

Active Investor Impact Update

Fourth Quarter, 2021



As we enter 2022, addressing climate and pandemic impacts are top of mind at Boston Common. We are hopeful that in the new year, investors will bring the necessary urgency to address these uncertainties, driving corporations to adopt a permanent shift towards prioritizing ESG risks and putting the well-being of people and planet at the center of corporate strategy.

Amid widespread concern about greenwashing, there is a growing push to develop standards for ESG reporting, and establish greater scrutiny of sustainability claims. Regulators in the US and Europe are acting to address the risks of operating without well-defined global standards. True to our mission and identity as long-term oriented investors, we are vocal advocates for universal requirements guiding industry best practices. We will need measurable outcomes and accountability as well as vigilant ecosystems if we are to accelerate change. As we reflect on our work in service of these goals in the closing months of 2021, we look to build on our efforts in 2022.

Two Decades of Climate Leadership

Catastrophic climate change is a threat to society and the planet — and poses a systemic risk for all investors. The science is clear: We must decarbonize by mid-century and achieve net-zero greenhouse gas (GHG) emissions to prevent catastrophic climate change. As more companies make net-zero carbon commitments and conferences such as COP 26 bring together governments, central banks, investors insurers, and companies with mixed results, investors have an opportunity and imperative to accelerate progress and facilitate a transformation of our economic and financial systems.

Early on, we realized that climate change was an existential threat to natural and financial systems alike and required action.



The coming decade will be a time of great change, with consumer preferences, regulatory action, scientific and technological advances, and company innovation — all of which are likely to influence and disrupt business practices. As investors, we must proactively address these opportunities and challenges to build an inclusive, sustainable future.

Read more about our [Two Decades of Climate Leadership](#)



Equitable Access: COVID Vaccines and Therapeutics

Since the beginning of the pandemic, Boston Common has advocated for health equity in pharmaceutical companies' approach to COVID vaccines and therapeutics. In 2020, the Interfaith Center on Corporate Responsibility (ICCR), an investor coalition, filed shareholder resolutions at six pharma companies seeking to prioritize access and affordability over profits.

In December of 2021, Lauren Compere, Boston Common's Head of Global Stewardship & Engagement, issued a [response to a Financial Times piece](#) exploring Pfizer's use of its power and influence in shaping the course of the pandemic. Compere called out the company and its industry for failing to move towards a more responsible business model that prioritizes health equity, access to healthcare, and the development of resilient and inclusive economies.



Biodiversity:

Combatting the Impact of Deforestation

The discussion on climate change has evolved over the years to become broader and more comprehensive. Climate change adaptation, resilience, and mitigation techniques play a crucial role in risk management and fossil fuels are often center stage for scrutiny and debate. As conversations around climate broaden, we have seen biodiversity take on a larger role as a risk that investors cannot ignore. Biodiversity encompasses a wide range of underlying issues including sustainable forestry, sustainable agriculture, and indigenous people's rights. In this first in a series of blogs exploring this multi-faceted issue, we will focus on Boston Common's approach to engaging portfolio companies on combatting deforestation.

Our History and Approach

Protecting, restoring, and enhancing biodiversity, while essential to climate change mitigation and adaptation, provides social, economic, and environmental benefits to communities and ecosystems. Our investment guidelines inform our long-standing approach to the issue, evaluating how companies avoid risks across regions and supply chains. We seek to invest in companies whose products, processes, systems, and value chains promote earth preservation and regeneration, guarding against deforestation while also supporting indigenous communities and local ecosystems.

Assessing deforestation risk across a company's value chain is an essential

component of our engagement strategy. We avoid investing in industries that have severe impacts on biodiversity and local ecosystems through egregious activities such as clear cutting. Instead, we favor companies with strong land management practices and policies in place that support sustainable forestry. Within our portfolios, we address deforestation-driven risks across the value chain - from agricultural producers to the banks that finance them. Acting in the best interest of our clients, the environment, and impacted communities, we engage companies on managing deforestation risk and we advocate for industry best practices such as deforestation-free commitments, certification schemes, and supply chain audits.

Our engagement reach on deforestation has expanded across sectors and regions. We ask companies to look beyond the main drivers of deforestation (e.g., palm oil, timber, cattle, and soy) and to broaden their focus to include all agricultural commodities.



Our Commitments

Net Zero Asset Managers initiative

Support the goal of net-zero GHG emissions by 2050 or sooner

Deforestation-Free Forest-Risk Agricultural Commodities

Eliminate commodity-driven deforestation activities from investment portfolios

Finance for Biodiversity Pledge

Protect and restore biodiversity through investment activities

Boston Common has made several commitments in the past year to align its investing, stewardship, and engagement approach with a Net Zero by 2050 and Paris-aligned 1.5°C pathway.

In 2022, we will prioritize initial steps to comply with these commitments including setting an interim 2030 financed emissions target aligned with the Net Zero Asset Managers Initiative framework and adopting a TCFD-aligned climate action plan supporting integration across our investment and engagement activities.

These commitments provide guidance and clarity to our firm's commitment to climate and sustainability leadership. Moving forward, we will continue to collaborate with investors across the globe to support public policy engagement, advocating for strong corporate climate disclosure, accelerated decarbonization, investment in climate solutions, and expanding biodiversity efforts.



Engagement Spotlight: Bank Rakyat

Palm oil producers and the financing of palm oil production

2018: Engaged Bank Rakyat (BRI) on taking initial steps towards implementing TCFD¹ including assessment, policy adoption, and climate-related disclosure. BRI committed to issue its first TCFD aligned report in 2021.

2019: Engaged BRI on addressing deforestation risk related to lending to palm oil producers and expanding borrower certification from ISPO² - the minimum legal requirement - to RSPO³, a more comprehensive certification standard for sustainable palm oil.

¹Task Force on Climate-related Financial Disclosures

²Indonesian Sustainable Palm Oil (ISPO) Certification

³Roundtable on Sustainable Palm Oil

Boston Common Leaders Honored by Local Press

Boston Globe and Boston Business Journal

Our CEO, Allyson McDonald was featured in [The Boston Globe Magazine's Women & Power 2021](#) issue, which listed Boston Common among the top 100 women-led businesses in Massachusetts.

“As a diverse, women-led and employee-owned organization, we are as passionate about gender-based equity at Boston Common as we are about engaging corporations to improve their gender equity and inclusion practices. We are proud to be in such good company in Massachusetts with women-led businesses. Given the long history of systemic gender inequity made worse by the disproportionately negative impacts of COVID-19 on professional women, a lot of effort remains ahead of us in our quest to make the workplace work better for women.”

Allyson McDonald

Our President & Founder, Geeta Aiyer, was selected as one of the [Boston Business Journal's 2021 Power 50: The Movement Makers](#). This year's group was defined by leaders who are helping Boston "grow as a place for equity, inclusion, and diverse points of view."



“I am especially grateful for this honor because I have dedicated my career to creating change, holding companies and industries to high standards in ways that contribute to the greater good. Incorporating diverse perspectives is fundamental to our work at Boston Common, and critical to our success.”

Geeta Aiyer

2022 Proxy Season Shareholder Resolutions Filed

Issue	Company	Status
Adopt GHG Goals	TJX*	Filed
Net Zero	Alphabet Inc.	Filed
Digital Human Rights	Microsoft	Withdrawn
Lobbying	Walt Disney	2022 AGM Vote
	Ecolab*	Filed
	Biogen*	Filed
	Netflix*	Filed
	Alphabet*	Filed
	Salesforce*	Filed
Paid Sick Leave	Home Depot	Filed
Political Spending	Analog Devices*	Withdrawn
	CME Group*	Withdrawn
	Advanced Auto Parts*	Filed
	Waters*	Withdrawn
Racial Equity Audit	Verizon	Filed

*Lead Filer



Microsoft will commission an independent human rights assessment report. The report is intended to identify, understand, assess, and address actual or potential adverse human rights impacts of Microsoft's products & services and business relationships on rights-holders.



Analog Devices updated their political contributions and lobbying policy including detailed disclosure on their current ban on direct political contributions, public policy positions, recent lobbying activity, and oversight.



CME Group will expand lobbying disclosure and post an overview to their website in early 2022.

Shareowner Engagement Highlights

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.

2021 Initial Purchase Outreach

We engage portfolio companies on areas for improvement on current and emerging ESG risks/opportunities identified through our research.

- Giant Manufacturing on its sustainability approach including its limited ESG disclosure: We are encouraging Giant to improve disclosure using the TCFD and GRI¹ frameworks, responding to CDP², and considering Eco-Efficiency opportunities such as waste management and renewable energy targets.
- OCBC (Overseas-Chinese Banking Corporation): OCBC released its first TCFD-aligned report in 2021. We provided feedback on improving disclosure via publicly releasing information on sector specific restrictions for high-risk and high-carbon sectors. We encouraged OCBC to develop an exit strategy with specific timelines for their remaining coal exposure.

¹Global Reporting Initiative

²Carbon Disclosure Project

2022 Proxy Season

We filed 10 resolutions focused on corporate political activities since the January 6th, 2021 insurrection with our negotiations resulting in:

- Analog Devices updated its political contributions and lobbying policy including detailed disclosure on bans on direct political contributions, public policy positions, recent lobbying activity, and oversight.
- CME Group will expand lobbying disclosure and post an overview on its site in 2022.



Waters adopted more explicit disclosure on its approach and policies governing political participation and agreed to make this policy more accessible to investors.

