, and Processes improve and promote health, wellness, and wellbeing for individuals, families, communities, and the environment.

PRODUCTS

Health and Wellbeing

- Affordable generic drugs and medical products
- Preventative healthcare products and services, including vaccines
- Products that address rare, life-threatening, or debilitating diseases including chronic and infectious diseases
- Products and services that facilitate patient or individual wellbeing through less invasive approaches, reduced hospital stays, or improved pain management
- Safe, high-quality, and desirable medical devices and equipment
- Assistive technologies that facilitate independence and wellbeing
- Hygiene and sanitation products
- Products and services that promote healthy lifestyles and workplaces

Organic and Healthier Products

- Organic or non-toxic products
- Sustainably produced plant-based products, ingredients, and raw materials
- Food and beverage products reformulated for improved nutrient content and health benefits

Water and Air Quality and Waste Management

- Products and services that facilitate efficient water use and water transportation
- Products, services, and equipment for water, waste, and sewage treatment
- Products that enable filtration, purification, and pollution reduction
- Monitoring and testing equipment and services

POLICIES AND PROCESSES

Marketing and Product Safety

- Responsible pricing and marketing practices
- Positive response to product safety concerns
- Active programs to increase access to medicines and other healthcare products and services for disadvantaged populations
- Active programs to increase access to nutritious foods for disadvantaged populations

Organic and Healthier Products

- Policies to reduce or eliminate product toxicity
- Engagement with suppliers to encourage reduction or elimination of product toxicity

- Record of green design practices to eliminate or replace toxicants in products with non-toxic alternatives
- Extensive use and sourcing of sustainably produced natural inputs and ingredients in product manufacture
- Active programs to improve the nutrition and potential health benefits of food and beverage products

Water and Air Quality and Waste Management

- Policies for water efficiency, stewardship, and risk management
- Significant progress in reducing the volume and toxicity of waste, emissions, and effluents
- Committed pollution prevention and cleanup to maintain clean water, air, and land
- Commitment to achieve zero waste to landfill
- Superior practices to reduce food waste in production, transportation, or retail sale to the end consumer

Employee Health and Safety

- Strong policies for protecting worker health and safety, including by contractors and suppliers
- Strong and improving record of worker health and safety, including by contractors and suppliers

Animal Welfare

- Policies to not test its products on animals or to reduce use of animal testing
- Policies to support alternatives to animal testing
- Policies to humanely treat farm animals in own operations or to source humanely raised animal products from suppliers

AVOID

We avoid investment in companies that generate significant revenues from products that cause harm when used as intended, including known significant contributors to chronic disease, ill health, or obesity.

PRODUCTS

Harmful Products

- Significant revenues (>5%) from the production of tobacco products including components, alcoholic beverages including components, gambling devices or activities, or pornography
- Significant revenues (>30%) from the distribution or retail sale of tobacco products, alcoholic beverages, gambling devices and activities, or pornography

Weapons

- Significant revenues (>5%) from the production of firearms, handguns, or military weapons systems or key components or significant revenues (>30%) from the marketing of such weapons
- Production or manufacture of biological, chemical, or nuclear weapons, anti-personnel landmines, or cluster munitions or significant components
- Among the top 50 global defense contractors for weapons, other than those solely providing support services

POLICIES AND PROCESSES

Marketing and Product Safety

- History and pattern of marketing unsafe products resulting in widespread injury or death

- History and pattern of asserting false marketing claims or engaging in egregious irresponsible marketing

Employee Health and Safety

- History and pattern of significant health and safety problems for own employees or contractors, including repeat major fines and settlements without remediation
- Poor health and safety performance relative to peers in high-impact industries
- Responsibility for recent egregious employee health and safety problems with negligent response
- History and pattern of significant health and safety problems at company suppliers without remediation

Animal Welfare

- Irresponsible animal testing or widespread abuse of animals, such as in animal entertainment and factory farming

3. HUMAN RIGHTS, EQUITY, AND SOCIAL MOBILITY

Social and economic mobility and respect for human rights enable people to improve their lives and those of their children, extended families, and communities. Alleviating poverty, addressing rising inequality, and promoting a vibrant middle class are key to ensuring future growth and social stability.

Note: We address marketing and product safety and employee health and safety under Health, Wellness, and Community Wellbeing.

SEEK

We seek to invest in companies whose Products and Services, Policies, and Processes help increase the economic position of all members of society, reduce inequities and inequality of opportunity, increase social and upward economic mobility, expand the middle class, and respect human rights. We aim to invest in companies that support racial and gender equity.

PRODUCTS

Sustainable and Inclusive Finance

- Lending, insurance, and payment products, services, and systems for small and medium enterprise (SME) and micro-enterprise customers
- Focused products for underserved populations, including people and communities of color
- Products and services that help eradicate poverty
- Affordable housing finance
- Sustainable or ESG financial products

Communication Empowerment and Education

- Enabling and futuristic technologies, including network infrastructure and telecommunications devices
- Wireless and telecommunications services targeting disadvantaged populations, including in developing countries and rural areas
- Products and services that increase consumer or citizen ability to exercise freedom of expression and protect individual privacy
- Products and services that facilitate access to information, including internet search engines
- Products and services for education, training, and skills promotion
- Products and services that support inclusive education, particularly for girls and young women
- Educational media, including in news and publishing

Community Investment, Consultation, and Accountability

- Products, services, or investments that contribute substantially to a safe and sustainable built environment and urban infrastructure
- Affordable housing construction or development
- Restoration of areas of high social, historical, or cultural value through development or enterprise
- Products and production that support sustainable livelihoods and community development, such as Fair-Trade products

POLICIES AND PROCESSES

Dignity of Work and Employment

- Strong record of job creation
- Transparency on workplace issues, including racial and gender diversity, health and safety, pay equity, employee satisfaction, and training and education
- Above-average compensation and benefits for rank-and-file workers
- Demonstrated support for work/life balance initiatives

- Education, training, and skills promotion for employees
- Positive labor union relations or employee participation, with respect for freedom of association and the right to collective bargaining
- Strong Equal Employment Opportunity practices and record
- Ambitious programs to promote a diverse and inclusive workforce
- Diverse representation at all levels of the organization

Sustainable and Inclusive Finance

- Record of meeting community financial needs, and particularly the needs of communities of color and disadvantaged communities
- Record of meeting micro- or small- and mid-sized enterprise (SME) financial needs

Community Investment, Consultation, and Accountability

- Innovative involvement with and demonstrated accountability to communities
- Formal communications and consultation processes and mechanisms to interact with community groups
- Empowerment initiatives for underserved populations
- Provision of employment and training for disadvantaged communities
- Active minority or disadvantaged community procurement programs
- Sourcing and supplier training that supports safe working conditions, environmental protection, sustainable livelihoods, and community development, such as Fair-Trade sourcing

Human Rights

- Explicit human rights principles or global labor standards aligned with international human rights conventions, including the ILO Core Labor Standards, the OECD Guidelines for Multinational Corporations, and the UN Guiding Principles on Business and Human Rights
- Explicit policy to respect privacy and freedom of expression
- Regular independent monitoring of and reporting on compliance with human rights principles and labor standards
- Respect for the lands, cultures, and self-determination of Indigenous Peoples, with operations in line with the international standards of the UN Declaration on the Rights of Indigenous Peoples, ILO Convention 169, and Free, Prior, and Informed Consent

AVOID

We avoid investment in companies whose Products and Services, Policies, and Processes infringe upon human rights, exacerbate inequalities, and limit social mobility.

PRODUCTS

Human Rights

- Products designed or used disproportionately for political, religious, or civic oppression, including censorship and surveillance products
- Products designed to inflict torture
- Ownership or operation of private prisons, or primary revenues (>50%) from management, design, construction, or supply for private prisons

POLICIES AND PROCESSES

Dignity of Work and Employment

- Egregious violations of fair labor standards, as defined by ILO Core Labor Standards, without assessment and remediation; these standards include the rights to freedom of association and

collective bargaining and the prohibition of child labor, forced labor, and human trafficking. This is for own company operations.

- History and pattern of egregious labor practices for own employees or contractors, including poor health and safety conditions, excessive hours, or low wages in violation of national laws and regulations, without remediation
- History and pattern of egregious labor practices by company suppliers without assessment and remediation
- History and pattern of significant illegal employment discrimination without remediation

Sustainable and Inclusive Finance

- History and pattern of exploitative financial services, including predatory lending
- History and pattern of illegal financial discrimination against customers, including redlining

Community Investment, Consultation, and Accountability

- History and pattern of poor engagement and lack of effective consultation with marginalized, Indigenous, disadvantaged, or historically excluded communities
- History and pattern of violating Free, Prior, and Informed Consent of Indigenous Peoples

Gender, Racial, and Ethnic Harm

- History and pattern of enabling gender-based violence or harassment of employees or community members
- History and pattern of egregious corporate culture encouraging harassment based on gender or race

Human Rights

- Significant and direct support for human rights abuses
- Significant and direct support for the most repressive governments, or significant operations in strategically important industries in these countries
- History and pattern of violating international human rights conventions, or actions that impede respect for human rights as outlined in the UN Guiding Principles on Business and Human Rights
- Egregious practices related to direct use of prison or forced labor

4. GOOD GOVERNANCE & CORPORATE CULTURE

We seek strong governance, good management, and positive corporate culture, all requisites for long-term company success and achievement of economic stability. Forward-thinking, proactive governance of sustainability, inclusion, and ensuring systemic resilience are critical to a corporation's preparedness for the future.

Note: We address aspects of sustainability governance and ethical management under Earth Renewal and Climate Change; Health, Wellness, and Community Wellbeing; and Human Rights, Equity, and Social Mobility.

SEEK

We seek to invest in companies innovating Products and Services that enable and support sound management and governance, with particular interest in Products and Services that improve the governance of sustainability. We seek to invest in companies that demonstrate Policies and Processes that create a culture of managing for the long term.

PRODUCTS

- Climate risk management services
- Business enterprise resource planning software, including sustainability modules
- Sustainability reporting services
- Internal business communications platforms that enhance teamwork and innovation

POLICIES AND PROCESSES

Corporate Governance

- Board structures and governance guidelines aligned with long-term stakeholder interests
- Demonstrated listening and responsiveness to stakeholder concerns, with an emphasis on mediation over legal remedies
- Independent, skilled, capable, knowledgeable of industry, and diverse Board able to balance diverse stakeholder interests and address emerging as well as long-term, systemic issues
- Demonstrated Board understanding, commitment, and ability to uphold high ethical conduct by the company and its executive management
- Record of strong business ethics
- Record of promptly addressing corporate governance lapses and demonstrating corporate accountability
- Strong record on accounting and transparency
- Remuneration aligned with long-term stakeholder interests

Political Activity

- Political lobbying and trade association membership consistent with company ESG policies and commitments
- Demonstrated use of public voice for good
- Commitment to reduce corporate capture of public policy

Sustainability Governance

- Demonstrated Board understanding, commitment, and ability to address risks and opportunities presented by systemic challenges including climate change, resource renewal, and inequity without mobility
- Integration of sustainability considerations in product development, strategic planning, and corporate governance

- Robust, standardized sustainability reporting
- Systems and policies to improve sustainability governance
- Demonstrated corporate safety culture
- Corporate culture and policies that promote positive behavior by executives and management and a respectful work environment for all employees

AVOID

We avoid investment in companies that demonstrate egregious corporate governance, including through a history and pattern of unethical conduct, or that are majority-owned by countries with the most egregious human rights records.

POLICIES AND PROCESSES

Ethical Management

- History and pattern of extortion, corruption, or bribery
- History and pattern of involvement in significant securities fraud, anti-trust activity, price-fixing, or insider trading

Corporate Governance

- Majority ownership by countries with the most egregious human rights records
- Continued benefit from historical egregious corporate governance activities without remediation

REV – December 15, 2021