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International Sustainable Climate Strategy Update

First Quarter, 2017

INTERNATIONAL MARKET REVIEW

The MSCI ACWIxUS Index (the "Index") rose +7.9% in the first quarter. In local currency terms, the Index rose +5.2% as a weaker US Dollar added +2.7% to US investor returns. The Yen (+4.7%) was particularly strong, while the Euro (+1.4%) and British Pound (+1.2%) also bolstered US Dollar-based returns. Europe (+7.4%) outperformed the Asia Pacific (+6.9%) region. The Dutch election results boosted investor confidence in Europe's political stability, while macroeconomic data indicated healthier global growth.

The European economy appeared to gain positive momentum. Services and manufacturing activity exhibited accelerating expansion, while consumer confidence rose. Over the past six months the UK has averaged a surprisingly strong 4.9% retail sales growth and Prime Minister Theresa May triggered Article 50 of the Lisbon Treaty, officially beginning the UK's departure process from the European Union. In Japan, industrial production gained 6.6% and the unemployment rate declined to 2.8%.

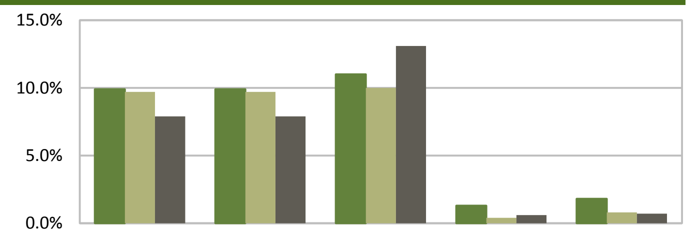
The MSCI Emerging Markets Index rose +11.4% as Asia (+13.4%) and Latin America (+12.1%) performed strongly. India, South Korea, and Mexico each rose +16 to +17%, while China rose nearly +13%. Chinese manufacturing and services activity indicators stabilized despite tightening monetary policy. The Chinese government is targeting 6.5% growth this year, likely reflecting tighter monetary policy. Russia (-4.6%) was the worst performer.
Brighter growth prospects helped Technology (+14.6%), Industrials (+9.5%) and Materials (+8.4%) lead the market. All sectors had positive returns except for Energy, which declined -0.9% as oil prices dropped following reports of rising US oil production.

Within the developed countries, Spain (+14.8%), and Netherlands (+11.3%) were amongst the best performers, with a more stable European political picture. A rally in emerging Asia boosted Singapore (+13.5%) and Hong Kong (+13.4%). Commodity-oriented countries Norway (+1.4%) and New Zealand (+2.0%) were the worst performing markets.

PORTFOLIO REVIEW

A composite of accounts invested in the Boston Common International Sustainable Climate Strategy returned +9.9% before fees, meaningfully outperforming the Index. Our avoidance of Energy stocks and our overweight and stock selection in the Technology sector were the primary contributors to relative performance. Strong financial results boosted key technology holdings: Israeli security software provider Check Point Software (+21.5%), Chinese ecommerce giant Alibaba (+22.8%), and South Korean technology leader, Samsung Electronics (+23.5%). Stock selection in the Materials sector was also a key contributor to relative results, led by Dutch paint company Akzo Nobel (+32.8%), the target of an acquisition bid. Other key contributors include Unilever (+21.5%) in Europe and HDFC Bank (+24.0%) in India. On a regional basis, Europe ex. UK and Emerging Markets were the primary drivers of outperformance.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	Since Inception*
Gross	9.9%	9.9%	11.0%	1.3%	1.8%
Net	9.7%	9.7%	10.0%	0.4%	0.8%
MSCI ACWIxUS	7.9%	7.9%	13.1%	0.6%	0.7%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
AKZO NOBEL	1.3%	32.8%	0.31%	Materials
UNILEVER	2.1%	21.5%	0.28%	Consumer Staples
ALIBABA GROUP HOLDINGS	1.9%	22.8%	0.26%	Technology
CHECK POINT SOFTWARE TECH	2.0%	21.5%	0.25%	Technology
HDFC BANK	1.6%	24.0%	0.22%	Financials
SAMSUNG ELECTRONICS CO	1.5%	23.5%	0.21%	Technology
HOYA CORP	2.6%	15.0%	0.18%	Healthcare
BANK RAKYAT	2.0%	16.1%	0.16%	Financials
JC DECAUX	1.4%	19.7%	0.15%	Consumer Discretionary
NASPERS	1.8%	17.2%	0.15%	Consumer Discretionary
			2.17%	

BOTTOM 10				
ASTELLAS PHARMA INC	1.6%	-4.4%	-0.20%	Healthcare
ORIX CORPORATION	1.6%	-3.9%	-0.19%	Financials
SHIMANO INC	1.1%	-7.5%	-0.19%	Consumer Discretionary
PANDORA A/S	0.6%	-13.1%	-0.16%	Consumer Discretionary
BMW BAYERISCHE MOTOREN WORKE	1.3%	-2.4%	-0.15%	Consumer Discretionary
BT GROUP	0.6%	-12.2%	-0.14%	Telecommunications
KONINKLIJKE PHILIPS	0.6%	-5.0%	-0.11%	Industrials
TORONTO DOMINION BANK	1.9%	2.1%	-0.10%	Financials
WOLSELEY	1.7%	2.4%	-0.09%	Industrials
SVENSKA HANDELSBANKEN	1.2%	2.4%	-0.09%	Financials
			-1.42%	

Stock selection in the Industrials and Healthcare sectors hurt relative performance. After a strong 2016, Dutch consumer and healthcare equipment conglomerate, Philips (-5.0%) declined. Challenging near-term prospects weighed on Japanese pharmaceutical firm Astellas (-4.5%). British telecom provider BT Group (-12.2%), Japanese bike parts supplier Shimano (-7.5%), and Danish jeweler Pandora (-13.1%) were also significant detractors. Relative performance at least kept up with the benchmark in all regions.

*Since Inception: December 31, 2013

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PORTFOLIO ACTIVITY

During the quarter, we purchased French industrial engineering company Schneider Electric, which has a high free cash flow yield and a strong balance sheet. In our view, Schneider is poised to benefit from improving demand for energy-efficient infrastructure and industrial automation in the US, China, and Europe. We also bought Danish biotechnology manufacturer Novo Nordisk, a global leader in diabetes therapies and an ESG leader, that was trading near a 20-year low in its price-to-earnings multiple. In addition, we purchased Macquarie Group, an Australian financial services provider specializing in asset management. As the world's largest infrastructure investor, Macquarie looks well positioned to benefit from a global expansion of public-private partnerships to develop assets including road and rail networks, airports, and renewable-energy projects.

We sold Danish charms and bracelets maker, Pandora, as the company's same store sales deteriorated in the US, which is its largest market. We also sold Israeli generic pharmaceutical firm, Teva, due to significant senior management turmoil.

ECONOMIC & MARKET OUTLOOK

Incremental evidence continues to point to a stronger global economy. Europe is hitting multi-year highs in industrial activity. Japan's labor market looks robust. Monetary policy in Europe and Japan is likely to remain supportive as deflationary pressures are in the early stages of retreat. Emerging Markets are showing solid domestic demand and stable credit conditions, though stark contrasts remain among countries. The MSCI ACWIxUS is trading at 14.1x forward earnings, below its 20-year average of 14.3x. Considering estimated earnings growth of 10.8% over the next three years, international equity valuations look attractive. We are mindful of the risk that protectionist policies or political instability could disrupt the fundamental momentum.

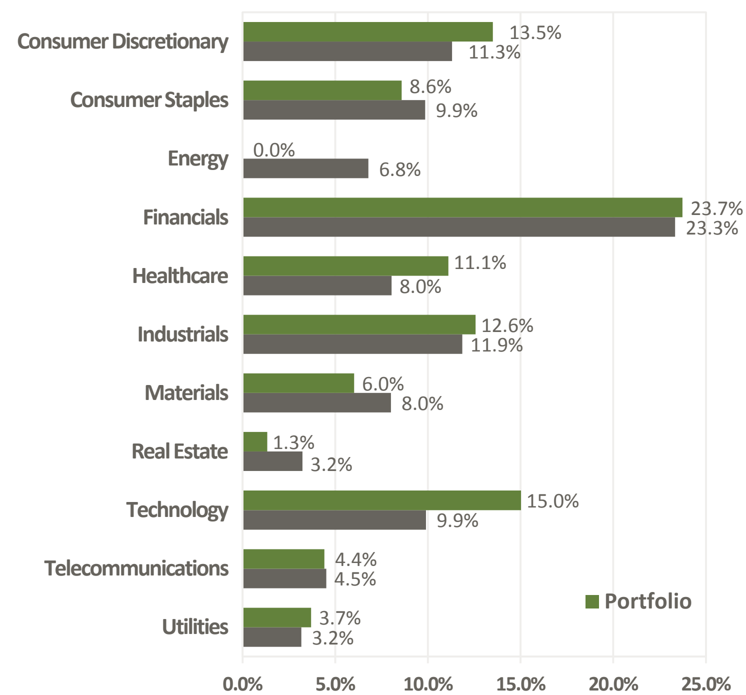
Our portfolios are positioned for expansion with more exposure than the market in cyclical areas, especially Technology and Consumer Discretionary. We balance that exposure with an underweight of commodities and Real Estate and equal weighting in the defensive sectors. We continue to focus our investments in companies with more sustainable fundamentals, including leading environmental, social, and governance (ESG) characteristics.

Europe

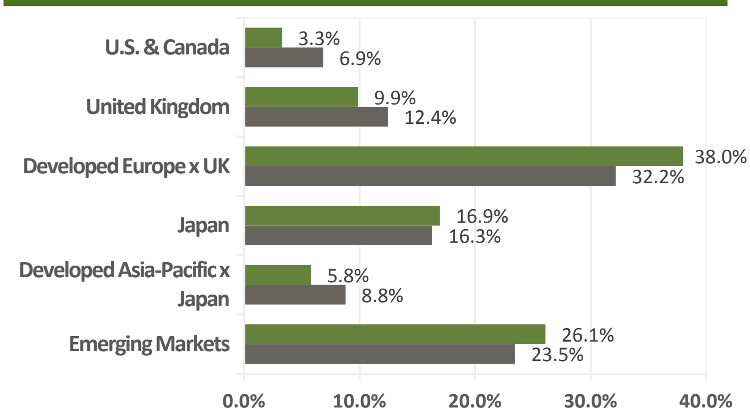
Last year, the European economy grew faster than the US for the first time since 2008. Although Europe's nearly 2% pace is relatively modest, there are pronounced signs of acceleration in business surveys, which typically signal future economic improvement. The Eurozone manufacturers purchasing managers index reached a six-year high in the first quarter and exhibited rapid growth in production and new orders. Service providers indicate a similar level of optimism. Both groups of businesses are experiencing sufficient demand to raise prices to reflect higher input costs. While Germany is still the regional stalwart, the economic strength is broad based; for the first time in a decade, all 19 members of the monetary union are projected to report positive growth in 2017. Consumer confidence is also near a post-crisis high and unemployment in the Eurozone fell to 9.5% in February, the lowest reading in nearly seven years.

While European economic data has been improving for some time, many investors have been concerned about political developments. The recent electoral victory for the centrist incumbent in the Netherlands halted the far right populist party's run for government control. In France, National Front leader Marine Le Pen is campaigning on a platform to exit the Eurozone and has a slight lead in the polls for the upcoming Presidential election.

SECTOR ALLOCATION



REGIONAL ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	MSCI ACWIXUS
# HOLDINGS	74	1,853
Valuation		
Next 12m Price to Earnings	16.4	14.1
Price to Book Value	2.6	1.7
Price to Sales	2.1	1.2
Dividend Yield	2.1%	2.9%
Growth		
5yr Sales Growth	2.9%	-1.0%
5yr EPS Growth	7.5%	2.1%
Risk		
Wtd Avg Mkt Cap	52,620	57,028
LT Debt/Cap	25.9%	32.8%
Beta	1.03	1.00

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However, the French election pits the top two candidates from a first round vote in a runoff election, which Le Pen looks unlikely to win.

Since the United Kingdom voted to exit the European Union, its economic performance has exceeded most expectations. However, the two-year process of exit negotiations has just begun. Given Brexit uncertainties, multinational banks are planning to move a part of their London-based workforce to other cities, including Frankfurt, Dublin, and Paris, which guarantee full access to the European market. Global technology companies, on the other hand, have announced additional hiring in the UK. England's task is already complicated by Scotland's call for another referendum on UK membership and Spain's attempt to influence British territory Gibraltar's future relationship.

In our view, complex and protracted Brexit negotiations could damage economic prospects and our portfolios are underweight the UK. We are overweight the rest of Europe, as we have a favorable view of corporate profit growth and valuation. We have relatively lighter positions in Italy and France as we foresee structural challenges and political uncertainty. Our portfolios have more exposure to the economically dynamic Scandinavian markets that also have advanced ESG integration.

Japan

Japan now has the lowest jobless rate among the largest 20 economies in the world. Unemployment recently dropped to 2.8%, a more than 20-year low, and the job-offers-to-applicant ratio is at a 25-year high. With solid demand and a shrinking labor force, workers should be gaining bargaining power with their employers. However, average wage growth has been muted thus far, growing less than 0.5% over the past six months. Japan's aging workforce puts downward pressure on average wages because elderly workers often retire or accept lower paid part-time positions. Over the past two decades, part-time workers have doubled their share of total employment to 35%. Rising female labor force participation has also helped offset the 1% annual decline in the working-age population and balanced the labor market. Higher income per hour employed could also come from Prime Minister Shinzo Abe's proposal to narrow the gender wage gap as well as efforts to prevent Karoshi, a term that translates to "death from overwork".

Wage growth will be a key factor in the Bank of Japan's effort to raise inflation to its 2% annual target. Given estimates that Japanese inflation will remain below 1% in 2017, the central bank will likely continue its extraordinary policy support. We expect the Yen to fall, reflecting Japan's easy monetary and fiscal policies compared to other developed economies. In Japan, we continue to focus on Consumer Discretionary, Industrials, and Healthcare companies that have sustainable growth drivers and should also benefit from an expected weaker Yen. We find companies in the domestically oriented segments of the market less attractive and are therefore about equal weight Japan in aggregate.

Asia Pacific & Emerging Markets

World trade volume has accelerated to a seven-year high, which bodes well for export-oriented Asia Pacific and Emerging Market countries. In Hong Kong and Singapore, hubs of the global supply chain, annual output growth has recovered from a low of 1% to about 3% over the past year. While recent trends are encouraging, protectionist policies and geopolitical tensions are important issues we are monitoring carefully.

Mexico was targeted excessively during the election campaign, yet the Trump administration has toned down its rhetoric and has proposed only modest changes to NAFTA as opposed to eliminating the trade agreement.

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
KONINKLIJKE PHILIPS NV	Industrials	1.3%
PANDORA A/S	Consumer Discretionary	0.8%
TEVA PHARMACEUTICAL INDS LTD ADR	Healthcare	1.0%
TOTAL CLOSED		**3.1%**

NEW	SECTOR	% OF PORT.
MACQUARIE GROUP LTD	Financials	1.0%
NOVO NORDISK A/S-B	Healthcare	1.0%
SCHNEIDER ELECTRIC SE	Industrials	1.4%
SOCIEDAD QUIMICA MINERA DE CHI SPON ADR SER B	Materials	1.0%
TOTAL NEW		**4.4%**

COMPANY SPOTLIGHT: DAIKIN

Description

Daikin, headquartered in Osaka, Japan, manufactures air conditioning equipment (91% of revenue). It provides residential and commercial air conditioners, heat pumps, and ventilation systems. The company also sells fluorochemicals (7% of revenues) used in alternative energy, technology, and healthcare applications. The company's revenues are generated in the Americas (28% of revenue), Japan (23%), China (18%), Europe (13%), Asia (12%), Oceania (3%), and the Middle East (2%).

Integrated Investment Thesis

Daikin is a global leader in air conditioner manufacturing, an industry with above-average long-term growth prospects. Increasing affluence, urbanization, and global warming are likely to foster demand for air conditioners. Daikin has a strong presence in emerging Asian markets, where secular growth drivers are pronounced. Daikin's strong brand is based on its innovation, vertical integration, and global distribution. The company's energy-efficient technology, including its ductless systems, helps it lead the profitable high-quality segment of the market. Daikin's pioneering inverter air conditioners control voltage, current, and frequency, resulting in electricity savings of approximately 30%. The company's fan coil units use 30-60% less energy than conventional units. In our opinion, Daikin's valuation (10.9x forward EBITDA) is compelling relative to its attractive organic growth prospects, technological edge, and industry-leading margins.

ESG Profile

Air conditioning is crucial for industry as well as public health and wellness. However, it also consumes large amounts of energy and produces emissions. Daikin, acknowledging these challenges and anticipating growth in demand, has committed to mitigating climate change impact through clean tech innovations. Daikin invented HFC-32, a refrigerant with only one third the global warming potential of conventional refrigerants. Daikin estimates that its energy-efficient inverter air conditioners and air conditioners using HFC-32 contributed to carbon emission reductions of approximately 35 million tons in emerging countries in fiscal year 2015. The company's smart grid technology is enabling customers to collect real-time data to better monitor, control, and review energy management performance. Daikin has also adopted the use of renewables for electricity generation and implemented fluorocarbon recovery systems.

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With a more benign stance from its northern neighbor, the Mexican Peso has rebounded nearly 10% this year. While China is also susceptible to the US adopting a more confrontational stance, Chinese policymakers appear focused on managing its domestic economy towards more sustainable growth drivers. In 2016, China cut effective capacity for steel and coal production by about 6% and redirected capital toward environmental improvements; investment spending for pollution treatment and water management increased 40% and 20% respectively. The People's Bank of China also raised interest rates in an effort to discourage excessive credit growth.

With a domestically oriented economy, India remains relatively insulated from the negative effects of potential trade wars and is projected to be the fastest growing of the large economies this year. Prime Minister Narendra Modi's BJP party easily won the election of the largest state, viewed as a popular mandate for more pro-growth policies. Our portfolios are selectively overweight Emerging Markets, located predominantly in Asia. We see sufficient supply to keep oil and metal prices constrained and retain an underweight position in commodity-oriented countries, including Australia.

Shareholder Engagement Highlights

Milestones	**Banks & Climate Change:** In 2016 we engaged 45 global banks on our 2015 bank report recommendations and assessed policy changes through a survey and active dialogue including **Barclays, Fifth Third Bank, JPMorgan Chase, HSBC Holdings, Mitsubishi UFJ, Orix, PNC Financial, SEB, Standard Chartered, TD Bank, and Unicredit**. In a newly released update report **"On Borrowed Time: Banks & Climate Change"**, we highlight that over 80% of the 28 banks assessed have made substantive policies changes including sector specific policies for coal financing and increased climate adaption financing but there remains a real gap in embedding climate risk management across the banking sector. In 2017, we are partnering with UK-based ShareAction to broaden the investor coalition and banks engaged
Work in Progress	**Eco-Efficiency:** In January we led our inaugural Eco Efficiency dialogue calls with **BMW** and **National Grid**. Working with Ceres we are encouraging BMW to **join the EP100** as BMW seems already on track to double its energy productivity by 2025. National Grid shared its findings that carbon efficient infrastructure construction projects also cost less to build. Next up, eco efficiency calls with **Air Liquide** and **Statoil**.
	Responsible Sourcing - Commodities/Minerals: Under the current deregulation focus, Boston Common was the lead investor to organize a 129 investor coalition with over $4.8 trillion in assets under management to call on the SEC to **continue comprehensive implementation of Section 1502 of the Dodd-Frank Act known as the Conflict Minerals Rule**. The law has catalyzed positive change in the region's mining sector, encouraged an effective response by U.S. companies to address material risk in their supply chains, and contributed to the economic development in the DRC. The investor coalition has reached out to the SEC staff and Commissioner to engage further.
New Initiatives	**Responsible Sourcing - Animal Welfare:** Factory farms are increasingly linked to a range of serious social and environmental consequences, from pollution to pandemics. Boston Common's Steven Heim wrote about drug-resistant superbugs in a recent Guardian article. We support the **Business Benchmark on Farm Animal Welfare,** which focuses not just on the environmental and social risks posed by this issue but also the opportunities for companies to benefit from improved reputation and product quality with responsible and advanced animal welfare practices. This quarter we reached out to **Casino Guichard** to better understand how the company is assessing animal welfare practices in its supply chain, and whether Casino's leader practices in France are informing their approach in Brazil and Columbia. Casino was the first supermarket chain in France to commit to sourcing cage-free eggs at the national level for all its brands by 2020. While Casino has programs in place to address animal welfare in their beef, dairy, poultry, pork and soy sourcing, they are undertaking a more comprehensive review in 2017 to prioritize next steps.

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