Boston Common Asset Management

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Investor Climate Action Plan

Boston Common Asset Management

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Introduction

The Amazon is now emitting more carbon dioxide than it can absorb. The 2021 IPCC report finds immediate, rapid, and large-scale action is needed if emissions are to peak by 2025 and warming is to be limited to 1.5°C. Ending deforestation and investing in natural climate solutions could provide a third of the solution to meeting the Paris climate target while supporting the global goal to halt and reverse biodiversity loss by 2030. In 2019 Boston Common eliminated its investment in fossil fuels globally and since its inception has prioritized investment in climate solutions, supported by robust stewardship and engagement efforts but we can do more.

In 2021 Boston Common made three significant firm-level commitments to align its investing, stewardship, and engagement approach with a Net Zero by 2050 and Paris Agreement 1.5°C pathway. This included joining the Net Zero Asset Managers initiative, committing with just 30 other investors ahead of COP26 to Deforestation-Free Forest-Risk Agricultural Commodities by 2025 (palm oil, soy, cattle and leather, paper and pulp), and joining 84 other investors across 18 countries in the Finance for Biodiversity Pledge. Given the systemic risk biodiversity loss and ecological destruction from deforestation pose to our ability to achieve a sustainable and inclusive future, we believe it is critical to step up our efforts with an approach that integrates our climate strategy with biodiversity and nature-related risks and opportunities.

These commitments provide additional guidance and clarity to our firm's commitment and supports Boston Common's approach since its inception to avoid investing in egregious corporate players, prioritize investment in solutions, step up as a climate and sustainability leader, and systematically create impact through our stewardship and engagement work.

This Investor Climate Action Plan (ICAP) describes our long-term integrated approach to addressing climate change including a history of investing in companies that are accelerating the transition to a low carbon economy, companies that focus on renewable energy, climate mitigation and adaption, more efficient processes, and circular economies.

In early 2020, Boston Common became the first US asset manager to join the Partnership for Carbon Accounting Financials (PCAF). As part of the PCAF Core team, we helped develop global carbon accounting standards launched in November 2021 covering six asset classes.

Our engagement initiatives have focused on addressing the systemic risks and impacts of the climate emergency. Under our five-year flagship initiative, "Banking on a Low Carbon Future", we engaged nearly 60 global banks on climate risks and opportunities, highlighting the need for the financial sector to step up on climate. In 2019, we issued the benchmarking report, "Improving Efficiency, Unlocking Returns", built on five years of engagement with nearly 50 companies. The report sets a baseline for Eco-Efficiency practices for energy, water, and waste. We engage companies on deforestation risk across multiple sectors, including Financials, and we have started incorporating biodiversity into our engagements. The time for incremental change to address the climate emergency is over. We must transform the financial system and all actors, including asset managers, must play their part.

Climate Governance

Boston Common's Board and senior leadership play a critical role in informing and overseeing our climate strategy. For example, our Board reviewed and endorsed our commitment as a signatory to the Montreal Carbon Pledge and our commitment to the Net Zero Asset Managers initiative which we have adopted as a formal commitment to measure, disclose, and reduce our operational carbon footprint and that of our portfolios. Our CEO, President, and CIO of International Strategies assist in designing our ESG approach and sit on the firm's Board of Directors. Annually, the Board receives a complete review of our strategies, covering financial and ESG aspects, carbon footprint, and engagement outcomes. In addition, our firm-level initiatives to offset our operational carbon footprint, led by our Director of Corporate Purpose, are included in firm-level budgets approved by the Board. The Head of Stewardship & Engagement and the Head of ESG Integration, with support from other members of the ESG Research & Engagement Team, oversee the implementation of the firm's climate strategy related to ESG Research, Stewardship & Engagement, and Reporting & Disclosure, and when appropriate represent the firm in external leadership roles related to our climate strategy.

Boston Common's Investment & ESG Approach

We seek to activate capital and shareowner voice to facilitate the transition to a more sustainable and inclusive economy. We view 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—as guiding principles for corporations and investors. We see the coming decade as a time of great change and identify key drivers or influencers of this disruption: consumer preferences, regulatory action, scientific and technological advances, and company innovation. As investors, we are seeking to proactively address these opportunities and challenges and, in so doing, invest for an inclusive, sustainable future.

Our seek and avoid criteria guide our investment-seeking and analysis; however, our guidelines are not prescriptive to the point of prohibiting 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 aim to align our investments—and stewardship and engagement approach—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).

In addition to exiting fossil fuels in 2019, we believe 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. We seek through our investments—and our stewardship and engagement—to address direct and indirect physical and transition risks.

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 (i.e., what a company makes), Processes (i.e., how they make it), and Policies (i.e., how they run the business) are all 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 to not 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.

Boston Common’s Comprehensive ESG Guidelines including the following:

Relating to Earth Renewal and Climate Change:

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, an abrupt and forceful response by governments to climate change.

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.

Boston Common's Fossil Fuel Exclusion Policy

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

- Significant revenues (>5%) from the exploration, extraction, production, manufacture, or refining of fossil fuels
- 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

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

Relating to Deforestation:

Seek

Products

Sustainable Agriculture and Forestry

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

Process & Policies

- 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

Relating to Human Rights:

Seek
• 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 • 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
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 People *Please note that these are excerpted from Boston Common's Comprehensive ESG Guidelines.*

Net Zero Approach & Our Commitment

What is Nero Zero and the Race to Net Zero?

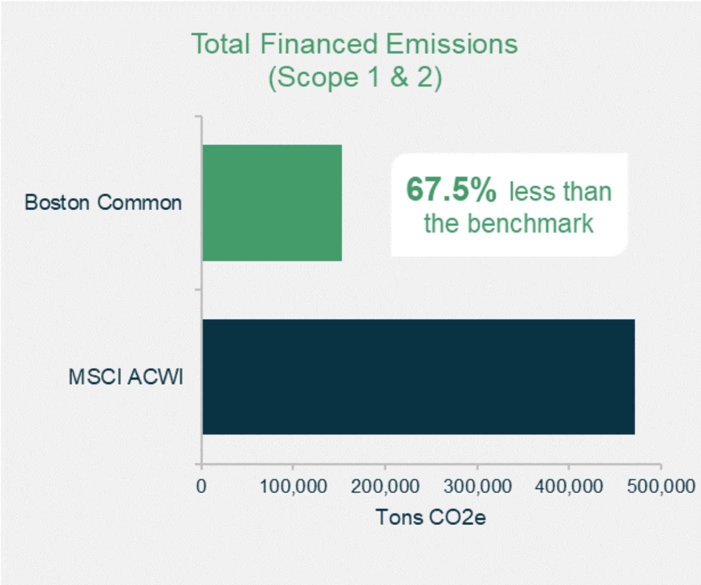
Under the Paris Agreement, countries agreed to limit warming well below 2 degrees Celsius and ideally to 1.5◦C. The latest science from the Intergovernmental Panel on Climate Change (IPCC) suggests that in order to reach these temperature goals, net zero emissions will be required by mid-century (2050). If the world reaches net zero by 2040, the chance of limiting warming to 1.5◦C is considerably higher.

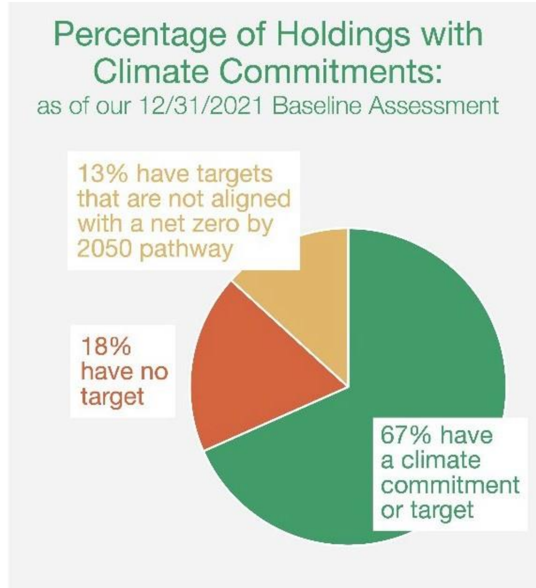
The United Nations established a “Race to Zero” campaign calling on countries, regions, cities, companies, investors, and civil society and non-governmental organizations to submit plans to reach net zero emissions by 2050. Ahead of COP 26 in Glasgow in November 2021, numerous net zero commitments were made across the globe, by 120 countries, 708 cities, 24 regions, 2,360 businesses, 163 investors, and 624 higher education institutions. One of these net zero commitments was the Net Zero Asset Managers (NZAM) initiative which Boston Common joined in March 2021.

Boston Common's NZAM Commitment

In early 2022 as part of our firm's commitment under the Net Zero Asset Managers (NZAM) initiative, we completed a firm-level baseline assessment of our firm's financed emissions (Scope 1 & 2) and set a target to further align our portfolio emissions with a net zero emissions and 1.5 degrees Celsius scenario by 2050.

Our assessment utilized a baseline of December 31, 2021 and accounted for $5.6 billion in AUM or 93% of total AUM. The assessment found that both our emissions exposure and relative carbon footprint (tCO2e and tCO2e/invested) already meet IPCC recommendations, so our firm is already in a position to demonstrate a fair share of the required reduction efforts by 2030 (50% reduction). Our firm's total* financed emissions (Scope 1 & 2) are 153,197 tons versus 471,956 for the MSCI ACWI benchmark or 67.5% less than the benchmark. Our analysis also found that 67% of our holdings (by weight) have a climate commitment or target (35% of which are approved Science Based Targets or SBTs and 32% of which are either committed SBTs considered ambitious targets), while 18% of our holdings have not yet set a climate target. The remaining 13% have established insufficient targets, which are aligned with a net zero decarbonization pathway by 2050.





NZAM Target

We have established the following Science Based Targets initiative (SBTi) focused target to support our NZAM commitment:

By 2025 we will have engaged the 31% of portfolio holdings* (in covered AUM) that either have no target or have an insufficient target to encourage them adopt a Science-Based Targets initiative (SBTi) or equivalent target and to increase the % of portfolio with qualifying climate targets from 67% to 90%.

*The actual engagement target list is subject to change. For example, if we discover a target company has adopted a target or we sell the holding, we would deprioritize engagement.

Our formal NZAM target was also included in the NZAM-Initial-Target-Disclosure-Report-May-2022.pdf (netzeroassetmanagers.org).

At this time, we decided not to include fixed income and sub-advised strategies. In future years, we will consider adding Scope 3 into assessment and target-setting under NZAM as data quality and company disclosure expands on Scope 3 emissions. One of our key engagement focus areas is for companies we invest in to expand their GHG emissions disclosure to include Scope 3 emissions.

While we have not set a temperature alignment goal under NZAM, we conduct firm- and portfolio-level assessments to monitor alignment with the IEA Sustainable Development Scenario (SDS), Stated Policies Scenario (STEPS), and the Current Policies Scenario (CPS). We calculate our firm-level carbon footprint every six months and will annually assess our progress on our NZAM engagement commitment. As our interim goal is for 2025, we will reassess the progress made and set a new five-year interim goal at that time.

On a quarterly basis we report our engagement priorities and significant engagement milestones, whether corporate or public policy related. On an annual basis we produce an impact report which provides case studies and more details on our stewardship and engagement activities and outcomes. We have included updates on our NZAM commitment and engagement progress in 2022 and 2023 impact reports and will continue to provide at least annual updates..

Earth Renewal & Climate Change Stewardship & Engagement Approach

Our engagement and stewardship are 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 share value. 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. To prioritize our focus and impact we have established a three-year engagement framework with two to three key initiatives across our sustainability pillars.

Climate Change & Earth Renewal	Inclusion & Empowerment	Health & Community Well-being	Topical issues
Net-zero & Paris - aligned transition	Gender & racial equity	Global health equity	Corporate political action & lobbying
Biodiversity protection	Inclusive finance	Just Transition	Repressive regimes/ conflict - affected areas
Eco-efficiency	Digital inclusion & human rights	Circular Economy: Design for people & planet	Global shareholder rights & ESG regulation
Address E&S in Green Recovery			

Our Stewardship & Engagement approach includes:

- **Sustained Dialogue –** Our most common form of engagement is sustained dialogue with companies over many years on how ESG and sustainability issues are integrated into core business practices. We seek to better understand how the company approaches the governance of sustainability, including through board-level oversight and links to performance goals and compensation. We advocate for 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. We provide feedback to companies regarding what we consider key sustainability priorities, share best practices, and provide resources and guidance for policy development. We aim to establish dialogue with companies following purchase; we reach out to share our ESG thesis and to identify areas for improvement.
- **Benchmarking –** We will also use publicly available benchmarks to highlight specific issues and actively praise leaders and demand improvements from laggards.
- **Disclosure Standards –** We work with standard-setting bodies to develop better ESG metrics or key performance indicators.
- **Shareholder letters** – We will utilize investor letters and public statements to surface often collaboratively).
- **Proxy voting –** We have a customized proxy voting guidelines designed to promote best global corporate governance practices and to encourage long-term thinking by corporate managements.
- **Shareholder Proposals –** We will file shareholder proposals with a select group of companies, typically as an escalation tactic.
- **Public Policy –** We will engage through public policy testimony and rule-making processes via collaborative forums, when necessary.

High Carbon Emitters Engagement Initiative

Net Zero Asset Managers (NZAM) Initiative and our High Carbon Emitters Engagement Initiative

Engaging key holdings and addressing financed emissions is a key expectation of the NZAM commitment:

- Magna International agreed to set science-based targets and is mapping Scope 3 emissions. As a result of our dialogue, Magna posted its CDP report to allow for greater transparency on its approach to climate change.
- Mohawk hired a head of sustainability and is considering forming an executive ESG committee.
- Steel Dynamics has set goals to reduce carbon emissions and increase renewable energy use for its steel mills.
- Borreegrard will raise renewable energy targets and produce a standalone TCFD report.
- Orix established an ESG committee at the board level and disclosed four environmental goals including greenhouse gas (GHG) emissions reductions goal.
- DS Smith adopted Net Zero and science-based targets by 2030. In 2022, DS Smith will link executive bonuses to ESG metrics.
- Xinyi Solar took a variety of steps to track and report key ESG metrics and increase resource efficiency. Xinyi promotes use of renewables, green procurement principles, and has engaged stakeholders through materiality processes.

A key expectation of the Net Zero Asset Managers (NZAM) commitment is to engage key holdings and improve portfolio financed emissions over time. Over the current engagement cycle (2021-2024) or by 2025 Boston Common will engage those companies with no climate targets or commitments across our strategies and will consider engaging those with insufficient targets. At the portfolio level, we will prioritize engagement with the top carbon emitters (measured in terms of our emissions exposure) in strategies not currently aligned with 1.5 degrees Celsius. Overall, we will prioritize engaging the top 10 highest relative emitters at the firm level (based on our exposure), which collectively represent close to 60% of our overall financed emissions.

In 2021 we engaged a number of these holdings under our High Emitters Engagement Initiative, which adopts data-driven and full value chain framework, addressing **Governance of Sustainability, Climate Risk Assessment and Transition Plans, Interim Targets and Metrics (2025 or 2030), Energy Mix, Supplier Engagement,** and **Climate and Paris-Aligned Political Participation & Lobbying.**

Net Zero Asset Managers Initiative – 2022 Engagement Update

Firm Level – Top 10 Emitters (by emissions exposure)

Boston Common's first full year engagement under NZAM focused on engaging the top 10 emitters held across all portfolios and the top 3 emitters in the Emerging Markets strategy to **improve understanding of portfolio companies' climate strategies, transition plans, supplier engagement, and energy mix and to encourage them to take steps in each of these areas.**

Examples include:

- **Essity** ties a portion of compensation to ESG targets and is developing a sustainability framework.
  - Recommendation: Expand disclosure on its roadmap to achieve its net-zero emissions target.
- **LG Chem** links ESG performance with compensation and established a carbon neutral growth plan. The company is engaging suppliers on Scope 1 and Scope 2 emissions and has created a Chief Safety and Environment position.
  - Recommendation: Align GHG reduction targets with SBTi (Science Based Targets initiative) and improve oversight of subsidiary health and safety performance.
- **Mondi** ties a portion of compensation to ESG targets, expanded its quantitative climate scenario analysis, and aligned Scope 1 and 2 reduction targets with SBTi.
  - Recommendation: Align Scope 3 emissions with SBTi.
- **TDK** committed to aligning climate targets with SBTi in its environmental strategy and is focused on improving energy efficiency to decrease product related emissions.
  - Recommendation: Clarify implementation process for ESG KPI's in short and long-term compensation incentive plans; provide details on integrating scope 3 disclosure.

No Climate Targets or Commitments

We also prioritized engagement with the 18% of firm-level holdings (from our 12/31/21 baseline assessment) which did not have climate targets or commitments. We reached out to a total of 36 companies to assess progress and encourage adoption of time-bound science-based GHG emissions reduction targets within three years. 40% of companies responded with progress updates. In 2023 we have committed to continue to engage with these companies on essential next steps.

Engagement Beyond High Carbon Sectors

Our current engagement priorities go beyond engaging our highest emitters to ensuring our financial holdings are Paris-aligned in their own financing and investments. This work builds on our longstanding leadership engaging the banking sector. We also continue to pursue our "S in the Green Recovery" initiative to ensure the renewable energy sector and its buyers support a just and sustainable transition through production, sourcing, and procurement practices, including with regard to sourcing of conflict minerals, cobalt, and lithium. We will continue to engage with key players in the renewable energy sector as well as encourage companies to set their own renewable energy targets and align with RE100. This has been a long-term ask of Boston Common's going back to our Eco-Efficiency engagement in 2015. In some cases, we prioritize specific high-impact interventions such as addressing a more sustainable approach to refrigerants.

Shareowner Engagement Spotlight
Refrigerants

Why refrigerants?

Refrigerants (as a category of gasses) have about **1000x to 4000x the potential to warm our atmosphere** in comparison to CO2. Due to refrigerants' elevated global warming potentional (GWP) and shifting policy landscape we challenged our holdings to proactively address climate risk and shift to low GWP products. As climate change is already upon us, refrigeration and cooling technology is no longer a luxury; these products and services are vital to human health and safety, food security, and access to medicine. We grapple with the role of refrigerants as climate adaptation versus climate mitigation. Companies with exposure to the refrigerant value chain have an incredible opportunity to reduce the total emissions associated with these products.

Over the summer, Boston Common engaged holdings that manufacture refrigeration and air conditioning appliances—Daikin, Voltas and Carrier. Our first round of dialogue focused on:

GWP product disclosure

We are seeking detailed information on the amount of revenue credited to positive products and services.

Transition to low GWP refrigerants

There is significant opportunity for our holdings to align their stakeholder engagement and political activity to promote the adoption of safe, low GWP refrigerants.

Circularity

A large portion of refrigerant related emissions are associated with improper maintenance or lack of recycling at end of life.

Emissions reductions targets & collaborative platforms

We are encouraging our holdings to explore collaborative or industry groups and consider opportunities to reduce their customer's emissions through low GWP refrigerants and circularity programs.

Next Steps

We plan to follow up with the companies in 2022 to share our findings. We are exploring opportunities to engage other sectors and recently discussed plans to reduce refrigerant-related emissions with portfolio holding Kroger.

During the current engagement cycle (2021-2024), we are engaging on deforestation through individual and collaborative engagement platforms including the Finance Sector Deforestation Action, Ceres, the UN-supported Principles for Responsible Investment (PRI), and the FAIRR Initiative. We have begun to address biodiversity risks in our individual engagements and have subscribed to an external research provider to support our firm-level assessment on portfolio and issuer-specific level biodiversity risks and impacts. This will in part support prioritization of biodiversity engagement in 2024.

Responsible & Aligned Climate Lobbying Practices

In addition to our own direct public policy engagement, we engage companies regarding their climate lobbying practices, both direct and indirect (via trade associations). For over a decade, we have conducted standalone dialogues focused on this topic as well as incorporated the topic into the topic into our engagements with global banks on climate and with companies Eco-Efficiency. It is essential for companies to comprehensively and consistently address climate through increased transparency on risk management and due diligence procedures, alignment of climate lobbying with stated actions, and escalation strategies with trade associations if there is material misalignment. We support frameworks like the Responsible Lobbying Framework, the Interfaith Center on Corporate Responsibility's (ICCR) Climate-Aligned Lobbying approach, and the newly released Global Standard on Responsible Climate Lobbying (March 2022).

Deforestation and Biodiversity Stewardship & Engagement

Finance Sector Deforestation Action (FSDA)

To further our actions to address deforestation risks and impacts, in 2022 we joined the Finance Sector Deforestation Action (FSDA) Advisory Committee, an investor initiative to eliminate commodity-driven tropical deforestation. As part of this, Boston Common contributed its issue expertise and leadership to:

- develop new investor expectations for palm oil, soy, paper, and cattle-related tropical deforestation. helped to organize a collaborative engagement with 40 companies on these expectations,
- and actively engaged with select portfolio holdings (Essity, Itau Unibanco, Mondi, OCBC, and Shiseido).

Investor Public Dialogue on Deforestation (IPDD)

We joined the Investor Public Dialogue on Deforestation (IPDD) as a supporting investor. Through IPDD, we collaborated with other investors to engage public agencies and industry associations in select countries on deforestation.

Finance for Biodiversity Pledge – UN Biodiversity Conference (COP15)

In November 2022, Lauren Compere and Constantina Bichta joined the Finance for Biodiversity Foundation delegation collectively advocating for an ambitious global biodiversity framework to reverse nature loss and ensure ecosystem resilience. The conference culminated in the broad adoption of the Kunming-Montreal Global Biodiversity Framework (GBF**).**

We are also part of other collaborative investor forums focused on deforestation and biodiversity, including **Ceres Food Emissions 50 program and Valuing Water Initiative, FAIRR, and ICGN's Natural Capital Committee which our Head of Stewardship & Engagement co-chairs**. In early 2023, ICGN's Natural Capital Committee issued an Investor Biodiversity Toolkit which she helped to develop.

The Power of the Proxy (Management Proposals, Shareholder Proposals Voting Approach, & Filing Shareholder Proposals)

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, inclusive, 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: Board Accountability, Board Responsiveness, Director Independence, and Director Diversity & Competence. Our guidelines also include a focus on problematic compensation practices and environmental, social, and governance (ESG) failures.

Since inception, Boston Common has supported shareholder proposals focused on environmental or social risk and disclosure including climate risk and filed climate-related shareholder proposals. We continue to evolve and strengthen our approach to addressing climate risks and have more recently adopted an escalated proxy voting policy where we may vote against directors due to a failure to adequately address climate-related risks, realize climate-related opportunities, and improve climate-related performance.

Climate Change Risk Mitigation and Performance Failures

In 2021 we added guidance regarding management proposals where we will vote against or withhold from individual directors, relevant responsible committee members, or company reports or statements, due to a failure to adequately address climate-related risks, realize climate-related opportunities, and improve climate-related performance. The scope of this voting policy covers companies on major blue-chip indexes, such as the FTSE 100, ASX100, CAC 40, DAX30, and S&P 500.

Climate Shareholder Proposals

We routinely vote in favor of ESG shareholder proposals through our proxy voting approach across the markets we invest in including proposals focused on biodiversity, climate, and deforestation risks and impacts. We 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 or non-responsive. The most common issues we file on are board gender or racial diversity, climate change (adopting GHG emission reduction targets), human rights, political and lobbying disclosure, and certain sector-specific issues. In the past five years, we have filed shareholder proposals on adopting GHG emission reduction targets, Net Zero strategies, and Just Transition plans, with **Advanced Auto Parts**, **Booking Holdings, Carrier Global, Citigroup, Gilead, Home Depot, HD Supply, PNC Financial, Wabtec,** and **TJX**. We routinely file lobbying-related proposals, which address alignment of lobbying activity with a company's public policies and positions including with regard to climate.

Climate Focused Public Policy Engagement

While our priority as responsible stewards of capital is to engage directly with the companies we invest in, Boston Common also employs a robust public policy engagement strategy. We focus on existing or proposed policy that: (1) directly or indirectly erodes shareholder rights; (2) enhances access to standardized and enhanced corporate ESG disclosure supporting investment decision-making including regarding climate; (3) presents opportunities to fundamentally improve ESG or sustainability management; and (4) addresses systemic risks such as climate.

Our Investor Climate Action Plan builds on our longstanding robust climate-related public policy engagement to implement a full value chain approach with key financial players including regulators, proxy agents, and ESG research providers. Under the previous US Administration, four years of potential progress in mitigating climate impacts was lost. While investors and businesses continued addressing climate, advances were blunted by lack of appropriate government intervention. This motivated Boston Common to sign onto the Global Investor Statement on Climate Change supported by 456 investors with over $41 trillion in assets. This includes stepping up ambition related to NDC (Nationally Determined Contributions) targets, adopting mid-century net-zero goals (2050 or sooner), and supporting mandatory climate disclosure. These actions must be combined with addressing the Just Transition of workers and communities.

Prioritizing Mandatory Climate Disclosure

Boston Common prioritizes individual engagement on public policy when warranted, such as ongoing consultation on mandatory climate disclosure by the US Securities & Exchange Commission (SEC), reinforcing the 2021 G7 announcement supporting mandatory disclosure. Our call for mandatory disclosure is further qualified by a study that found mandatory ESG reporting enhanced the quality and increased the accuracy of reporting while reducing dispersion among analysts' earnings forecasts.[1] Please read Boston Common Asset Management's letter in response to an invitation for comment on climate change disclosures by former SEC Acting Chair Allison Herren Lee.

Disclosures to CDP in 2019 showed 215 of the largest global companies reported nearly US$1 trillion at risk from climate impacts, with many of those impacts likely to hit within the next 5 years. Meanwhile, companies also reported US$2.1 trillion in cumulative gains from realizing business opportunities related to climate change.[2] We believe focusing on innovation and climate resilience supported by robust climate policies will create opportunities for investors, companies, and governments. A strong and coordinated investor voice backing progressive climate policies is essential to making this happen.

Industry Collaboration on Climate Public Policy

We use collaborative platforms to carry out much of our public policy engagement, including the PRI, Ceres, US SIF, Shareholder Rights Group, the International Corporate Governance Network (ICGN), and the Asian Corporate Governance Association (ACGA). Since the Paris Agreement, we have focused on the need for new and innovative ways of collaborating, such as the Climate Safe Lending Network (CSLN), which Boston Common helped found. A CSLN paper, Financial Stability in a Planetary Emergency, outlines the essential role of bank regulators regarding climate and proposes 10 climate finance needs including a framework for Paris alignment and net-zero targets, adjusting capital instrument requirements, climate stress tests, and a focus on community reinvestment to support resilience and climate action. In 2022 in our capacity as a member of the Climate Safe Lending Network Design Team, we supported the concepts outlined in CLSN's recent letter to the Basel Committee for Banking Supervision (BCBS) in a roundtable consultation with them, a critical intervention addressing the systemic nature of climate risk in the financial system.

Industry Collaboration

We cannot tackle the current climate emergency alone so Boston Common has prioritized collaborating with others in the financial sector to activate and accelerate collective action. We are members and in many cases lead investors in these initiatives: CDP, ClimateAction 100+ (Lead Investor), Ceres Food Emissions 50, FAIRR, ICCR Banking Working Group (leadership team), ICCR Climate Lobbying Working Group (leadership team), Climate Safe Lending Network (Design Team), IEHN Investors for Sustainable Solar (Lead Investor), International Corporate Governance Network Natural Capital Committee (Co- Chair), Finance for Biodiversity Pledge, and the Partnership for Carbon Accounting Financials (PCAF) (formerly part of Core Team).

Boston Common is committed to continuing collaboration with other investors across the globe to:

- Support robust public policy engagement including strong corporate climate disclosure in the markets we invest;
- Raise our engagement ambitions to ensure our issuers' business strategies and impacts are Paris-aligned through individual and collective engagement; and
- Escalate our active ownership through proxy voting, filing climate-related shareholder proposals when appropriate, and impact-driven engagements.