# Active Investor Impact Update

## Second Quarter, 2023

Boston Common Asset Management

## Releasing our 2022 Impact Report

### Boston Common's Seventh Annual Impact Report




Regulatory uncertainty and political hostility dominated ESG headlines in 2022. 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 for ESG investing—an important development in the evolution of ESG as a prominent force in financial markets. But this hasn't stopped politicians from targeting responsible investing by casting doubt on its role in fulfilling fiduciary duty.

With the release of our annual impact report, we reflect on engagement impact in 2022. In a year when ESG faced a new level of scrutiny, we continued to use thoughtful company engagement to serve our mission of activating investor capital toward solutions for people and planet.

**Read the full report here**

## Juneteenth 2023

### Inclusive Finance Engagement Initiative

Amid widespread unrest in 2020, US banks made commitments to address systemic racism. This was notable because banks have access to critical levers that impact the financial outcomes of individuals and communities that are among the root causes of systemic inequity.

On Juneteenth 2020, we promised to rededicate and refocus ourselves to advance antiracism and build an inclusive future. Since then, we have turned these pledges into practice, using investor capital and investor voice to build and rebuild economic systems and advance access to finance.

In 2022, as part of our Inclusive Finance Engagement Initiative, we opened a new dialogue with 10 of the largest U.S. banks, including PNC, Bank of America, Citigroup, JP Morgan and others, on advancing access to finance and inclusion. Our engagements focused on banks' racial equity commitments throughout the value chain, including governance, community stakeholder engagement, assessment of business model risks and opportunities, bespoke financial programs, and partnerships.

Throughout our engagement, we found many US banks are taking genuine steps toward greater inclusion. However, the level of ambition is not yet appropriate to the monumental challenge, as programs fail to adequately address systemic factors. Boston Common's forthcoming report on the Inclusive Finance Engagement Initiative will provide guidance to investors and banks to integrate systemic awareness to support and raise the urgency of antiracism efforts.





Amy Orr
Director of US Shareholder Engagement

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## STAKEHOLDER-INFORMED ENGAGEMENT

Boston Common takes a multi-pronged approach to engaging companies on emerging systemic and company level issues. This involves considering broad stakeholder perspectives and using various engagement tactics to target the corporate, regulatory, and global standard-setting bodies likely to drive change.

Some multi-stakeholder engagement examples:

- Indigenous Communities & Transition Minerals
- Sustainable Solar
- Just Transition

Across all our efforts, we are cognizant of the growing debate about best practices in responsible stakeholder engagement. We continue to support the work of ICCR on responsible stakeholder engagement, and we rely on collaborative engagements to limit the burden on any single group, while ensuring that their perspectives are not lost in corporate dialogues.



# Netflix: Lobbying Disclosure Resolution

### Annual Impact Report Spotlight

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 also recommended Netflix expand its disclosure on public policy positions and alignment due diligence processes.

**Read More Here**

# Biodiversity Risks and Impacts: Where to Begin

By Lauren Compere

Target 15, a core result of the UN Biodiversity Conference (COP 15) in December 2022, requires large and transnational companies and financial institutions to monitor, assess, and disclose biodiversity risks, dependencies, and impacts from operations, supply and value chains, and investment portfolios. Nearly 200 governments made commitments at COP 15, such as signing on to the 30x30 initiative to designate 30% of Earth's land and oceans as protected areas by 2030.

This is cause for celebration, but we must continue to explore how investors can play a part. We must evolve our standardization and integration approach to assessing biodiversity risks and impacts. We must explore more nature-positive investments and use all the stewardship tools available, from direct corporate engagement to galvanizing global support for robust regulation. We must ask both companies and research providers to improve data quality. We must assess and address the environmental and human impacts of biodiversity loss. And we must ensure local communities, including Indigenous peoples, have a seat at the table.

**Read More Here**



# Human Rights & Technology

## Investor Support of a Democratic and Human Rights-Centered Approach to Technology Development and Implementation

By Lauren Compere

With the proliferation of deep fakes, widespread global surveillance, generative AI (or general use AI) and associated emergent properties, how can investors understand the risks and opportunities posed by new technology, including AI and algorithms? The emergent properties of these technologies have been described as, "AI systems… teaching themselves skills that they weren't expected to have." And in a recent interview, Alphabet's CEO Sundar Pichai highlighted that "…all of us in the field call it a "black box." You know, you don't fully understand."

All things considered, it's clear that governments, in conjunction with industry, should be regulating how technology is developed and used to ensure it supports ethical and responsible development and applications grounded in human rights standards and democratic principles. The full breadth of investor stewardship leverage and influence—including corporate engagement, policy engagement, and proxy voting—is required to ensure industry is held accountable to the highest ethical and regulatory standards.

Technology is neither inherently good nor bad, but when used without proper governance, ethics, and human rights safeguards aligned with the UN Guiding Principles, it can cause real harm. As investors, let's support strong global regulatory systems and accountability and transparency by the companies in which we invest, and back our convictions with actions.

## Summit for Democracy in Washington, D.C.

Lauren Compere attended the second Summit for Democracy in Washington, D.C. The Summit discussed how governments, companies, civil society, and other multi-stakeholder partners are working to support democratic renewal around the three Summit themes of (1) strengthening democracy and defending against authoritarianism; (2) fighting corruption; and (3) promoting respect for human rights.

**Read more here**

Lauren Compere attended RightsCon, a summit on human rights in the digital age



Lauren Compere

Head of Stewardship & Engagement

## Investors must be aware of human rights risks posed by technology

By Lauren Compere

Who are the producers and users? What are the risks? Over 8,100 participants—2,000+ in person—confronted these questions at The RightsCon conference in Costa Rica. From freedom of media, Indigenous rights, and ethical AI to tech companies supporting democracy, emerging technologies, and the AI supply chain, attendees from 174 countries gathered to debate human rights in the digital age.

As investors we must understand the risks and opportunities posed by new technology, which, when used without proper governance, ethics, or attention to UNGP-aligned human rights, can cause real harm. I represented this perspective in person in Costa Rica, speaking on panels about responsible business conduct in conflict-affected regions and US shareholder resolutions filed with Big Tech. Along with many other stakeholders, I advocated for supporting strong global regulatory systems, demanding company accountability and transparency, and aligning investments and engagement with convictions.

**Read on to learn more** about RightsCon, including:

- Human rights and ethical considerations across the value chain
- Enhanced due diligence in conflict affected areas
- 2023 US AGM Season with Big Tech

## In the News

Steven Heim advocates for emission reductions

**Read more in ESG Investor**

Lauren Compere at World Benchmarking Alliance's roundtable discussion

**Watch the discussion here**

Boston Common co-leads the Collective Impact Coalition for Digital Inclusion

**Learn more in the Financial Times article**

## From the Commons

Boston Common's Quarterly Webinar series begins on July 18th. Join us for our firm and ESG engagement update and our strategy specific webinars that cover performance and our outlook.

Lauren Compere recently joined the ESG Clarity US Committee. The committee meets quarterly to discuss current ESG topics to guide editorial content and coverage for ESG Clarity.

Boston Common was named as one of the Best Financial Advisory firms by USA Today! USA Today selected the top 500 firms out of more than 32,000 RIA firms in the U.S. based on AUM growth and recommendations from clients and peers.

Lauren Compere shared Boston Common's journey with the Finance for Biodiversity Pledge, Finance Sector Deforestation Action (FSDA), and the Investor Public Dialogue on Deforestation (IPDD) in a webinar hosted by the International Corporate Governance Network. (ICGN).



# Shareholder Engagement Highlights

### Corporate Sustainability Due Diligence Directive

Boston Common signed a business statement in advance of the June 1 plenary vote in the European Parliament on the Corporate Sustainability Due Diligence Directive (CSDDD), calling for alignment of the CSDDD with international business and human rights frameworks.

### Microsoft

Boston Common joined a group of investors in 2021 in filing a resolution asking Microsoft to commission a Human Rights Impact Assessment focused on the use of its technologies by US law enforcement and immigration agencies and potential harms to Black, Indigenous, and People of Color. An independent assessment was conducted and Microsoft released the report.

### Sonova Holdings

Sonova set a target for 40% recruitment of women in key positions (senior leadership) by 2025 (currently at 34%), with the ultimate goal of achieving gender balance. Through dialogue we recommended how it could address racial & ethnic diversity more broadly and explore steps on disability inclusion.

### Alphabet

Boston Common was the lead filer on a resolution asking Alphabet to issue a report on its plans to minimize legislative risk by aligning YouTube policies and procedures with worldwide online safety regulations. The proposal received 46.1% of outside vote, translating to 18% of the overall vote (which includes significant insider vote in a different share class) at Alphabet.

### Weyerhaeuser

Since we beginning our engagement, the company adopted TCFD and SASB/ISSB reporting standards, joined the Climate Pledge, committed to an SBTi-aligned target, and began publishing its Carbon Record annually. In 2023, Boston Common advocated for the removal of Weyerhaeuser from the CA100+ focus list. We will continue to recommend that Weyerhaeuser meets its emissions targets and pursues innovative strategies to enhance the carbon capture potential of its forestlands and forestry products.

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