

# Impact Report

Seventh Annual Impact Report | July 2023

Boston Common's 2022 environmental, social, & governance impacts

# Foreword

A letter from  
Lauren Compere



Dear Reader:

In 2022, ESG faced a new level of scrutiny. The EU deepened regulatory efforts and its focus on climate mitigation and human rights. In contrast, the ideological divide in the US fueled politicized anti-ESG narratives. Increasing attention to ESG investing from regulators has spawned efforts to curtail greenwashing and raise standards of credibility. But this hasn't stopped politicians from targeting responsible investing by casting doubt on its role in fulfilling fiduciary duty.

Amid the regulatory uncertainty and political hostility, Boston Common's ESG-integrated philosophy defines an approach that strategically differentiates us, providing a unique advantage that broadens our understanding of investment risks and opportunities. Our company engagement strategy augments the impact of our responsible allocation of capital by further tracing a path toward sustainable long-term change, while fostering public and private sector cooperation along the way.

In 2022, we engaged policy makers across the world to drive sustainable growth, advanced our firm-level commitments, and collaborated with stakeholders to amplify our impact. This year's Engagement Impact Report explores our efforts in detail.

- **Activating Engagement in Asia** - We visited Asia to engage companies and meet with regulators. These in-person connections provided a deeper understanding of corporate culture, sustainable governance, and ESG Momentum.
- **Promoting Ethical AI** - We supported the WBA Digital Inclusion's focus on ethical artificial intelligence as co-chair of a collaborative engagement with Fidelity International.

- **Just Transition & Sustainable Solar** - We collaborated with investors to support Just Transition with utility company Eversource, and the development of sustainable solar practices through the Investors for Sustainable Solar initiative.
- **Prioritizing Gender Equity** - We developed an Investor Guide for Prioritizing Gender, and leveraged the guide to engage EU policymakers and companies on advancing women in the workplace.

Boston Common's stewardship and engagement work has been integral to our mission to activate investor capital toward solutions for people and planet for the last twenty years. We will continue to use all available stewardship tools to promote business ecosystem change by engaging portfolio companies to improve policies, processes, products, and practices.

In Solidarity,  
**Lauren Compere,**  
*Managing Director/Head of  
Stewardship & Engagement*

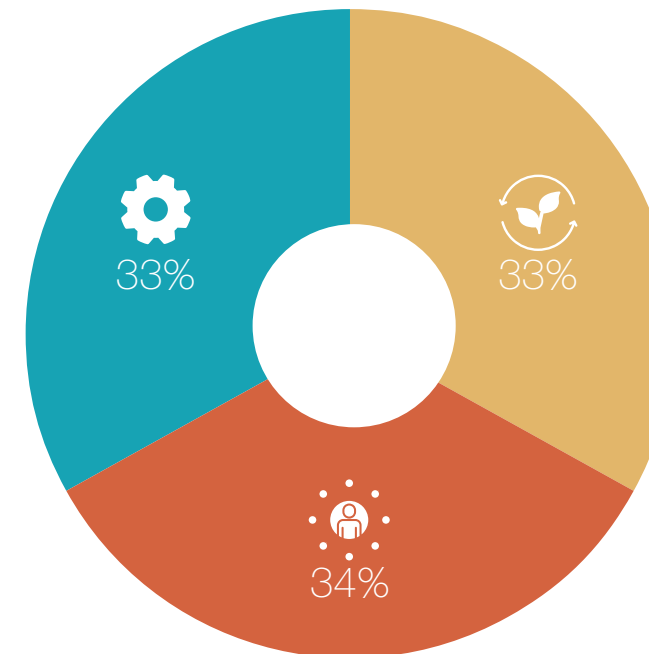
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# Generating Impact

## Shareholder Engagement: Firm Level Summary



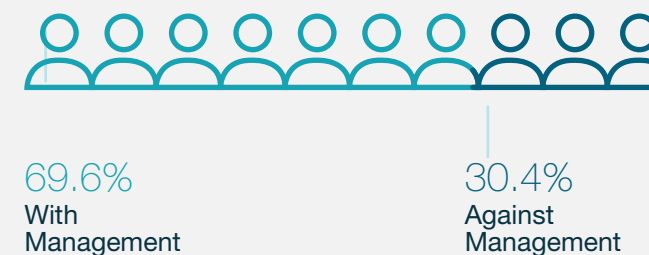
238  
total engagements

165  
companies

- 33%  
Engagement initiatives: High-carbon Emitters, Biodiversity, Deforestation, Sustainable Chemistry, Sustainable Solar
- 34%  
Engagement initiatives: Prioritizing Gender, Advancing Women in the Workplace, Inclusive Finance, Digital Human Rights, Just Transition, Human Rights in the Supply Chain
- 33%  
Engagement initiatives: Board / Workplace Diversity and Lobbying Disclosure

Environmental Social Governance

### PROXY VOTING Overall



- Voted against 65 companies on gender or racial board diversity

### SHAREHOLDER PROPOSALS 2022 Shareholder Proposal Votes



### PUBLISHED ESG THOUGHT LEADERSHIP

[Investor Guidance for Prioritizing Gender](#)  
[The Other Energy Solution](#)



# Engagement Impact Strategies

For more than 20 years, our shareowner engagement approach has challenged companies across industries to redirect capital, research & development, and innovation towards social equity and environmental preservation. We continue to broaden and deepen the approach to address critical and emerging environmental, social, and governance risks and opportunities.

Below are some examples of how we generate impact.

- Sustained Dialogue –** Transformation rarely happens overnight. Patience and persistence with companies is often rewarded with robust integration of ESG issue areas into core business models.
- Proxy Voting –** Shareholders have the right to vote on resolutions included in a company’s proxy ballot and tallied at a company’s annual shareholder meeting. This is a valuable method for investors to communicate concerns and influence corporate behavior.
- Shareholder Resolutions –** We file or co-file shareholder resolutions when a company dialogue has stalled, or when a company is unwilling to engage. Resolutions may be withdrawn if the company engages with us and is willing to address resolution requests.
- Issue Area Initiatives –** Accelerated engagements focusing on issue-relevant key performance indicators (KPIs).
- Investor & Multi-Stakeholder Coalitions –** We collaborate to amplify investor voices and accelerate change on a global scale.
- Public Policy –** We participate in public policy conversations to drive holistic corporate growth.
- Applied Research –** When guidance and research is lacking on emerging issue areas, we work with peers to build it, creating metrics and frameworks that direct and measure investors engagement efforts.
- Stakeholder Informed Engagement –** A multi-pronged approach to addressing emerging systemic issues. We consider broad stakeholder perspectives and use various engagement tactics to target the corporate, regulatory, and global standard-setting bodies likely to drive change.

[Read more about Boston Common’s engagement strategies.](#)

## ENGAGEMENT IMPACT STRATEGY SPOTLIGHTS

### Global Public Policy

#### Europe – Prioritizing Gender

The European Commission proposed a Directive on Corporate Sustainability Due Diligence (“the Directive” or CSDDD) in 2022—a proposal that failed to appropriately address human rights by incorporating a gender-responsive approach. In response, Boston Common engaged EU lawmakers and organized an investor statement. The statement, signed by over 30 global investors, advocated for including gender specific impacts and solutions in the EU’s CSDDD.

Boston Common followed up with an open letter to European representatives in December 2022.

#### Japan – Gender Board Diversity

Boston Common joined the Asian Corporate Governance Association (ACGA) in calling for the Financial Service Agency (FSA) and the Tokyo Stock Exchange to create a public roadmap for increasing

corporate gender board diversity to at least 30% by 2027.

In the Fall of 2022, Lauren Compere, joined an ICGN<sup>1</sup> investor delegation and met with Japanese regulators to discuss regulatory support of board gender diversity and advancing women in the workplace.

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

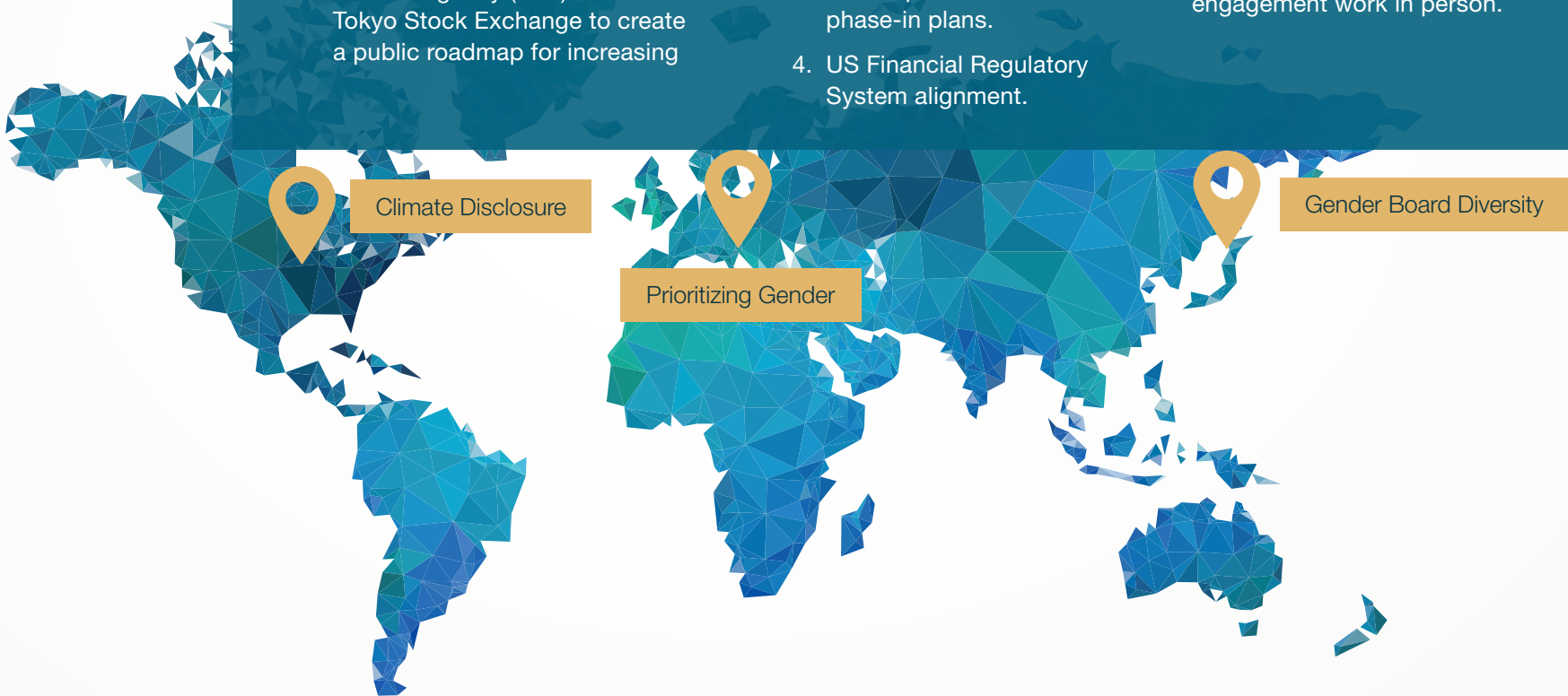
#### US – Climate Disclosure

Boston Common has been in dialogue with the SEC staff including Chairman Gensler for the past two years, providing written feedback highlighting the need for:

1. Scope 3 measurement
2. Backward and forward-looking disclosure
3. Assurance on climate accounting practices to facilitate a tiered approach that includes safe harbors for Scope 3 disclosure and phase-in plans.
4. US Financial Regulatory System alignment.

### Sustained Engagement: The return to in-person

Building relationships with companies is fundamental to an effective shareholder engagement approach. In-person meetings strengthen relationships, providing detailed understanding of corporate culture, sustainability governance, ESG momentum, regulatory impacts, and impacts of societal expectations. After conducting only virtual engagement meetings since early 2020, Boston Common has transitioned back to a hybrid model. In the fall of 2022, Lauren Compere visited Asia for the first time in three years to continue Boston Common’s ongoing shareholder engagement work in person.





# Firm Level Commitments and Progress

## 1. Net Zero Asset Managers Initiative

A collaborative effort among asset managers committed to aligning portfolios with the goal of achieving net-zero GHG emissions by 2050 or sooner.

### Progress

- Completed baseline assessment.
- Published initial climate targets.
- Published Investor Climate Action Plan.

## 2. Finance for Biodiversity pledge

An international commitment by financial institutions to act on and integrate biodiversity considerations into decision-making processes.

### Progress

- Attended COP15, UN Biodiversity Conference.
- Supported public policy engagement for ambitious COP15 outcomes on nature-related mandatory disclosure and global target setting.

## 3. Joined Finance Sector Deforestation Action (FSDA) Advisory Committee

Finance Sector Deforestation Action is an investor initiative to eliminate commodity-driven deforestation from portfolios and drive progress towards a net-zero, nature-positive economy.

### Progress

- Developed new investor expectations for palm oil, soy, paper, and cattle-related tropical deforestation.
- Initiated collaborative engagement with 40 companies.

## 4. Joined Investor Public Dialogue on Deforestation

Collaborative initiative engaging public agencies and industry associations in select countries on deforestation.

### ENGAGEMENT SPOTLIGHT:

# Activating Engagement in Asia

## JAPAN & SOUTH KOREA

Lauren Compere visited Japan and South Korea to continue ongoing shareholder engagement work in Asia. Over several days, Lauren joined an [ICGN](#) investor delegation, met with Japanese regulators, spoke at the ICGN Korea conference on Human Capital Management, and connected with eight portfolio companies.

Company dialogues focused on evolving global investor expectations using Japan's Corporate Governance Code Revisions, a new classification of issuers from the Tokyo Stock Exchange that included the new PRIME listing and required TCFD disclosure. Drawing on the [Investor Guide for Prioritizing Gender](#), the Finance Sector Deforestation Action (FSDA), issue-area benchmarks<sup>1</sup>, and regional or global best practices, Lauren encouraged companies to advance sustainability performance and disclosure. Here are some key findings:

<sup>1</sup>Corporate Human Rights Benchmark, WBA Digital Inclusion, Global Canopy Forest 500



## PATHS TO PROGRESS

- 1

**Governance of Sustainability:** The establishment of sustainability committees at the board or executive level has driven maturing sustainability oversight. Companies are beginning to incorporate ESG KPI's in performance evaluations and board and C-Suite compensation.
- 2

**Advancing Women:** Japanese companies implement equal pay for equal work. Yet the absolute gender pay gap persists. Companies need mechanisms and targets designed to close the gender gap and fill more manager roles with women.
- 3

**Board Diversity:** There has been little progress in Japan and Korea on board gender diversity, and some boards have no women representation. Listing requirements will mandate female board representation going forward in Japan.
- 4

**ESG Disclosure:** Companies in Japan and Korea are advanced in ESG disclosure, especially on environmental practices. With increased focus on mandatory TCFD disclosure, more companies are assessing and disclosing GHG emissions and setting interim emission reduction targets.

Read more on [Activating Engagement in Asia](#)





## COMPANY SPOTLIGHTS: HIGH CARBON EMITTERS ENGAGEMENT

- 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.

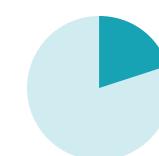
- TDK committed to aligning climate targets with SBTi in its environmental strategy and is focused on improving energy efficiency to decrease product related emissions.

**Recommendation:** Clarify implementation process for ESG KPI's in short and long-term compensation incentive plans; provide details on integrating scope 3 disclosure.

# Net Zero Asset Managers (NZAM) Engagement Results

## Engaged 49 companies under NZAM

Boston Common's first full year engagement under NZAM focused on the top 10 highest GHG emitting companies held across all portfolios and the top 3 highest emitters in the Emerging Markets strategy to improve understanding of portfolio companies' climate strategies, transition plans, supplier engagement, and energy mix.



18%

of firm-level holdings did not have climate targets or climate commitments.

Boston Common contacted 36 of these companies to assess progress and encourage adoption of time-bound, science-based GHG emission reduction targets within three years.



40%

of companies responded with progress updates.



# Environment

33%  
of total  
engagement  
activity  
in 2022

## ENGAGEMENT INITIATIVES

Deforestation, Biodiversity, High-carbon Emitters, Sustainable Solar, Sustainable Chemistry

## COLLABORATIVE ENGAGEMENT LEADERSHIP

Net Zero Asset Managers  
Finance for Biodiversity Pledge  
Finance Sector Deforestation Action  
ShareAction's Chemicals Investor Decarbonization Initiative  
Investors for Sustainable Solar Governance Network







## ENGAGEMENT INITIATIVE:

## Biodiversity &amp; Deforestation

Biodiversity loss is a risk investors and the public can no longer ignore. It is impacted by a wide range of issue areas including sustainable forestry, sustainable agriculture, and Indigenous People's rights. Boston Common engages companies on managing deforestation risk and advocating for industry best practices such as deforestation-free commitments, certification schemes, and supply-chain audits.

## GLOBAL COLLABORATION

## COP15, UN Biodiversity Conference

In November 2022, Boston Common's Lauren Compere and Constantina Bichta traveled to COP15 in Montreal, joining 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).

The GBF contains many ambitious and essential goals, including:

- **Target 15** - Requires large and transnational companies and financial institutions to monitor, assess, and disclose risks, dependencies, and impacts on biodiversity through operations, supply and value chains, and portfolios.
- **30x30** - Designates 30% of Earth's land and oceans as protected areas by 2030.

## Deforestation Engagement Results

The portfolio companies engaged using **new investor expectations** including deforestation commitments, disclosure, and progress reporting include: Essity, Itau Unibanco, Mondelez, Mondi, OCBC, and Shiseido.

## COMPANY ENGAGEMENT

- Company dialogue with Essity and Mondi covered investor expectations for certification of sustainable wood fiber and ensuring full traceability.
  - Essity wood pulp is 100% FSC<sup>1</sup> or PEFC<sup>2</sup> certified primarily from either the Nordic countries or Brazil but never from Indonesia or the US where 100% certified fiber cannot be sourced.
  - Dialogue on Mondi's Zero Deforestation commitment focused on full traceability and regional approaches necessary to ensure it. In Brazil, for example, sourcing from plantations is common, whereas South Africa has a community-centric approach.

- Following a 2022 meeting with Shiseido, the company was tasked with reviewing its latest assessment to improve deforestation and biodiversity efforts. Shiseido has a goal to achieve 100% sustainable palm oil sourcing by 2026 and 100% sustainable paper use for product packaging by 2023.

<sup>1</sup>Forest Stewardship Council. <sup>2</sup>The Programme for the Endorsement of Forest Certification.





ENGAGEMENT INITIATIVE:

# Sustainable Chemistry

Unsafe chemicals in consumer products are responsible for many adverse effects that impact human health, cause severe degradation of terrestrial and aquatic systems, and increase risks to safety for workers and **fenceline communities** contributing to social inequity and racial injustice. Sustainable chemicals management and green chemistry opportunities are critical in transitioning to a low carbon economy and supporting healthier and more equitable financial and social systems.

Read more: [The Role of Sustainable Chemistry in Human & Environmental Health](#)

COLLABORATIVE ENGAGEMENT

Boston Common joined ShareAction's Chemicals Investor Decarbonization Initiative.

The initiative identifies three primary areas of action:

- Setting science-based targets
- Investing in clean energy and technology
- Reducing use of fossil fuels



ENGAGEMENT INITIATIVE:

# Sustainable Solar

## Investors for Sustainable Solar – Collaborative Engagement

Through this coalition committed to promoting sustainable solar energy, Boston Common is co-leading an engagement with First Solar on its approach to chemicals management and has asked the company to report to the [Chemical Footprint Project](#). First Solar complies with EPEAT<sup>1</sup> and the [EU Reach](#) and has a management system to verify operations are free of PFAS<sup>2</sup>. The company's strong performance on limiting waste streams and emissions has been recognized by the EPA.

<sup>1</sup>Electronic Product Environmental Assessment Tool

<sup>2</sup>Per- and Polyfluorinated Substances



SPOTLIGHT

COMPANY SPOTLIGHT:

## Owens Corning

Boston Common engaged Owens Corning on its approach to circularity, chemical safety, and SFDR-aligned<sup>1</sup> revenue disclosure. Owens Corning has several end-of-life recycling initiatives and plans to release more information on green revenue categories aligned with SFDR in its next reporting cycle. Boston Common

will continue to encourage the company to share details on its efforts to mitigate environmental and health externalities of chemical recycling as it scales its circularity program.

<sup>1</sup>Sustainable Finance Disclosure Regulation



# Social

## Engagement Initiatives

Prioritizing Gender, Advancing Women in the Workplace, Inclusive Finance, Digital Human Rights, Just Transition, Human Rights in the Supply Chain

## Collaborative Engagement Leadership

World Benchmarking Alliance Digital Inclusion Collective Impact Coalition



34%  
of total  
engagement activity  
in 2022





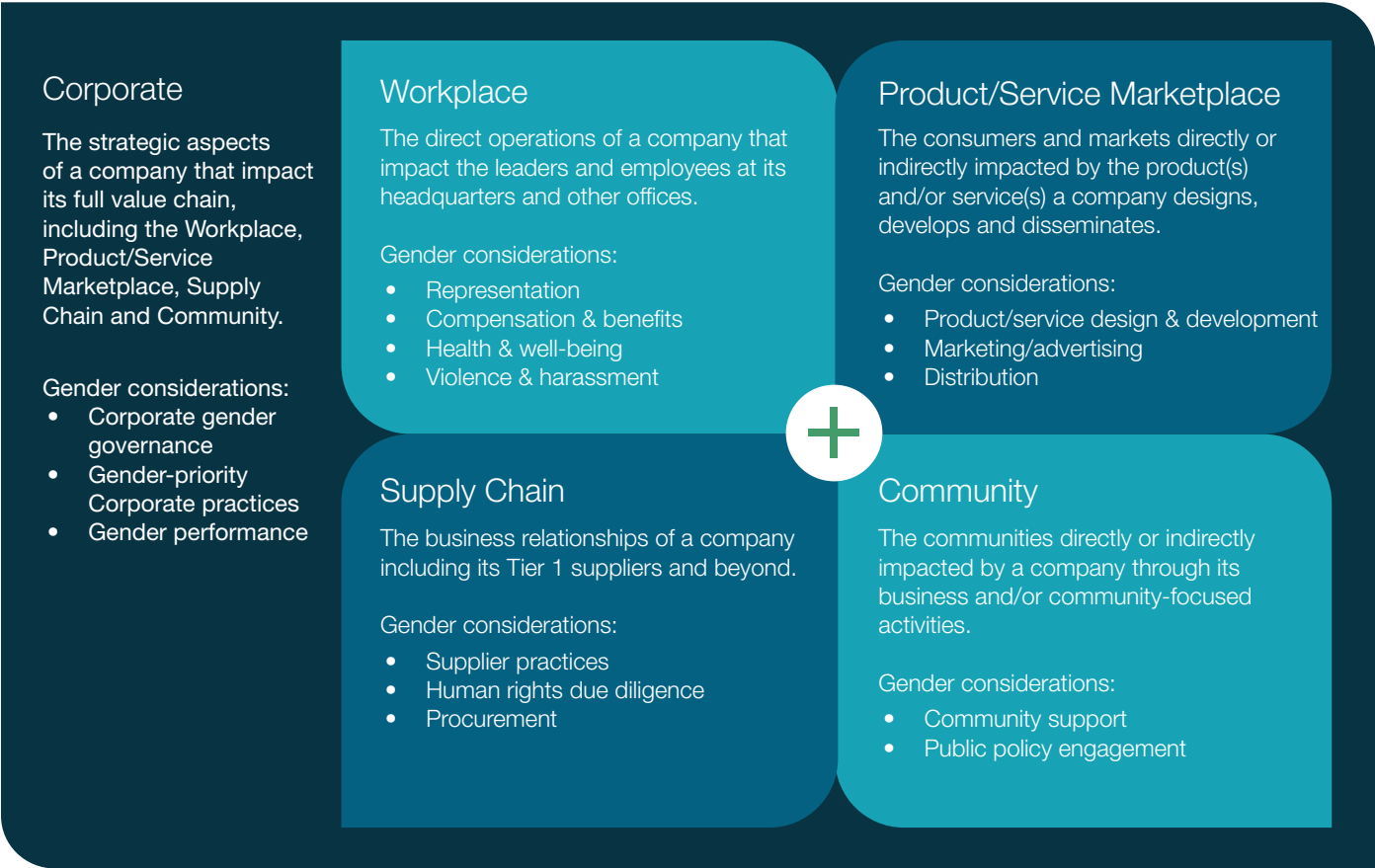
ENGAGEMENT INITIATIVE:

Prioritizing Gender

Applied Research - Investor Guide for Prioritizing Gender

The investor approach to gender has thus far focused predominantly on board or leadership gender diversity. Even among business and human rights initiatives or on the “S in ESG,” gender is often addressed only implicitly. To enable and encourage investors to prioritize gender across the value chain, Boston Common developed its *Investor Guide for Prioritizing Gender*, encompassing workplace practices, supply chains, products & services, and communities. The guide identifies five questions to ask, and essential steps investors should take in urging companies to commit, evaluate, act, and disclose.

The *Investor Guide* establishes a framework prioritizing gender using a full value chain approach:



ENGAGEMENT EXAMPLES:

Activating the Investor Guide In Asia

- While meeting with companies in Asia, Lauren Compere focused on evolving global investor expectations, questioning companies on:
  - Women in Management** – sharing human capital management efforts underway to increase women in management through recruitment, retention, mentorship/sponsorship, and promotion.
  - Gender Pay Gap** – conducting a gender pay gap audit in the next 12 months.
  - Childcare Leave** – tracking the ratio of male workers taking childcare leave and supporting male workers using this benefit.



SPOTLIGHT

COMPANY ENGAGEMENT SPOTLIGHTS

- Shiseido** is targeting 50% female leadership by 2030. Boston Common interviewed Shiseido about challenges and opportunities on its path toward achieving this goal. Over the last five years, 44% of the 133 women who participated in the company’s “Next Leadership Program” for women were promoted.
- Hoya** has a goal to increase female leaders to 30% by March 2023 with a focus on providing technical and corporate culture training and professionalizing human resources. Boston Common recommended Hoya set mid-term targets for increasing women in management at all levels by 2030. Recruiting female engineers remains a challenge in Japan.





ENGAGEMENT INITIATIVE:

Inclusive Finance

Boston Common engaged 11 US banks¹ on advancing access to finance and inclusion by addressing alternative risk assessment, aligning with corporate strategy, developing innovative products and services, community banking partnerships, and leveraging stakeholder models for Black, Latinx, and low-moderate-income customers and communities. 10 of the 11 banks responded. A full progress report on the Inclusive Finance Engagement Initiative is coming later in 2023.

¹Companies Engaged: Bank of America, Citigroup, Fifth Third, JP Morgan, Keybank, Morgan Stanley, PNC, Truist, TD Bank, and US Bank.



ENGAGEMENT INITIATIVE:

Ethical AI

Investor stewardship is a tool to influence industries and uphold accountability to the highest ethical and transparency standards in the development of technology. Boston Common has been engaging companies on digital human rights since 2009 and was a founding investor member of the Global Network Initiative, which focuses on protecting digital human rights globally with and increasing transparency on government requests for data from technology companies.



ENGAGEMENT INITIATIVE:

Just Transition

Boston Common encouraged northeast utility company Eversource to articulate its approach to a just transition that prioritizes workers and communities on the front lines of the climate crisis. In an ongoing engagement with Eversource, Boston Common included a broad range of stakeholder perspectives—including labor unions advocating for high road jobs, energy burdened communities, and environmental nonprofits that assessed the risk of Eversource’s outdated gas pipeline infrastructure. Boston Common works closely with local policy makers and community advocates to ensure utility companies are moving to decrease the environmental burden and prioritize equitable and affordable electrification. The team encouraged Eversource to adopt a Just Transition strategy like SSE’s. Eversource committed to reference “Just Transition” in its upcoming sustainability report.



SPOTLIGHT

Ethical AI

INVESTOR & MULTI-STAKEHOLDER COALITIONS

Together with Fidelity International, Boston Common is co-leading the World Benchmarking Alliance (WBA) Digital Inclusion Collective Impact Coalition (CIC). This multi-stakeholder partnership is engaging 40 companies globally to adopt public ethical AI commitments. The coalition launched in September 2022 and has 29 supporting investor members representing \$6.3 trillion in assets under advisory.

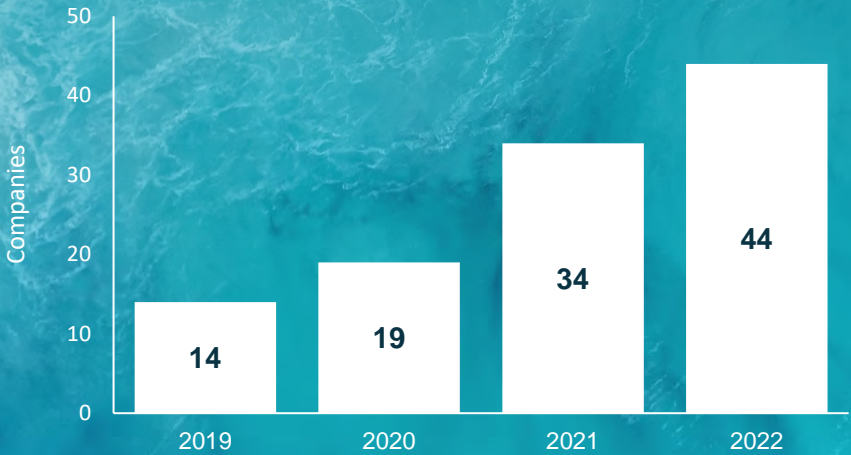
ENGAGEMENT RESULTS:

- SK Telecom and Tencent adopted ethical AI policies in 2022.
Substantive dialogue on ethical AI with Alibaba, SK Hynix, and Verizon is ongoing.
Alibaba was the most improved company in the 2022 WBA benchmark thanks to broader transparency in its ESG report, engagement with WBA, and initiatives to provide online and offline digital literacy education.

2023 Progress Update

There has been notable progress since the Digital Inclusion CIC was formed in 2022. An additional 14 companies adopted ethical AI policies in the past year bringing the total to 44.

Number of companies with publicly available ethical AI principles



SPOTLIGHT

COMPANY SPOTLIGHT:

PNC

Boston Common has engaged PNC on inclusive finance since 2020. The bank recently launched a Minority Business Development Group to drive capital and technical capabilities for minority business owners.





# Governance

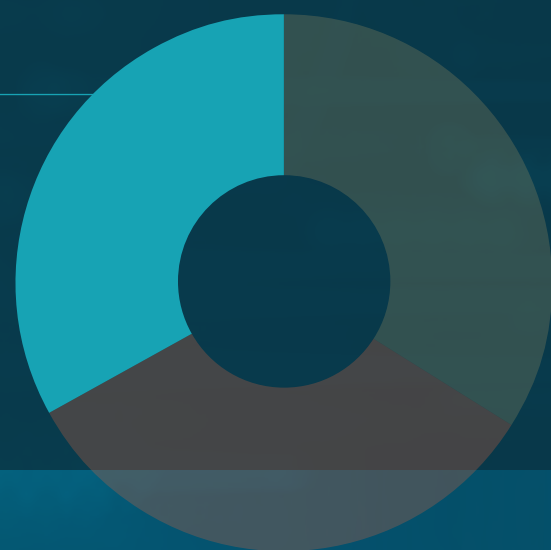
33%  
of total  
engagement  
activity  
in 2022

## ENGAGEMENT INITIATIVES

Board & Workplace Diversity  
and Lobbying Disclosure

## COLLABORATIVE ENGAGEMENT LEADERSHIP

Asian Corporate  
Governance Network



## ENGAGEMENT INITIATIVE:

# Board Diversity & Workplace Practices Engagement Summary

## Engagement Summary

In 2022, Boston Common  
voted against the boards of  
65 companies  
**based on board diversity**



and engaged  
45 of those companies  
**on board and workplace DEI.**



## SPOTLIGHT

## BOARD & WORKPLACE DIVERSITY FROM VOTING TO ACTIVE ENGAGEMENT

Diverse boards and workplaces are an indicator of good corporate governance and management quality. A diverse range of perspectives fosters better decision-making<sup>1</sup> and can enable more inclusive and equitable workplace cultures. Boston Common advocates for increasing company diversity at all levels, and routinely votes against boards that fail to meet racial and gender diversity thresholds.

<sup>1</sup>Forbes: New Research: Diversity + Inclusion = Better Decision Making At Work





# Findings From Company Dialogues

## Proxy Voting Guideline Update:

Boston Common’s racial diversity guidelines for US companies now require at least two racially diverse candidates for US large cap companies.

Boston Common routinely contacts the boards voted against to share voting rationale, suggest best practices, and begin a conversation on board diversity and workplace diversity, equity, and inclusion (DEI).

### Findings from company dialogues:

**1. Meeting Global and Regional Expectations:** Mindful that definitions and cultural understanding of diversity and inclusion fluctuate across geographies, Boston Common spoke with international companies about regional norms for DEI practices. Holdings are encouraged to

enhance knowledge sharing to improve shareholder visibility of approaches in North American operations on racial equity.

**2. The 30% Threshold:** Whether a company meets the 30% gender board diversity threshold is not necessarily a reflection of its broader DEI approach. 30% is a useful starting point but the goal remains gender parity. More companies, especially in Europe, are working toward this goal.

**3. Disclosure:** Most companies engaged reported efforts to enhance workforce diversity reporting due to investor demand for disaggregated workforce disclosure. Disclosure maturity is a spectrum—some companies have disclosed full EEO-1<sup>1</sup> data for years, others are just beginning to collect data.

<sup>1</sup>An Employment Information Report (EEO-1), also known as a Standard Form 100, is filed annually with the EEO-1 Joint Reporting Committee and provides a demographic breakdown of the employer’s work force by race and sex.

**4. Global Race & Ethnicity:** Some European companies that have resisted embracing racial and ethnic diversity reporting are now adopting more inclusive approaches to reporting. Several factors are contributing to this shift, including the [UK’s Parker Review](#) and its “[At Least One by ’21](#)” campaign and the global reach of Black Lives Matter.

**5. DEI Linked Compensation:** More companies have developed accountability mechanisms—primarily compensation ties—to embed DEI commitments. Approaches vary but typically build on existing compensation plans with a focus on either annual variable compensation or long-term incentives.

# 2022 Shareholder Resolutions Filed

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

\*Boston Common is the Lead Filer  
Updated as of June 2023

# Company Engagement Examples:

## Board & Workplace Diversity Company Engagement Examples:

■ **Emerson** set a global goal to double gender and racial representation in leadership by 2030. Senior leaders must incorporate DEI into core business planning and develop strategies to address site specific pain points.

■ **Sonova** nominated a woman director to its board, increasing female board representation to 30%. The company targets 40% recruitment of women in key positions across senior leadership by 2025 with the goal of achieving gender balance.

■ **Shimano** confirmed a female director to its Board in March 2023. The company 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.







# Proxy Season Spotlights

## SHAREHOLDER RESOLUTIONS IN ACTION

### Netflix – Lobbying Disclosure Resolution

In 2022, Boston Common’s Netflix lobbying resolution received a majority vote (60.4%), providing an opportunity to further engage the company. As a result of engagement and recommendations, Netflix adopted enhanced disclosure on its lobbying oversight and process including globe scope, board oversight, alignment, escalation process and trade associations. Boston Common recommended Netflix expand its disclosure on public policy positions and alignment due diligence processes.

#### Majority Vote

Resolutions that receive the majority vote at the annual general meeting (AGM) are rare due to:

1. Dual class share structures adopted by many technology companies.
2. Differentiated voting practices on ESG proposals of the largest shareholders like BlackRock, Fidelity, State Street.
3. Recommendations of the proxy advisors, which are followed by many asset managers.

According to PWC, 2022 was a record year for majority supported ESG shareholder proposals with 78—less than 10% of all ESG resolutions filed in 2022. The number of resolutions implemented after the majority vote is even smaller. In a recent PRI report, only 23% of the majority vote resolutions from the 2022 proxy season were fully implemented and 25% were not implemented at all. Once a resolution receives a majority-supported vote it is critical that investors continue to seek progress.

### Verizon – Racial Equity Audit Engagement Timeline

Since 2016, we have had consistent dialogue with Verizon on ESG issue areas and have built a strong engagement relationship with the company. We have engaged Verizon on lobbying disclosure, human rights, ethical AI, and most recently workplace racial equity.

2021

2021

2022

MARCH 2023

Co-filed a shareholder resolution with Zevin Asset Management asking Verizon to conduct a racial equity audit.

Withdrew shareholder resolution after Verizon agreed to conduct a racial equity audit.

Engaged Verizon on progress.

Verizon published its racial equity audit findings. The audit recommended seven areas—all aligned with Boston Common engagement asks—where Verizon can improve its approach to DEI. Boston Common continues to advocate for:

1. **Centralized governance** of diversity programs to clarify accountability and firm-wide strategic alignment.
2. **Enhanced employee awareness** of diversity-focused resource groups and incentives for participation.
3. **Regular assessment of the effectiveness of diversity programs**, including digital access programs (e.g., “Citizen Verizon”), supplier diversity programs, and responsible marketing efforts.


















# Impact Reporting



## Sustainable Impact Portfolio Disclosure

Boston Common conducts its own due diligence to determine impact revenues and thematic alignment, while also consulting with third-party research providers to assess portfolio company impact. MSCI ESG Research assesses portfolio impact by measuring exposure to select sustainable impact themes relative to the portfolio's benchmark. The figures in the table below reflect the estimated annual revenue exposure of the holdings across Boston Common's investment strategy encompassing products, services, activities, and several environmental impact themes.

### Global Impact Portfolio

Social Impact Solutions	BASIC NEEDS				EMPOWERMENT		
							
	Nutrition	Affordable Real Estate	Major Disease Treatment	Sanitation	SME Finance	Education	Connectivity
Global Impact 12-31-2022: \$18,862	\$4,759	\$4,874	\$5,015	\$1,181	\$3,033	\$0	\$0
	per year of revenues from nutritious food	per year of revenues from affordable real estate	per year of revenues from top 20 disease treatments	per year of revenues from sanitary products	per year of revenues from SME lending	per year of revenues from education services	per year of revenues from connectivity - digital divide
per year in Social Impact product and services							
MSCI ACWI 12-31-2022: \$10,620	\$3,542	\$490	\$3,423	\$1,541	\$1,406	\$91	\$126
	per year of revenues from nutritious food	per year of revenues from affordable real estate	per year of revenues from top 20 disease treatments	per year of revenues from sanitary products	per year of revenues from SME lending	per year of revenues from education services	per year of revenues from connectivity - digital divide
per year in Social Impact product and services							
Environmental Impact Solutions	BASIC NEEDS			EMPOWERMENT			
							
	Alternative Energy	Energy Efficient	Green Building	Sustainable Water	Pollution Prevention	Sustainable Agriculture	
Global Impact 12-31-2022: \$97,541	\$18,061	\$14,784	\$52,532	\$6,821	\$3,024	\$2,321	
	per year of revenues from alternative energy technologies	per year of revenues from energy efficient technologies	per year of revenues from green building	per year of revenues from sustainable water technologies	per year of revenues from pollution prevention technologies	per year of revenues from sustainable agriculture	
per year in Clean Tech product and services							
MSCI ACWI 12-31-2022: \$10,620	\$2,585	\$5,623	\$1,387	\$532	\$1,618	\$423	
	per year of revenues from alternative energy technologies	per year of revenues from energy efficient technologies	per year of revenues from green building	per year of revenues from sustainable water technologies	per year of revenues from pollution prevention technologies	per year of revenues from sustainable agriculture	
per year in Clean Tech product and services							

As of 12/31/2022

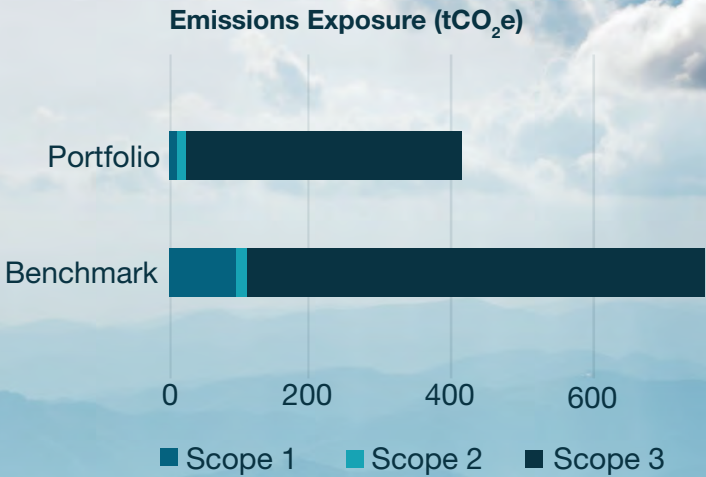


# Portfolio Carbon Footprint Data

## GLOBAL IMPACT EMISSION EXPOSURE

	Emission Exposure tCO <sub>2</sub> e	
	Scope 1 & 2	Incl. Scope 3
Portfolio	24	413
Benchmark	111	755

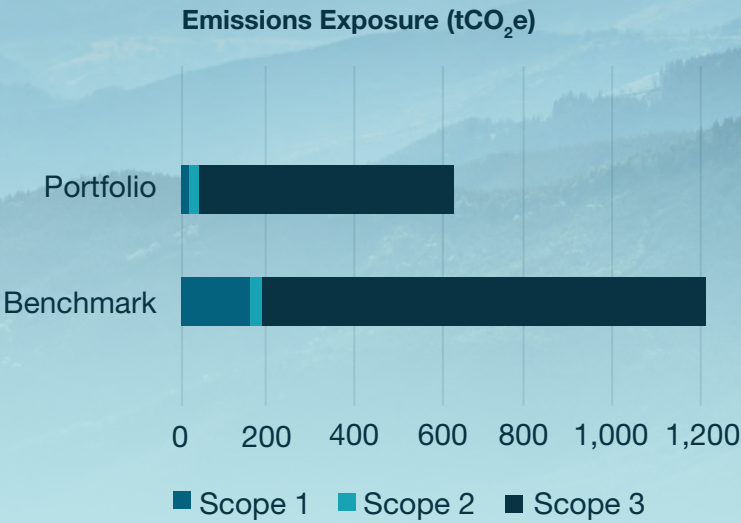
As of December 31, 2022



## ALL COUNTRY INTERNATIONAL EMISSION EXPOSURE

	Emission Exposure tCO <sub>2</sub> e	
	Scope 1 & 2	Incl. Scope 3
Portfolio	37	559
Benchmark	190	1,220

As of December 31, 2022



## ESG Research & Engagement Team

We added two members to our team in 2022, Kevin Ssonko and Tony Zou.

Kevin and Tony conduct ESG analysis across sectors for portfolio and investment universe companies and support shareholder engagement and stewardship efforts.



**Constantina Bichta,**  
PhD, Associate Director  
of ESG Research



**Lauren Compere,**  
Head of Stewardship  
& Engagement



**Steven Heim,**  
Director of  
ESG Research



**Kevin Ssonko,**  
ESG Associate



**Amy Orr,**  
Director of US  
Shareholder  
Engagement



**Khine Thant,**  
ESG Research  
Analyst



**Leah Turino,**  
Head of ESG  
Integration



**Tony Zou,**  
ESG Associate





# Looking Ahead



## 20 Year Engagement Timeline

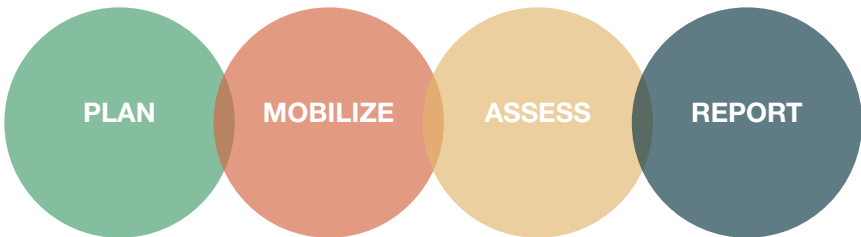
2023 marks our 20th year as an ESG-integrated investor and leader in corporate shareholder engagement. Two decades of innovative engagement initiatives and sustained company dialogues have had a lasting impact on corporate policies and practices. Featured on the right are select engagement leadership highlights from the past twenty years.





- 2003-2010**  
Access to Medicines for HIV/AIDS
- 2006**  
Marriott Adopts a Human Rights/ Human Trafficking Policy
- 2008**  
Global Network Initiative Founding investor member
- 2011, 2008, 2014**  
ConocoPhillips, Repsol, Apache/ Indigenous People's Rights policy
- 2009-2012**  
Emerging Markets Disclosure Project (EMDP) Co-Chair
- 2014-2019**  
Banking on a Low Carbon Future – 60 banks benchmarked and engaged on climate risk
- 2015-2019**  
Developed Eco-Efficiency Framework
- 2016-2019**  
Investors & Indigenous Peoples Working Group Secretariat
- 2020**  
Partnership for Carbon Accounting Financials (PCAF) – first US Asset Manager member
- 2021**  
Investors for Sustainable Solar Investor Co-Founder
- 2022**  
Published Gender Investor Guide





# Engagement Pillars



 Climate Change & Earth Renewal	 Inclusion & Empowerment	 Health & Community Well-being	 Topical issues
<ul style="list-style-type: none"><li>Net-zero &amp; Paris - aligned transition</li><li>Biodiversity protection</li><li>Eco-efficiency</li><li>Address E&amp;S in Green Recovery</li></ul>	<ul style="list-style-type: none"><li>Gender &amp; racial equity</li><li>Inclusive finance</li><li>Digital inclusion &amp; human rights</li></ul>	<ul style="list-style-type: none"><li>Global health equity</li><li>Just Transition</li><li>Circular Economy: Design for people &amp; planet</li></ul>	<ul style="list-style-type: none"><li>Corporate political action &amp; lobbying</li><li>Repressive regimes/ conflict-affected areas</li><li>Global shareholder rights &amp; ESG regulation</li></ul>
Aligning investments & engagement with robust global governance expectations and a systematic stewardship approach			

We achieved the following in 2022 aligned with our engagement pillar priorities:

■ **Inclusive Finance** – opening a new dialogue with the largest US banks on changing business practices in order to address the needs of BIPOC customers—through the communities in which they operate and invest, and how they develop, sell, and distribute their financial products and services.

■ **Digital Inclusion** – zeroing in on the ethical use and adoption of AI to support digital inclusion and digital human rights globally with technology companies.

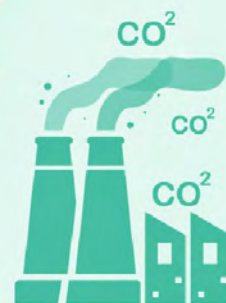
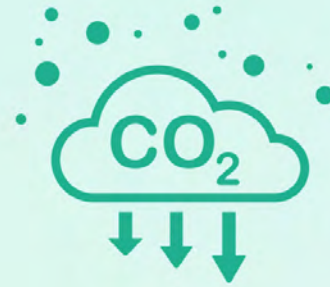
■ **Prioritizing Gender** – issuing guidance for how investors and companies can more fully prioritize gender across the value chain of the investment process and set investor expectations for corporate practice.

■ **Investors for Sustainable Solar** – addressing the E&S in the green recovery with a key focus on sustainable production and sourcing practices for green energy.

In 2022 and beyond we will continue to demonstrate our authentic approach to addressing the urgent and systemic issues where we see opportunities to create an impact.

# BCAM Internal Impact Report





# Living our Vision: BCAM's Operational Sustainability & Impact

Our firm's vision is to transform finance to require human, community, and environmental well-being as essential for financial success. We also believe that these tenets are necessary for organizational success. Since our founding, we have walked our talk by holding ourselves to the same standards we expect of our portfolio companies.

**Certified B Corp:** 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. For five



consecutive years, we have been recognized as a Best for the World B Corp placing us among the top 5% of more than 5,000 companies worldwide in the "Customers" Impact Area.

## 2022 HIGHLIGHTS

### Human Wellbeing

- ▀ **Changes to recruitment practices** – Reduced the number of requirements listed in job descriptions to encourage applicants from more diverse backgrounds to apply based on studies that show female and minority applicants are less likely to apply to jobs unless they fit most, if not all, of the requirements.
- ▀ **Learning & Development** – New team members are paired with current employees that can serve as trusted advisers to encourage growth and development.

### Community Wellbeing

- ▀ **Volunteerism** – Sponsored firm-wide volunteer days to support local nonprofits, including:
  - The Conservancy
  - The Greater Boston Food Bank
- ▀ **Philanthropy** – Began a partnership with BrightFunds, an all-in-one Corporate Social Responsibility platform, making it easier for employees to participate in volunteer events and employee giving campaigns.

### Environmental Wellbeing

- ▀ **Carbon Accounting** – We have been calculating and offsetting our Scope 1 and 2 emissions since 2005. In 2022, we began a partnership with GreenPlaces to thoroughly calculate our Scope 1, 2, and 3 emissions and provide assistance in selecting a well-vetted offset provider.

### Looking Forward

In 2022, we hired a Director of Corporate Purpose—Katie Egan—to lead our internal ESG efforts. As we continue to grow as an organization, Katie's work will maintain and build upon our accountability to even higher standards than those we expect of our holdings.



**Kathleen Egan**  
Director of  
Corporate Purpose

Read more in our upcoming **Operational Sustainability Impact Report**



## About the Company:

Boston Common AM is an independent, women-led, and majority women- and employee-owned investment firm activating capital toward solutions for people and the planet. An active, global equity ESG-integrated investment manager and a leader in impactful shareowner engagement since 2003, Boston Common challenges companies across industries to devote resources and innovation toward social equity and earth renewal. The firm is headquartered in Boston.