

Active Investor Social Update

First Quarter, 2016

Closing the Gender Gap – Working to Empower Women

Momentum has been growing in support of regulation requiring disclosure on the Gender Pay Gap in the United States.¹ In January, President Obama announced executive action requiring companies to report salary data based on race, gender, and ethnicity to the Equal Employment Opportunities Commission (EEOC). According to the EEOC and the Department of Labor, pay discrimination goes undetected because of a lack of accurate information about wages. A coalition of investors, including Boston Common, wrote to S&P 100 companies to encourage disclosure on the gender pay gap and the release of each company’s pay data. Though pay discrimination has been illegal in the U.S. since the Equal Pay Act of 1963 and the Civil Rights Act of 1964, enforcement has not been completely effective. **UN Secretary-General Ban Ki-moon remarked at the Women’s Empowerment Principles (WEP) event in March: “If the world is to achieve the Sustainable Development Goals [SDGs], we need a quantum leap in women’s economic empowerment.”** New legislation and the SDGs, which aim to “achieve gender equality and empower all women and girls,” indicate that the time to close the gender gap is now.²

As a women-led firm, Boston Common practices and supports gender diversity. Along with more than 1,000 global businesses, we demonstrate gender equality leadership through the WEPs, which offer companies guidance on empowering women in the workplace, marketplace, and community. Lisa Hayles represented Boston Common at the WEP event, at which Kweilin Ellingrud of McKinsey & Company noted: “Closing the gender gap to match men could drive \$12 trillion of additional GDP in 2025.” At our current pace, “it will take more than 100 years to reach C-suite equality.”



Geeta Aiyer (front, third from left), with InvestmentNews’ Women to Watch honorees, was recognized for her work as a leader in the finance industry.

True gender equality means more than just equal pay for equal work; it means working globally to increase gender diversity in the boardroom and to end discrimination and violence against all women. As the result of a shareholder proposal co-filed by Boston Common this proxy season, **Cognizant Technologies** amended its governance guidelines and agreed to emphasize its commitment to seeking out qualified women and minority director candidates. Internationally, this proxy season we will focus on boardroom gender diversity in Asian markets. Portfolio holdings, **Astellas Pharma**, **Daikin Industries**, and **Terumo Corporation** were recently recognized for outstanding leadership in empowerment of women by the Japanese Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange under the Nadeshiko Brand award. Our engagement in India with **Axis Bank**, **HDFC Bank**, and **YES Bank** focused on financial inclusion and implementation of India’s new anti-sexual harassment law.

We are pleased to announce two recent honors presented to President & Founder, Geeta Aiyer: the *InvestmentNews* “Women to Watch” award, recognizing influential women in the financial advice industry, and Girls’ LEAP (Lifetime Empowerment and Awareness Program) empowering young women to champion their own safety and well-being.

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¹ Federal data reveal that women in full-time jobs today are earning just 79 cents for every dollar earned by men.

² <http://www.unwomen.org/en/news/in-focus/women-and-the-sdgs/sdg-5-gender-equality>

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INTERNATIONAL COLLABORATION

In February, Geeta Aiyer was a featured speaker at the [RI Asia 2016 Conference: “Investing for Reliance”](#) in Tokyo on the panel discussion “**Can Japan become a leader in responsible investment?**” Geeta remarked, “through our long-term engagement with companies in Japan, we have seen notable improvement on ESG issues, particularly women’s empowerment in the workplace, environmental risk management, and supply chain management. **Japan’s Stewardship Code** will reinforce the momentum of this progress.” At the opening of the conference, Martin Skancke, Board Chair at the Principles for Responsible Investment, highlighted an eventful past year, including the Paris climate agreement. He said the Stewardship Code had been a catalyst for rapid change on responsible investment: “**It’s highlighted the role of investors and companies and how the relationship between investors and companies should be.**” Japan’s \$1.2 trillion Government Pension Investment Fund (GPIF) joined the PRI last year.³

Boston Common participated in a unique collaboration among institutional investors, led by PRI and AllianzGI, requesting voluntary guidance on reporting ESG information by the end of 2016 from 73 stock exchanges. More than 53 exchanges have acknowledged the letter—a 72% response rate. Both developed and frontier markets have committed to creating guidance on ESG disclosure. In particular, the [Nasdaq Baltic and Nordic exchanges joined the SSE Global Campaign for ESG Disclosure](#) while [Kazakhstan, Mexico, Morocco, Norway, and Spain announced their public commitment to produce guidance on ESG disclosure](#) by the end of 2016. The collaborative effort represents over USD \$10 trillion in assets under management and companies with over USD \$400 billion in market capitalization.

PUBLIC POLICY PARTICIPATION

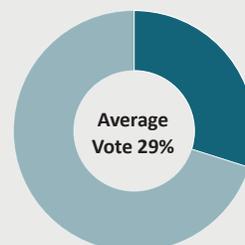
In 2015, Boston Common became a formal member of the [Asian Corporate Governance Association \(ACGA\)](#) to further expand our engagement platform on governance issues in that region. ACGA regularly provides feedback on market-specific consultations on ESG issues with input from its members, including Boston Common. Two recent ACGA public submissions included [feedback to The Taiwan Stock Exchange \(TWSE\) consultation on the “Stewardship Principles of Institutional Investors”](#) and the [Singapore Exchange \(SGX\) on its consultation paper “Sustainability Reporting: Comply or Explain.”](#) ACGA’s input is in line with our participation in the broader outreach to exchanges to request voluntary guidance on reporting ESG information, though ACGA’s feedback goes further. We have participated in ACGA events since 2013.

Spotlight: Shareholder Proposals

Corporate Political Spending & Lobbying Practices

Increased transparency and accountability is needed in the use of corporate funds to influence legislation and regulation. Over the last five years, more than 60 proposals have been filed at U.S. companies. Boston Common engaged [Visa](#), a portfolio company, to improve policies and disclosure practices. In 2016, there could be as many as 100 proposals filed.

► Shareholder Proposals on lobbying disclosure filed in 2015 across 61 U.S. companies



Transparency International’s 2015 Corporate Political Engagement Index, which assessed the public reporting of the top 40 companies in the FTSE 100 Index, expands investors’ assessment tools on corporate lobbying practices to the UK. Lauren Compere recently spoke on a PRI Webinar on the topic: “*Political engagement activities: U.K. and U.S. perspectives.*”

In March, [The Hong Kong Securities and Futures Commission \(SFC\) introduced a Stewardship Code](#) following the model of the UK and Japan. This represents a first step towards stronger investor commitment to corporate governance in Hong Kong. ACGA has played an active role in supporting the adoption of the Code and provided specific feedback in June 2015. The SFC stated it “believes that strong corporate governance requires listed companies and their directors to be proactive, as well as shareholders to be both reactive and proactive.” Specifically, the Code urges investors to establish and report on their responsible investment (RI) policies; monitor and engage with investee companies; establish clear policies on escalation of engagement; have clear policies on voting; be willing to act collectively; report to stakeholders on RI activities; and when investing, have policies to manage conflicts of interest.

³ RI Asia Conference Report: https://www.eiseverywhere.com/file_uploads/3e0f5b5b4deb6e2894ef93534a2b3a04_RIASiareport2016_Final.pdf

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SUSTAINED DIALOGUE

In our ongoing dialogue with **Panasonic**, a Japanese consumer goods conglomerate, we raised a number of key ESG issues including **advancement of women and diversity, labor and supply chain corporate social responsibility (CSR), and the eco-efficiency of its operations and products**. Advancement of women is becoming an important social issue in Japan. Panasonic was selected as one of the best companies in Japan for female workforce, and it has a special department to help women employees, such as improving benefits and maternity policies. **In 2014, Panasonic had its first female director, followed by its first female executive officer in 2015.** The company seeks to maximize its resources and says it has no discrimination in its promotion practices or salary system. We suggested Panasonic could improve its supply chain practices by joining the Electronic Industry Citizenship Coalition (EICC) alongside many of its peers. EICC's joint audits of suppliers and training could help the company as it seeks to set its own management system and meet EICC standards. With increasing regulation in the EU and the U.S., conflict minerals disclosure is a critical issue in Panasonic's supply chains. We encouraged the company to use sustainable production of its solar photovoltaic (PV) panels as a marketing strategy for selling solar PV panels, which aligns with its eco solutions product strategy in Japan. We encouraged Panasonic to participate

in the 2016 Solar Scorecard to improve its ratings. Panasonic claims it has worked as a "green energy company" and has been ISO 14001 certified. We will continue to advance our dialogue with Panasonic in 2016.

METRICS AND SCORECARDS

The **Silicon Valley Toxics Coalition (SVTC)** released its **2015 Solar Scorecard** rating sustainability practices of solar PV module manufacturers. Boston Common has been a long-term, primary supporter of the Scorecard, which has aimed to enhance transparency around environmental health, safety, and sustainability issues for communities, workers, and the environment, since SVTC's first scorecard in 2010. The top three companies in the 2015 Scorecard are **SunPower, SolarWorld, and Trina Solar**. Though SVTC rated **First Solar** as average, we like that it was first in the industry to implement an extended producer responsibility recycling program. SVTC announced in 2015 the Solar Scorecard will transition to become an international standard for solar PV sustainability via NSF International and Green Electronics Council. Boston Common serves as the only investor member on the international advisory committee for the standard as an observer. We recently joined a Task Group that will focus on environmental and social responsibility and will develop specific recommendations for the PV sustainability standard.

Taking Stock: Reflecting on the Quarter

<i>Milestones</i>	<p>Climate Change: As the result of Boston Common's engagement with 61 global banks on climate risk in 2015, JPMorgan Chase recently released new policies eliminating financing to new coal mines, prohibiting financing of new coal-fired power plants in high-income OECD countries, and enhancing due diligence for other companies linked to coal production. We first engaged JPMorgan on this issue in 2009.</p> <p>Diversity: Panasonic was selected as one of the best companies in Japan for promoting its female workforce with its first female director in 2014 and its first female executive officer in 2015. Boston Common has promoted gender diversity and advancement of women with its other Japanese holdings, including Hoya, Mitsubishi UFG, Orix, Rakuten, and Unicharm.</p>
<i>Work in Progress</i>	<p>Reducing methane emissions: We led and organized a major investor dialogue in NYC with ten companies regarding the voluntary ONE Future Coalition industry initiative to reduce methane emissions, including portfolio holdings Statoil, National Grid, Apache, and Southwestern Energy.</p> <p>Nutrition and obesity: We organized an investor briefing in NYC to share the findings of the Second Global Access to Nutrition Index (ATNI). Unilever ranked the highest, and Mondelēz performed well for its first inclusion in the Index post Kraft spin-off. We will engage all of our food and beverage holdings (Danone, PepsiCo, Mondelēz, and Unilever) on the 2016 Index findings.</p>
<i>New Initiatives</i>	<p>Women's Empowerment Principles: More than 1,190 global businesses, including Boston Common, and portfolio holdings (Deutsche Telekom, Unicredit, Unilever, Westpac, and Whole Foods) have demonstrated gender equality leadership through the Women's Empowerment Principles (WEP).</p> <p>Intentional Endowments Network: We became one of 77 founding members to launch a network to support growing interest in endowment investment practices that address ESG and sustainability factors, in order to enhance financial returns and align with institutional missions and values.</p>

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Access to medicine represents one of the most important environmental, social, and governance (ESG) issues facing pharmaceutical companies. Good performance on access-to-medicine indicators along with access-oriented strategies, which are aimed at overcoming socio-economical and infrastructural barriers in emerging economies, support a company's long-term sustainability and financial viability. They are also essential factors for maintaining the company's social license to operate. Boston Common participated in

outreach to the pharmaceutical companies in the **Access to Medicine Index (ATMI)**, including **Gilead, GlaxoSmithKline, Merck, Novartis, and Roche**. We encouraged them to fully participate in the 2016 data collection process, and we recommended a heavier focus on benchmarking the impact and effectiveness of global access policies using more quantitative key performance indicators and other qualitative metrics.

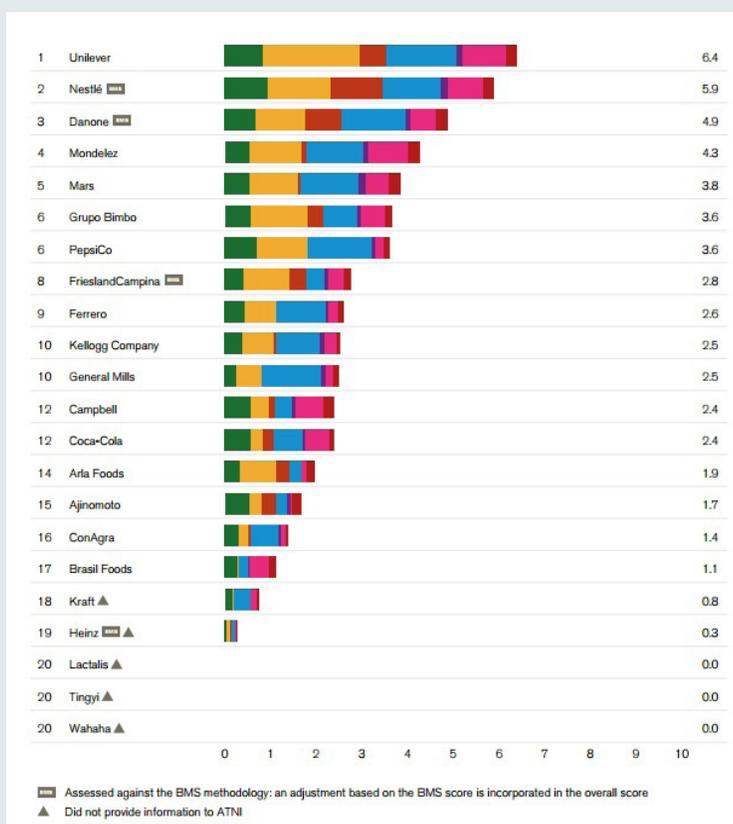
Access to Nutrition Index 2016

- ▶ By 2030 close to 50% of the world's population is projected to be overweight or obese.
- ▶ Almost 800 million people do not have enough to eat; another 2 billion suffer from micronutrient deficiencies or 'hidden hunger.'
- ▶ Obesity costs the global economy approximately US\$2 trillion annually, nearly 3% of global GDP

In January, the Access to Nutrition Foundation launched its **2016 Global Access to Nutrition Index (ATNI)**, ranking the 22 largest food and beverage companies on their nutrition practices—and evaluating companies on strategy, management and governance, formulation and delivery of products, and positive influence on consumer choice through nutrition information, food marketing, and labeling. The index showed some companies have taken positive steps since the last ranking in 2013.

Investors hope U.S. companies will learn from the practices of their European peers, who ranked high on the Index: leaders **Unilever, Nestlé, and Danone** have integrated nutrition practices into their business models. They aim for lower levels of sugar, salt, and fats, and favor healthier ingredients. In emerging markets, they ensure affordable pricing and wider distribution of healthier products. Since 2008, Boston Common has engaged food and beverage companies on nutrition practices, including ATNI leaders **Unilever and Danone**, in addition to U.S. companies **Kraft, Mondelēz, and PepsiCo**.

Global food and beverage companies face significant risks: the increase of global obesity rates, associated global health care costs, NGO campaigns targeting cereal and soft drink companies, and consumers' changing preferences to favor healthier options. Opportunities, such as product design and reformulation, clearer labelling, improved access to healthier foods and responsible marketing in Emerging Markets, and increased sales of healthier foods in developed countries, could improve performance globally. The ATNI, supported by Boston Common and a group of over **50 investors**, with assets under management close to \$3 trillion, provides a much-needed roadmap for companies to improve their nutrition practices. Lauren Compere sits on the Access to Nutrition Foundation board of directors.



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