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International Strategy Update

Fourth Quarter, 2017

INTERNATIONAL MARKET REVIEW

The MSCI EAFE Index (the "Index") returned +4.2% in US Dollar terms. In local currency terms, the Index gained +3.7% as a weakening Dollar added +0.5% to investors' returns. Improving economic conditions in Europe helped the Euro (+1.6%) strengthen relative to the US Dollar. The UK Pound (+0.8%) also appreciated thanks to progress on Brexit negotiations. The Yen (-0.1%) was flat, as Japan's central bank left its monetary policy unchanged. For the full year, the Index returned +25.0% and the Dollar depreciated by 11% compared to a basket of trade-weighted currencies.

Eurozone GDP grew an estimated 2.3% in 2017, well ahead of the 1.5% forecast at the start of the year and its fastest pace since 2007. Eurozone unemployment fell to its lowest level since January 2009, and consumer confidence rose to its highest reading in nearly 17 years. The European Central Bank announced in October that it will reduce its bond-buying program. Brexit uncertainty may have started to weigh on the UK economy, as growth forecasts have declined modestly. Japan's economy grew for a seventh consecutive quarter, the longest period of uninterrupted expansion since 2001.

Energy (+10.0%) was the best performing sector in the Index as oil prices rose 17% during the quarter. In November, OPEC and Russia agreed to extend production cuts through 2018. Higher global demand expectations helped metal prices increase, and the Materials (+8.5%) sector outperformed accordingly. Traditionally defensive sectors, Utilities (-1.0%), Health Care (0.0%), and Telecommunications (+0.7%) lagged the Index.

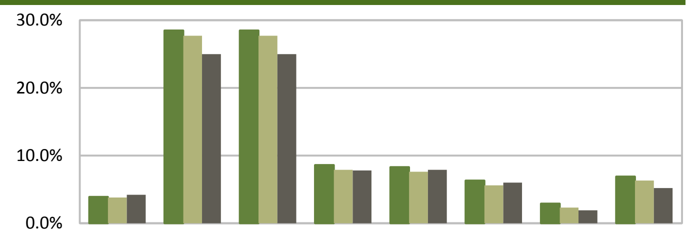
Singapore (+10.1%) was the best performing country thanks to its ties to improving global trade flows. Japan (+8.5%) rallied on solid economic fundamentals and Prime Minister Abe's election victory, which should support continued expansionary policy. Australia (+6.8%) and Hong Kong (+6.6%) also outperformed. Declining house prices weighed on Sweden (-3.8%), which was the worst performing country in the Index. Finland (-2.6%) was dragged down by Nokia's disappointing earnings results. Italy (-2.3%) and Portugal (-2.0%) were also weak.

PORTFOLIO REVIEW

A composite of accounts invested in the comprehensive Boston Common International Equity strategy returned +3.7% before fees, modestly lagging the Index. During the quarter, the Financials sector was the largest positive contributor to relative results. Indonesian holding Bank Rakyat (+18.3%), Hong Kong insurer AIA Group (+15.6%), and Australian capital markets provider Macquarie Group (+11.5%) benefited from strong fundamental results. Stock selection in the Materials sector helped performance; British natural ingredient supplier Croda (+17.6%) reported strong top- and bottom-line results while Belgian metal recycler Umicore (+14.5%) was boosted by its electric vehicle cathode business. Water and waste management company Veolia Environnement (+10.4%) benefited from the cyclical upturn and drove outperformance in the Utilities sector. Asia Pacific and Emerging Markets were the strongest regional contributors to returns. South African media company Naspers (+28.9%) was the top individual contributor this quarter, driven by its 33% stake in Chinese internet leader Tencent. Other key contributors included Japanese companies Shiseido (+21.1%), Daikin Industries (+16.9%), and Kao (+15.8%) and Australian LNG producer Origin Energy (+25.5%).

The Technology sector was the largest detractor from relative performance. Israeli security software developer Check Point (-9.1%) declined on a disappointing earnings report. Our overweight and stock selection in the Healthcare sector also detracted from results. Earnings downgrades weighed on medical equipment suppliers Philips (-8.3%), Hoya (-7.5%), and Smith & Nephew (-3.0%). Japan was the largest regional detractor from performance as we were underweight the strong market and our holdings underperformed. Japanese ecommerce company Rakuten (-16.1%) announced a disappointing strategic shift into telecom service.

PERFORMANCE



	QTD	YTD	1Yr	3Yr	5Yr	7Yr	10Yr	Since Inception*
Gross	3.9%	28.5%	28.5%	8.6%	8.3%	6.3%	2.9%	6.9%
Net	3.8%	27.7%	27.7%	7.9%	7.6%	5.6%	2.3%	6.3%
MSCI EAFE	4.2%	25.0%	25.0%	7.8%	7.9%	6.0%	1.9%	5.2%

CONTRIBUTORS & DETRACTORS

TOP 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
NASPERS	1.7%	28.9%	0.35%	Consumer Discretionary
DAIKIN INDUSTRIES LTD	2.7%	16.8%	0.31%	Industrials
ORIGIN ENERGY	1.4%	25.5%	0.27%	Energy
AIA GROUP LTD	2.2%	15.6%	0.23%	Financials
BANK RAKYAT	1.6%	18.3%	0.21%	Financials
CRODA INTL	1.6%	17.6%	0.19%	Materials
SHISEIDO CO	1.1%	21.1%	0.17%	Consumer Staples
KAO CORP	1.5%	15.8%	0.16%	Consumer Staples
UMICORE	1.6%	14.5%	0.15%	Materials
FERGUSON	2.3%	11.2%	0.15%	Industrials
			2.19%	

BOTTOM 10	% OF CAPITAL	RETURN	RELATIVE CONTRIB.	SECTOR
HOYA CORP	2.4%	-7.5%	-0.29%	Healthcare
RAKUTEN INC	1.1%	-16.1%	-0.26%	Consumer Discretionary
CHECK POINT SOFTWARE TECH	1.7%	-9.1%	-0.24%	Technology
UNILEVER	2.7%	-4.1%	-0.22%	Consumer Staples
SVENSKA HANDELSBANKEN	1.6%	-9.0%	-0.22%	Financials
ASSA ABLOY	1.5%	-8.7%	-0.22%	Industrials
KONINKLIJKE PHILIPS	1.3%	-8.3%	-0.17%	Industrials
HENKEL AG&CO.	2.4%	-2.7%	-0.17%	Consumer Staples
DEUTSCHE TELEKOM	1.6%	-4.9%	-0.15%	Telecommunications
AXA	2.1%	-1.8%	-0.13%	Financials
			-2.07%	

*Since Inception: December 31, 2004

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Panasonic (+1.0%) underperformed auto and consumer stocks in the Index. Other notable detractors included relatively defensive European holdings Svenska Handelsbanken (-9.0%), Assa Abloy (-8.7%), Deutsche Telekom (-4.9%), Unilever (-4.1%), and Henkel (-2.7%).

PORTFOLIO ACTIVITY

During the quarter, we purchased Infineon, a German semiconductor company with a leading position in the power control market. Automotive and industrial customers account for the majority of the company's revenues. In the auto segment, Infineon's chips are used to enable electronic control of a car's safety and powertrain, where robust demand is a function of the long-term shifts towards electric and autonomous vehicles. Renewable energy, energy efficiency, and automation are key demand drivers for the company's industrial power control chips. In our view, Infineon is compelling based on its secular growth opportunity and valuation, trading at 13x forward EBITDA. We also purchased Orsted, a Danish wind farm developer. The company was formerly known as DONG Energy, but sold its oil and natural gas assets to focus on wind power. Orsted mostly builds offshore wind farms, where technological improvements and lower-cost turbines have improved project returns, allowing subsidy-free developments to become competitive with conventional power plants in some locations. Orsted's valuation looks particularly attractive, trading at 8x EBITDA with a 1.8% dividend yield.

During the quarter, we sold Danish jeweler Pandora. The company's US sales outlook has deteriorated notably, and we are concerned about headwinds from the global retail shift away from traditional stores. We also sold British telecom company BT Group as it faces operational challenges from a domestic slowdown, regulatory scrutiny, and an accounting scandal in Italy.

ECONOMIC & MARKET OUTLOOK

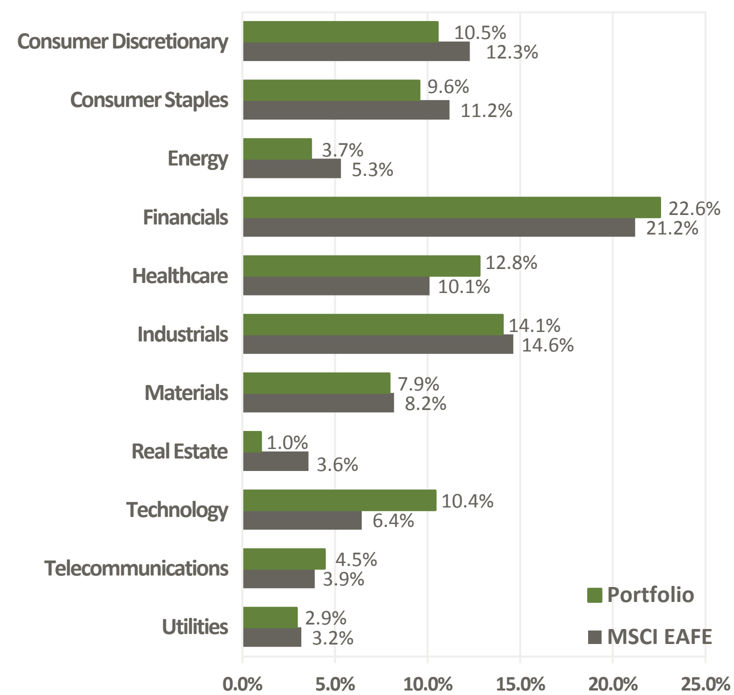
Europe's growth prospects look bright. The Eurozone's robust industrial expansion and improving labor market support double-digit corporate profit growth potential. The European political backdrop should also foster healthy business, consumer, and investor sentiment. Recovering trade flows should boost Japan's exporters while pro-growth monetary and fiscal policies could revive domestic demand. Improving governance efforts also add to the Japanese market's appeal. Emerging Markets and Asia Pacific are levered to the cyclical upswing and have strong underlying demand dynamics. At the same time, many European and Japanese corporations have significant exposure to faster-growing Emerging Markets. This symbiosis reinforces synchronized global growth.

Faster economic growth and higher capacity utilization typically boost consumer prices, but structural factors (technology, demographics, and global supply chains) should prevent overheating. Given our expectations for low inflation, monetary policy should only gradually tighten. In our view, key risks to the market include escalating military conflict in the Middle East or Asia, renewed political instability in Europe, and disruptive monetary policy or unexpected interest rate shifts. While we are mindful of negative surprises, valuations look reasonable considering our favorable fundamental outlook.

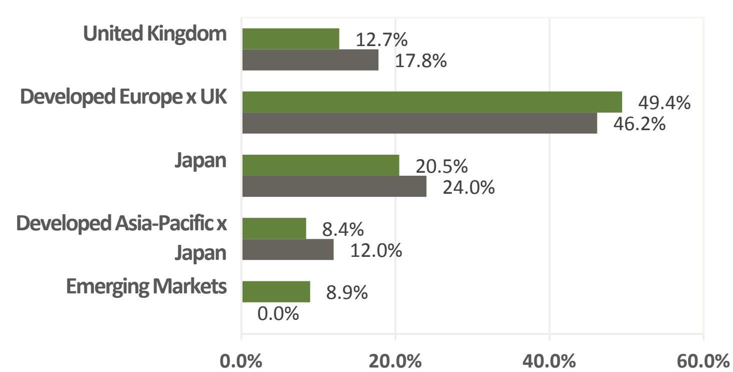
Europe

Economic data indicate the Eurozone is enjoying an impressive revival. Manufacturing activity is at its highest level since the Purchasing Managers' Index survey began 20 years ago. Aggregate earnings estimates have increased over the course of 2017 as the economy gained pace. For 2018, the Eurozone is projected to grow nominal GDP nearly 4% and corporate earnings should expand at more than twice that rate. The European Central Bank's guidance projects its first interest rate increase in 2019 as it patiently waits for inflation to rise towards its 2% target rate. Over the past year, the Euro has appreciated 13% to near a three-year high relative to the Dollar, as investors' confidence in the region outweighed the relative attractiveness of US yields.

SECTOR ALLOCATION



REGIONAL ALLOCATION



PORTFOLIO CHARACTERISTICS

	BOSTON COMMON	MSCI EAFE
# HOLDINGS	63	928
Valuation		
Next 12m Price to Earnings	16.6	15.0
Price to Book Value	2.5	1.7
Price to Sales	1.8	1.3
Dividend Yield	2.3%	2.9%
Growth		
5yr Sales Growth	1.2%	-0.3%
5yr EPS Growth	10.4%	3.2%
Risk		
Wtd Avg Mkt Cap	60,507	64,146
LT Debt/Cap	29.4%	35.1%
Beta	1.03	1.00

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Emmanuel Macron's electoral victory and legislative progress brought stability to the political landscape in Europe, yet the 2018 electoral cycle portends further tests. First, Germany has yet to form a coalition government since its September election. The two main centrist parties are negotiating an uneasy coalition that should allow Angela Merkel to remain the region's longest standing and most powerful leader. Next, Spain faces a fragile situation after elections in its most prosperous state, Catalonia, gave separatist parties majority control. Finally, the populist 5-Star Movement is leading in polls ahead of Italian elections this March. While each situation warrants vigilance, we do not expect any single outcome to bring existential threats like the sovereign debt crisis or last year's French election, which could have ushered in a President determined to pull the country out of the European Union (EU).

The UK's vote to exit the EU may have provided a cautionary tale for continental European nations considering a similar path. Over the past two years UK inflation has more than tripled to 3.1%, driven by the weakening British Pound's boost to import prices and rising commodity prices. As a result, the Bank of England raised interest rates in November for the first time in a decade. In our view, Brexit-related headwinds will likely continue to weigh on the domestic market and we remain underweight the UK. We are overweight the rest of Europe, especially in the Technology, Materials, and Industrials sectors, where we find ESG leaders poised to benefit from the economic upturn and from increasing demand for resource efficiency and sustainable practices.

Japan

Japan's economic prospects have been improving thanks to favorable external and domestic trends. Large manufacturers' confidence is at an 11-year high, while the country's 2.7% unemployment rate is the lowest in 24 years. Japan's broad policy efforts suggest optimism could persist. The Bank of Japan has indicated monetary policy will stay exceptionally loose. Structural reforms include efforts to bolster female labor force participation and to bring corporate transparency and accountability closer to best global practices. In the fiscal realm, the government is working on a new creative approach to stimulate higher salaries. After Prime Minister Shinzo Abe's verbal pleas for pay raises fell on deaf ears, Japan began implementing a policy whereby small companies that offer wage increases over 1.5% could receive a 20% reduction in their tax bills.

Despite the measurable success, Japan's wage growth and inflation remain near zero, as overarching structural challenges appear intractable. The country's shrinking population depresses economic potential and nominal growth this year is forecast to be less than 2%. Historically, policy stimulus has failed to sustainably change the economy's course. Since 1994 Japan has had budget deficits in each year while short-term interest rates have been under 2%. Aggressive, pro-growth policy initiatives, greater attention to minority shareholders, and more efficient capital allocation have prompted us to look for more investment opportunities in Japan. On balance, we remain underweight the market but have a historically high allocation to Japan. Our Japanese holdings generally have internationally competitive products that can prosper amidst a pick-up in domestic demand as well as a global expansion.

Asia Pacific & Emerging Markets

The emerging Asian economy will likely be a key factor in shaping worldwide growth for the foreseeable future. In China, we expect the economy to achieve more balance in industrial and societal terms as it follows the road map set by the recent 19th Congress Party. Policy priorities include financial sector regulation, social and health insurance, and pollution abatement. China has shown renewed commitment to the Paris Climate Accord, investing heavily in environmental technology; the country has become the largest producer of solar panels and electric vehicles. President Xi's anti-corruption campaign is popular and can build

NEW & CLOSED POSITIONS

CLOSED	SECTOR	% OF PORT.
BARRY CALLEBAUT AG-REG	Consumer Staples	0.0%
BT GROUP PLC	Telecommunications	0.9%
CASINO GUICHARD PERRACHON	Consumer Staples	0.0%
GLAXOSMITHKLINE	Healthcare	0.0%
PANDORA A/S	Consumer Discretionary	0.7%
RAKUTEN INC	Consumer Discretionary	1.3%
SIEMENS GAMESA RENEWABLE ENERGY SA	Industrials	0.6%
TOTAL CLOSED		3.5%

NEW	SECTOR	% OF PORT.
INFINEON TECHNOLOGIES AG	Technology	1.3%
ORSTED	Utilities	1.2%
TOTAL NEW		2.5%

COMPANY SPOTLIGHT: NOVOZYMES

ESG Integrated Investment Thesis

Novozymes offers environmental solutions for a variety of industries. The company sells enzymes (proteins that accelerate chemical reactions) that are used to make food healthier and last longer, to enable low-temperature washing, and to make ethanol production more efficient. In 2016, Novozymes helped customers save an estimated 69 million tons of CO2. Demand for enzymes is a function of global trends towards greener and safer products, more efficient manufacturing, and less dependence on petrochemicals. Novozymes will likely maintain its leading share of the global enzymes market based on its technological and scale advantages. The company spends over 13% of its sales on research and development: creating new products, customizing processes, and optimizing existing enzymes. Novozymes' deep customer relationships, scientific expertise, and global factory network have historically helped it report consistent sales growth and margin expansion. The company regularly assesses the impact of its products on worker and consumer health, indicating a high level of concern for chemical safety. Novozymes' valuation (20x EV/EBITDA) looks compelling based on sustainable mid-single-digit sales growth, margin expansion opportunities, and potential recovery in key segments.

Company Profile

Novozymes, based in Copenhagen, is the largest enzymes producer in the world. The company grows enzymes and microorganisms that either enable or improve the production of food and beverages (26% of sales), household care solutions such as detergents (33%), bioenergy (17%), agriculture and feed (16%), and pharmaceuticals and other industrial products (8%). Revenues are split among North America (33%), Europe (37%), Asia (20%), and Latin America (10%). Novozymes is also an industry leader in managing operational impact; 2020 environmental targets include achieving a 25% reduction in water intensity and carbon intensity compared to 2014. The company already recycles close to 50% of total waste and most of its biomass waste is converted and sold as an organic fertilizer called Novogro. Novozymes has adopted some best practices in corporate governance, including 33% female representation on the board of directors.

ESG Engagement Opportunities

Boston Common has suggested that Novozymes develop products to improve the digestion of cows and other ruminants in order to reduce the methane emissions created by enteric fermentation in their digestive systems. According to some studies, enteric fermentation from livestock, primarily cows, accounts for 30% of global methane emissions, a greenhouse gas regarded as 20-25 times more potent than Carbon Dioxide. While climate change regulation has not focused on livestock methane, we expect increased scrutiny from policy makers, consumers, and food retailers will offer an appealing business opportunity.

institutional trust, but it has also been a tool to consolidate power, deepening the repression of non-governmental organizations and activists. We remain concerned about the lack of political and economic freedom, but we are encouraged by China's commitment to improve citizens' lives.

Australia and New Zealand are projected to have the fastest growing developed economies in 2018. As China looks to pivot to more sustainable growth strategies so too should Australia, which has been a primary beneficiary over the past decade from strong Chinese demand for commodities, especially coal and iron ore. Encouragingly, recent infrastructure initiatives have displayed a more environmentally friendly bent. Efforts to improve South Australia's struggling power grid involved the integration of the world's largest lithium-ion battery, delivered by Tesla. Over the past year, we have increased our exposure to Australian companies benefiting from these environmental trends. Our portfolios are overweight Asia Pacific and Emerging Markets, with a focus on the consumer and financial services sectors that should benefit from the region's burgeoning middle class.

Shareholder Engagement Highlights

Milestones	**Climate Change:** In October, **EOG Resources** committed to publish its **first sustainability report in 2018**, following three years of sustained dialogue led by Boston Common and supported by a large investor group (20 investors). In that time, we have engaged EOG on issues such as the governance of sustainability, hydraulic fracking operations, climate change, methane, human rights, water stewardship, and board diversity.
Work in Progress	**Conflict Minerals:** The fight to keep **Conflict Minerals Reporting** continues as 2017 ends with **a proposed US House Appropriations Amendment cutting funding for Section 1502 of the Dodd-Frank Act** relating to conflict minerals. Boston Common is a lead investor supporting a new statement that went to the Congressional leadership on December 22nd supported by **80 investors with over $2 trillion in assets, to urge them to reject this appropriations amendment.** We led previous investor statements supporting Section 1502 in 2017, along with the Responsible Sourcing Network and others; the statements were signed by 127 investors with over $4.8 trillion in assets.
	Chemical Safety: In December, Boston Common co-convened an investor workshop with the **Chemical Footprint Project** and spoke on a panel at the BizNGO conference to raise the profile of this important **due diligence tool for investors and companies** and to address our precautionary approach to chemical safety. A new study released in the journal Environmental Health concludes that e**xposure to toxic chemicals, such as lead, mercury, and pesticides, may cost the world up to 10% of GDP**. Boston Common met with **CVS Health** about the implementation of its plan to **ban phthalates, parabens and prevalent formaldehyde donors in store brand beauty and personal care products,** to which they committed in 2017. We asked CVS to publicly report on benchmarks and a timeline for implementing its policy and raised the issue of **fragrance-ingredient labeling** following the efforts by peers Procter & Gamble, Target, Unilever and Walmart.
New Initiatives	**Racial Diversity**: We co-filed our first racial diversity shareholder resolution with **Alphabet** seeking to **link CEO compensation with the achievement of sustainability metrics including metrics on diversity** within the executive ranks. Though Alphabet, the parent company of Google, has publicly disclosed demographic data for its employees since 2014, progress has been slow. Google recognizes that the lack of inclusion of women and minorities in the tech space is a problem. Eileen Naughton, Vice-President, People Operations at Google has noted in a blog post, "Our employees, product and business depend on us getting this [more diverse and inclusive workforce] right."
	Climate Change: Boston Common is a founding signatory to the Climate Action 100+, a new **five-year initiative led by investors to engage the world's largest corporate greenhouse gas (GHG) emitters** to curb emissions, strengthen climate-related financial disclosures, and improve governance on climate change. The initiative aligns with the global investor initiative we have led for the past 3 years to engage 60 global banks to adopt the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)** and to engage their own high-carbon sector clients on TCFD. We are engaging companies such as **Costco, Qualcomm, Kansas City Southern** and **Gilead Sciences** to establish science-based targets to reduce their own GHG emissions or adopt targets for energy efficiency and renewable energy. We have committed to further this work by engaging some of our highest carbon footprint portfolio companies including **Air Liquide, Origin Energy, Statoil** and **Veolia Environnement** in 2018.

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