

# Active Investor Impact Update

Second Quarter, 2020



## INSIDE THE ISSUE

**At Boston Common, the mission and the language of racial justice has been embedded in our identity since our inception. We remain steadfast in our commitment to this work and continue to seek ways to amplify our impact.**

This quarter, we celebrated both Earth Day and Juneteenth. These holidays are symbolic of the inextricable links between racism and environmental degradation - the most destructive systemic risks that we face and seek to combat as active investors and citizens. The foundations of our society are rooted in these systems of inequity. We must DISRUPT these systems. Addressing climate change and dismantling social inequity go hand in hand. This quarter's issue of the Active Investor Impact Update explores the ways we are taking action.

## HONORING JUNETEENTH:

### BOSTON COMMON'S UNWAVERING COMMITMENT TO ANTIRACISM

By Geeta Aiyer

As we observe Juneteenth, we heed James Baldwin's call. We face the uncomfortable truths of institutional racism and the unacceptable complicity of our financial system.

The killing of George Floyd, among the most recent names infamously added to a tragically long list, has caused us all to reckon with our own failure to do enough to fight racism, police brutality, and systemic injustice. It would be easy to limit our efforts to the reform and redesign of policing and criminal justice, but unjust, unequal outcomes are embedded in the economic and social fabric of our existence. Their very ubiquity normalizes them.



**“ Not everything that is faced can be changed, but nothing can be changed until it is faced ”**

**-James Baldwin**

Mindful that enslavement was first and foremost an economic enterprise, and that inequity, discrimination and racial injustice still reside in our corporate and financial systems, we see a clear role for engaged investors. We must use our power to disrupt this inertia, leveraging our reach, our capital, our voice, to enable better solutions. At Boston Common, we have sought to do this from our inception.

Persuading corporations to make changes in pursuit of social justice has been a cornerstone of our approach. Active antiracism has been central to our mission and our identity. We considered ourselves a diverse group of tenacious, justice-seeking investors and impactful change-makers. Yet, it is clear, at every level of our endeavor, we are called upon to do more.

**As individuals, as a company, as investors, as engaged shareholders, as citizens, and as movement builders, we rededicate ourselves to rebuild our shared future to be one of fairness, inclusion, and collective wellbeing. We will be bold and imaginative as we fight for our interconnected future. Today, we resolve to do our part to hasten the fulfilment of Juneteenth's promise of freedom and justice.**

[Click here to read more](#)

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## BOSTON COMMON: FIGHTING RACISM PAST & PRESENT FOR A MORE EQUITABLE FUTURE

✔ Since 2003, we have voted against corporate boards without at least one person of color in the US. We will escalate this effort, filing shareholder proposals if we don't see progress. We will progressively increase this threshold as we have done with gender diversity, where we require at least 30% female representation on boards in the US and Europe.

✔ We joined 128 other investors in a [public solidarity statement](#) and [call to action for investors](#) to dismantle systemic racism and recognize our responsibility to act.

✔ **Raising the ambition and urgency of our Workplace Equality initiative**, we are targeting meaningful change, beyond strong Diversity, Equity and Inclusion policies. We are requiring measurable results on hiring and promotion, particularly into leadership teams, implementing long-standing efforts to seek living wages, equitable access to health care, and robust environmental protections, especially for low-income and communities of color.

✔ We will actively seek **collaboration with civil rights and racial justice organizations** in our engagements, leveraging their deep understanding of the barriers and solutions to systemic racism.

✔ For many years, we have challenged racist corporate product and service offerings. Racial bias in lending, credit scoring, predatory lending, participation in the prison-industrial complex, and exploitative operations offering precarious jobs in dangerous conditions - these are foundations for lasting racial disparities in wealth and income. **We have testified and written against private prisons and worked to end support for ALEC** – authors of Stand Your Ground legislation infamously used to exonerate George Zimmerman in the murder of Trayvon Martin.

✔ We are challenging our own perspectives, deepening our empathetic understanding of Black experience. **We commit to bringing this awareness into every aspect of our firm.**

## EARTH DAY IN THE TIME OF COVID-19: INVESTOR ENGAGEMENT FOCUS & IMPACT

By Lauren Compere

Reflecting on the 50th anniversary of Earth Day this past April, our focus has been both local and global: the health and safety of our community, the health of our planet, and a just and equitable society for all. We are evaluating our role as active investors as we look to assess and address the effects of COVID-19. We must continue our vital work in addressing ongoing systemic injustices, including the climate crisis and racism. In this sense, our engagement priorities have not changed, but the lens through which we evaluate and act will.

We have been active on a number of fronts, notably:

- Direct dialogue with companies
- Working with partners / investor networks
- Evaluating and augmenting our responsible business practices
- Planning and rethinking our future work

This calls for a refresh of priorities as well as investor and private sector action. Issues like responsible corporate tax practices take on greater urgency as we see necessary investment in healthcare infrastructure and other social safety nets ahead of the next crisis.

We are not deprioritizing systemic risks such as climate change. Rather, we are adjusting the way we evaluate our asks and actions. Much will change as a result of COVID-19. We must ensure that we memorialize the lessons learned, empowering companies to manage for the long term with a focus on a just recovery and a commitment to take action in the fight against racial equity and climate change.

[Read more here](#)



### Future Focus

The COVID-19 crisis highlights structural inequities blanketing a wide range of issues: how work is valued, defining a living wage, public health risks posed by industrial agriculture and food insecurity, and unequal healthcare access and outcomes in low income and communities of color.

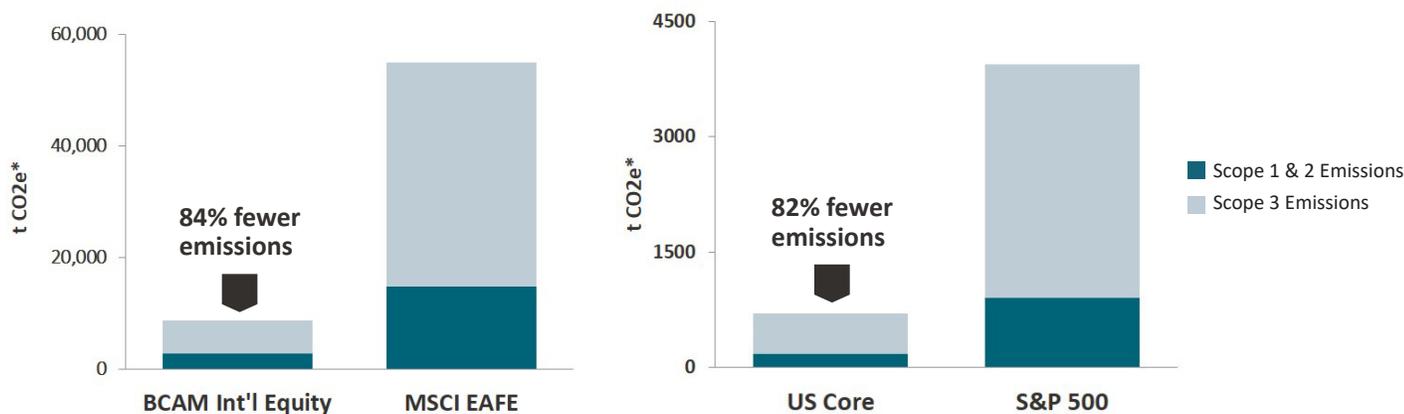
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## OUR PORTFOLIO CARBON FOOTPRINT

Boston Common is the first asset manager in North America to join the Platform for Carbon Accounting Financials. PCAF is a global, industry-led initiative to harmonize the way financial institutions measure and disclose the GHG emissions of their investments. Boston Common has been measuring and reporting our portfolios' carbon footprint since 2015. The latest report shows that our strategies are aligned with a 2-degree scenario analysis through 2050.

### Emissions Exposure (tCO2e\*)



**Scope 1**  
Direct Emissions from sources owned or controlled by the company.



**Scope 2**  
Indirect emissions resulting from energy consumed or purchased by the company.



**Scope 3**  
Indirect emissions resulting from company activities from sources not owned or controlled.

## INVESTORS MUST STEP UP TO IMPROVE CLIMATE LOBBYING PRACTICES

In the five years since the Paris Agreement, we've seen businesses make ambitious commitments on reaching low-carbon targets. Actions, however, speak louder than words, and one of the greatest obstacles to the Paris goals is continued corporate support for lobbying practices undermining the low-carbon transition. Appropriately, shareholder resolutions against lobbying are a focal point of the 2020 proxy season.

Boston Common is one of many investors taking action on destructive corporate lobbying. Expectations on responsible lobbying practices have moved beyond governance to include overall business strategy, and more tools are available to investors, such as the PRI's ["Converging on Climate Lobbying: Aligning Corporate Practice with Investor Expectations,"](#) and Transparency International's [Responsible Lobbying Guide](#).

For more than a decade, we have been integrating political activities in our engagement framework, tracking political contributions and lobbying activities as well as public policy engagement. Last year, lobbying disclosure and public policy engagement was a central theme across our core engagements:

### Food & Beverage Sector:

We asked 11 food and beverage companies to limit nutrition issue lobbying to supporting public health, and for disclosure of all memberships, nutrition lobbying activities, and financial support of lobbyists.

### Banking Sector:

We called on banks to integrate public policy positions on climate into their climate strategy. Lobbying practices and public policy engagement are core metrics in our five-year banks and climate change engagement.

In 2019, we negotiated lobbying disclosure agreements with American Water Works, Oracle, and Verizon. Momentum is building and investors are on the frontline rechanneling corporate influence. And this trend is essential - [InfluenceMap](#) indicates heavy lobbyist activity in the chaos caused by COVID-19, lobbying for climate deregulation, delays to climate policy, and for government intervention, specifically for fossil fuel production. We are in an era of joint responsibility, and investors must prioritize engaging companies on responsible political and lobbying practices.

\*ISS Climate Impact Assessment defines portfolio the carbon footprint using the position ownership ratio, which is the aggregated weight per position in the portfolio calculated by aggregated position value divided by the total analysis value. The resulting aggregated position value is then divided by the Market Cap or AEV (Adjusted Enterprise Value, defined as "total debt plus market capitalization"). Data Source: ISS. All data as of reporting date: March 31, 2020. ISS is an independent company owned by entities affiliated with Genstar Capital ("Genstar").

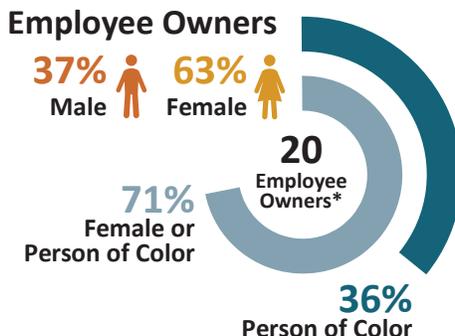
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## WALKING OUR TALK

As a firm, we are committed to walking our talk. We look for innovative ways to incorporate sustainable practices in our own company culture, holding ourselves to the same standards we demand of our portfolio companies.

### DIVERSITY SNAPSHOT



### COMPANY MILESTONES



Finalist for the 2020 Investnet and Investment Advisor Magazine "Asset Manager and Strategist of the Year Awards"

## SHAREOWNER ENGAGEMENT HIGHLIGHTS

### PROXY SEASON HIGHLIGHTS

- We jumped into action this quarter with sector-specific asks to address both immediate and long term COVID impacts on business models, including with pharmaceuticals, food and beverage companies, retailers, personal care products, and apparel. We have had robust responses or dialogue with Novartis, GlaxoSmithKline, Mondelez, PepsiCo, Unilever, Kroger, Target, PVH, Essity and Colgate-Palmolive.
- Google AGM, June 2020:** Boston Common co-filed a shareholder resolution encouraging the establishment of a board level human rights risk oversight committee to mitigate the evolving risks that Google's technology poses to the company, consumers, shareholders, and society at large.
- ConocoPhillips AGM, May 2020:** We supported the advancement and ambition of the company's climate goals. We commend the steps ConocoPhillips has taken to protect its employees and other stakeholders during the COVID-19 pandemic.
- Boston Common was a part of the investor group, which holds more than 1.9 trillion in assets, that [called on drug makers](#) to set aside rivalries and short-term interests and **cooperate on finding solutions to the coronavirus**. As part of this effort we are leading engagements with Novartis and GlaxoSmithKline.

### PORTFOLIO COMPANY PROGRESS



We applaud the following companies for their commitment to pay their suppliers in full for existing orders and those in process, despite the unprecedented challenges the global apparel companies face due to COVID-19: **adidas, H&M, Inditex, Marks & Spencer, Nike, PVH, Target (USA), UNIQLO, and VF Corporation.**



\*Represents the number of Class A Employee owners only. Employee owners represent 80% ownership of the firm; Class B shares are held by one private outside entity and represent 20% ownership of the firm, as of 6/30/2020

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