

# Active Investor Impact Update

Fourth Quarter, 2022



In the closing months of 2022, our women leaders continued to honor our heritage as a women-owned and women-led business. President & Founder, Geeta Aiyer, was recognized by both the Alnoba Lewis Family Foundation and entrepreneurial organization, TIE Boston, with an Environmental Leadership Award and a Lifetime Achievement Award, respectively, and CEO Ally McDonald's leadership earned Boston Common yet another spot in the annual Top 100 Women-Led Businesses in Massachusetts list. This edition of the Active Investor Impact Update highlights more of the impactful work and thought leadership from Boston Common's women in the fourth quarter.



## Activating Engagement in Asia

### Progress Report: Meetings in Japan and Korea

By Lauren Compere, Head of Stewardship & Engagement

During the autumn of 2022, I had the opportunity to travel to Asia for the first time in three years, visiting Japan and Korea to continue Boston Common's ongoing shareowner engagement work in person. Over several days, I joined an ICGN<sup>1</sup> investor delegation, met with Japanese regulators, spoke at the ICGN Korea conference on Human Capital Management, and connected with eight portfolio companies.

Our engagement approach, conducted mostly in a virtual setting since the start of the Pandemic, values in-person company meetings for providing a detailed understanding of corporate culture, sustainability governance, ESG momentum, the regulatory environment, and the impact of societal expectations. In Asia as in other regions, we take a systematic approach to creating impact using investor tools — public policy engagement, proxy voting, and international collaboration — that are further supported by sustained company dialogue.

### Market and Regulatory Drivers

Across both markets, worker expectations and COVID impacts forced innovation on non-traditional work with companies implementing more flexible, hybrid, and remote work. Younger workers are demanding more work/life balance and government initiatives in Japan encouraging men to take parental leave are having an impact.

In Japan, there are new regulations supporting governance of sustainability and advancing women in the workplace, while in Korea, regulatory drivers were less of a factor in corporate progress on sustainability issues except the required human rights due diligence related to supply chains. Korean and Japanese companies are, in many cases, subject to EU regulation and will see increased pressure as EU Corporate Sustainability Due Diligence Disclosure (CSDDD) comes into place in 2024, bringing with it due diligence requirements for both climate change and human rights.

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### ESG in Asia Webinar

Investment Director Joana Arthur and Head of Client Service Kristin Jenko joined Lauren in a webinar to discuss the ESG landscape in Asia and how shareowner engagement informs Boston Common's investment process.

Learn more about Lauren's trip and Boston Common's shareowner engagement approach in Asia.

**[Watch the webinar here](#)**

<sup>1</sup>International Corporate Governance Network

# Activating Engagement in Asia

While sustainability disclosure in both markets has improved substantially in recent years, it is important for Japanese and Korean companies to continue to improve on governance of sustainability, climate assessment and action, integration of deforestation and biodiversity risk, and human rights disclosure. Long-term engagement relationships are pivotal to generating these kinds of improvements and in-person meetings allow us to deepen these relationships and act as a trusted resource in guiding next steps. We will continue to use our investment, engagement, and stewardship activities to foster ESG-related impacts within companies that address universal, real-world, systemic issues.

[Read more here](#)



## Key Insights

### Governance of Sustainability

The establishment of sustainability committees at the board or executive level has been a key driver in maturing sustainability oversight. Companies are also starting to incorporate ESG KPI's in performance evaluation and in compensation at the board and/or C-Suite levels.

### Board Diversity

There has been little progress in Japan and Korea on board gender diversity, and some boards still do not have any women, although listing requirements will mandate this going forward in Japan.

### Advancing Women

Japanese companies already implement equal pay for equal work, however the absolute gender pay gap remains an issue and more women must be hired at all manager levels with specific goals and mechanisms designed to support closing the gender gap.

### ESG Disclosure

Companies in Japan and Korea are advanced in their ESG disclosure, especially on environmental practices. With more focus on mandatory TCFD disclosure, more companies are assessing and disclosing GHG<sup>1</sup> emissions and are setting interim emission reduction targets.

## ESG Underperformance in 2022 Reflects Style Shift, Not Merit

By Michelle Buckley, CFA, CAIA

As 2022 came to a close, rankings of the year's best- and worst-performing ESG funds tended to highlight Value's dominance over Growth and exposure to Technology as key factors influencing US Equity ESG funds' relative underperformance. Indeed, investors often perceive Technology — one of the year's worst-performing sectors — as less carbon-intensive, making it a favored sector for energy-focused ESG funds. Likewise, the market's recent pivot from Growth to Value is also a headwind for many ESG-minded investors, as an awareness of ESG criteria, particularly those that affect the environment, have underpinned investments in stylistically growthier companies. These headlines, however, merely scratch the surface.

For a deeper look at how an ESG-Integrated research process can help investors *identify and maneuver* around stylistic risks, [follow the link](#).

And hear more from Michelle in her recent piece on [How Deglobalization May Alter US Equity Portfolios](#).

## DID YOU KNOW?

Boston Common's US Investment Strategies outperformed their respective benchmarks in 2022, despite not owning Energy, the top performing sector for the year.



<sup>1</sup>Greenhouse gas emissions

# Access to Nutrition: Seeking Transformative Change

Since Boston Common began engaging on Access to Nutrition in 2008, companies included in the ATNI (Access to Nutrition Initiative) Index have become more strategic, are investing more in R&D for product reformulation & development, and are making progress in the areas of governance and nutrition strategy. However, this has yet to lead to the transformative change we are seeking in the food and beverage sector, namely, a significant improvement in nutritional performance aligned with World Health Organization targets and SDGs 2 and 3 — Zero Hunger and Good Health & Well-being.

Following the launch of the Access to Nutrition Initiative 2022 US Index, Lauren Compere detailed how engaged investors are broadening the approach to addressing nutrition with the food and beverage sector and beyond.

## **Calls to action:**

1. Report annually on the percentage of sales generated by healthy products and the percentage of the product portfolio that comprises healthy products.
2. Use the Health Star Rating System (HSR) or equivalent nutritional profiling model to define healthy products.
3. Use the Investor Statement framework to deliver better outcomes on nutrition and adopt the commitments within each of the four pillars: governance, strategy, lobbying, and transparency.

Food & Beverage companies must step up and adhere to the highest standards and definitions of "healthy", establish robust and ambitious targets and metrics to accelerate progress on nutrition, assess and address the real-world health-related risks, opportunities, and impacts of their business models. [Read more here](#)



- Boston Common's Lauren Compere [provided Bloomberg](#) with an engaged shareowner perspective on Adidas's long overdue split with Ye.
- Boston Common's Michelle Buckley, CFA, CAIA [spoke with Boston Business Journal](#) on the many reasons to be optimistic in this period of market volatility.
- "AI and algorithms aren't inherently bad", Lauren Compere noted in [her recent discussion with ESG Investor](#). Both "will play a critical role in expanding access to finance and healthcare – but we collectively want to ensure there is an understanding of the real risks."

**In the News**



## **From the Commons**

- We continued our annual philanthropic contributions with employee directed giving to four nonprofit organizations, [Boston Neighborhood Community Land Trust](#), [Malala Fund](#), [One Colorado](#), and [The Trevor Project](#).
- Boston Common's Ally McDonald and Kevin Hart responded to the recent mass shootings in the US and the mounting attacks against the LGBTQIA+ community — a continuation of disturbing trends that have become all too familiar for Americans. Read: [Gun Violence and Hate are NOT Political Issues](#)
- Boston Common supported its employees and the [MicroLoan Foundation](#) with coaching sessions during the WLA Coachathon.
- We celebrated the 7th annual Energy Efficiency Day (EE Day) on October 5th. Read more about [Boston Common's commitment to Eco-Efficiency](#).

# Shareowner Engagement Highlights

## 2023 Proxy Season

### Shareholder Resolutions Filed

Shareholder resolutions represent a key engagement tool that mitigates risk and creates opportunities for portfolio companies to develop better policies, processes, practices and products. These engagements tend to focus on a specific “ask” of companies such as increased lobbying disclosure and reduced GHG<sup>1</sup> emissions. If the company's response to our shareholder resolution indicates willingness to improve practices, we will withdraw the resolution. Otherwise, resolutions filed will be voted on at the annual shareholder meeting.

Issue	Company	Status
Content Moderation	Alphabet*	Filed
Lobbying Disclosure	Apple*	Filed
	Visa*	Filed
Political Spending Disclosure	Merck & Co.*	Filed
	Colgate Palmolive*	Filed
Health Equity Access	Regeneron*	Filed
Human Rights Impact Assessment	Microsoft*	Filed
Just Transition	Wabtec	Filed
Financed Emissions	PNC Financial*	Filed
GHG <sup>1</sup> Emissions Reduction	Carrier Global Corp.	Filed

\*Boston Common is the Lead Filer

## Spotlight

### Public Policy Engagement

[Boston Common wrote an open letter to European representatives](#) calling on policymakers **to explicitly address gender** in the new Directive on Corporate Sustainability Due Diligence and ensure the Directive is gender-responsive.

## Engagement Highlights

- Lauren Compere and Constantina Bichta traveled to COP15 in Montreal, joining the Finance for Biodiversity Foundation delegation that collectively advocated for an ambitious global biodiversity framework to reverse nature loss and ensure ecosystem resilience.
- Boston Common joined the Finance Sector Deforestation Action (FSDA) Advisory Committee and helped develop new investor expectations for palm oil, soy, paper and cattle-related deforestation. Key holdings engaged include Essity, Itau Unibanco, Kimberly-Clarke de Mexico, Mondelez, Mondj, OCBC, and Shiseido.
- Boston Common is the lead filer of Shareholder Proposal Four: “Defense Customer Use of Microsoft Technology,” calling on Microsoft to honor its established ethical AI and digital human rights principles and proactively address reputational and brand risk for the company.

