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Boston Common Comprehensive ESG Sustainability Criteria

2016

Investment Strategy

Across our range of global investment strategies and products, Boston Common seeks to preserve and build capital over the long term through investing in a diversified portfolio of stocks and American Depositary Receipts (“ADRs”) of companies we believe are high quality and undervalued. We integrate both financial and sustainability factors into our investment process because we believe ESG research helps us identify companies that will be successful over the long-term. We seek out companies that can capitalize on new market opportunities, implement efficiency improvements and avoid unanticipated costs stemming from inadequate attention to ESG risks. As a result, we believe incorporating ESG research helps improve portfolio quality and financial return potential.

Boston Common selects stocks through bottom-up, fundamental research, while maintaining a disciplined approach to valuation and risk control. We may sell a security when its price reaches a set target, if we believe that other investments are more attractive, or for other reasons we may determine.

We look for companies with sound governance and a history of responsible financial management that we believe are capable of consistent profitability over a long time horizon. We include those companies in our portfolios that we believe are operating successfully in economic sectors with superior end-market growth, or are beneficiaries of broader sector themes we have identified, but that we judge to be trading at discounts to their intrinsic value. We integrate environmental, social, and governance (“ESG”) criteria into the stock selection process and prefer best-in-class firms with innovative approaches to the environmental and social challenges their industries, society, and the world face. “Best-in-class” refers to firms that Boston Common views as having better records on ESG criteria than other firms in the same industry or sector.

In defining the investable universe, Boston Common recognizes that no company will outperform on all ESG criteria. We seek to identify companies with strengths in a reasonable number of ESG criteria and/or with the potential to make progress across the ESG spectrum. While seeking to rule out companies with the worst ESG records relative to industry peers, Boston Common looks for firms that are finding innovative solutions to problems faced by their industry.

We use our voice as a shareowner to raise environmental, social, and governance issues with the management of select portfolio companies through a variety of channels. These may include engaging in dialogue with management, participating in the annual shareholder meeting process, doing public benchmarking of companies, and participating in multistakeholder initiatives that drive higher standards. Through this effort, we seek to encourage company managements towards greater transparency, accountability, disclosure and commitment to ESG issues.

Our Approach to ESG

- ▶ We integrate financial and sustainability factors into our investment process. We believe **Environmental, Social, and Governance (ESG)** research helps us identify companies with sound governance and a history of responsible financial management that will be successful over the long-term.
- ▶ We seek companies that can capitalize on new market opportunities, implement efficiency improvements, and avoid unanticipated costs stemming from inadequate attention to ESG risks. As a result, we believe ESG research helps improve portfolio quality and financial return potential.
- ▶ Shareholder engagement plays a critically important role in raising the sustainability profile of our portfolios.

Environmental Sustainability Criteria

Boston Common seeks to invest in companies that develop solutions and innovative products that bolster society's efforts to overcome some of the major environmental challenges it faces resulting from climate change, pollution and unsustainable consumption. Boston Common evaluates companies on environmental issues as they can present unacceptable risk to the portfolio and affect long-term shareholder value.

We seek to identify companies that demonstrate a high level of environmental responsibility and understand the need for long-term, sustainable growth. We seek to invest in companies that:

- ▶ Provide products or services that reduce waste generation or conserve natural resources
- ▶ Have made significant progress in reducing the volume and toxicity of waste, emissions, and effluents
- ▶ Have developed innovative programs to reduce direct and indirect greenhouse gas emissions and use of energy, water, materials, and land
- ▶ Have developed strong environmental management systems, including clear environmental policies and regular audits
- ▶ Have made a commitment to standardized environmental reporting

Conversely, we avoid companies that have an egregious environmental record and a history of environmental violations as well as companies with poor environmental performance relative to their industry, especially in high impact industries, e.g. extractives. Similarly, we do not invest in companies that are responsible for causing major environmental disasters and respond negligently. Similarly, we avoid companies who are primarily engaged in practices with negative global impacts. These practices include production of genetically modified organisms or seeds, mining of coal and uranium (and their major suppliers), electric power generation relying on coal or nuclear power, and manufacture of polyvinyl chloride (PVC).

Social Sustainability Criteria

Labor and Human Rights

Boston Common assesses a company's commitment to social standards including workplace health and safety, fair treatment of employees and human rights. We believe absence of social policies and violation of accepted international social standards bear reputational risks and possible damage to a company's brand, which may affect a company's long-term sustainability. We also consider whether a company's standards for its vendors broaden the impact of its policies.

To support long-term social sustainability, we seek to invest in companies that:

- ▶ Have positive labor union relations or employee participation
- ▶ Have strong programs to promote employee, management, and board diversity
- ▶ Provide above-average compensation and benefits for rank-and-file workers
- ▶ Demonstrate support of work/life balance initiatives
- ▶ Demonstrate transparency on workplace issues
- ▶ Have explicit human rights principles or global labor standards, with independent monitoring and reporting

Because of our commitment to select companies that uphold the highest social standards, we avoid corporations that violate fair labor standards (as defined by the International Labour Organization (ILO) standards) and companies that are targets of boycotts of national labor unions. We also evaluate companies' health and safety record, and avoid those with a history of significant health and safety problems (such as repeated major fines from the occupational health and safety authority and/or a number of health and safety lawsuit settlements).

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Equally, we avoid companies that have a history of using forced labor, child labor, or sweatshops. These criteria apply to a company's suppliers as well if the company does not seek to remedy them. We avoid companies with a history of illegal employment discrimination. We avoid investing in companies that directly support governments that suppress or deny human rights including foreign governments where the US Government has current sanctions in force. Under the human rights lens, we are also committed to helping defend the rights of Indigenous Peoples. We seek companies that respect the lands and cultures of Indigenous Peoples, and operate in line with the international standards of the United Nations Declaration on the Rights of Indigenous Peoples, ILO Convention 169, and Free Prior and Informed Consent.

Product Quality and Safety

We expect companies to provide safe, desirable, high-quality products or services and market them responsibly.

Boston Common favors companies that:

- ▶ Produce safe, useful, high-quality products or services that enhance the quality of life for their consumers
- ▶ Use responsible pricing and marketing practices
- ▶ Respond positively to product safety concerns

We avoid investing in companies exhibiting a history of marketing unsafe products and making false marketing claims. Similarly, we avoid investing in companies that abuse animals (such as in entertainment and factory farming) and are involved in irresponsible animal testing practices.

There are also a number of products whose beneficial character and impact on society is questionable. As a result Boston Common avoids investing in firms that derive a significant proportion of their revenues from their sale. Thus, we avoid investing in tobacco, alcohol, gambling and weapons producers, and have set a 5% revenue threshold for these product exclusions. Similarly, we avoid investments in nuclear power operators and major suppliers to the industry, and have a 10% revenue threshold exclusion for nuclear industry suppliers.

Stakeholder Relations

Boston Common searches for companies with a demonstrated overall high level of accountability to all stakeholders including employees, customers, suppliers and host communities. We favor companies that invest in building strong relationships with their stakeholders and manage their relationships with them effectively with a view to promote the long-term success of the business.

In particular, we favor companies that:

- ▶ Have shown innovation in their involvement with communities in which they operate
- ▶ Have developed formal communications structures to interact with employees, customers, suppliers and community groups, and demonstrate a high level of accountability to them
- ▶ Provide educational and training development opportunities for employees and suppliers
- ▶ Employ feedback and surveys to gauge customer and employee feedback on the company's performance
- ▶ Have demonstrated a commitment to economic development programs that benefit women, minorities, and economically disadvantaged groups

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Governance Sustainability Criteria

Boston Common believes in alignment of interests between management and shareowners to ensure strong financial returns over the long term and sustainable shared value creation. We appraise companies' adherence to best practices in corporate governance, including policies favoring transparency and accountability to shareowners, and a commitment to diversity.

We favor companies that reformulate their policies and programs to address past problems and strive toward:

- ▶ Corporate accountability, allowing shareowners to influence strategic decision making
- ▶ Board diversity and independence to promote the company's and its shareowners' long term interests
- ▶ Alignment of interests through remuneration, in order to ensure that senior executives and management interests are aligned with the interests of shareowners to maximize long-term value, including ESG concerns

Conversely, we look to avoid companies that are egregious violators of regulations, exhibit a pattern of negligence and compromise shareholder value through extortion, bribery, securities fraud, and corruption, or have a deteriorating record on measurable conduct.

Shareowner Engagement

- ▶ Through Boston Common's engagement work we encourage portfolio companies to better address ESG issues and foster long-term sustainability. Our engagement tactics may include dialogue with management, filing shareholder proposals, voting proxies, participating in annual shareholder meetings, publicly benchmarking companies, and participating in multistakeholder initiatives to drive better practices and standards. We encourage companies disclose to shareowners how they manage ESG-related risks, provide sufficient evidence that their processes are effective and report on opportunities that align shareowners' interests with those of other stakeholders.

Boston Common Asset Management

is an experienced investment manager dedicated to the pursuit of financial return and social change. We invest approximately \$2 billion on behalf of institutional and individual investors - exclusively offering sustainable and responsible investment options. Each of our strategies intentionally integrates in-depth research into company-specific Environmental, Social, and Governance (ESG) practices. We combine this research with rigorous financial analysis to build diversified portfolios of high-quality, socially responsible companies. As shareowners, we urge our portfolio companies to improve transparency, accountability, and attention to ESG issues. Boston Common is recognized as a women-owned business by the Massachusetts Supplier Diversity Office. We are proud to have built a strong investment record and believe we have meaningfully improved corporate practices globally through our engagement.