

Active Investor Social Update

Third Quarter, 2015

QUARTERLY HIGHLIGHT: ROAD TO PARIS

Global policymakers will focus their attention on the long-term health and sustainability of people, the planet, and prosperity in December at the UN Paris COP 21 climate change conference. The UN Division for Sustainable Development is working in tandem to advance Sustainable Development Goals (SDGs), targeting an end to issues including poverty, hunger, and gender inequality by 2030. On the “Road to Paris,” Boston Common is collaborating with other active investors as well as governments, NGOs, and companies to support a strong climate agreement and robust implementation of the SDGs. Our work this quarter continues to reflect our commitment to people, the planet, and prosperity. We signed the Women’s Empowerment Principles (WEP), a partnership of UN Women and the UN Global Compact. And we share the results of our Banks & Climate Change initiative, through which we are urging the financial sector to drive innovation that will mitigate the effects of climate change and reduce the associated risks.



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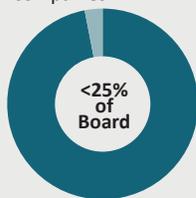
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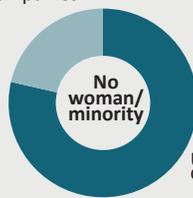
Proxy Season Results: Issue Focus on Board Diversity

Australia, Canada & U.K.,
4 companies

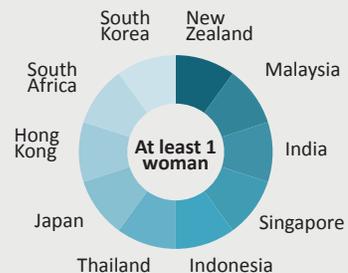


U.S., 128
companies

Australia, Canada & U.K.,
15 companies



U.S., 55
companies



X ▶ **Our Portfolios:** We identified all portfolio companies across our various strategies in Australia, Canada, Ireland, the U.K. and the U.S. with less than 25% representation of women on the board and **voted against** the nomination of directors where the board did not have a minimum of 25% women.

X ▶ **Our Portfolios:** We **voted against** the nomination of directors at companies based in the identified countries without representation of at least one female *and* one racial minority on the board after the election.

X ▶ **Our Policies:** We updated our proxy voting guidelines to address gender diversity in select Asian markets. We **will vote against** all director nominees unless the board would have at least one female director after the election.

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Engagement Updates

THE ROAD TO PARIS

Boston Common is engaging with companies across all sectors on what we call “Eco-Resource Efficiency” to address global climate change, while improving corporate bottom lines. We believe that companies can save money, address climate change and supply chain risks, and achieve corporate sustainability goals through more efficient use of energy, water, and other natural resources. According to a 2013 climate change scenario by the International Energy Agency, “targeted energy efficiency measures in buildings, industry, and transport account for nearly half the emissions reduction in 2020,” and the cost for companies to implement these efficiency measures can be more than offset by reduced spending on fuel bills and other expenses.¹ In addition to energy efficiency, we are engaging portfolio companies regarding high exposure to carbon risks and lack of disclosure on carbon and water management. Boston Common’s Eco-Resource Efficiency theme expands our engagement work over the years—in alliance with other investors—encouraging companies to adopt greenhouse gas (GHG) emissions reduction targets and to report to CDP on their climate impact and water use and management.

Climate Change

Representatives of countries from around the world will meet in Paris in December to negotiate a global climate treaty. In the summer, CDP and the We Mean Business Coalition launched their “Road to Paris” initiative, which encourages companies to commit publicly to one of nine actions to address global climate change, such as adopting science-based GHG emissions reduction targets, sourcing 100% of electricity from renewable sources, or publicly reporting GHG emissions. We are lead investors with the Interfaith Center for Corporate Responsibility (ICCR) for **Apache**, **EOG**, **Veolia**, and **Qualcomm**. As of the end of September, 185 companies have committed publicly to one or more actions.

As we draw closer to the December meetings, there are encouraging signs of progress within the banking sector, such as the Portfolio Carbon Initiative (formerly the Financed Emissions Initiative), which is a project of the UN Environment Programme and the World Resources Institute. The Portfolio Carbon Initiative is set to release a comparative analysis of climate performance metrics for the sector. In July, thirteen of the largest U.S. companies signed the White House American Business Act on Climate pledge, which voices public support for a strong outcome in the Paris climate negotiations and puts substantial investments into new low-carbon investments with \$140 billion pledged to date.

Banks & Climate Change: Impact Report

Climate change is rapidly altering the way companies and investors consider risk. Boston Common focuses not only on the most direct carbon emitters but also on industries that will ultimately be affected by climate change. Our Impact Report “Banks & Climate Change,” to be released in October, highlights our year-long research project and collaborative engagement with 61 global banks—including the largest underwriters of carbon-intensive industries—to assess their underdeveloped potential to support the transition to a low-carbon future. The project was supported by 80 institutional investors with almost \$500 billion in assets. The coalition aims to advance the dialogue with banks regarding the gaps in real information about climate-related risk and communicate practical solutions.

This work builds on Boston Common’s 2014 report, “[Financing Climate Change: Carbon Risk in the Banking Sector](#),” which concluded that many banks had not incorporated climate-specific considerations into their risk management practices, nor had they developed long-term climate strategies.

Our forthcoming Impact Report summarizes our research findings and engagement results, shares regional perspectives and leading company practices, and suggests areas for further investor engagement. We explore the current capabilities of banks to assess, integrate, and disclose the climate risks of their financing activities, because we believe banks have underappreciated and underpriced these risks. Banks also have the potential to launch innovative leasing and lending products to increase energy efficiency and develop renewable energy, helping to mitigate climate change.

Overall Bank Performance



¹ <https://www.iea.org/newsroomandevents/pressreleases/2013/june/four-energy-policies-can-keep-the-2c-climate-goal-alive.html>

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Engagement Updates

Energy

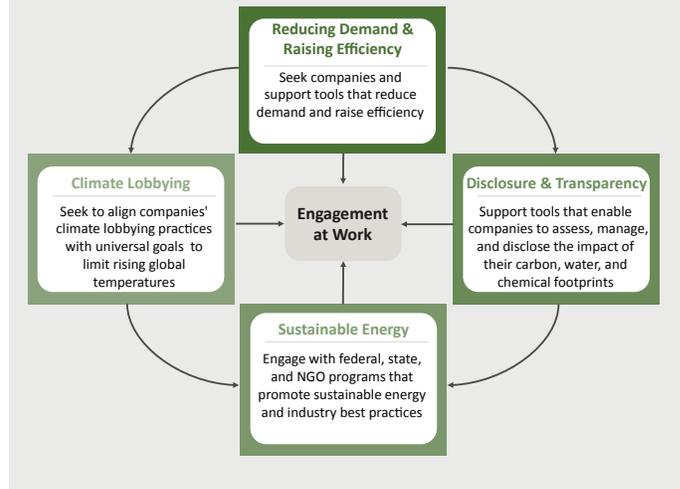
Since 2010, Boston Common has convened over a dozen investor meetings with **Apache Corp.** and other companies on ESG topics of high concern to investors, such as hydraulic fracturing operations, chemicals, water use and management, air emissions and controls, regional impacts, and reporting and transparency. This quarter, Boston Common's Steven Heim met for the first time with Apache's new CEO John Christmann, IV, continuing the six-year practice of direct dialogue he established with Apache's former CEO, Steve Farris. Boston Common also organized and chaired the 11th annual shareowner group meeting in New York City with Apache's CEO to discuss ESG issues, such as hydraulic fracturing operations, water, methane emissions, climate change policy, and human rights and trafficking. We are pleased that Apache's new CEO will continue to meet with our investor group annually and views the meetings as an effective way to continue dialogue on ESG issues with some of the company's most active shareholders.

We also organized an investor briefing with Apache in July in New York on community impacts and engagement on U.S. hydraulic fracturing operations, which included approximately 40 investors, major Wall Street firms, public pension funds, faith based investors, NGO staff, and representatives from **BHP Billiton** and **Hess Corporation**.

In August, Steven Heim was the featured speaker at the bimonthly Corporate Social Responsibility (CSR) Roundtable coordinated by **Spectra Energy**, which brought together over 20 CSR staff from Houston-area oil & gas and chemicals companies to learn from his experience evaluating ESG issues affecting the energy industry. The meeting included discussions on a range of topics including: materiality, ESG reporting, and rating schemes; Boston Common's ESG research and engagement process; fossil fuel divestment; GHG and methane emissions reductions; the "Road to Paris" climate treaty; and the UN Guiding Principles for Human Rights and Business.

We discussed a broad range of topics with Spectra Energy, including natural gas pipeline maintenance safety, methane emissions, and the ONE Future industry coalition, that aims to reduce total system methane emissions from the natural gas wellhead to the burner tip to below 1%. We encouraged Spectra to join the coalition, of which Apache is a founding member. We praised Spectra's positive relations with First Nations in Canada and encouraged Spectra to support the CDP Road to Paris initiative.

Supporting the Transition to a Low-Carbon Economy



HUMAN RIGHTS

Women's Empowerment Principles

This quarter, Boston Common signed the Women's Empowerment Principles (WEP), a partnership of UN Women and the UN Global Compact. The WEP encourages engagement with business, civil society, the United Nations, and governments to advance and empower women in the workplace, marketplace, and community. A recent McKinsey & Company study estimates that in a comprehensive scenario in which both genders "play identical roles in the labor markets, roughly \$28 trillion, or 26%, could be added to global annual GDP in 2025."²

As a women- and minority-owned business, Boston Common's vision of diversity, equity, and inclusion in the workplace aligns with the WEP and reflects what we seek in our portfolio companies. We look for gender equality in our ESG integration process in the representation of women on companies' boards and in senior management. We seek forward-thinking, inclusive management teams that support equal opportunities and act to encourage diversity. And we encourage portfolio companies to address the gaps in diversity within the workplace, as well as at the board level. In 2016, Boston Common will encourage companies to consider signing the WEP to demonstrate their commitment to gender equality to employees, customers, suppliers, and shareholders.

²http://www.mckinsey.com/insights/growth/how_advancing_womens_equality_can_add_12_trillion_to_global_growth?cid=mckwomen-eml-alt-mgi-mck-oth-1509

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Taking Stock: Reflecting on the Quarter

As long-term investors, we know the power of patient and persistent pressure on companies to effect significant change over time. We chart our “work in progress” alongside significant milestones that have resulted from Boston Common’s long-term engagement of companies and collaborations. For more information, please see notes in brackets, which link to previous Active Investor Social Updates and Thought Pieces where we have detailed our work on specific long-term initiatives. A complete archive can be found on our website in the News & Resources section.

	Milestones	Work in Progress
<i>Environmental Risk Management</i>	EOG Resources implemented pre-drilling water testing for all U.S. operations. [Active Investor: 4Q 2013; “Building Accountability in the Energy Sector”]	Encouraged companies to use the Chemical Footprint Project assessment and disclosure framework (Disney, Johnson & Johnson, Mohawk Industries, Unilever). [Active Investor: 2Q 2015]
<i>Climate Change</i>	Engaged 45 global banks on their abilities to assess and disclose the climate risks of their financing activities; We found a huge divide between current practices and the sector’s potential, detailed in our forthcoming Impact Report. [Active Investor: 3Q 2014; “Financing Climate Change”]	Encourage banks to adopt a comprehensive climate change strategy with board-level oversight and clear links to compensation. [Active Investor: 3Q 2014; 1Q 2015]
	Joined 60 investors with \$3.8 trillion in AUM in signing the investor expectations on climate corporate lobbying statement.	Engage oil and gas companies (Apache, Cimarex, ConocoPhillips, EOG, and Statoil) as a lead investor for ICCR engagement on proposed methane regulations in the U.S. [Active Investor 4Q 2013; “Building Accountability in the Energy Sector”]
<i>Human Rights</i>	Signed the Women Empowerment Principles to advance and empower women in the workplace, marketplace, and community; adopted board-level gender diversity proxy voting guidelines for key Asian markets.	Contributed to August 2015 issue of Green Money Journal with Steven Heim’s interview of United Nations Special Rapporteur on the Rights of Indigenous Peoples, Vicky Tauli-Corpuz, supporting our work to advance the human rights of Indigenous Peoples. ³
	Unilever became the first company to report on human rights issues using the new UN Guiding Principles Reporting Framework as a result of our collaborative engagement work. [Active Investor: 2Q 2015]	Organized Investor “Teach-In” on how to use the UN Guiding Principles Reporting Framework in company dialogues. [Active Investor: 2Q 2015]
<i>Governance & Transparency</i>	Expressed strong disapproval of the recent decision by the DC Circuit U.S. Court of Appeals on the conflict minerals provision of the 2010 Dodd-Frank Act. The decision grants companies the right to conceal important information about mineral sourcing, which opens the door to legal challenges to other types of corporate disclosures that are important to investors.	Engage oil and gas companies to encourage improved disclosure on hydraulic fracturing practices for 2015’s “Disclosing the Facts” scorecard. [Active Investor: 4Q 2014, “Disclosing the Facts” Report]
		Set dialogue agenda with PNC Financial for 2016 to focus on its sustainability reporting and implementation of existing commitments. [Active Investor: 1Q 2015; “Financing Climate Change”]

³<http://www.greenmoneyjournal.com/august-2015/>

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